ENGINEERING THE FUTURE

2008 Annual Report

MAN AG

At a glance

€ million	2008	2007	Change in %
Order intake	14,033	17,818	–21
Germany	3,306	4,549	–27
Abroad	10,727	13,269	–19
Revenue	14,945	14,063	6
Germany	3,704	4,073	–9
Abroad	11,241	9,990	13
Order backlog [1]	10,416	12,335	–16
Headcount [1]	51,321	50,399	2
of which: temporary employees	2,197	3,519	–38
Germany	28,753	28,963	–1
Abroad	22,568	21,436	5

			Change in € mill.
Operating profit	1,729	1,551	178
Earnings before taxes (EBT)	1,643	1,679	–36
Net income	1,247	1,225	22
Earnings per share from continuing operations in €	7.76	7.27	0.49
Dividend per share in € [2]	2.00	3.15	–1.15
ROS (%)	11.6	11.0	–
ROCE (%)	40.2	31.9	–
MAN value added (MVA)	1,377	1,148	229
Capital expenditures	873	718	155
Depreciation, amortization, and impairment of noncurrent assets	324	397	–73
R&D expenditures	493	433	60
Cash earnings	1,619	1,661	–42
Net cash provided by / (used in) operating activities	137	2,109	–1,972
Net cash used in investing activities	–707	–426	–281
Free cash flow	–570	1,683	–2,253
Cash and cash equivalents [1]	105	1,266	–1,161
Net financial debt [1]	–1,631	–447	–1,184
Total equity [1]	5,396	5,177	219

[1] As of December 31, 2008, compared with December 31, 2007
[2] 2008: proposed dividend

The MAN Group

MAN Nutzfahrzeuge

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

– Trucks from 7.5 to 44 t for all uses
– Buses for scheduled services through to luxury travel
– End-to-end vehicle services
– Vehicle, marine, and industrial engines

MAN Nutzfahrzeuge		
€ million	2008	2007
Order intake	9,130	12,684
Revenue	10,610	10,410
Operating profit	1,062	1,039
Headcount (at Dec. 31) [1]	36,251	36,591
ROS (%)	10.0	10.0

[1] including temporary employees

MAN Diesel

is the global market leader in two-stroke marine engines and a world-leading provider of four-stroke diesel engines.

– Two-stroke diesel engines for marine and power plant applications
– Four-stroke diesel engines for marine propulsion systems, onboard power generation, and power plants
– Turnkey power stations
– Combustion ignition and spark-ignited engines
– Exhaust-gas turbochargers and propulsion systems
– MAN Diesel PrimeServ: worldwide after-sales services

MAN Diesel		
€ million	2008	2007
Order intake	3,089	3,371
Revenue	2,542	2,179
Operating profit	390	313
Headcount (at Dec. 31) [1]	7,986	7,383
ROS (%)	15.4	14.4

[1] including temporary employees

MAN Turbo

is a global leader in manufacturing thermal turbomachines with production plants in Germany, Switzerland, Italy, and China.

– Comprehensive product range of compressors, turbines, and chemical reactors
– Engineering, manufacture, installation, and servicing of complete machine lines and complexes for the oil and gas sector, primary materials and processing industry, and for power generation
– Testing centers for individual machines and complete machine units weighing up to 1,000 t

MAN Turbo		
€ million	2008	2007
Order intake	1,426	1,454
Revenue	1,328	1,108
Operating profit	148	104
Headcount (at Dec. 31) [1]	4,493	4,011
ROS (%)	11.1	9.4

[1] including temporary employees

RENK

is a globally recognized manufacturer of high-quality special gear systems, propulsion components, and testing systems and has production facilities in Germany, Switzerland, France, and the United States.

– Global market leader in vehicle transmissions for medium and heavy tracked vehicles
– Special gear systems for specialist marine and stationary applications
– Standard gear systems, primarily for merchant shipping and industrial applications
– Slide bearings and industrial couplings
– Turnkey testing systems for the automotive, rail, and aviation industries

RENK		
€ million	2008	2007
Order intake	443	439
Revenue	527	430
Operating profit	80	68
Headcount (at Dec. 31) [1]	2,041	1,854
ROS (%)	15.1	15.7

[1] including temporary employees

The MAN Group

The MAN Group is one of Europe's leading industrial players in Transport-Related Engineering, with revenue of approximately €15 billion in 2008. As a supplier of trucks, buses, diesel engines, turbo machinery, and special gear systems, MAN employs approximately 51,300 people worldwide. Its business areas hold leading positions in their respective markets. MAN AG, Munich, is listed in the DAX (German Stock Index), which comprises Germany's thirty leading stock corporations.

2008: ANOTHER YEAR OF STRONG PERFORMANCE FOR MAN

PERFORMANCE

Our revenue (+6%) and operating profit (+11%) recorded further growth in a difficult economic environment. Once again, we significantly exceeded our target return with an ROS of 11.6%. Order intake declined by 21%. Commercial Vehicles was especially affected in H2.

FOCUSING

The focusing process is complete now that a partner has been found for MAN Ferrostaal.

INTERNATIONALIZATION

Acquisition of Volkswagen's heavy commercial vehicles business in Brazil; new turbo machinery plant in China.

OUTLOOK

MAN will continue to systematically pursue its long-term growth path despite the challenging economic climate.

MAN on Tour

Over 30 historic trucks, buses, and tractors rolled through Bavaria in June 2008. The “MAN on Tour” anniversary road trip of classic vehicles thrilled onlookers in Munich, Augsburg, and Nuremberg. MAN’s fully roadworthy steam tractor from 1918 was also out for the ride.

CONTENTS

365 DAYS SERVING OUR CUSTOMERS

The MAN Group focuses on the needs and wishes of its **customers** – before and after they buy its products: MAN deploys a range of **services** to support its clientele – not only for trucks and buses, but also for turbo machinery and marine diesel engines.

The recipe for the success of the **after-sales service** is to offer customers the right service, at the right place, and at the right time. MAN guarantees the quality of this service through a dense-network infrastructure and the outstanding technical expertise of its staff – **around the globe**.

MAN TURBO
Monitoring the status of an offshore oil platform in Brazilian waters
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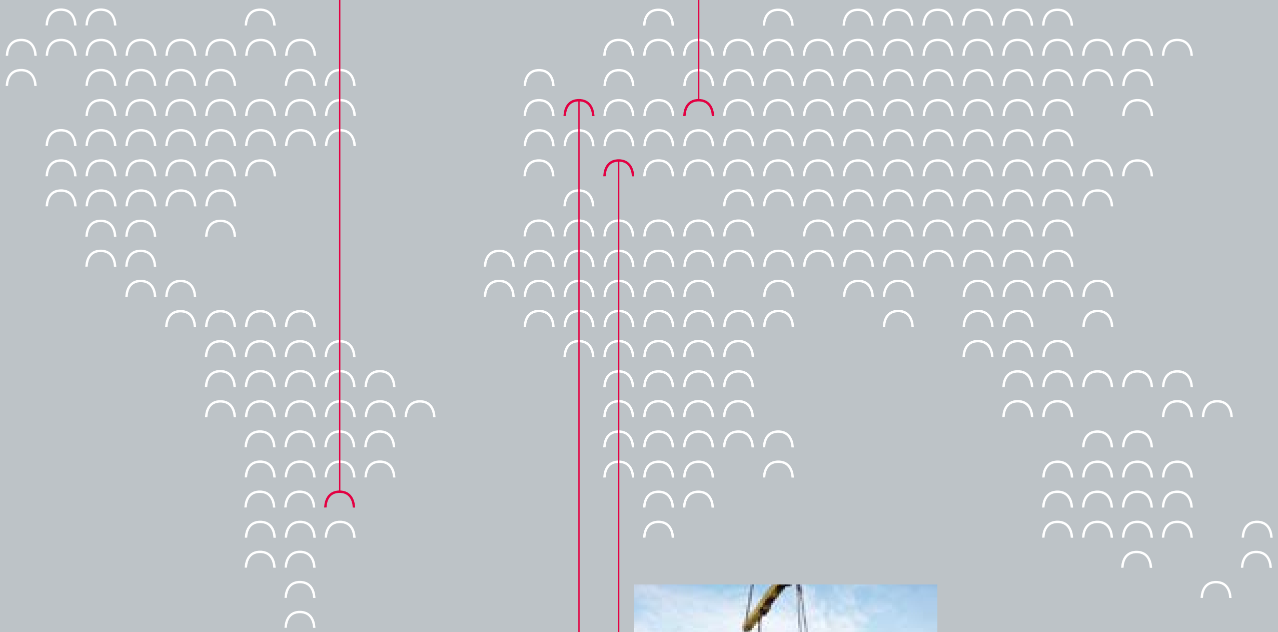
MAN NUTZFAHRZEUGE
Servicing trucks and buses in Podolsk, Russia
Pages 6/7



MAN DIESEL
Replacing an entire marine crankshaft in Ravenna, Italy
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RENK
Testing wind turbine converter gear units in Bremerhaven, Germany
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MAN Service

MAN NUTZFAHRZEUGE

High-tech maintenance at the gates of Moscow

At the Podolsk service center, Russian MAN experts service and repair more than 30 trucks and buses every day, seven days a week. The Bluetooth technology installed in the trucks tells the computer what the service teams need to do.

MAN DIESEL

Tailored service in Ravenna

Installing a new crankshaft for the inline engine of a ferry demands precision craftsmanship from the mobile MAN service teams. Working in Italy, they installed the 10.5-meter-long, 22-ton component to within millimeter tolerances.


PP-MTM
BHS
HELICOPTEROS

MAN TURBO

A flying shift change for MAN’s experts

The Plataforma de Pampo operated by Petrobras, a public/private joint-venture, is located in the Campos Basin off the Brazilian coast, 115 kilometers distant from the Macaé coastal base. MAN Turbo service specialists wait for the helicopter bringing the new shift to lift them off the platform.

RENK

Innovative gear units for more wind energy

Multi-megawatt wind turbine systems are tested at Bremerhaven on the German Coast before being installed in offshore wind farms. Augsburg-based RENK supplies high-performance converter gear units so wind turbines can generate a peak of five megawatts.

The MAN family celebrates

MAN could not have achieved the successes it has had in its 250-year history without its workforce. In acknowledgement of this, MAN employees worldwide and their families were invited to celebrate the Company's anniversary in 2008, for example here at the historic facility in Augsburg.

STRATEGY

SUSTAINABLE PERFORMANCE

The MAN Group's target Return on Sales: 8.5% on average across an economic cycle.

FOCUSED STRUCTURE

The **MAN Group** is concentrating on the areas of transportation and energy and will continue to grow internationally in these fields.

- **MAN Nutzfahrzeuge** is reinforcing its international focus.
- **MAN Diesel** is becoming the leader in large-bore diesel engines.
- **MAN Turbo** is aiming for growth with a new organizational structure.
- **RENK** is intensifying its efforts to be the global market leader in special gear units.

INDUSTRIAL GOVERNANCE

Efficient strategic and operational management systems.
These involve further integrating central functions and a state-of-the-art management culture.

SUSTAINABILITY

A focus on developing products with a lower environmental impact and on continuing professional development for our employees.

USING GLOBAL OPPORTUNITIES

Focus on high-growth manufacturing business areas and sustainability are fixed elements of the corporate strategy.

2008 was another successful year for the MAN Group, albeit also an uneven one. After a strong start in the first half of the year, MAN began to feel the effects of the global financial crisis and the economic slowdown in the second half, particularly in the Commercial Vehicles business area. MAN ensured the required flexibility early on with instruments such as flextime accounts or temporary work so that the Group could achieve its target return over an economic cycle. Additional adjustments were initiated at the end of the year. The MAN Group's medium- and long-term strategic objectives are still in place. The Company will continue to expand internationally, taking care to balance growth and profitability. Conditions in the MAN Group are ideal for this. The areas of transportation and energy are pivotal for rapidly growing economies such as Brazil, Russia, India, and China.

Focusing process completed

The sale of its majority interest in MAN Ferrostaal to the International Petroleum Investment Company (IPIC) completed the focusing process the MAN Group had begun in 2005. MAN is now concentrating on high-growth manufacturing business areas: On the one hand its commercial vehicles business and, on the other, turbo machinery, diesel engines, and gear systems, which represent a stabilizing element. The Group concentrates on market segments that provide sustainable opportunities for growth worldwide in the areas of transportation and energy, one milestone being the acquisition of Brazil-based VW Truck & Bus. This new business area, with its strong market position in Brazil, gives MAN access to the important Latin American market, while also delivering considerable potential for leveraging synergies in production.

Cross-functional expansion of After Sales

The Commercial Vehicles business area's goal is continued international growth and increased profitability. The TGX and TGS, the premium products introduced in 2007 in the heavy commercial vehicles segment, are helping to achieve this goal. MAN plans to widen its lead in the strategic Russian growth market and also to modernize and expand its global sales and service network.

The Diesel Engines business area is now concentrating on expanding the After Sales and Power Plant divisions. The large number of MAN engines installed worldwide provides an excellent basis for further growth in customer service. Diesel wins over customers in this area with superior service products, which enable it to generate higher revenues that have a stabilizing effect on total revenue and earnings across the economic cycle. In the future, Diesel will continue to grow in the Power Plant division as well.

Turbo Machinery successfully completed its reorganization and is now structured into two powerful divisions with end-to-end earnings responsibility. This will enable the business area to improve its market orientation. The rise in energy requirements around the world is opening up strategically important growth markets for Turbo. Renewable energies are another major growth driver. For example, solar thermal and biomass power plants, which are currently at the planning stage worldwide, use steam turbines to generate electricity.

Ensuring sustainability

Ensuring sustainability is becoming an increasingly standard element of MAN's corporate strategy. In the case of new products, high efficiency levels and efficient use of natural resources are given top priority. Improvements to the installed base of long-lived MAN products, such as retrofitting large-bore diesel engines or gas turbines to reduce fuel consumption and emissions, are equally important. Sustainability is also playing an increasingly important role in the manufacture of MAN's products. Truck engine quality assurance, for example, is implemented by means of an innovative process in which no fuel is used, saving around 400,000 liters of diesel fuel per year.

Top left: The acquisition of Brazil-based VW Truck & Bus gives the MAN Group access to the important Latin American market.

Top right: Transportation and energy are key issues in MAN's business areas.

Below: Green light for sustainability in action.

Exhibition

MAN highlighted different aspects of its past and present at four exhibitions during 2008. Over the next few years, the special exhibition entitled “From furnace to hybrid drive. MAN – 250 years of industrial history” will also be shown at the Deutsches Museum in Munich (photo). The Rheinisches Industriemuseum (RIM) in Oberhausen focused on MAN’s beginnings – the establishment of the St. Antony iron mill in 1758. The **150th anniversary of the birth of Rudolf Diesel** provided the occasion for a mobile exhibition on the life and work of the ingenious inventor of the diesel engine. Excerpts from MAN’s entire history were shown in the **“Mobile Museum,”** a semi-trailer that was taken to 30 different locations around Europe.

MAN GROUP

2008, the year of MAN’s 250th anniversary, was not just a year in which MAN looked back at its past. The historical ability to adapt to change was also illustrated by the strategic decisions made on the structure of the Company, production, and finance.

MAN GROUP
Executive Board: Håkan Samuelsson (CEO), Prof. Karlheinz Hornung (CFO), Anton Weinmann, Dr. Georg Pachta-Reyhofen, Dr. Matthias Mitscherlich

MAN Nutzfahrzeuge CEO Anton Weinmann	**MAN Diesel** CEO Dr. Georg Pachta-Reyhofen
	MAN Turbo CEO Klaus Stahlmann
Commercial Vehicles Latin America CEO Roberto Cortes	**RENK** Spokesman Florian Hofbauer

Well-balanced corporate structure

The structure of the MAN Group shows the clear focus on Transport-Related Engineering.

(status: January 1, 2009)

Professionally authored history

"MAN: A German Industrial History" published by C.H. Beck is the first professional account of the history of MAN. As **summed up** by the team of historians led by Dr. Johannes Bähr: The history of MAN is marked by technical innovations and the ability to change time and time again.

Anniversary

MAN has been in existence for 250 years. This anniversary was celebrated in 2008 by means of a wide variety of activities. MAN also took a look at historical milestones as the opportunity to analyze its own history and draw conclusions for the future. The Company was particularly keen not only to illustrate the most successful epochs in its own past, but also to shed light on the darker periods.

MAN acquires VW Truck & Bus, Brazil

MAN AG acquired Brazil-based company VW Truck & Bus from Volkswagen AG which will be a new business area, effective January 1, 2009. With its **ultra-modern plant in the city of Resende**, this company is Brazil's largest truck manufacturer. MAN CEO Håkan Samuelsson welcomed Brazilian CEO Roberto Cortes on behalf of all employees of the MAN Group.

New partnership for Ferrostaal

In October 2008, MAN AG sold 70% of its shares of MAN Ferrostaal AG, Essen, to the International Petroleum Investment Company (IPIC), Abu Dhabi, with effect at January 1, 2008. **MAN retains a 30% stake in the company.** The aim is to offer MAN Ferrostaal new and growing markets for technologies of the future. MAN is now concentrating on manufacturing business areas in the field of transport-related engineering.

Further development of Financial Services

In September, MAN launched its own bank in Germany, the German branch of MAN Financial Services SAS. MAN Finance International GmbH has thus substantially extended its range of services and will also be **offering credit finance** for the purchase of MAN commercial vehicles in the future.

New production plant in China

The importance of China as a market for MAN was underlined by the opening of a MAN production plant in November. Basic components for MAN turbo compressors will now be produced in two factory buildings at the site in **Changzhou (Jiangsu Province, China).** MAN Diesel also has plans to manufacture turbochargers for large-bore marine diesel engines here in the future. MAN Nutzfahrzeuge has been successfully marketing its products in China since 1983.

Fast Close speeds up year-end closing

An improvement in processes and in IT systems now enables MAN AG to prepare its **annual financial statements** faster. The so-called Fast Close has resulted in optimized workflows, including cooperation with the line departments. For example, calculation of pension obligations and hedge accounting have both been centralized, and automatic interfaces with upstream systems have been implemented. As a result, **the date of the Auditors' Report for the 2008 fiscal year was January 30, 2009**, 13 days earlier than in 2007.

Annual General Meeting

At the Annual General Meeting in Munich, which was well attended, MAN CEO Håkan Samuelsson informed shareholders that the 2007 fiscal year had been **"the best year in the long history of the MAN Group."** MAN presented its "Mobile Museum" for the first time here.

LETTER TO SHAREHOLDERS

Ladies and Gentlemen,

2008 was a special year for our Company: We celebrated the 250th anniversary of MAN, one of Europe's oldest industrial companies. A total of more than 250,000 people attended various anniversary events such as family days at our plants and several special exhibitions. The anniversary was also the catalyst for us to commission historians to review MAN's history in a well-received book entitled "MAN. The History of a German Industrial Enterprise."

However, we don't want to rest on our laurels. In 2008 we took an important decision for the future by further narrowing the MAN Group's focus on strong manufacturing business areas. Once again, we showed the qualities that have typified MAN throughout its history, such as reliability, flexibility, and a steady stream of innovations, in our anniversary year.

2008 was also a year marked by financial success for the MAN Group, despite the weakness of the economy and the effects of the financial crisis in the second half of the year. MAN's operating profit was the highest in the Company's history at €1.7 billion (+11%). Our return on sales (ROS) rose to 11.6%, which enabled us to significantly outperform our target return. Despite the difficult economic environment, revenue grew by 6% to €14.9 billion. However, the significant downturn in demand for commercial vehicles led to a decline in order intake for the MAN Group by 21% to €14.0 billion.

Earnings per share from continuing operations were €7.76 (+7%); excluding gains and losses from nonrecurring factors, this figure rose by 16% to €8.12. In light of the current situation, we will propose a dividend of €2.00 per share to the Annual General Meeting.

As an industrial company with high value added, low debt, and strong capital resources, we are not directly affected by the financial crisis. Nonetheless, high fuel prices and tougher financing conditions for commercial vehicles have caused considerable uncertainty among our customers and a reduction in orders. While we expected demand to weaken, the downturn proved to be faster and sharper than we had forecast at the beginning of the year. This trend was also apparent in other business areas at the end of the year, such as marine engines.

We delivered more than 100,000 commercial vehicles in 2008 and increased our share of the European market for trucks over six tons to 16.6% — making us Europe's second-biggest brand. The Buses division saw restructuring measures bear fruit: After posting a loss in the previous year, we improved this division's operating profit by €32 million to €19 million.

MAN Diesel performed well, in particular due to the expansion of its power plant business and the service network to counter declining demand for marine engines. MAN Diesel also had a record year in 2008, with revenue growth of 17% and a return on sales that rose to 15.4%. The acquisition from the Commercial Vehicles business area of the smaller diesel engine business for yachts and industrial applications will deliver substantial growth and synergy potential.

Turbo Machinery also maintained its business at the high level achieved in previous years. For the first time ever, this business area saw its return on sales (11.1%) enter double digits. The opening of a new plant in China reinforced our presence in a key growth market and added a site outside of Europe to the global production network.

We have decisively transformed the MAN Group in recent years. The sale of our majority stake in MAN Ferrostaal AG marked the end of the focusing process that we initiated in 2005. In shaping the future of our Company, we reached another milestone with the acquisition of Brazil-based VW Truck & Bus. This company is the largest truck manufacturer in Brazil and the market leader in the heavy truck and bus segment. It delivered around 55,000 vehicles in 2008. By acquiring this company, the MAN Group has entered the Latin American market, one of the world's key growth regions, systematically reinforced its commercial vehicle business, and gained considerable synergy potential.

The MAN Group can therefore concentrate on high-growth manufacturing business areas: On the one hand, the commercial vehicle business, featuring two areas, and on the other, mechanical engineering activities, comprising turbo machinery, diesel engines, and gearboxes, which

represent a stabilizing and balancing element. This structure gives MAN a strong market position. The MAN Group is sufficiently focused to be successful in all its business areas.

The current situation on the financial markets and the economic trend will make 2009 an extremely difficult year for the commercial vehicle business. However, we expect the revenue situation at MAN Diesel, MAN Turbo, and RENK to remain stable and therefore to mitigate the downturn at MAN Nutzfahrzeuge. At the same time, we will continue to consistently implement the measures we have already initiated to adapt our operations.

MAN's growth and the improvements in earnings and returns to new record levels were possible because of the dedication and commitment of our employees, who are facing up to particular challenges in these difficult times. On behalf of the entire Executive Board, I would therefore like to thank all of MAN's employees sincerely for their commitment and performance.

Ladies and gentlemen, it would give me great pleasure if you would continue to accompany us in the future on our path of growth, internationalization, and sustainability. I would like to thank you for your confidence in MAN.

Håkan Samuelsson
Chairman of the Executive Board of the MAN Group

Dr. jur. Matthias Mitscherlich
Industrial Services, age 60

Dr.-Ing. Georg Pachta-Reyhofen
Diesel Engines, age 53

Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Turbo Machinery, age 48

Dipl.-Ökonom Anton Weinmann
Commercial Vehicles, age 53

Dipl.-Ing. Håkan Samuelsson
Chairman and CEO, age 57

Prof. Dr. h. c. Karlheinz Hornung
CFO, age 58

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

In the course of the past fiscal year, the Supervisory Board continued to regularly and carefully discharge its duties under the law and the Articles of Incorporation Bylaws, for example by dealing regularly and in detail with the position and development of the MAN Group, and by regularly advising the Executive Board in its management of the Company. In supervising the Executive Board in its management of the Company, we assured ourselves that it had put in place an efficient and effective compliance and risk management system for the MAN Group.

The Executive Board provided the Supervisory Board with regular, timely, and comprehensive information, in both written and verbal form, on the development of the business, relevant business events, corporate planning, the MAN Group's strategy, and the implementation of strategic plans. The Supervisory Board was involved in an advisory capacity in all matters and decisions of major importance to the MAN Group.
The Supervisory Board was also informed about the Group's risk position and about compliance issues.

Outside the Supervisory Board meetings, I also obtained information on matters related to the development of the business, and in particular strategic projects, during my regular discussions with the Chairman of the Executive Board.

The Supervisory Board held five regular meetings during fiscal year 2008. Average attendance at Supervisory Board meetings was 97%.

The Supervisory Board dealt repeatedly and in detail with the effects of the global financial crisis on the individual business areas and the MAN Group's corporate planning. In doing so, it focused in particular on Commercial Vehicles, which recorded a sharp fall in fourth-quarter order intake as a result of the global crisis.

In the course of the past fiscal year, MAN established the conditions necessary for a sustainable corporate structure. Its now systematic and more global focus on transport-related engineering will enable it to further develop all manufacturing areas as core businesses. One issue of intense discussion on the Supervisory Board was therefore the sale of 70% of the shares of MAN Ferrostaal AG to the International Petroleum Investment Company (IPIC), Abu Dhabi. A second focus of our work was the discussions regarding the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Brazil, from Volkswagen AG. Besides strategic considerations, the discussions on both transactions focused in particular on enterprise valuation issues, and therefore the calculation of the selling price for MAN Ferrostaal AG and the purchase price for Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Brazil.

The Supervisory Board also dealt with various other transactions aimed at honing the focus on the core business and strengthening the manufacturing business areas. One particularly notable example was MAN Turbo AG's acquisition of U.S. service providers Baton Rouge Machine Works in Louisiana and Holley Machinery in Alabama. On the basis of these acquisitions, MAN Turbo AG will be able to significantly expand its service business in North America.
In addition, the Supervisory Board discussed two further measures aimed at focusing MAN Nutzfahrzeuge on its core business. One of these was the sale of the cable harness production unit at the plant in Starachowice, Poland, to Finnish group PKC. PKC is now a supplier of cable harnesses to MAN, and these will continue to be produced at the Starachowice site. The Supervisory Board also dealt with the increase from 30% to 50% in the stake held by MAN Nutzfahrzeuge in the truck joint venture with Force Motors in India.

In December 2008, the Supervisory Board confirmed the existing remuneration system for the Executive Board, including the main contract elements.

Corporate governance at MAN
In December 2008, the Executive and Supervisory Boards issued the annual Declaration of Conformity in accordance with section 161 of the Aktiengesetz (AktG—German Stock Corporation Act). This states that MAN AG complied with the recommendations of the German Corporate Governance Code during the reporting period in accordance with its Declaration of Conformity of December 2007 and will comply with the recommendations of the current version of the Code dated June 6, 2008. This includes the recom-

mendation that members of the Supervisory Board do not exercise directorships or similar positions for important competitors of the Company. VW is not an important competitor of MAN. In the interests of openness and transparency, the Declaration of Conformity also includes information on the positions of Supervisory Board members Mr. Stephan Schaller and Mr. Rupert Stadler, and on my own position at the VW Group.
The Executive and Supervisory Boards' joint Declaration of Conformity is published on the MAN Group's website at www.man.eu.

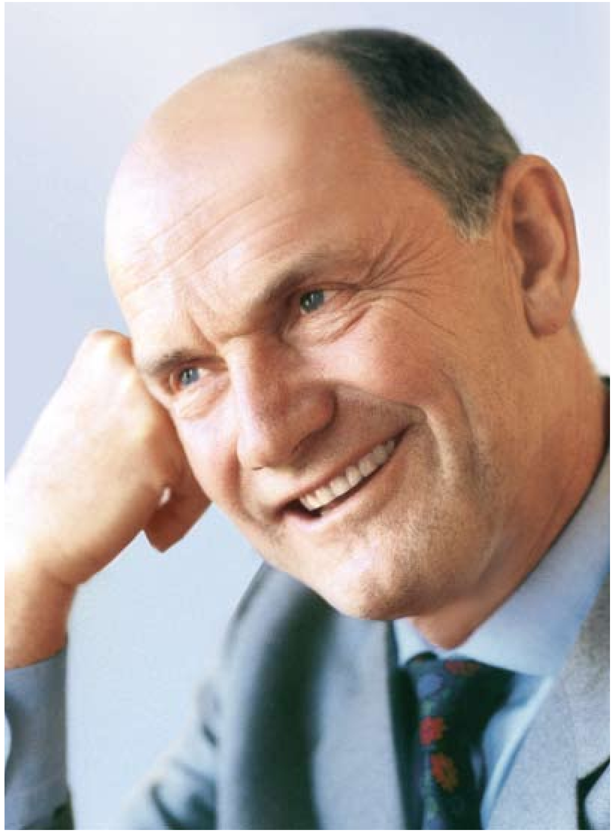
Following the 2007 Annual General Meeting, the German shareholder lobby group SdK Schutzgemeinschaft der Kapitalanleger e.V. filed a lawsuit against MAN Aktiengesellschaft, contesting the Annual General Meeting's resolutions regarding the election of Mr. Stephan Schaller and myself to the Supervisory Board on the grounds that the Corporate Governance Code had been violated. After the Munich Regional Court, the court of first instance, rejected the lawsuit, SdK filed an appeal. The appeal court confirmed the ruling by the court of first instance and dismissed the appeal in its entirety.

We carried out an efficiency audit of the Supervisory Board's work in fiscal 2008.

Further information on corporate governance at MAN can be found in our corporate governance report.

Audit of the 2008 annual and consolidated financial statements
On April 25, 2008, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as the auditors for fiscal 2008. The Supervisory Board followed the recommendations of the Audit Committee by issuing its audit engagement letter to KPMG and specifying the areas of emphasis of the audit.

The auditors issued an unqualified auditors' report on the annual financial statements of MAN AG prepared for fiscal 2008 in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and on the management report.
MAN AG's risk management system was a further subject of the audits. KPMG established that the Executive Board had fulfilled its obligations under section 91(2) of the AktG.



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

In accordance with section 315a of the HGB, MAN AG's consolidated financial statements for 2008 were prepared on the basis of the International Financial Reporting Standards (IFRSs). The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group management report.
Among other things, KPMG examined the specified areas of emphasis of the audit for the reporting period: shared services, pensions, stocktaking, deferred taxes, and investment control in the subgroups.

The audit reports by KPMG and the financial statement documents were received by the members of the Supervisory Board in good time and discussed at both the Supervisory Board's financial statements meeting on February 18, 2009, and the Audit Committee's preceding financial statements meeting. The auditors participated in the discussions on the annual and consolidated financial statements that were held in both bodies. They reported on the material findings of their audits and were available to answer any further questions and provide additional information to the Audit Committee and the Supervisory Board.

On completion of our own examination of the annual financial statements, the consolidated financial statements, and the management reports for MAN AG and the Group, we approved the findings of the audit by the auditors and, in accordance with the Audit Committee's recommendation, the annual and consolidated financial statements. The annual financial statements are thus adopted. Following detailed discussion of matters such as the MAN Group's financial and investment planning, we endorsed the Executive Board's proposal on the appropriation of net retained profit.

Key activities of the Supervisory Board committees during the reporting period

The Supervisory Board has established a total of four committees, the main role of which is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers have been transferred to committees.

Mr. Rupert Stadler is Chairman of the Audit Committee and I myself chair all other Supervisory Board committees. At the Supervisory Board meetings, Mr. Stadler and I provided regular and detailed reports on the content and outcome of the committee meetings.

The **Standing Committee** met three times in total in 2008. It dealt with strategic issues and prepared the Supervisory Board decisions on upcoming acquisition and divestment plans, particularly the disposal of MAN Ferrostaal AG and the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda.

The **Audit Committee** held a total of four meetings during the reporting period.
It dealt in detail with financial reporting issues, the annual financial statements of MAN AG and the MAN Group, and the audit reports submitted by the auditors.
The Committee also considered the engagement of the auditors for the audit of the annual financial statements for 2008, the areas of emphasis of the audit, and the statement regarding the auditors' independence in accordance with section 7.2.1 of the German Corporate Governance Code.
At the request of the Audit Committee, KPMG reviewed the MAN Group's interim financial statements as of June 30, 2008. This did not lead to any objections. The Committee discussed the findings of the review with the auditors in detail.
In 2008, the Committee also addressed the audit plans for MAN's Corporate Audit department, discussed the MAN Group's risk position on a regular basis, and examined the risk management and compliance issues.
The impact of the financial crisis on the MAN Group was a recurring topic of discussion and analysis by the Audit Committee.
The Committee regularly discusses the quarterly financial reports with the Executive Board prior to their issue. This task has been formally assigned to the Audit Committee by a Supervisory Board resolution.

The **Executive Personnel Committee** met twice during the reporting period and dealt with matters such as remuneration, the stock bonus for members of the Executive Board, and the new recommendations of the German Corporate Governance Code concerning Executive Board remuneration and the main contract elements.
The Committee did not meet in its capacity as the Nomination Committee during fiscal 2008.

There was again no need to convene a meeting of the **Mediation Committee** pursuant to section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act) during fiscal 2008.

Personnel changes on the Supervisory Board

Mr. Lothar Pohlmann retired at the end of the year after 42 years at MAN and therefore stepped down from the Supervisory Board. He was a member of the Supervisory Board for 20 years and was also particularly involved in the Company in his role as Chairman of the Group Works Council. By the time he took over as Deputy Chairman in May 2006, Mr. Pohlmann had already served as a member of the Supervisory Board's committees for many years. He always performed his work on our Board in a responsible and constructive manner. We would therefore like to extend our special thanks to Mr. Pohlmann for his many years' work on behalf of the MAN Group and its employees. Mr. Pohlmann's seat on the Supervisory Board passed to his already elected replacement, Mr. Gerhard Kreutzer, effective January 1, 2009. Mr. Kreutzer is Chairman of the Central Works Council of MAN Turbo AG.

At its meeting today, the Supervisory Board elected Mr. Thomas Otto as Deputy Chairman.

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

Munich, February 18, 2009
Chairman of the Supervisory Board

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

CORPORATE GOVERNANCE[1] AT MAN

MAN complies with all recommendations set forth in the German Corporate Governance Code. Changes to the codex were implemented accordingly in 2008.

MAN's understanding of good corporate governance is responsible corporate management and supervision focused on sustained value creation. The core elements of corporate governance at MAN are formalized in our Industrial Governance management concept, which is built around the three pillars of Strategy and Structure, Leadership Supply, and Execution Excellence. On the basis of this management concept, MAN aims to ensure that the Executive and Supervisory Boards discharge their duties in an efficient, cooperative, and lawful manner in the interests of the Company and its stockholders. In addition to the high standards of technology and innovation demanded of our products, our mission statement also requires good corporate governance to include openness and transparency in all our corporate communications. This provides the basis for building trust among our stockholders, other providers of capital, business partners, and employees, other investors, and the general public.

The system of corporate governance in place at MAN is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Incorporation Bylaws and internal regulations, and by internationally and nationally recognized standards of good and responsible governance. The German Corporate Governance Code ("the Code") presents the key statutory regulations for the governance of German stock corporations and provides recommendations and suggestions for corporate governance in accordance with recognized standards.

In 2008, MAN complied with the recommendations of the Code in full. It also implemented all the suggestions with one exception.

Unqualified declaration of conformity
In December 2008, the Executive and Supervisory Boards issued the following Declaration of Conformity:

"MAN Aktiengesellschaft complied with the recommendations issued by the Government Commission of the German Corporate Governance Code in accordance with its Declaration of Conformity of December 2007 and will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on June 6, 2008."

This includes the recommendation that members of the Supervisory Board do not exercise a directorship or similar function for important competitors of the Company (section 5.4.2 of the Code). No member exercises a directorship or similar function at Scania, which MAN considers to be an important competitor. MAN does not consider Volkswagen AG (where Prof. Dr. Piëch is Chairman of the Supervisory Board) or Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer) to be important competitors. Furthermore, in his role as "Spokesman of the Brand Management Board of Volkswagen AG Nutzfahrzeuge," Mr. Stephan Schaller does not exercise a directorship function at Volkswagen AG.

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

Enhancement of the corporate governance system
MAN's corporate governance system is constantly being reviewed and enhanced. The key changes implemented in 2008 on the basis of the amendments to the Code were as follows:

- The remuneration system for the Executive Board, including the main contract elements, was discussed by the full Supervisory Board as before and confirmed by resolution in accordance with the new recommendation set out in section 4.2.2 of the Code.

- In order to implement the new recommendation in section 7.1.2 of the Code, the Audit Committee's responsibility for discussing half-year and quarterly financial reports with the Executive Board was formalized and introduced into practice in the second half of 2008.

[1] Also the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code as amended on June 6, 2008.

We comment in more detail in the following on the key recommendations and suggestions contained in the Code, with particular reference to the changes. We also explain the one departure from the Code's suggestions relating to the Supervisory Board's remuneration.

Promoting transparency and stockholders' rights
The information we provide through our website (www.man.eu/investors), financial publications, and capital market conferences enables our German and international stockholders as well as other interested parties to build an accurate and up-to-date picture of our Company and gain an insight into our corporate governance practices.

On its website, MAN also publishes annual reports, interim reports, a financial calendar showing all upcoming events, and the annual document it is required to prepare under section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act), summarizing all the relevant information disclosed by the Company during the past calendar year.

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

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

In organizing and conducting its Annual General Meeting, MAN aims to provide all stockholders with prompt, comprehensive, and effective information both before and during the event. We also wish to make it easy for them to register for the Annual General Meeting and exercise their rights. Consequently, we do not limit ourselves to publishing the invitation to the Annual General Meeting as required by law, but also make all reports and documents relating to the Annual General Meeting accessible to our stockholders and all other interested parties via the MAN website. In addition, we e-mail the documents to interested stockholders and other parties if we have their consent to do so, or post them on our website for download.

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

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

Executive Board and Supervisory Board
In accordance with the law governing German stock corporations, MAN has a two-tier governance structure comprising an Executive Board and a Supervisory Board. Both governing bodies work closely together to the benefit of the Company and seek to achieve a sustained increase in enterprise value for its stockholders.

The Executive Board, which currently comprises five members, performs managerial and operational tasks, while the twenty-member Supervisory Board has an oversight and advisory role. Important transactions require the Supervisory Board's approval.

The Supervisory Board comprises ten stockholder representatives and ten employee representatives. Please refer to the Report of the Supervisory Board and the Notes to the Annual Financial Statements for further information on the composition of the Supervisory Board, its committees and duties, and its cooperation with the Executive Board.

No member of the Supervisory Board exercises a directorship or similar function or performs advisory tasks for important competitors of MAN. More specifically, as explained in the Declaration of Conformity of December 2008, no member exercises a directorship or similar function at MAN's important competitor Scania; rather, this is only the case at its majority shareholder, Volkswagen AG (where Prof. Dr. Piëch is Chairman of the Supervisory Board), and at Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer), which MAN does not consider to be important competitors. Furthermore, in his role as Spokesman of the Brand Management Board of Volkswagen AG Nutzfahrzeuge, Stephan Schaller does not exercise a directorship function at Volkswagen AG. MAN also complies with the Code's recommendation that no more than two former members of the Executive Board be members of the Su-

pervisory Board; there is currently one former member of the Executive Board on the Supervisory Board.
No conflicts of interest were reported by members of either the Executive or Supervisory Board during the reporting period. In order to prevent potential conflicts of interest, neither Prof. Dr. Piëch nor Mr. Stadler voted on resolutions relating to the acquisition of Brazilian company VW Truck & Bus from VW; Mr. Schaller did not participate in the relevant discussions and did not vote on resolutions.

MAN complied with the age limit set by the Supervisory Board for members of the Executive Board, which stipulates retirement from office at the age of 62 with the option for an extension up to a maximum age of 65 years. It also complied with the standard age limit of 70 years set for members of the Supervisory Board. Only the chairman of the Supervisory Board has exceeded 70 years of age.

There were no advisory or other contracts for services or work between the Company and its board members during the reporting period. The Supervisory Board approved the external activities of Executive Board members only to the extent that these involved serving on other companies' supervisory boards.

The Company has taken out D&O (directors' and officers' liability insurance) coverage with a reasonable deductible for members of the Executive and Supervisory Boards.

Compliance
The Code highlights compliance with existing laws and internal company guidelines as a key management and supervisory task. The Executive Board therefore continues to regularly enhance the existing compliance system and ensure its implementation.
It is supported in this by the Chief Compliance Officer (CCO) and the Compliance Board, which includes the CCO, the heads of MAN AG's key functions, and the compliance officers of the subgroups. The main tasks in 2008 were (a) to review implementation of the uniform anti-corruption guidelines in place throughout the Group; (b) to investigate and assess the current situation and legal position with regard to indications of possible compliance violations, including those stemming from (anonymous) reports made to the external ombudspersons (attorneys) appointed by the Company; and (c) to continue the training measures and the e-learning program introduced in 2007 covering MAN's Code of Conduct and core compliance topics.
The Audit Committee, which has been specifically tasked with compliance, and the full Supervisory Board were briefed on the enhancements to the compliance system and key audit findings by the Executive Board and the CCO. It was clarified that, in special circumstances, the CCO may report directly to the Chairman of the Audit Committee.

Reportable securities transactions
Section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority). Two transactions were reported in 2008; this has been published on the website at www.man.eu/investors. According to the reports received, the Executive and Supervisory Board members' direct and indirect holdings of shares and derivatives on shares do not exceed 1% of the shares issued by the Company, either individually or in total.

Members of the Executive Board		Number of ordinary shares
Dipl.-Ing. Håkan Samuelsson	CEO	42,793
Prof. Dr. h.c. Karlheinz Hornung	CFO	19,776
Dr. jur. Matthias Mitscherlich	Industrial Services	17,001
Dr.-Ing. Georg Pachta-Reyhofen	Diesel Engines	17,599
Dipl.-Ökonom Anton Weinmann	Commercial Vehicles	21,632

As of January 30, 2009 (including shares under the MAN Stock Program)

Financial reporting

The year-end consolidated financial statements of the MAN Group are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of MAN Aktiengesellschaft are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The financial statements are examined and approved by the Supervisory Board. All deadlines for the publication of consolidated financial statements and interim reports were met during the reporting period. In accordance with a new recommendation in section 7.1.2 of the Code, the Audit Committee discusses MAN's half-yearly and quarterly financial reports with the Executive Board prior to their issue. This recommendation was first implemented for the half-yearly financial statements as of June 30, 2008.

Audit of the financial statements

In the reporting period, the Supervisory Board proposed KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich, (KPMG) as auditors of the financial statements. The Annual General Meeting endorsed its proposal. In 2008, KPMG again provided MAN Aktiengesellschaft's Audit Committee with confirmation of its independence. It was also agreed that the Chairman of the Audit Committee would be immediately informed of any grounds for disqualifying the auditors or questioning their impartiality that might occur during the audit, unless such grounds could be immediately eliminated.

Remuneration report for fiscal year 2008[2]

Executive Board remuneration

The Personnel and Nomination Committee (Personnel Committee) established by the Supervisory Board is responsible for Executive Board contracts and therefore for determining Executive Board remuneration. The full Supervisory Board regularly discusses the structure of the Executive Board remuneration system based on the Committee's proposals. As from December 2008, it also resolves and regularly reviews the remuneration system, including the main contract elements, in accordance with a new recommendation in section 4.2.2 of the Code.

The Supervisory Board's objective is to set remuneration at an appropriate amount. The criteria for doing so include the tasks of the respective Executive Board member, his personal performance, the performance of the Executive Board, the economic situation, and the performance and outlook of the Company measured against its peer group.

Remuneration structure and components

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

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

- In accordance with the applicable bonus guidelines, the annual performance-related bonus is linked to MAN value added. This is calculated as operating profit minus the cost of capital employed. The cost of capital is the

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

minimum return investors expect to receive on equity and debt employed. A weighted average cost of capital (WACC) is calculated; for equity, it is the rate of return on long-term, risk-free securities plus a specific risk premium, and for debt, it is the rate of return for risk-free securities plus a risk premium for long-term corporate securities. It is currently set at 11% before tax.

The Executive Board is not entitled to a bonus unless profit exceeds the cost of capital. The amount of the bonus is based on the extent to which a value added target previously set by the Personnel Committee is attained or exceeded. It is capped at an amount also set by the Personnel Committee. Two-thirds of the bonus is paid as a cash bonus. One third must be used in the same way as under the MAN stock program (see below), with 50% invested in MAN shares. The shares are subject to a two-year lock-up.

- Since 2005, the component linked to long-term business performance has been awarded through the MAN stock program. Under this program, Executive Board members receive cash payments of 50% of their fixed remuneration, which are taxable annually. Half of the payment must be invested in MAN AG ordinary shares. These are purchased and held in safekeeping centrally by MAN AG on behalf of and for the account of Executive Board members. Purchased shares may be freely disposed of after a lock-up period of three years. During the lock-up period, the shares may not be sold, used as collateral, or hedged against price risks. If an Executive Board member retires or departs from the MAN Group, the lock-up period ends no later than one year after the date of departure.

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

Executive Board remuneration in 2008

The remuneration awarded to active members of the Executive Board for their services in fiscal 2008 totaled €14,844 thousand (previous year: €13,024 thousand). Please see Note 35 to the Consolidated Financial Statements for details of the Executive Board members' individual remuneration, broken down into fixed, performance-related, and long-term incentive components.

Special contract provisions

Under a provision that has been in effect since 2007, an Executive Board member receives his fixed remuneration, bonus, insurance premiums, and contributions to the pension system until the end of his normal term of office, but for no more than two years, in the event of the early termination of his contract without good cause and at the instigation of the Company. Income from his activities elsewhere is offset and the basis for calculating the amount of the contributions to the pension system reduced accordingly. If a contract is terminated at the instigation of an Executive Board member (a member may do so, without having to cite his reasons, by giving 18 months' notice), remuneration is awarded only up until the end of the period of notice. There are no special change-of-control provisions in place.

Supervisory Board remuneration

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

The annual remuneration comprises the following components:

- basic (fixed) remuneration of €35,000;
- variable remuneration (bonus). This is based on actual earnings per share as reported in the consolidated financial statements. The variable remuneration is €175 for every €0.01 by which earnings per share exceeds €0.50. It is capped at twice the basic remuneration.

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

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

Supervisory Board remuneration does not include a performance-related component linked to long-term business performance, as it is almost impossible to measure the Supervisory Board members' individual contribution to the Company's long-term performance. The Company does not, therefore, follow the suggestion in section 5.4.7 of the Code.

Supervisory Board remuneration in 2008

The remuneration payable to the members of the Supervisory Board in 2008 totaled €2,628 thousand (previous year: €2,608 thousand). In addition, members of MAN AG's Supervisory Board received remuneration totaling €58 thousand (previous year: €51 thousand) for serving on supervisory boards at Group companies in fiscal year 2008. Please see Note 36 to the Consolidated Financial Statements for a breakdown of the individual remuneration of the Supervisory Board members in 2008.

Additional information

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

Former Supervisory Board members who left the Board prior to January 1, 2008 do not receive any remuneration.

MAN STOCK

2008 was a difficult year for MAN's shares on the stock market, marked by a dramatic deterioration due to the financial crisis.

Key indicators for MAN common stock

	2008	2007
Earnings per share in € [1]	7.76	7.27
Cash dividend per share in € [2]	2.00	3.15
Market capitalization (Dec. 31) [3] in million €	5,720	16,702
Closing price in €	38.72	113.80
High in €	110.91	123.73
Low in €	27.78	68.46
Dividend yield [4] in %	5.2	2.8
Total return [5] in %	–64.5	69.3
Number in thousands [6]	140,974	140,974
DAX yield in %	–40.4	22.3
DJ Euro Stoxx yield in %	–44.6	7.3

[1] Earnings per share in 2007 without non-recurring results: €8.12
[2] 2008: proposed dividend
[3] Basis: 140,974,350 common shares and 6,065,650 preferred shares
[4] Cash dividend based on the closing price on Dec. 31
[5] Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held.
[6] Common stock only
Source: Bloomberg

Weak year on the stock markets

Stock markets worldwide were impacted in 2008 by a dramatic deterioration due to the financial crisis. Markets across the globe took a severe beating following the collapse of Lehman Brothers and the difficulties that various financial institutions in the United States and Europe experienced. U.S. and UK investors in particular, as well as hedge funds, withdrew large volumes of liquidity from the markets. Investors were also unsettled by fears about the effects of the financial crisis on the real economy, as well as anxiety about recessions in the United States, Germany, and other large European economies. In addition, persistently high energy and commodity prices, inflation, and exchange rate movements dragged down the DAX, Germany's benchmark index.

In this uncertain market environment, the DAX lost much of its value during 2008, closing the year at 4,810 points. This corresponds to an annual performance of –40%.

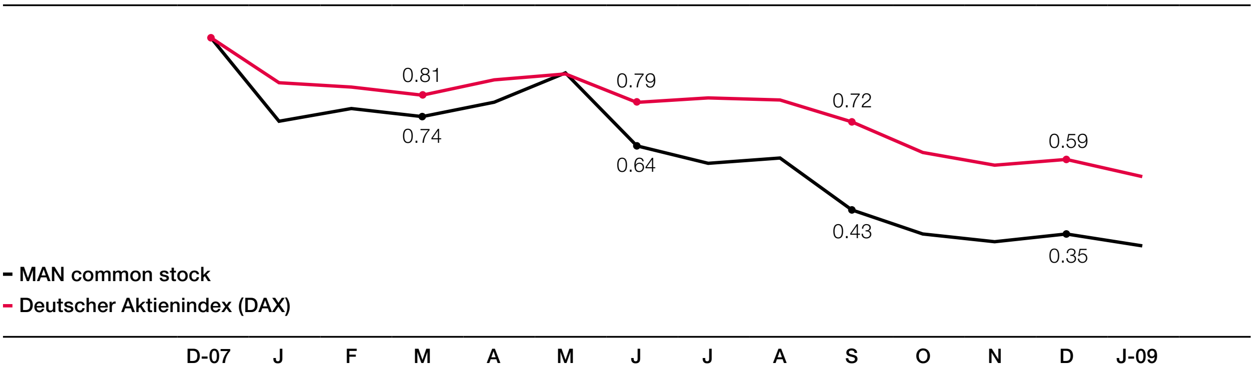
Performance of MAN's shares

MAN stock proved unable to insulate itself from the global downturn, losing over half of its value. At the end of December 2008, the performance of MAN's shares was clearly in negative territory, following the same trend as other manufacturers of capital goods, whose share prices react particularly sensitively to cyclical fluctuations.

The price of MAN common stock fell by €75.08 during the period from January to December 2008, from a closing price of €113.80 on December 28, 2007, to €38.72 on December 30, 2008. In total, MAN's shares lost approxi-

MAN common stock versus DAX

Indexed values, December 31, 2007 = 1.00



High, low, and closing prices of MAN common stock

in €

Source: Bloomberg

mately 65% of their value over the year as a whole. By comparison, the DAX fell by 40% and the Dow Jones Euro Stoxx was down 45% during the same period.

Long-term increase in shareholder value
In spite of the less-than-satisfactory share price performance in the recent past, investors with a long-term focus have benefited from the above-average performance of MAN's stock over the past few years. An investment in MAN common stock generated a total annual return of 13.1% in the past five years, appreciating significantly faster than the DAX and the Dow Jones Euro Stoxx.

Overall performance of MAN common stock and key indices up to the end of 2008

in % p.a. [1]

	MAN cmn. stock	DAX	DJ Euro Stoxx
1 year	–64.5	–40.4	–44.6
2 years	–22.3	–14.6	–22.8
5 years	13.1	3.9	0.7
8 years	7.7	–3.6	–4.8
10 years	7.7	–0.4	–0.9

[1] Price trends for the stock indices; price performance of MAN common stock including cash dividends
Source: Bloomberg

MAN's market capitalization
MAN's market capitalization declined from just under €17 billion to approximately €6 billion on account of its share price performance in the 2008 fiscal year. According to the Deutsche Börse indexing system, in which only the free float of the company's most liquid share class is considered when calculating the market capitalization (in the case of MAN common stock, this corresponds to a free float of 70.1%), MAN ranked 26th on December 31, 2008, after ranking 20th the previous year.

The trading volume of MAN common stock amounted to €27,127 million during the past fiscal year, down slightly on 2007 (€30,826 million). MAN remained 20th in the DAX rankings.

Dividend
Under our flexible dividend policy, we are committed to distributing an appropriate proportion of the profits generated by the Company to our stockholders. The Executive and Supervisory Boards are therefore proposing to this year's Annual General Meeting to pay a dividend of €2.00 for the 2008 fiscal year. Based on the closing price of the common stock on December 31, 2008, of €38.72, this corresponds to a dividend yield of 5.2%.

Evolution of MAN'S dividend per no-par value share

in €

2008	2.00
2007	3.15
2006	2.00
2005	1.35
2004	1.05

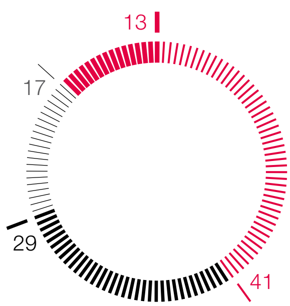
International investor base

Stockholder analyses, which we perform periodically, help us to communicate effectively with our investors. In the most recent survey conducted in summer 2008, MAN identified more than 80% of the owners of its common and preferred stock.

According to this survey, foreign investors hold around 40% of the share capital. As in previous years, these investors are predominantly based in the United Kingdom and the United States. However, it is evident that, due mainly to the global financial crisis, U.S. and UK investors are represented less heavily than last year. This decrease is primarily attributable to sales by hedge funds. The largest single stockholder is Wolfsburg-based Volkswagen AG, which holds 29.9% of the voting rights of MAN AG.

TPG-Axon Partners, L.P., New York, gave notice that it had exceeded and subsequently – on April 25, 2008 – fallen below the threshold of 3% of voting rights.

Stockholder structure



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

As of July 2008

Source: CapitalBridge

Intensive and trust-based dialogue with investors and analysts

MAN enhanced its contacts to investors and analysts in meetings at roadshows and conferences, as well as at the Corporate Center in Munich. In 2008, the MAN Group expanded its communication in the United States and conducted a roadshow in Abu Dhabi for the first time, which enabled it to attract new investors in the Middle East.

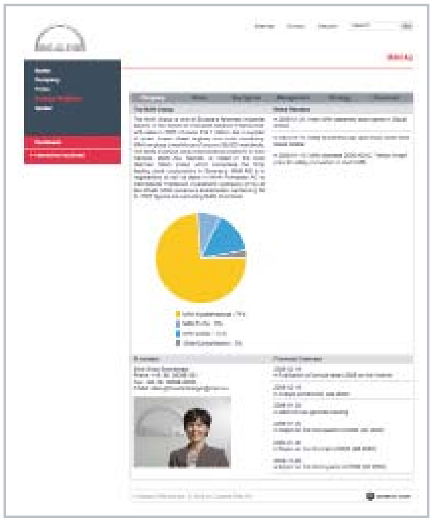
In addition to the annual Analysts' Conference in February, MAN organized a Capital Market Day at MAN Turbo in Oberhausen. On October 15, 2008, analysts and investors were given an opportunity to find out about strategies, activities, and products at the Company's Oberhausen facility (MAN Turbo) and to meet members of MAN's Executive Board.

The improvements in communication with private stockholders instigated in 2007 were systematically continued. The investor relations newsletter "ShareMAN," for example, is published regularly and briefs non-institutional stockholders on current developments, events, and quarterly figures.

MAN's investor relations work is committed to providing all stockholders and the public with comprehensive, real-time information. In 2008, the Company's website was further expanded and completed. Among other things, a fact sheet is now available that gives potential stockholders an interactive, individual overview of the Company.

In addition to financial reports, presentations, and publications, the entire General Meeting, the annual Analysts' Conference, and the conference calls on our quarterly financial reports are also broadcast on our website. MAN gives stockholders who are unable to attend the Annual General Meeting in person the option to cast their votes by means of an online proxy and voting instruction system.

The new investor relations fact sheet can be found at www.man.eu/MAN/en/Investor_Relations/Factsheet.



Basic information about MAN stock

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

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

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

MAN stock is also listed in other prominent stock market indices, including HDAX, CDAX, DivDAX, Dow Jones Stoxx, Dow Jones Stoxx Industrial, Dow Jones Euro Stoxx, and Dow Jones Euro Stoxx Industrial.

Additional information about MAN stock and investor relations activities is available at www.man.eu/investors or via e-mail by contacting investor.relations@man.eu. Please also feel free to call us on +49 (0)89 36098-334.

		Shares		Bonds
		Common stock	Preferred stock	MAN Financial Services plc
ISIN Code		DE0005937007	DE0005937031	XSO181879650
German Securities Code Number (WKN)		593700	593703	A0AART
Reuters code	Xetra trading	MANG.DE	MANG_p.DE	0#DE018187965=
	Frankfurt SE	MANG.F	MAN_p.F	
Bloomberg code	Xetra trading	MAN GY	MAN3 GY	MANAG
	Frankfurt SE	MAN GR	MAN3 GR	

Reliable, innovative products can only come into being in a dynamic and open environment.

EMPLOYEES

Internationalization at various levels. MAN Executive Academy trains the managers of tomorrow. Ranked second as an employer for engineers.

The MAN Group's internationalization strategy and the global challenges of the future are increasing demands on executives and junior managers. This is why the Leadership Supply program sets a new course: The portfolio of what used to be the MAN Academy, an institution that has been successfully training managers for the last 15 years, was expanded and internationalized; as the "MAN Executive Academy" it now constitutes the most important leadership development instrument at Group level. The MAN Executive Academy hones executives' skills with the latest management knowledge and provides a dialogue platform to promote international networking, as well as the exchange of knowledge and experience in the MAN Group. The programs and events organized by the MAN Executive Academy not only help us grow a better class of executives, but also drive change in the Group.

Selected partners with outstanding international specialist and management experience collaborate with the MAN Executive Academy. Experts and visionaries from the Oxford Saïd Business School and WHU – Otto Beisheim School of Management, for example, act as sparring partners for the participants by presenting and discussing new insights in the fields of management, strategy, and leadership. Internal presenters also shed light on strategic MAN topics with "MAN Insights."

Greater diversity

The portfolio of the MAN Executive Academy is divided into four areas. The structure of the "customized programs" area was developed with the help of executives, the Management Board, and potential participants. The customized programs include the General Management Program, the Leadership Executive Program, and the Executive Management Program. One of the factors contributing to the success of these programs is the diversity of the participants, who come from all of MAN's business areas in and outside Germany. Thirteen nationalities were represented in the first General Management Program, for example. In fiscal 2008, one in three executives attended one of these customized programs. The "open programs" comprise a full-time Master of Business Administration (MBA) program and a part-time Executive MBA (EMBA) program, in which the MAN Executive Academy is continuing its cooperation with the European School of Management and Technology (ESMT) in Berlin. This year, members of MAN's Executive Board again served as guest speakers and presenters in ESMT's MBA program. The "open programs" offered by the MAN Executive Academy focus on communicating management and leadership qualities.

Benefiting from the experience of others

The MAN Executive Academy's "dialogue platforms" provide a variety of forums for networking and the exchange of strategic ideas within the MAN Group. These include the annual MAN Management Summit, which brought together senior managers from the MAN Group in and outside Germany again in 2008, and also the Human Resources Summit, which was attended by over 100 employees from 29 countries. Other dialogue platforms in the 2008 fiscal year were the Asia Leadership Conference and the Dialogue Dinner, which provide a basis for discussing MAN's strategy and building a global top management network.

The feedback instruments of the MAN Executive Academy serve to establish an open platform to encourage feedback within the corporate and leadership culture. "MAN 360° Feedback," for example, ensures a high standard of leadership quality. It is not only the organization that benefits: This program gives all participating managers an insight into their strengths and areas needing development, and provides an important source of inspiration for their professional development, enabling them to improve working relations with colleagues, employees, and superiors. Following the successful introduction of "MAN 360° Feedback" for second-tier managers in 2007, 360° Feedback is currently being introduced for third-tier management in Germany, Austria, Switzerland, Denmark, France, Poland, the UK, and Turkey, as well as other countries. Another feedback instrument is "MAN Mentoring," in which experienced mentors convey their knowledge and skills to the mentees. Mentoring at MAN takes several forms depending on individual requirements and general conditions. In addition to the traditional mentoring platform, which is implemented within the Group for internal and external mentees as well as across borders, Company-wide cross-mentoring is offered. This gives junior managers at MAN the opportunity to benefit from the experience of executives from other areas of the Company.

Management audits
To ensure the continuing development of executives in the MAN Group, and to fill top management positions with the best candidates available, two types of management audit were again conducted in fiscal 2008. The first were management development audits for regular, development-oriented analysis of strengths and areas needing development, based on the seven MAN competencies; while the second were management promotion audits aimed at objectivizing staff appointment decisions for internal and external candidates.

MAN has always viewed change as an opportunity. In fiscal 2008, MAN's leadership culture benefited from stimulus in new areas:

- Based on the four MAN brand values, the MAN Leadership Culture Guidelines for management in the MAN Group, which describe a new, international leadership culture featuring the core values of competence, transparency, and commitment and behavior, were created at the MAN Executive Academy events as part of a dialogue with the executives and junior managers.
- The MAN leadership culture will also be communicated and discussed in the new fiscal year with managers and employees.
- The code of conduct and other compliance issues were again important topics at management training seminars in the 2008 fiscal year. A total of 98% of senior managers were trained through interactive e-learning using practical case studies, and induction events were held for employees in all of the Company's business areas. The code of conduct also forms part of the customized programs offered by the MAN Executive Academy.

Top employer in 2008
MAN was one of the most popular employers in Germany for engineers in 2008. The Company ranked second in the nationwide "Top Employer for Engineers 2008" study. MAN's international presence (production facilities, sales and development locations) and international deployment possibilities, as well as opportunities for development, including the entrance and mentoring program for engineers, the systematic measurement of potential, and its strategic succession planning received special praise. MAN also received high marks in the category of work-life balance. The seal of approval is awarded by the prominent Corporate Research Foundation (CRF). MAN also periodically measures the satisfaction of its employees through an employee survey that has already been established in various locations in different countries. This involves a standardized list of questions for all MAN employees worldwide.

MAN as an employer brand
In 2008, MAN continued to enhance its image as an attractive employer, because its ability to attract motivated high achievers is pivotal to its commercial success. This is why the Group-wide Employer Branding project was launched, aimed at making the MAN employer brand more visible and appealing on the global labor market, and thus ensuring the attraction, motivation, and retention of key talent. The definition of a unique, differentiating employer value proposition led to the creation of a Company-wide global employer brand—in keeping with MAN's corporate branding and the MAN corporate culture, as well as tailored to target groups. The project also involves the communication and implementation of MAN employer branding to implement the employer value proposition both internally and externally and, finally, the modification of internal human resources processes, instruments, and programs for integrating the employer value proposition into MAN's corporate culture.

The analysis and concept development phase showed that MAN is a company with an extremely cooperative corporate culture, flat hierarchies (employees have a close relationship with management), and personal interaction. This increases cooperativeness among staff, but also creates scope for tasks that are both interesting and challenging, and provides opportunities for employees to take responsibility at an early stage. MAN views employer branding as a long-term strategy and will gradually implement it in its strategically important growth markets from 2009 onwards.

Partnership with top universities
During fiscal 2008, MAN continued its close cooperation with its "preferred partner" universities, the

Top: An analysis of the MAN employer brand shows that employees value the cooperative interaction and the scope for interesting work.

Bottom: MAN continued to train beyond its own requirements in 2008.

Top left: Dedicated, highly motivated employees ensure dependable quality.

Top right: Key players are intensively nurtured and quickly assigned to positions of responsibility.

Below: Optimum production quality is only possible through systematic continuing professional development.

Munich and Dortmund Technical Universities, as part of the MAN Campus Initiative. This initiative is aimed at supporting students and encouraging their early involvement in topics with specific relevance for MAN. The Campus Initiative has three pillars: the MAN scholarships, MAN innovation projects, and an MAN lecture series. A total of 250 students attended the "Innovative Entrepreneur" lecture series organized by MAN at Munich Technical University in the 2008 summer semester, for example. This university currently has 104 students from the faculties of mechanical engineering, electrical engineering, and information technology who receive financial backing in the form of an MAN scholarship. In the innovation projects, students are introduced to the Company with its technological challenges through a dialogue with MAN employees.

The partnership with Dortmund Technical University focuses primarily on commercial fields of study, such as business administration and economics, management engineering, or business mathematics. The current series of lectures organized by MAN, entitled "Value-based Management and Controlling," kicked off in the 2008/2009 winter semester with a lecture on value-based controlling by Professor Karlheinz Hornung. MAN is sponsoring 70 students from Dortmund Technical University with scholarships starting in the winter semester. In addition, the MAN Campus Day provides a networking platform for students and MAN executives. In November 2008, for example, MAN Turbo invited students from Dortmund Technical University to Oberhausen, giving them an insight into the MAN world with a tour of the facilities, a presentation on the company, and information meetings.

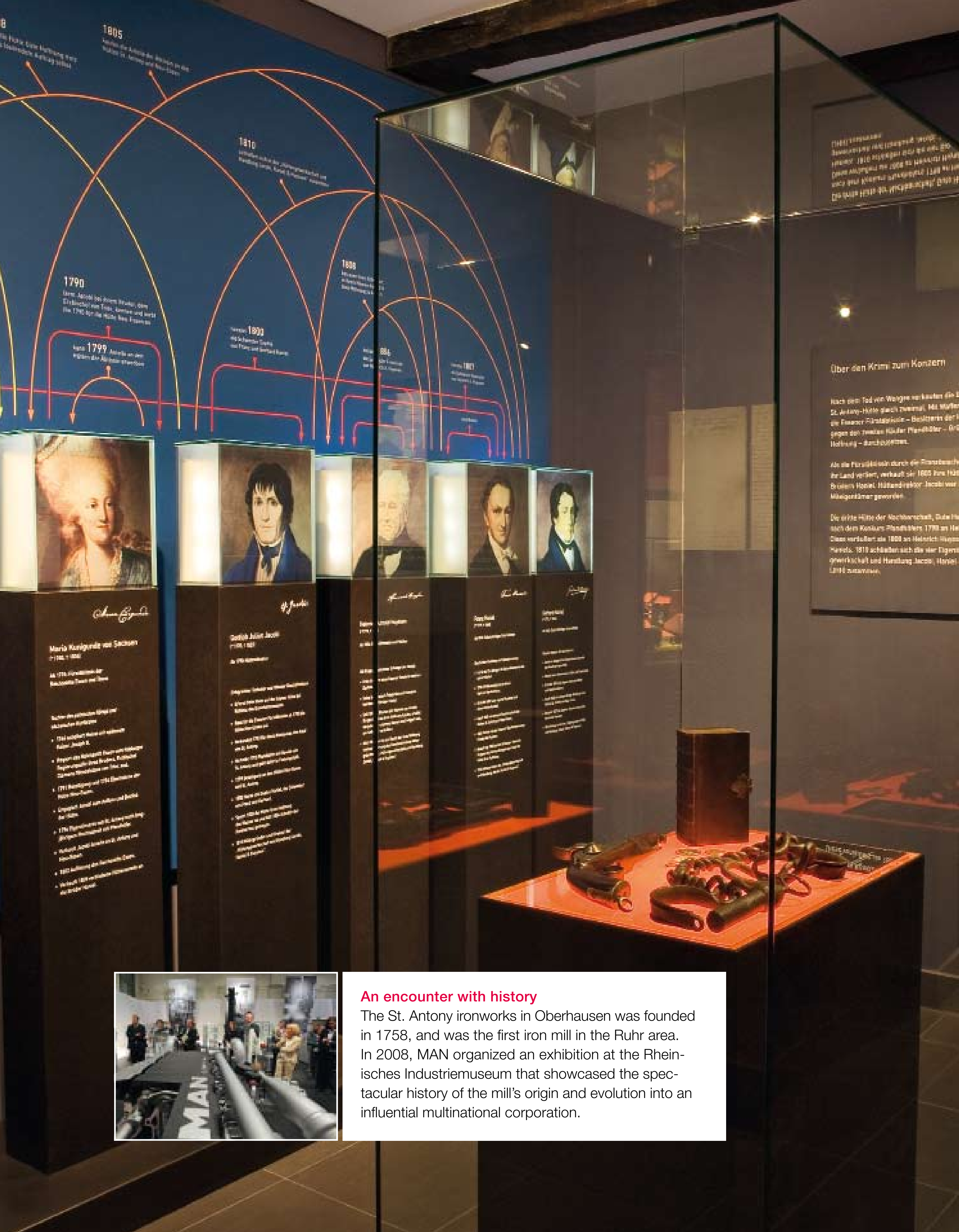
Student grants and MAN Graduate Program

MAN also provides grants to support students with above-average talent in different fields of study and from different universities. Currently awarded to 60 students, these grants not only reduce the students' financial burden, but also help them prepare to enter their professional career. In October 2008, 30 scholarship recipients obtained an impression of the world of MAN and career prospects at MAN during a special event organized for them by MAN Nutzfahrzeuge in Munich.

Apart from direct entry into the working world, the MAN Graduate Program offers a Group-wide international trainee program for junior managers. This program has an international focus and concentrates on the acquisition of domain-specific and overarching expertise. Sixty trainees from Germany, Austria, the Czech Republic, the Netherlands, Sweden, Chile, and China were recruited in the 2008 fiscal year. All graduates are sent on a project-related assignment abroad lasting several months. They will be deployed MAN-wide in the areas of production, supply chain management, logistics, sales, controlling, technology, IT, strategy, marketing, and human resources.

"Get fit MAN"

Employees who are well educated, dedicated, and motivated are instrumental for the Company's success. MAN's health management activities therefore focus on maintaining a healthy workforce with the "Mach Dich fit MAN" ("Get fit MAN") campaign. The medical services of the subgroups work closely with health insurance providers and preventive health organizations to create long-term campaigns aimed at improving working conditions, ensuring permanent health awareness, increasing safety in the workplace, and creating an awareness of nutrition. Employees were also briefed on influenza in a Group-wide initiative and benefited from the inoculations offered.



An encounter with history
The St. Antony ironworks in Oberhausen was founded in 1758, and was the first iron mill in the Ruhr area. In 2008, MAN organized an exhibition at the Rheinisches Industriemuseum that showcased the spectacular history of the mill's origin and evolution into an influential multinational corporation.

MAN'S BUSINESS AREAS

Efficiency pays dividends
Featuring premium series equipment together with **exclusive details and services**, the TGX EcoLion leaves cost pressures in the dust. And sets new standards for **greater profitability.**

MAN NUTZFAHRZEUGE: WELL-EQUIPPED FOR THE FUTURE

MAN Nutzfahrzeuge is the largest company in the MAN Group and has reinforced its position as one of the leading suppliers of commercial vehicles and transportation solutions after a record-setting year in 2007.

The MAN Nutzfahrzeuge Group further cemented its leadership position over the competition in 2008. In the last quarter of the year, however, the international financial crisis and shrinking markets left their mark on new order figures.

The Group's extensive product range includes trucks with a total weight of 7.5 to 44 tons, heavy special-purpose vehicles with a gross combination weight of up to 250 tons, as well as municipal buses, long-distance buses, coaches, and vehicle chassis. The spectrum of propulsion technologies ranges from diesel through natural gas engines to pioneering hybrid drives designed to meet the challenges of the markets of tomorrow. In Germany, vehicles are manufactured at five production facilities: Munich, Nuremberg, Salzgitter, Pilsting, and Plauen. The Group also operates manufacturing plants in Vienna and Steyr, Austria; Poznan, Starachowice, and Cracow, Poland; Ankara, Turkey; and Olifantsfontein and Pinetown, South Africa.

Top model: The TGX EcoLion

MAN Nutzfahrzeuge has been a pacesetter in the development of the automotive industry, as underscored by our appearance at the 62nd IAA Commercial Vehicles show held from September 25 to October 2 in Hanover, Germany. Transportation efficiency and safety in the road transportation of people and goods were the focus of MAN's presentation at the world's largest automobility fair. The new TGX EcoLion articulated tractor unit caused a stir in the industry. MAN used this truck to premiere a new vehicle concept in Hanover that systematically meets the need of long-distance freight companies to minimize transportation costs. The TGX EcoLion is thus the most cost-effective semitrailer tractor produced by MAN.

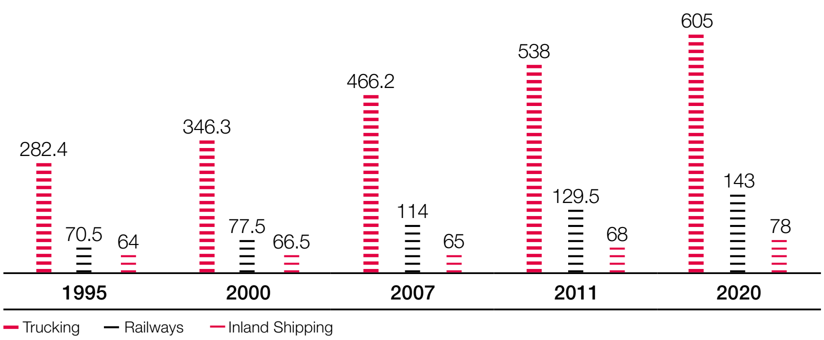
A key component here is the Air Pressure Management (APM) system newly developed by MAN. In the TGX EcoLion, this system replaces a conventional compressor, which is still running and using energy when the necessary reserve pressure has been reached in the air reservoirs. By contrast, the APM system activates the compressor only when needed, thereby reducing fuel consumption, protecting the environment from increased CO_2 emissions, and saving the operator money. Conserving fuel is also a key feature of the MAN TipMatic® series transmission in the TGX EcoLion. This system shifts only in automatic mode, and therefore eliminates operating errors that cause fuel waste and extra wear and tear. In view of frequent driver changes, operators of large fleets and truck rental operators in particular value this feature.

Low-emission engines

Above and beyond the TGX EcoLion concept, MAN Nutzfahrzeuge is also advancing the development of diesel engines with the launch of new Euro 5–compatible engines, which can

Development of freight haulage in Germany in billions of ton-kilometers

In the road haulage segment, growth of 23% in the volume of freight transported is expected by 2020. This will also increase demand for efficient transportation solutions.



Source: Verband der Automobilindustrie (VDA – German Association of the Automotive Industry)

Calculating vehicle TCO

Operating and driver costs account for the largest share of the total cost of operating a vehicle (total cost of ownership, or TCO).

Servicing	3.5 %
Taxes/Insurance	11.3 %
Investment	14.7 %
Driver	28.3 %
Operation	42.2 %

Source: Trucker

be operated without the AdBlue® additive. Bus buyers are primarily interested in meeting the EEV (Enhanced Environmentally Friendly Vehicle) voluntary emissions standards, which define stricter limits than the Euro 5 standard. MAN has marketed buses with engines that meet the EEV standard since 2007. Additional performance versions will be added in the coming months. And because national requirements (in Germany, among other countries) make environmentally friendly EEV models financially attractive for truck buyers as well, the MAN Nutzfahrzeuge Group will begin offering especially low-emission EEV engine options for all truck series from TGL to TGX in 2009.

TGL and TGM series improved

The lightweight and midweight TGL and TGM model series are also the embodiment of improved transportation efficiency. They fully express the image and appearance of the new Trucknology® generation. MAN is the only manufacturer of commercial vehicles to offer engines in all performance levels that also meet EEV emissions standards. Improved aerodynamics and elegant design round out this product. These vehicles stand out with high-quality seats and sophisticated ergonomic details in the interior – which is the driver's workplace.

Classic MAN vehicles on tour

MAN's high standards for its vehicles and propulsion technologies are reflected in the history of the Company. This fact was highlighted again and again on the occasion of the many 250th anniversary celebrations in MAN's birthday year. One special milestone was the 150th birthday of Rudolf Diesel. This engineer developed the world's first compression-ignition engine at Maschinenfabrik Augsburg, which later became MAN. Thanks to the engine that was subsequently named after him, he definitively ushered in the age of mobility. The intensive promotion and further development of the diesel process

German motor club ADAC awarded its Mobility Prize to MAN Nutzfahrzeuge for its commitment to greater safety in road traffic.

has been a historical constant at MAN Nutzfahrzeuge since then. History buffs had the opportunity to get a glimpse of this trend at the "MAN auf Achse" ("MAN on Tour") event. In June, classic trucks, buses, and tractors were driven to Munich, Augsburg, and Nuremberg for a unique classic vehicle exhibit. For three days, visitors could experience the enthusiasm behind MAN's products in the form of more than 30 vehicles spanning 90 years of history displayed in the central squares of these cities. Each model represents MAN's efforts to pursue automotive progress over an entire century and marks its success in being a key player in the relevant market developments.

Prizewinning accomplishments

Most recently, the heavyweight TGX and TGS truck series, which were launched in fall 2007, attracted a lot of attention. These vehicles set standards in terms of efficiency and driver comfort and safety. Industry journalists voted both models "Truck of the Year 2008." In addition, MAN received the "red.dot: best of the best" design award for these vehicles. MAN also came first in an image ranking based on a representative survey of 400 German fleet decision-makers in transportation, freight forwarding, industry, and wholesale/retail in Germany. MAN's innovative detailed solutions continue to receive awards. The German motor club ADAC recognized the electronic turn-off assistant, which reduces the danger of accidents while turning at intersections, with its Mobility Prize.

The AKTIV research initiative is primarily concerned with developing intelligent driver assistance systems. AKTIV is the German acronym for

Focused fine-tuning for TGL
At the **IAA Commercial Vehicles** show, the TGL series celebrated its premiere. Highlight under the hood: eco-friendly diesel engines that meet the **new Euro 5 and EEV emissions** standards – with EGR, and without the additive AdBlue.

Large order in the Gulf Region
In June 2008, delivery began on **170 double-deckers** to the Roads and Transport Authority (RTA) in the Emirate of Dubai. In all, the RTA ordered **400 city buses of the NEOPLAN brand**.

First place in image ranking
According to Germany's fleet decision makers, MAN Nutzfahrzeuge had the **best reputation among all truck manufacturers** in 2008. MAN Executive Board members Dr. Karl Viktor Schaller (second from left) and Peter Erichreineke (second from right) accepted the trophy.

To the Champions League with MAN
The Bayern Munich soccer team **demands the best.** And that includes driving to games in MAN's Lion's Coach L Supreme **luxury coach.**

Challenges for technology
Efforts to reduce emissions by **optimizing combustion** alone have reached the limits of what is technically possible. The challenge for engineers is to develop solutions that **cut emissions dramatically** without sacrificing performance or increasing fuel consumption.

Dramatic reduction in emissions

Europe-wide emissions thresholds for trucks and buses (graphic: nitrogen oxide in grams per kilowatt-hour) were first stipulated in 1988. Euro 6 is expected to enter into force in 2013.

Euro 0	13
Euro 1	9
Euro 2	7
Euro 3	5
Euro 4	3.5
Euro 5 / EEV	2
Euro 6	0.4

"Adaptive and Cooperative Technologies for Intelligent Traffic," and the initiative is sponsored by the Bundesministerium für Wirtschaft und Technologie (German Federal Ministry of Economics and Technology). MAN and 28 other partners in the project are interested in further developing driver assistance systems for avoiding accidents and supporting smooth traffic flows. The starting point for this project is the fact that nine out of ten accidents are caused by human error. Against this backdrop, researchers are investigating technologies such as emergency braking systems and active systems to keep drivers in the proper lane through lateral control.

Motor sports: an endurance test
The vehicles and vehicle technologies used in motor sports have to be particularly reliable. This is where MAN stepped in with the new TGS models. In addition to the Truck Grand Prix, the Rallye Transorientale was one of the highlights of the season. This race was an endurance test covering 10,000 kilometers through Russia, Kazakhstan, and China. With a lead of more than three hours, Dakar and Central Europe Rallye winner Hans Stacey of the Netherlands crossed the finish line first in his MAN truck. A total of 14 trucks reached the finish line, and six of them were MAN trucks.

The success of MAN's vehicle technologies in markets around the world is most evident in our order books, particularly large orders. VEOLIA, the global environmental service provider, ordered more than 500 trucks in 2008. Its new vehicles will be deployed starting in 2009 primarily in Belgium, Germany, France, the UK, Poland, and other European locations. The TGS series is particularly in demand. In many ways, this model is suitable for a variety of applications: Hook-lift and bucket-loader attachments for waste removal can be added, as well as attachments for servicing pipelines and sewers, street cleaning, and household garbage removal.

30%

less fuel is the savings the Lion's City municipal bus realizes, thanks to a serial hybrid drive and ultracaps to store energy.

In 2008, large orders were placed by bus buyers as well. MAN's technology in this field is pioneering, and the requirements for buses are increasingly high, particularly in city traffic. In addition to comfort and safety, energy consumption and pollutant emissions have long been essential issues. With this in mind, Berliner Verkehrsbetriebe (BVG – Berlin's transportation authority) ordered an additional 200 MAN Lion's City DD double-deckers in 2008 after we had already shipped 200 vehicles by the end of 2007. Another 500 MAN Lion's Classic natural gas-powered buses (CNG – compressed natural gas) will be used in Ankara, Turkey. More than 490 vehicles had already been ordered in 2006. These particularly environmentally friendly and fully air-conditioned municipal buses in this second order were manufactured in the Ankara factory and delivered at the end of 2008. The trend toward high environmental standards and optimizing efficiency in municipal transportation is also evident in The Hague, Netherlands. The municipal transportation authority here ordered a total of 135 MAN Lion's City low-floor buses with natural-gas-powered engines. These vehicles already meet the strict requirements imposed by the Haaglanden city administration with regard to nitrogen oxides – one of the criteria that had to be met for this new order to be eligible for subsidies.

Systematic double-brand strategy
The Buses division has been fully integrated into MAN Nutzfahrzeuge's organization since early 2008. As a result, the Company follows a double-brand strategy: Neoplan VIP-CLASS is the premium-quality brand that represents the highest standards in the coach sector. Thanks to its innovations, this brand is an asset to the entire bus sector and is considered one of the market leaders by experts. Progressive technology, premium quality, and excellent design are the hallmarks of this wide-ranging product line.

Buses for Business – MAN-brand buses are a symbol of high-quality technology and the ultimate in comfort and safety, while also featuring first-class price-performance. This spectrum of products ranges from municipal and long-distance buses to coaches and bus chassis.

The fact that MAN buses have an excellent reputation and represent high quality is something that the professional soccer players of Bayern Munich know well. The German championship record-holders switched to a MAN Lion's Coach L Supreme as their team bus at the beginning of the 2008-2009 season under new coach Jürgen Klinsmann. A powerful and efficient 480 horsepower MAN common rail engine and premium-quality interior ensure that Franck Ribéry, Luca Toni, and Miroslav Klose arrive at Europe's top soccer stadiums on time and well-rested for shooting goals. The VfL Wolfsburg soccer team has followed the example of Bayern Munich: The Bundesliga team from northern Germany also switched their team bus to a MAN Lion's Coach L Supreme.

Consolidated hybrid expertise

MAN provided a glimpse into the future of commercial vehicles at the IAA by showcasing two vehicles with different hybrid propulsion concepts. One of these was the Lion's City municipal bus with a serial hybrid drive and ultracaps to store energy. Compared with other energy storage devices, ultracaps are unique due to their standout power density, strong power absorption, reliability, and superb efficiency. Because the Lion's City uses stored brake energy for acceleration, it consumes up to 30% less fuel than a comparable diesel-powered bus. A new distribution truck featuring parallel hybrid propulsion and state-of-the-art battery technologies that was also presented at the IAA enables operators to consume up to 15% less fuel.

Online truck configuration

In addition to many new products, MAN Nutzfahrzeuge also launched the new online truck configuration tool at the IAA. When customers and prospective buyers visit the website, this tool leads them through the product range until they have found the vehicle of their choice. They are shown only the country-specific vehicles sought. Customers can build a vehicle to meet their needs in just five steps. If desired, they can provide additional specifications for the model preconfigured on their computer together with a MAN sales representative within 24 hours.

The common rail engines of the D08 series meet the strict emissions thresholds of Euro 5 and EEV with no need for additives.

MAN's Future Center looks ahead

MAN presented even more far-reaching possibilities at the IAA, beyond these examples of innovative technologies. At the center of MAN's trade fair booth was the Future Center, which took the international crowd of attendees on a visionary trip into the year 2020. What challenges will the transportation industry face in the future? What does the truck of the future look like? How can the growing transportation volume be handled economically, safely, and in an environmentally friendly manner? What effects will the growth of megacities worldwide have? How will their residents be supplied with goods, and how will waste be removed from their inner cities? MAN's research and development experts were discussing these questions and many more with suppliers, customers, and other stakeholders. Sometimes looking into the future has to remain speculative, but there is one certainty the guests of the Future Center in Hanover could take home with them: MAN Nutzfahrzeuge will remain a pacesetter for progress. "Engineering the Future," the motto of the MAN Group, is both an aspiration and a challenge.

New Executive Board responsibility

As part of its international growth strategy, MAN Nutzfahrzeuge introduced a new Executive Board position for Strategy and Portfolio Management on October 1, 2008. The goal of this move is to ensure that international customer requirements can be met with a modular product platform strategy across a variety of product brands; this will in turn create the basis for additional international alliances. Bernd Maierhofer (48) is responsible for this newly created Board position. Maierhofer joined MAN Nutzfahrzeuge 16 years ago and has since served in various management functions. Most recently, he was Head of Development for Heavy Trucks.

MAN Nutzfahrzeuge

€ million	2008	2007
Order intake	9,130	12,684
Revenue	10,610	10,410
Operating profit	1,062	1,039
Headcount (at Dec. 31) [1]	36,251	36,591
Return on sales (in %)	10.0	10.0

[1] including temporary employees

Journey to the year 2020
Eco-zones, one-liter trucks, **mega-cities growing worldwide**: the MAN Future Center enables visitors to the IAA Commercial Vehicles show in Hanover, Germany, to take **a look at the possible future of road transport.**

SOS KINDERDORF INTERNATIONAL

MAN

Help for children in Africa
Assisting children and young people is the goal of a long-term **partnership** between MAN Nutzfahrzeuge and **SOS Kinderdorf International.** More than 140 children and young people in Kality, Ethopia, now have prospects for the future thanks to this initiative.

MAN trucks catch racing fever
At the big Truck Racing Finale in Jarama, Spain, **the MAN drivers had a lot to celebrate:** in the overall standings, six of these drivers made it into the top ten. A total of 25 drivers, representing **eight different brands,** battled for the European championship title.

Innovation campaign
MAN Diesel has modernized its production locations at Augsburg, Frederikshavn, Saint-Nazaire, and Velká Bíteš and extended these locations to form **a European production network.**

MAN DIESEL: WELL-FILLED ORDER BOOKS

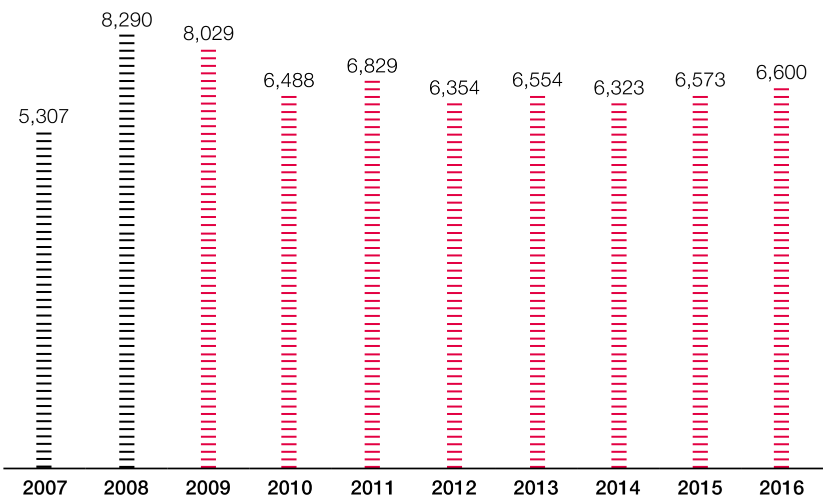
The Diesel Engines business area of the MAN Group again surpassed the excellent business figures recorded in the previous year for revenue and earnings. The stronger positioning in the Power Plant division contributed to this growth.

The year 2008 was a very successful one for MAN Diesel. This business area succeeded in securing many – in some cases spectacular – large-volume orders, especially in the Power Plant division, which made up for individual order cancellations in the Marine division. MAN Diesel secured a contract worth €150 million for the complete erection of a diesel power plant in Pakistan, for example. The contract for the power station in Narowal was awarded by Hub Power Company (HUBCO), one of the leading independent energy generating companies in Southeast Asia. From March 2010, eleven type 18V48/60 MAN diesel engines will provide a reliable supply of electricity as the heart of the power plant. To maintain its presence in this growth market in the future, MAN Diesel established MAN Diesel Pakistan (Pvt.) Ltd., a subsidiary in Lahore that was inaugurated in November 2008.

Success in power plant construction
A contract received from Australia in July 2008 was a first in the Power Plant division. Energy utility Power and Water Corporation commissioned MAN Diesel to plan and build a power generation plant near Alice Springs. The contract is considered a milestone – it is the first time that MAN Diesel's 51/60DF dual fuel engine will be deployed in a power plant. This type of engine can run on both heavy fuel oil and normal diesel fuel, or with gas. The most important order came from Europe, however. In October 2008, MAN Diesel secured the largest contract in its history from the French energy group Electricité de France PEI SAS (EdF). MAN Diesel will build six turnkey diesel power plants: two on Corsica, and four in the overseas Départements of French Guyana, La Réunion, Guadeloupe, and Martinique. The contract has a volume totaling approximately €1.3 billion, with lead manager MAN Diesel accounting for over €750 million. Fifty-four type 18V48/60 large-bore diesel engines with a total output of 1,025 megawatts will be supplied. The engines will be assembled in Saint-Nazaire, which will strengthen MAN Diesel's French production plant in the long term. MAN Diesel's ability to satisfy the requirements relating to fuel consumption, noise generation, and exhaust emissions using state-of-the-art engine and plant technology was the decisive factor in the award of the contract. The six diesel power plants will be connected to the grid between 2010 and 2012. With this and other contracts, MAN Diesel is reinforcing its position as a provider of turnkey diesel power plants – an area of business that it will continue to expand in the future.

Strong diesel power plant market

Following a peak in global order intake for power plants in 2008 and 2009, business will stay flat at a relatively high level going forward (in MW).



Source: Power Systems Research, Diesel & Gas Turbine Worldwide

Efficiency and lower emissions
In the area of marine propulsion systems, 2008 was initially dominated by rising fuel prices and more stringent requirements regarding the environmental impact of marine diesel engines. For this reason, cutting emissions and fuel consumption was the theme of MAN Diesel's presence at the SMM in Hamburg, the world's most important shipbuilding fair. From September 23 to 26, 2008, MAN Diesel showcased state-of-the-art technologies for reducing fuel consumption and pollutants at sea to visitors. One of the highlights of the fair was a new version of the tried-and-tested MAN Diesel 48/60 four-stroke engine that debuted at a trade show as the 48/60CR common rail model. During the fair, MAN Diesel and British shipping line P&O Ferries signed a contract to equip two new ROPAX ferries with this type of engine.

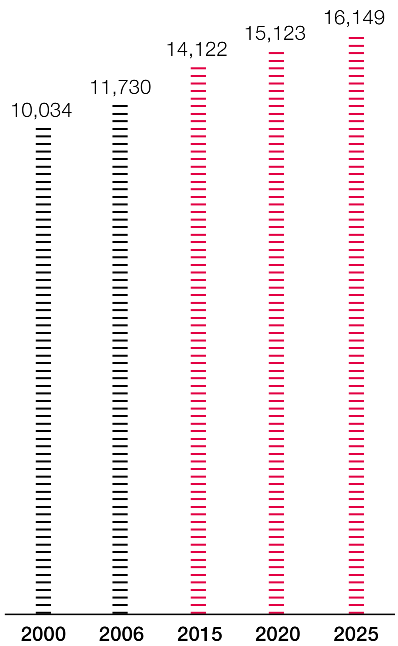
Further reduction of pollutants
As a consequence of the high fuel prices, many ship owners are slowing down their ships, which significantly reduces fuel consumption. In the past, however, marine diesel engines have been optimized for full load, so this change results in higher emissions, relatively speaking. Electronically controlled injection systems like the highly successful common rail injection, as well as MAN Diesel's VTA turbocharger technology, which was also showcased to experts for the first time at the SMM, are countering this effect. Now, the fuel and air supply can be optimally adjusted to the changed operating conditions. These technologies can also be retrofitted in many MAN Diesel engines. This is particularly important in view of the next stage in the emission regulations (Tier II) of the International Maritime Organization (IMO), which will enter into force in 2011.

MAN Diesel also presented trade fair visitors the MAN B&W 8S35ME-B, the world's first electronically controlled two-stroke engine with a small bore of 35 centimeters. This engine is more powerful, lighter, and more compact than existing two-stroke engines of this size, and its electronically controlled injection system makes it ideally equipped to meet today's IMO Tier II requirements. Business with two-stroke engines was very encouraging in 2008 in any case. A.P. Møller-Maersk, the world's largest shipping company, ordered 22 MAN B&W 6S80ME-C9 engines and 16 MAN B&W 9S90ME-C engines for a series of container ships to be put into service in 2010/2011. The units already satisfy all requirements of the Tier II emission regulations. The "Green Ship of the Future" project, for which MAN Diesel has joined forces with Danish partners from the industry, has more distant objectives. The group, which comprises ship owners, shipyards, suppliers, and research institutes, has a common goal: To present new environmental technologies in the field of shipping in time for the Kyoto follow-up conference in Copenhagen at the end of 2009.

In September, MAN Diesel presented the world's first 35-bore electronically controlled two-stroke engine.

Ongoing demand

The growing need for energy worldwide is continuing to boost demand for power plants (in millions of tons, based on oil).



Source: World Energy Outlook 2008, International Energy Agency (IEA)

Long-term strategic objectives
MAN Diesel is well equipped to cater for future requirements and has set itself a clear goal on the basis of a long-term, structured strategy process: To become the world leader in all of its divisions. The instruments that will be used to achieve this goal are sustainable, flexible growth; structural improvements; and extending its innovation lead. Special emphasis will be placed on two-stroke engines, four-

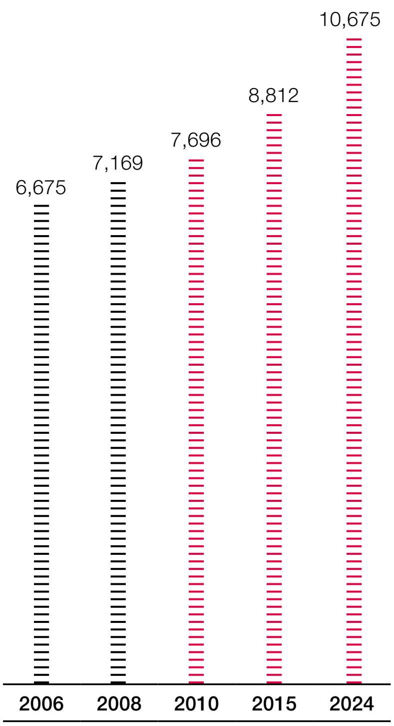
Encouraging two-stroke business
Møller-Maersk, the world's largest shipping company, ordered **38 MAN Diesel engines** for its fleet of container ships. The engines will be manufactured in Korea by licensees.

Using common rail to reduce fuel consumption
A section model in its original size gives a unique insight into the 48/60CR four-stroke engine, which was presented at the SMM shipbuilding fair in September 2008. Its **common rail injection system** optimizes fuel efficiency.

Energy for La Réunion
On La Réunion, MAN Diesel is building one of six power plants for EdF. It has twelve **18-megawatt (approx. 25,100 hp)** power generation units, each equipped with a catalytic converter that minimizes nitrogen oxide emissions.

Maritime trade remains on track

Trade on international sea routes will continue to increase sharply in the future (in millions of metric tons).



Source: Institute of Shipping Economics and Logistics (ISL)

stroke gensets and propulsion systems, turnkey power plants, and after sales. To achieve these goals, MAN Diesel launched an extensive investment package in 2008 that will see it invest over €100 million in its production facilities in Augsburg, Frederikshavn (Denmark), Saint-Nazaire, and Velká Bíteš (Czech Republic) by 2010. The "ten-day engine" is scheduled to become reality at the first three of these locations by 2010, cutting the throughput time for engine assembly and test system operation from a good 30 days to 10 days.

To achieve this goal, processes will be reviewed and modernization measures initiated in all areas along the order value chain. Part of MAN Diesel's strategy is also to expand its licensing business. In 2008, agreements in the two-stroke category were signed with four new Chinese licensees. In the future, engine manufacturers ZJCME, ZZD, RPM, and Yungpu will supply the Chinese market with state-of-the-art MAN B&W two-stroke engines. Licensing in the four-stroke category will be extended to include production under license of propulsion engines. To achieve this, MAN Diesel has entered into a licensing agreement with one of China's largest engine manufacturers, Weichai Holding Group Co. Ltd, for the production of type 27/38 and 32/40 propulsion engines.

Organic growth

There is also considerable potential for growth in the after-sales business, which is operated under the MAN Diesel PrimeServ brand name. This business, comprising maintenance and repair work, the supply of spare parts, and training, is growing as the global merchant fleet and the population of MAN Diesel power plants expand – largely independent of cyclical fluctuations. To ensure a presence wherever customers need its services, MAN Diesel plans to extend the service network by up to ten locations per year. By the end of 2008, the network of MAN Diesel service centers already comprised more than 60 locations. MAN Diesel PrimeServ opened a total of twelve service centers in 2008 alone, including in India, Dubai, South Korea, and the United States. The acquisition of service specialist Metalock Denmark A/S in August 2008 also gave a boost to the after-sales business. This move underscores MAN Diesel's strategy of supporting its own organic growth drive – especially in the services area – by also buying highly profitable companies. The corporate structure changed further through the integration of Danish company MAN Diesel A/S into MAN Diesel SE effective April 1, 2008. The integration has now been completed.

New CFO at MAN Diesel

Jan Gurander was appointed to the Executive Board of MAN Diesel SE in February 2008. As Chief Financial Officer, he took over responsibility for controlling, reporting, accounting, information technology, and legal affairs from Tage Reinert. At the end of 2008, Dr. Peter Sunn Pedersen left the Executive Board of MAN Diesel SE on reaching retirement age. Dr. Pedersen had been a member of the Board for over seven years, and has been a member of the Supervisory Board of MAN Diesel SE since January 1, 2009.

MAN Diesel

€ million	2008	2007
Order intake	3,089	3,371
Revenue	2,542	2,179
Operating profit	390	313
Headcount (at Dec. 31) [1]	7,986	7,383
Return on sales (ROS) (%)	15.4	14.4

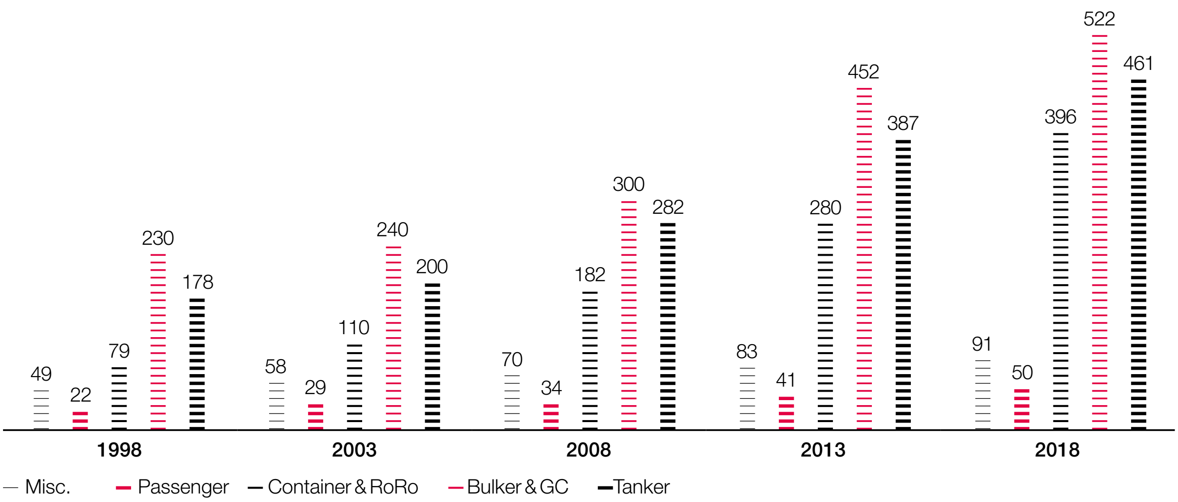
[1] including temporary employees

XXL-sized order

The **world's largest dredger** was launched in early July 2008. MAN Diesel supplied the engines and the entire drivetrains. With a load capacity of 46,000 cubic meters, the "Cristóbal Colón" is the largest work ship of its kind.

Ship fleets defy economic crisis

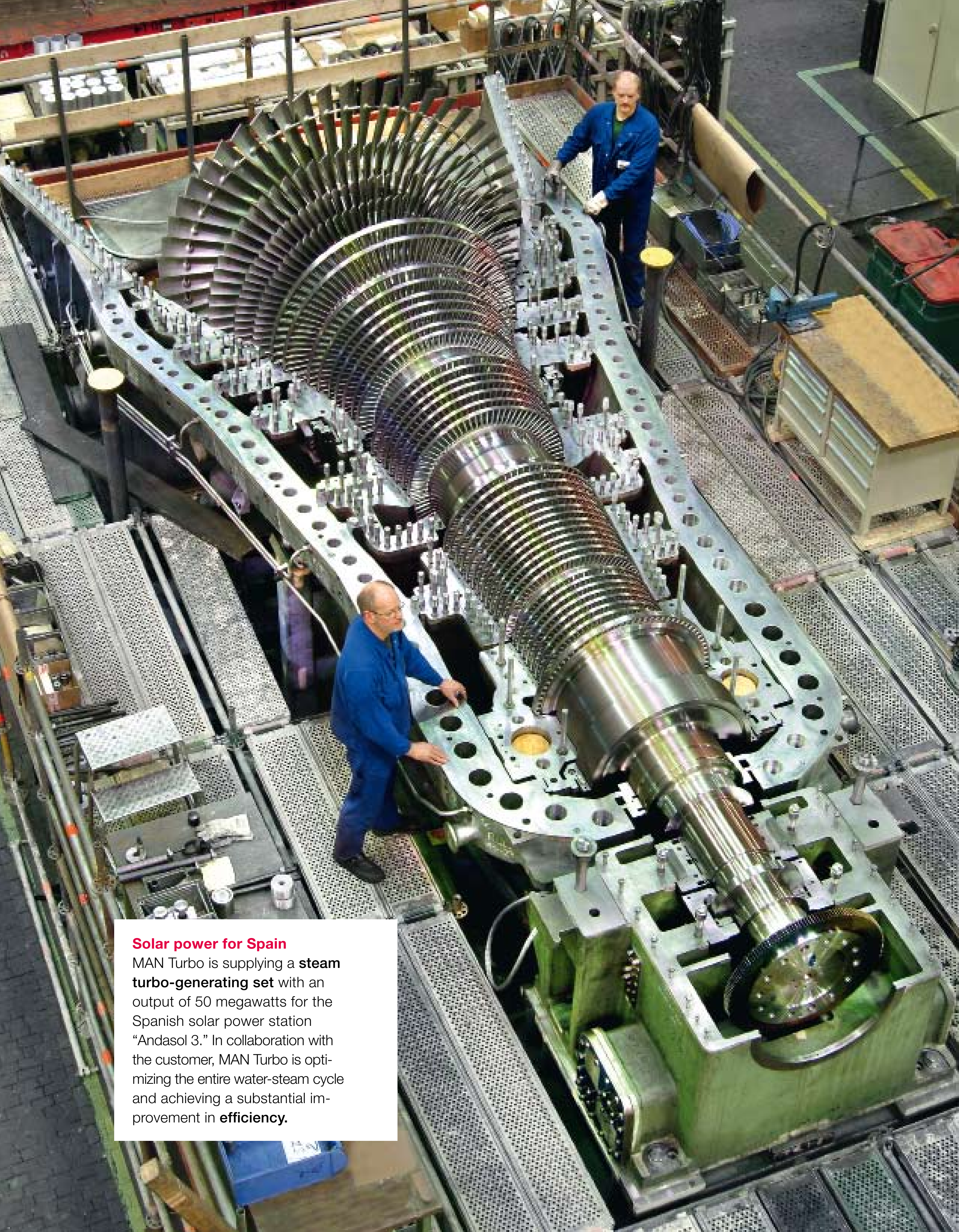
Global ship fleets are growing despite the current developments on the financial markets. Transportation volumes recorded by tankers and container ships in particular will continue to rise (in millions of gross registered tons).



Source: Lloyds Register Fairplay, November 2008

Expansion of the service centers

MAN Diesel PrimeServ delivers global services to its customers around the clock, 365 days a year. In 2008 alone, **twelve new service centers** were established worldwide, including in Busan, South Korea's primary port.



Solar power for Spain
MAN Turbo is supplying a **steam turbo-generating set** with an output of 50 megawatts for the Spanish solar power station "Andasol 3." In collaboration with the customer, MAN Turbo is optimizing the entire water-steam cycle and achieving a substantial improvement in **efficiency.**

MAN TURBO: A NEW PLANT AND BETTER CUSTOMER SERVICE

MAN Turbo is responding to the surge in orders for compressors, expanders, and turbines by extending its global presence, including in after-sales service. In addition, its organization now has a stronger market focus.

MAN Turbo continued to supply customized solutions (single-source solutions) to customers in 2008 – from single machines to turnkey machine sets. Its product portfolio ranges from compressors through expanders and turbines, to chemical reactors. Demand from China, India, the Middle East, and also Europe rose substantially, which led to a year-on-year increase in revenue of around 20% to €1.3 billion. Ongoing innovation and extensive enhancements enabled MAN Turbo to make its products more competitive.

New organizational structure
One cornerstone of MAN Turbo's growth strategy is implementing a new organizational structure focused on market requirements. Seven years after acquiring the turbo machinery activities of Sulzer AG in Switzerland, the existing growth concept is now being rolled forward as of July 2008 through a divisional organization. This simplifies workflows and reduces the number of interfaces. Supported by overarching Group functions and common controlling, MAN Turbo is now divided into divisions that essentially operate as independent entities: the process industry with the Oberhausen and Hamburg facilities (D) led by Dr. Hans-O. Jeske; and the oil and gas industry with locations in Zurich (CH), Berlin, and Deggendorf (D) as well as Schio (IT), headed by Dr. Gerhard Reiff. This new structure is designed to meet customer requirements on the primary markets and emphasizes the competencies of the individual locations. The aim is greater flexibility to cope with changes in the market through much less complexity, faster decision-making processes, and clear responsibilities.

8,840

m² is the space available to MAN Turbo for testing purposes at its plant in Oberhausen. This doubles its testing capacity.

The new market presence of MAN Turbo's after-sales service, MAN Turbo PrimeServ, which has been positioned as a separate brand under its own name since summer 2008, is equally customer-focused. MAN Diesel's positive experience with its own brand for after-sales services provided the inspiration for this. Quality and growth in this unit are characterized by regionalization, a global footprint (worldwide service network), and technical expertise. Under the new brand, MAN Turbo explicitly acts as a full-service provider that supports customers as an expert from the moment the order is placed across the entire lifecycle of the machines, providing assistance with all questions. The expansion of this customer focus in 2008 also included the integration of HB Turbo, the Texas service turbomachinery specialist, and the Baton Rouge Machine Works into the global service network. MAN Turbo thus increased its proximity to customers and also expanded its range of services in the United States. The service providers serve customers from the oil and gas industries, as well as the chemical and petrochemical industries, in the Gulf region.

Production and presence in China
Achieving greater proximity to markets and customers is also the objective of the new activities in China, MAN Turbo's largest sales market after the European countries. The company built its first production plant outside Europe in Changzhou on an area spanning 50,000 m². This facility gives MAN Turbo a direct presence in China so that it can benefit from the advantages of global production, while also creating better, customer-oriented service for MAN Turbo's machine population in China, which has grown apace in recent years. In 2008, MAN Turbo also responded to the surge in orders for turbo machinery and customers' increasing requests for plant and equipment that are subject to extensive testing prior to delivery by doubling its testing

facilities in Oberhausen and Zurich. Since early 2008, Oberhausen has boasted testing facilities of 8,840 m², while the Zurich plant has an area of 2,000 m² available for test systems. The number of employees responsible for testing turbo machinery has risen from 70 to 120. In Oberhausen, complete machinery trains weighing up to 1,000 tons can now be tested. Such trains, which are used in the gas-to-liquid process, need an 80-m-long hall for testing.

35,000

barrels of oil per day can be produced by the "Cidade de São Mateus" oil platform off the coast of Brazil using MAN Turbo technology.

Global market leader in GTL
Customers around the world are currently adapting their business and production models to changing economic and environmental requirements. The increasing scarcity of resources in particular requires new strategic answers to questions about energy production and use. The long-term trend in the price of crude oil is making the exploitation and development of new sources of energy more and more attractive. MAN Turbo is benefiting from this trend toward alternative energy concepts thanks to its product portfolio. As a global market leader, the company supplies the primary key technologies used for GTL (gas-to-liquid) plants and has carved out a strong position for itself in this emerging market. The development of comparable processes, such as the conversion of biomass (BTL) and coal (CTL) into liquid fuels, is also opening up additional business segments for MAN Turbo.

The transportation of natural gas in pipelines – in some cases over several thousand kilometers – is playing a key role in national energy supply strategies. Compressor stations balance out the pressure losses that occur at intervals of around 200 kilometers and ensure the required line pressure of generally 80 bar. Compressors and drive units from MAN Turbo's production are highly regarded among customers as the central components of such stations. One example is Haiming compressor station on the border between Germany and Austria, for which MAN Turbo delivered both compressors in 2008. With a drive output of 20 megawatts, they can be run up within minutes to generate and regulate the required natural gas pressure.

Sophisticated energy efficiency
MAN Turbo repeatedly makes important contributions to climate protection with forward-looking technology and sophisticated, detailed solutions. For example: the commissioning of the fourth compressor of the WINGAS station in Mallnow in the German state of Brandenburg. This compressor station meets over one-third of Germany's natural gas requirements in constant operation. Every hour, up to 3.5 million cubic meters of natural gas are transported here. MAN Turbo's installation concept for compressor stations for transporting natural gas uses the exhaust gas heat from the three gas turbines to generate steam. The steam drives a fourth compressor by means of a turbine. The economic and, at the same time, ecological effects are considerable: This process enables the total output of such stations to be increased by over a quarter without consuming any additional energy.

Further growth with a new Divison Structure
The MAN Turbo Group was reorganized on July 1, 2008. The new divisional organization is the result of MAN Turbo's buoyant growth in recent years and is designed to simplify procedures and reduce the number of interfaces.

Executive Board

Dr. Gerhard Reiff | Dr. Stephan Funke | Klaus Stahlmann | Dr. Hans-O. Jeske

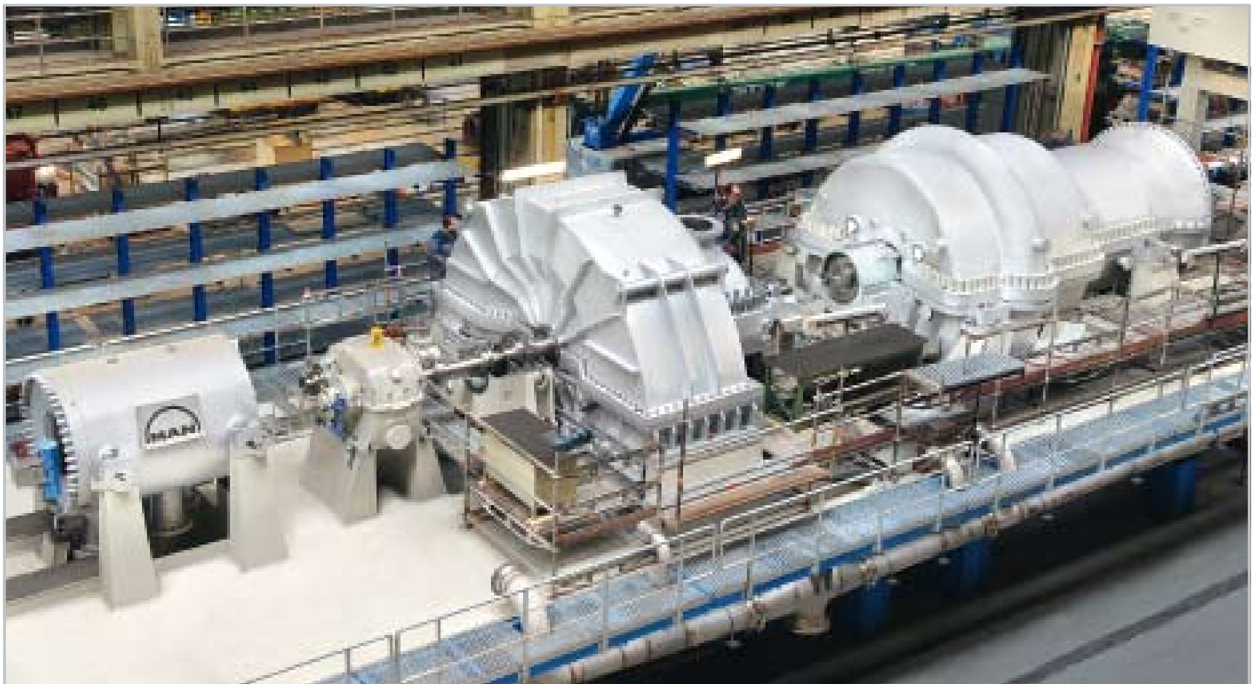
Divisions

Oil & Gas | Process Industry

Group functions (including Services)

Controlling

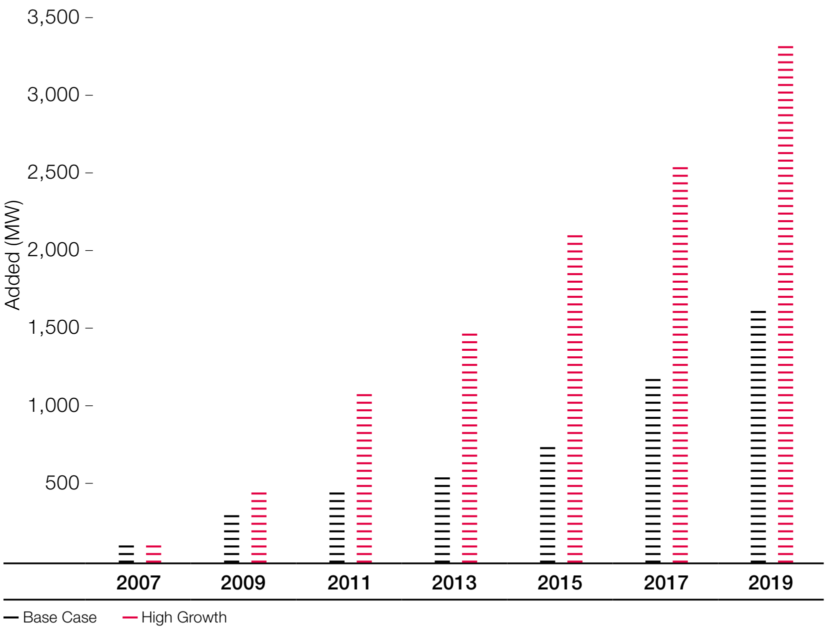
Serving customers
June 20 was the **launch date** at the Zeche Zollverein in Essen for MAN Turbo PrimeServ, the new **market presence** for MAN Turbo's after-sales service.



Testing facilities for gas-to-liquid processes
As the **global market leader,** MAN Turbo delivers the key technology for GTL (gas-to-liquid) plants. These **giants** are directly assembled on the test system in an 80-m-long hall in Oberhausen for their subsequent installation site.

Renewable energies a growth market

The concentrated solar power (CSP) segment demonstrates great potential. The goal of MAN Turbo is to secure market share using innovative technologies.



Source: Emerging Energy Research

Steam turbine for Andalusia

MAN Turbo also uses its expertise in the area of building entire turbine trains in another forward-looking energy market: The Oberhausen facility is supplying a steam turbo-generating set with an output of 50 megawatts for the "Andasol 3" solar power plant located in Andalusia, Spain. The double-casing machinery train is designed for special use in this solar thermal application. MAN Turbo is optimizing the entire water-steam cycle in close cooperation with the customer and adapting the steam turbine accordingly. This will achieve a significant improvement in efficiency and make a further contribution to environmental protection.

Modern oil production

Floating oil production systems are an important line of business for MAN Turbo. Demand is particularly strong for special ships called FPSOs (floating production storage and off-loading systems), which are used in deep-sea waters instead of oil platforms. Using flexible pipelines anchored to the seabed, the crude oil is pumped onto the FPSOs, where it is processed and stored for transportation by tanker. For a customer in Angola, MAN Turbo is currently building four compressor trains, including two medium-pressure trains with one compressor per train, plus two high-pressure trains with two compressors per train. The two trains, which work in parallel, will then be used for gas lifting or export, or for gas injection.

Four other compressor trains are going to Brazil, where an FPSO ship will begin operating at the end of 2010 in the Espirito Santo Basin, 250 to 800 km off Rio de Janeiro. The Zurich facility also sent five compressor trains to Singapore. This order comprised oil supply systems, gear units, engines, control systems, and commissioning – in other words, full service.

Customer-oriented

Customers' top priorities when it comes to machinery are outstanding reliability, considerable flexibility, and economic efficiency. MAN Turbo is awarded contracts not only because of its broad product portfolio and technology lead in individual areas, but time and time again because of its unusually detailed knowledge of its customers' processes. MAN Turbo's high level of technical expertise is rounded off by the extensive range of services that it also provides to customers on request over the life of the machine after delivery.

MAN Turbo

€ million	2008	2007
Order intake	1,426	1,454
Revenue	1,328	1,108
Operating profit	148	104
Headcount (at Dec. 31) [1]	4,493	4,011
Return on sales (ROS) (%)	11.1	9.4

[1] including temporary employees

Million euro investments in China
The production and service facility in the Chinese city of **Changzhou,** some 200 kilometers west of Shanghai, commenced operation mid-2008. Around €15 million was invested in the first **production plant** that MAN Turbo has built outside Europe.

Testing large machinery
All **compressor trains** can be tested by MAN Turbo on a test system for large machinery before being delivered to the customer. Oberhausen alone has had an impressive 8,840 m² of **testing space** at its disposal since early 2008.

Floating production vessels
Special ships called FPSOs are used in **deep-sea waters** instead of the usual stationary platforms. Even gas fields that lie 3,000 meters below **sea level** can be accessed using MAN Turbo's compressor units.

Annealing in oil baths
Gear wheels have a temperature of **850°C** when they arrive at the annealing plant. There, the crane lifts the **glowing red metal** into a tank containing oil heated to 50°C. This process ensures **high resilience** and a long life.

RENK: SUSTAINED TAILWIND

The Augsburg-based propulsion technology specialist is majority-owned by the MAN Group and is pursuing an expansionary policy with innovative gear units. Revenue topped the €500 million mark in 2008 for the first time.

Increasing the yield from renewable energies is one of the greatest challenges in mechanical and plant engineering. The multi-megawatt wind turbines planned for the coastal regions of the North Sea and the Baltic Sea are considered a milestone on this journey. Thanks to innovative high-performance gear units, the rotors are now achieving peak output of five megawatts for the first time. Augsburg, Germany-based RENK AG, a development partner and supplier to Multibrid, a German manufacturer of wind energy converters in Bremerhaven (a subsidiary of the French Areva group), is playing an essential role in this innovation.

Close to the island of Borkum, the first of 24 offshore projects planned off Germany's coasts is being implemented. There is also considerable interest in the use of this climate-friendly technology in other countries within and outside Europe. To service this growth market, RENK and Multibrid signed a master agreement in summer 2008 that will see delivery of over 300 wind energy converter gear units up to 2015.

New organizational structure

To be able to meet demand, RENK is currently expanding its Rheine facility as part of a company-wide investment and modernization program for which over €100 million will be earmarked up to 2012. This facility will produce the unusually compact and largely maintenance-free 5MW gear unit. Production is being relocated from the company's crowded main plant in Bavaria to the Münsterland for logistical reasons. The strategic business units (SBU) of RENK were redefined at the same time.

€100

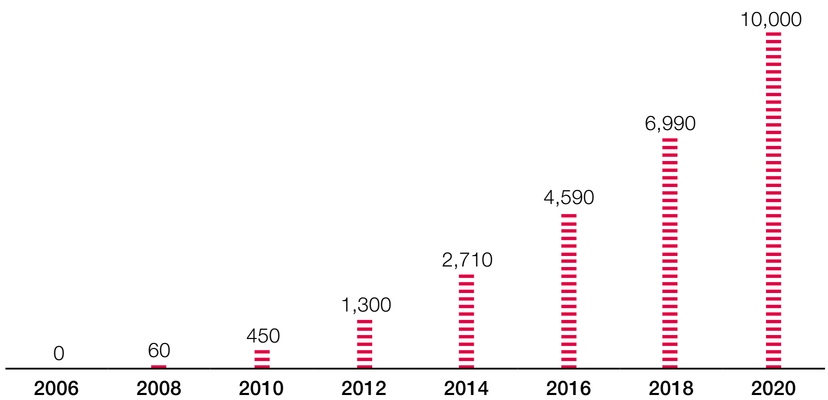
million is being invested by RENK to modernize its German plants in Augsburg, Rheine, and Hanover.

The second-largest facility, with some 440 employees, Rheine is now the official address for the standard gear unit that is sold to customers in the energy industry and merchant shipping industry. Two business units are located in Augsburg (around 920 employees). One of these business units develops customized high-performance gear units for use in industry, power plants, and marine propulsion. Together with the Swiss company RENK-MAAG GmbH, these production facilities make up the Special Gear Units business unit.

The second SBU, which includes RENK Test System GmbH and the French subsidiary SESM, produces vehicle transmissions – especially for me-

Offshore power generation on the rise

Forecasts for the expansion of offshore wind energy generation in Germany up to 2020 are driving optimism in the industry (figures in megawatts).



Source: Deutsche WindGuard

dium-weight and heavy tracked vehicles – as well as test systems for the automotive, railway, and aerospace industries. Together with RENK Corporation in the United States, RENK's Hanover plant (which has a workforce of around 330) is responsible for slide bearings that are mainly used in large electrical machinery.

Considerable sums are also being invested in Augsburg and Hanover. For example, the production area of the slide bearing plant, which had reached the limits of its capacity, was expanded to create the conditions for further growth. The main plant in Augsburg, some of whose buildings date back to the 19th century, will be radically modernized by 2010. This modernization includes expanding the annealing plant and building a new, state-of-the-art production center for naval and turbo gear units as well as mill gear units for the cement industry. RENK invested almost €30 million in companywide modernization measures in 2008.

Improved operating profit
In fiscal 2008, RENK lifted its revenue by €97 million year-on-year to €527 million. All four strategic business units posted substantial revenue growth. As a result, operating profit rose from €68 million to €80 million. By year's end, orders worth €612 million had been received.

A foreseeable slowdown in the merchant shipping market and a decline in purchases of tracked vehicles is being offset by significant increases in other areas, especially wind energy converter gear units and turbo

Thanks to their compact size and reliability, RENK's ultra-modern automatic gear units are in demand worldwide for military propulsion technology.

transmissions, as well as innovative marine applications. RENK is also supplying gear units for the new Italian FREMM frigate and for the new German F125 frigate.

The first ship is due to be launched in 2014, having been designed from scratch for the German Navy by Thyssen Krupp and Lürssen-Werft. This ship was designed specifically for peacekeeping missions, and it is able to remain at sea for up to two years. Its propulsion system, which consists of a gas turbine and two electric engines, must be extremely reliable and virtually maintenance-free – as is also the case with the offshore rotors in the North Sea, whose gear units are designed to work for over 20 years.

RENK succeeded in substantially improving its market positioning in turbo transmissions by integrating RENK-MAAG GmbH, located in Winterthur, Switzerland. This powerful Swiss company recorded an exceptionally high order intake in the area of gear units for use in the oil and gas industry.

The high number of MAAG gear units – more than 5,000 – also stimulated the spare parts and servicing business. In 2008 the SBU slide bearings reached double-digit growth rates in incoming orders for the fifth year in a row. This included a significantly higher proportion of special bearings.

Growth in cement gear units
Driven by sustained demand in various foreign markets, RENK also recorded double-digit growth rates in incoming orders and revenue from cement gear units. The majority of deliveries were of the high-tech, highly efficient horizontal and vertical KPBV mill gear units. Developments at RENK Test System GmbH were equally encouraging; this company recorded very high revenue due to extraordinary factors in the military business with deliveries of armored vehicle gear unit test systems to Greece and Turkey, and its order backlog extends into 2010.

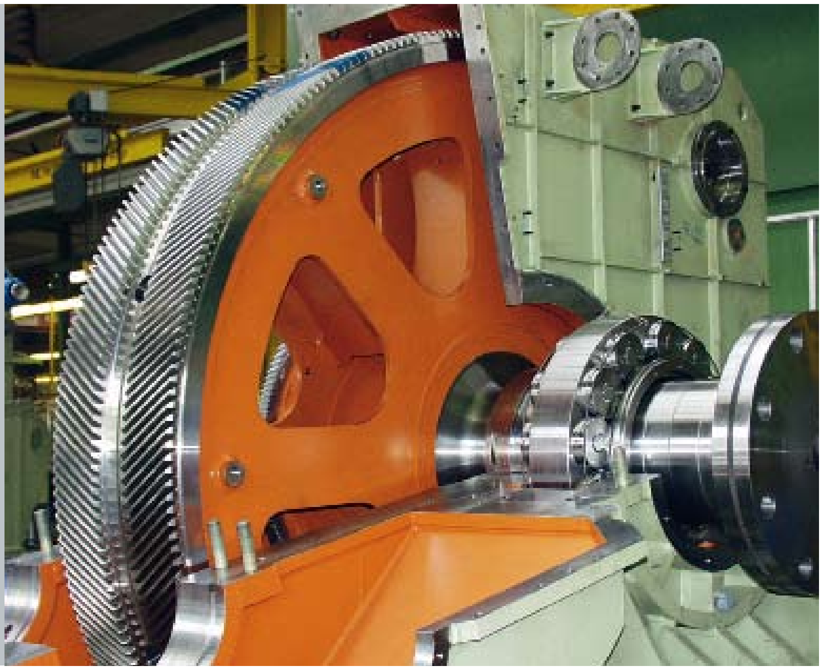
RENK

€ million	2008	2007
Order intake	443	439
Revenue	527	430
Operating profit	80	68
Headcount (at Dec. 31) [1]	2,041	1,854
Return on sales (ROS) (%)	15.1	15.7

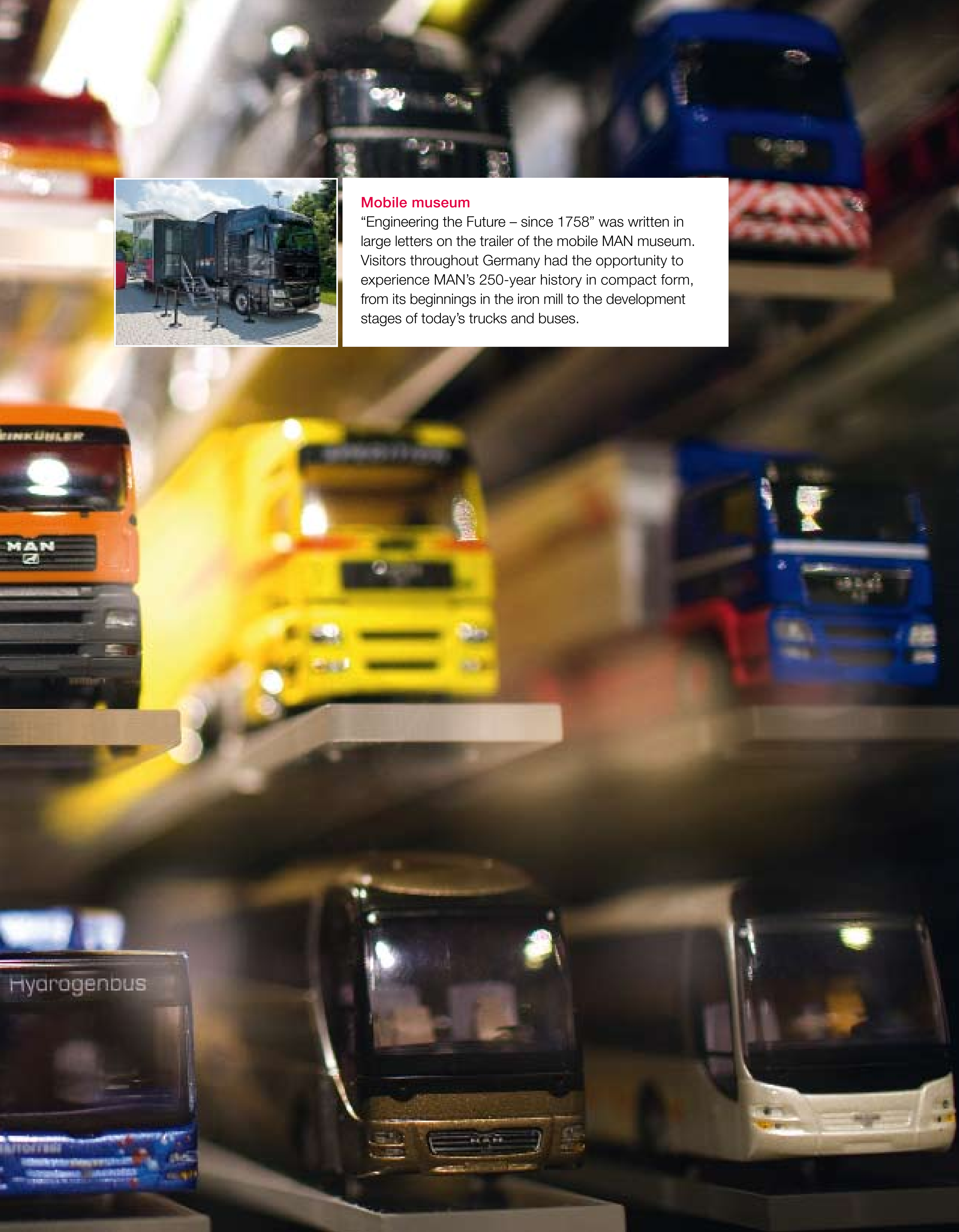
[1] including temporary employees

Precision
The final assembly of the bearing for an electrical machine or a generator is **absolute precision work.** To ensure that everything works perfectly later on, the fitter lowers the top section onto this side flange case very carefully.

Economical, light, and quiet: the ideal characteristics of marine propulsion systems. In a **diesel gear assembly** with fluid couplings and an integrated thrust bearing, a **double-helical gearing** minimizes noise generation.



Put to the test
The surface of gear wheels is **hardened** to prevent damage to the gear unit. A test rod is produced at the same time for use as a material sample. In this way, the **quality inspectors** can measure the material's load resistance.



Mobile museum

“Engineering the Future – since 1758” was written in large letters on the trailer of the mobile MAN museum. Visitors throughout Germany had the opportunity to experience MAN’s 250-year history in compact form, from its beginnings in the iron mill to the development stages of today’s trucks and buses.

MAN GROUP MANAGEMENT REPORT

for the fiscal year from January 1 to December 31, 2008

HIGHLIGHTS 2008

MAJORITY OF 2008 EXPECTATIONS MET

- Decline in order intake to €14.0 billion (–21%), particularly at Commercial Vehicles in H2
- Further increase in revenue to €14.9 billion (+6%) despite difficult economic environment
- Operating profit up by 11% to €1.7 billion (previous year: €1.6 billion)
- Return on sales (ROS): 11.6% (previous year: 11.0%); return on capital employed (ROCE): 40.2% (previous year: 31.9%)
- Earnings per share from continuing operations: €7.76 (+7%); excluding gains/losses from nonrecurring factors: €8.12 (+16%)
- Proposed dividend of €2.00 per share (previous year: €3.15) appropriate in light of the current situation

FOCUS ON TRANSPORT-RELATED ENGINEERING

- Sale of majority interest in MAN Ferrostaal completes the focusing process for the MAN Group
- International expansion driven by acquisition of VW Truck & Bus, Brazil
- Diesel records sharp increase in energy generation contracts
- New turbo machinery plant opened in China
- Group's flexibility helps it adapt to the economic downturn

OUTLOOK FOR 2009

- Systematic implementation of adjustment measures to reflect economic downturn
- High order backlog and stable revenue at Diesel, Turbo, and RENK will cushion declines at Commercial Vehicles
- Diesel and Turbo will grow in the energy generation market

THE MAN GROUP: BUSINESS ACTIVITIES AND STRATEGY

The MAN Group

The Group's origins date back to 1758 when the St. Antony iron mill was founded in Oberhausen (Rhineland). This mill and two other metallurgical plants were later merged to form Gutehoffnungshütte (GHH). The Company also originates from Sander'sche Maschinenfabrik, which was established in Augsburg in 1840, adopted the name Maschinenfabrik Augsburg-Nürnberg AG (M.A.N.) after merging with Nuremberg-based Klett & Comp. in 1908, and was acquired by GHH in 1920. In 1986 GHH and M.A.N. merged to form MAN Aktiengesellschaft, which celebrated its 250th anniversary in 2008.

Today, MAN's focus on transportation, propulsion, and energy makes it one of Europe's leading engineering groups. The Group's decision to sell 70% of MAN Ferrostaal AG completes the focusing process on its defined core areas. MAN companies rank in the top three in their respective markets. The Group has approximately 51,000 employees in 120 countries; its core business areas are Commercial Vehicles, Diesel Engines, Turbo Machinery, and Gear Systems. The MAN Group is headed by MAN Aktiengesellschaft, which is the Group's Corporate Center. In 2008, the MAN Group generated revenue of €14.9 billion and operating profit of €1,729 million.

Overview of the business areas

MAN Nutzfahrzeuge is one of Europe's leading manufacturers of commercial vehicles, with production facilities in four European countries and in India. Its products range from trucks with a gross vehicle weight (GVW) of 7.5 to 60 t for short- and long-haul transportation, trucks for military and public-sector uses, through buses and coaches, to combustion ignition and spark-ignited engines for vehicles, ships, and power generation. MAN Finance International GmbH (MFI) offers financing solutions, in particular leases, to commercial vehicle customers. These activities are supported by an international sales and service network. MAN Nutzfahrzeuge is the Group's largest business area, with revenue of €10.6 billion and operating profit of €1,062 million. Furthermore, the acquisition of VW Truck & Bus, Brazil, will give the MAN Group a leading position in the commercial vehicle market in a long-term growth region.

MAN Diesel is one of the world's leading developers and manufacturers of large-bore diesel engines, mainly for marine applications, but also for stationary use. This business area commands a strong market position in both the development of two-stroke diesel engines for propulsion systems in large ships and in the manufacture of four-stroke diesel engines built into smaller vessels and as stationary engines for electricity generation at power plants. While the two-stroke engines are built primarily by licensees, MAN Diesel manufactures most of its four-stroke engines at its facilities in Germany, Denmark, and France. The business area's revenue amounted to €2.5 billion, and its operating profit was €390 million.

MAN Turbo is a manufacturer of turbo compressors, industrial turbines, and chemical reactor systems. This business area offers a complete range of turbo machinery for various industries such as oil and gas, refineries, and chemicals, as well as for the production of industrial gases and electricity. Its product range is supported by a comprehensive after-sales service. MAN Turbo generated total revenue of €1.3 billion and operating profit of €148 million.

The MAN Group's strategy and strengths

The MAN Group's business goal is to grow profitably and increase its enterprise value by offering competitive products and services. To pursue this goal in the long term, the Group has defined its strategy in terms of the following requirements:

Focus on transport-related engineering
MAN's manufacturing business areas focus on sectors relating to the growth markets of transportation, propulsion, and energy. The goal of these areas is to grow through investments and acquisitions, and to extend their leading positions.

Industrial Governance management system
The MAN Group's strategic management system – Industrial Governance – strengthens the entrepreneurial energies within the business areas as part of a clear strategic focus. The strategic management of the Group is the responsibility of MAN AG's Management Board, on which all core business areas are represented. All MAN business areas must be able to develop independently within the Group and must measure themselves against the strongest competitor in their markets. Target returns are set for the business areas and these must be achieved on average within an economic cycle. Losses are not tolerated, and there are no cross-subsidies between the business areas. The Corporate Center's tasks are to develop the Group's overall strategy and structure, develop and deploy managers, ensure target-driven financial control, and provide central finance for the Group.

International expansion and growth
MAN is a global group that is further expanding its presence in terms of production and its sales and service network to more efficiently leverage market potential and exploit the opportunities offered by attractive growth markets. Acquisitions, alliances, and investments in production, sales, and service will enable it to achieve this.

Strengthening the business areas' competitiveness and profitability
MAN concentrates on growth markets with high earnings potential. At the same time, one of its main goals is to be one of the most profitable suppliers in its respective markets. MAN's business areas are measured against their strongest competitors and their business decisions are systematically based on these comparisons. MAN will further increase its profitability thanks to state-of-the-art production facilities and sales and logistics structures on the one hand, and its service and spare parts business that is extremely close to customers on the other. The Group also pays special attention to ensuring the stability of its high returns.

Continuously increasing enterprise value
Profitable growth in attractive markets is a key requirement for continuously increasing enterprise value. This is measured using a financial control system that is based on operating profit, return on sales (ROS), and return on capital employed (ROCE). Another factor in increasing enterprise value is efficient cash conversion, which enables MAN to transform high operating profits into high cash inflows and, on the basis of balanced investments, into a high free cash flow.

Close cooperation within the Group
Combining the individual strengths and product expertise of each business area offers synergy potential that can be leveraged by close cooperation between the business areas and targeted support by MAN AG's corporate functions. This further increases the Group's growth potential. The shared use of research and development results is also extremely important to continue reducing engine emissions at Commercial Vehicles and Diesel Engines.

Acquisitions and divestments

MAN systematically drove forward the Group's strategic focus on transport-related engineering in 2008.

Acquisitions
To support MAN Nutzfahrzeuge AG's growth strategy, MFI extended its activities to include vehicle rental and leasing. In this context, it acquired a 25.13% interest in EURO-Leasing GmbH, Sittensen, as part of a capital increase. The transaction was completed at the beginning of 2008.

In December 2008, MAN Nutzfahrzeuge AG agreed with FORCE MOTORS LIMITED to increase its stake in the Indian joint venture MAN FORCE TRUCKS Private Limited (MAN FORCE TRUCKS) from 30% to 50%. As a result, MAN Nutzfahrzeuge will take more responsibility for continuing the successful expansion of the venture's business activities in India and, at the same time, intends to vigorously drive forward sales of Indian-manufactured trucks in the Asian and African growth markets.

December 2008 also saw MAN announce its takeover of VW Truck & Bus from Volkswagen AG. The acquisition of the Brazilian company and its strong brand allows MAN to expand into the South American market and to systematically strengthen its commercial vehicles business. VW Truck & Bus is Brazil's largest truck manufacturer and the country's market leader for trucks with a maximum permitted vehicle weight of more than five tons. The enterprise value of VW Truck & Bus amounts to €1,175 million. The purchase agreement, which was signed in December 2008, is expected to be implemented in March 2009.

In December 2008, MAN acquired a purchase option that gives it access to more than 20% of the voting rights of Scania AB.

Divestments

MAN Aktiengesellschaft has entered into an agreement with the International Petroleum Investment Company (IPIC), Abu Dhabi, to sell a 70% interest in MAN Ferrostaal AG, Essen. The purchase price for the company is at least €700 million. MAN AG will initially retain a 30% stake. MAN has found a partner in IPIC that aims to offer MAN Ferrostaal new growth opportunities and markets for future technologies, and that has the necessary financial strength. MAN reports MAN Ferrostaal's assets and liabilities to be transferred under the transaction as held for sale and will continue to do so until the transaction is completed. MAN Ferrostaal's results are presented in the consolidated income statement as discontinued operations retrospectively for all reported periods. The transaction is expected to be completed in the first half of 2009.

For further information on acquisitions and divestments, see the "Notes to the Consolidated Financial Statements."

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BUSINESS DEVELOPMENTS AND RESULTS OF OPERATIONS IN 2008

Economic environment

Global Insights Inc. estimates that global gross domestic product (GDP) grew by 2.7% in 2008, compared with 3.7% in the previous year. The worldwide economic slowdown was exacerbated significantly by the financial market crisis triggered by the U.S. mortgage market. The U.S. economy continuously deteriorated in the course of the year, and fell into a recession. As exporters, the growth markets in Asia and Central and Eastern Europe were also hit by the decline in demand from importing countries in the West. These markets are expected to have recorded GDP growth of 4.8% in 2008, compared with 6.1% in the previous year.

The economy in the euro zone probably grew by only 1.3% in 2008, as against 3% in 2007. In addition to the slump in the real estate markets in Spain, the United Kingdom, and Ireland, this is due to weaker demand overall.

Germany has also been affected by these economic developments, with GDP growth expected to be 1.3%, compared with 2.5% in 2007. The German economy has slowed considerably since the middle of the year

Order situation

The growth in the global economy in recent years has led to an increased need for transportation worldwide, while demand for energy has also risen. This has provided a firm basis for MAN's manufacturing business areas: Commercial Vehicles, Diesel Engines, and Turbo Machinery. As a result, MAN further improved its performance in 2008 and again increased its revenue. However, the economic developments were particularly visible in the order intake at Commercial Vehicles.

Decline in order intake due to economic developments
The order intake fell in all business areas due to economic developments and the consequences of the financial market crisis. The MAN Group recorded incoming orders of €14.0 billion in 2008, down 21% on the previous year (€17.8 billion).
The order intake declined by 8% at Diesel Engines, by 2% at Turbo Machinery, and by 28% at Commercial Vehicles, due in particular to economic developments in the second half of the year.
As in the previous year (€1.2 billion), MAN recorded a high volume of major orders in 2008 amounting to €1.8 billion (a major order is defined as an order over €15 million). This growth is due primarily to orders for turnkey diesel power plants received by MAN Diesel, which also confirms MAN's focus on energy as a growth driver.

The economic slowdown affected both German and foreign business in 2008. Domestic orders fell by 27% from the high prior-year level to €3.3 billion, and international orders were down by 19% to €10.7 billion; the proportion of international orders therefore amounted to 76%. The weakening economy led to a substantial decline of 28% in European orders. The fastest-growing region to date, Asia, was only slightly affected. At €2.8 billion (+1%), total orders in this region were therefore on a level with the previous year. The order intake in the Americas fell by 9%. This means that the European markets were the MAN Group's most important region, accounting for 70% of the total order intake, followed by Asia at 20%.

Order intake by business area

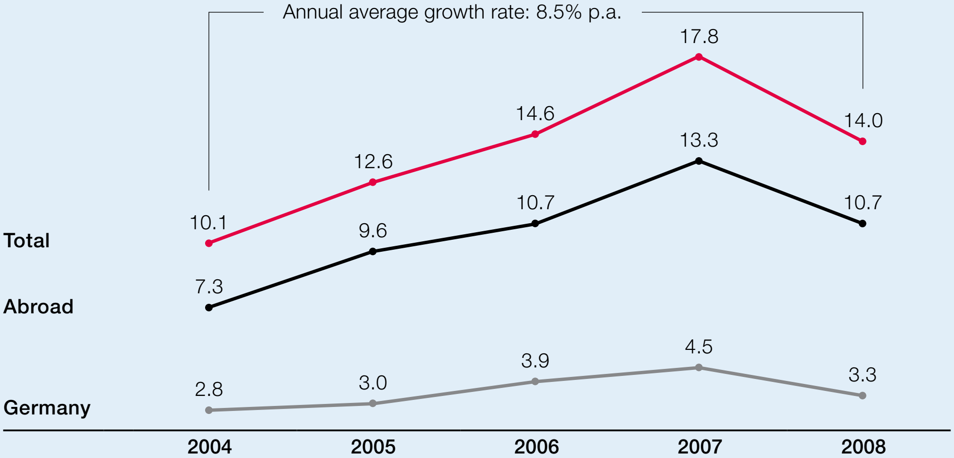
€ million	2008	%	2007	%
Commercial Vehicles	9,130	65	12,684	71
Diesel Engines	3,089	22	3,371	19
Turbo Machinery	1,426	10	1,454	8
Others/consolidation	388	3	309	2
MAN Group	**14,033**	**100**	**17,818**	**100**

Order intake by region

€ million	2008	%	2007	%
Federal Republic of Germany	3,306	24	4,549	26
Other EU countries	4,543	32	7,006	39
Other European countries	1,939	14	1,972	11
Asia	2,762	20	2,739	15
America	671	5	741	4
Africa	653	4	690	4
Australia and Oceania	159	1	121	1
MAN Group	**14,033**	**100**	**17,818**	**100**

Five-year order intake trend

€ billion



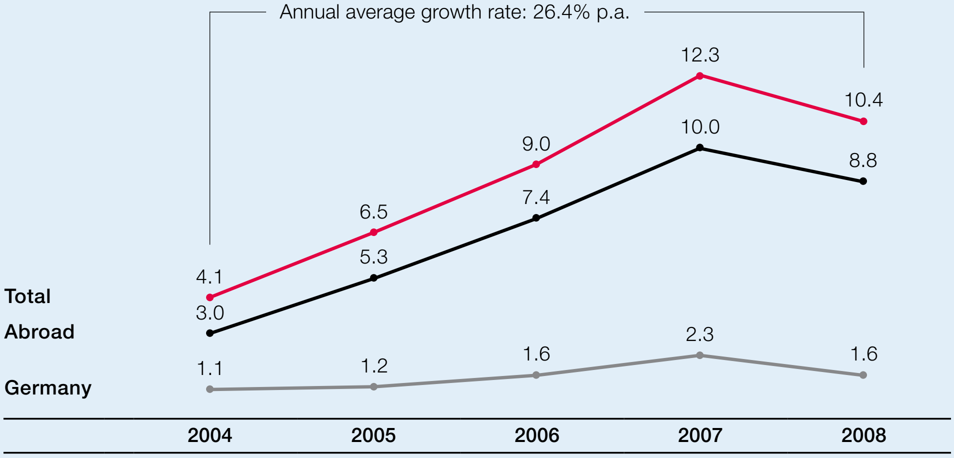
Like-for-like data for all years, excluding discontinued operations

Order backlog remains stable

2008 again saw good utilization of MAN's production capacity. The only adjustments to reflect economic developments were made in the Commercial Vehicles business area in December 2008. The order backlog fell to €10.4 billion (–16%) as against last year's record figure.
Both Diesel Engines and Turbo Machinery further increased their order backlog, while the effects of the economic developments impacted Commercial Vehicles, whose order backlog declined by 36% to €4.0 billion. Diesel Engines achieved a new record of €4.1 billion (+6%). Turbo Machinery's order backlog again increased by 10% to €1.8 billion.

Five-year order backlog trend

€ billion



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

Continued revenue growth

MAN increased its revenue by 6% in 2008 to €14.9 billion. At €10.6 billion (+2%), revenue at Commercial Vehicles improved slightly year-on-year. While the Trucks business remained virtually stable at €9.1 billion (+1%; or +7% excluding the sale of leased vehicles), revenue from Buses rose to €1.5 billion (+10%). Diesel Engines recorded double-digit growth, with revenue up by 17% to €2.5 billion. Turbo Machinery improved its revenue by 20% to €1.3 billion.

Domestic revenue including the sale of leased vehicles fell by 9% year-on-year to €3.7 billion. 81% of domestic revenue was accounted for by Commercial Vehicles, which generates 28% of its revenue in Germany. Domestic revenue accounted for 10% of the revenue generated by Diesel Engines and for 20% of the revenue generated by Turbo Machinery.

MAN increased its revenue outside Germany by 13% in 2008 to €11.2 billion, thus continuing its international growth. The proportion of total revenue generated abroad was 75% in 2008, compared with 71% in the previous year. In the Group's European markets, revenue climbed by 8% in 2008 to €7.3 billion, while the proportion of total revenue generated in Europe amounted to 49%. MAN's Asian business recorded revenue growth of 34% to €2.7 billion, and accounted for 18% of total revenue.

MAN has achieved above-average increases in revenue in the past five years. In the period from 2004 to 2008, it generated average annual growth of 13.5%, with revenue rising by €5.9 billion from €9.0 billion to €14.9 billion.

Revenue by business area

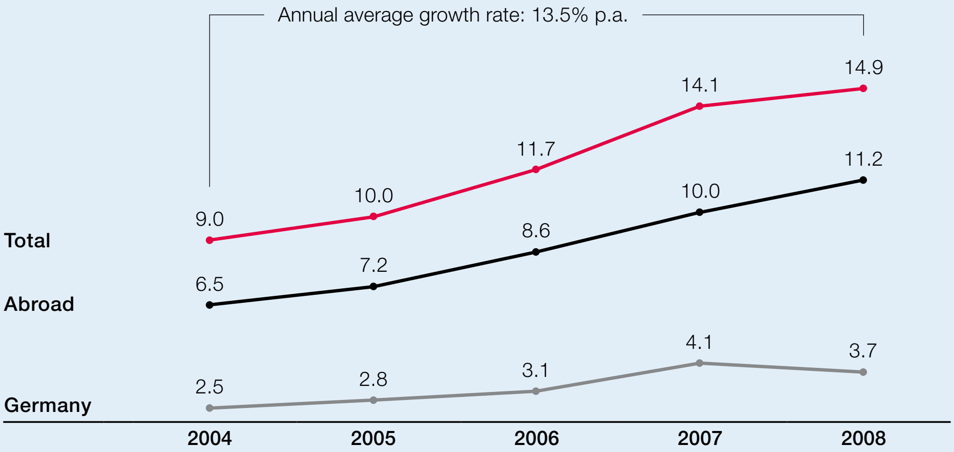
€ million	2008	%	2007	%
Commercial Vehicles	10,610	71	10,410	74
Commercial Vehicles excl. sale of leased vehicles	10,564	–	9,898	–
Diesel Engines	2,542	17	2,179	15
Turbo Machinery	1,328	9	1,108	8
Others/consolidation	465	3	366	3
MAN Group	**14,945**	**100**	**14,063**	**100**

Revenue by region

€ million	2008	%	2007	%
Federal Republic of Germany	3,704	25	4,073	29
Other EU countries	5,593	37	5,428	39
Other European countries	1,748	12	1,399	10
Asia	2,651	18	1,980	14
America	518	3	453	3
Africa	594	4	633	4
Australia and Oceania	137	1	97	1
MAN Group	**14,945**	**100**	**14,063**	**100**

Five-year revenue trend

€ billion



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

Operating profit

The MAN Group again increased its operating profit in 2008. Following its exceptional growth of 57% in the previous year, operating profit rose by 11% in 2008 to a new record of €1,729 million. The further increase in business volumes and continued efficiency gains enabled all business areas to contribute to the significant improvement. As a result, the Group's operating profit again grew faster than revenue.

Operating profit at Commercial Vehicles was up by €23 million to €1,062 million (+2%), while Diesel Engines recorded an improvement of €77 million to €390 million (+25%). Turbo Machinery increased its operating profit by 42% to €148 million. In addition to consolidation effects, the figure for Others/consolidation includes the results of the RENK industrial subsidiary, MAN AG, and its Shared Services companies, as well as the share of MAN Roland's net income and the Scania dividend. The improvement in this item reflects the increase in RENK's earnings to €80 million (as against €68 million in 2007) and the higher Scania dividend (€57 million compared with €43 million in the previous year).

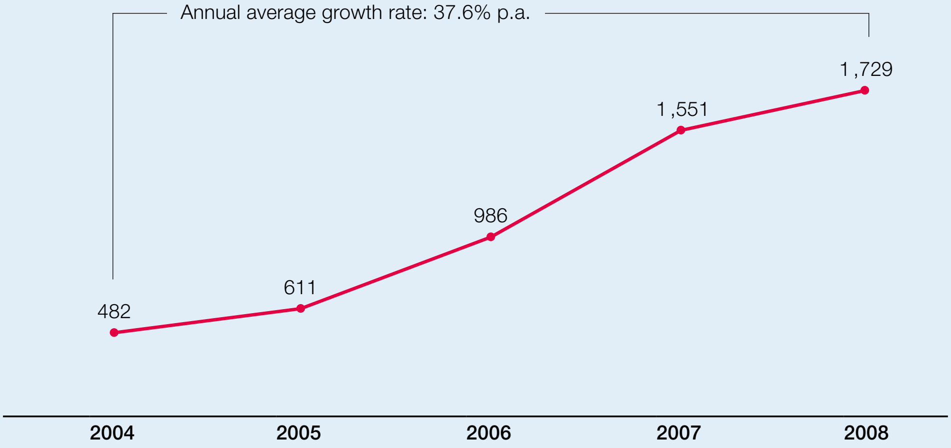
Detailed information on business developments and the earnings generated by the business areas is provided in the section of the management report entitled "The Business Areas in Detail."

The MAN Group's operating profit has improved substantially in the past five years. In the period from 2004 to 2008, it more than tripled (from €482 million to €1,729 million), while revenue increased by 66%.

€ million	**2008**	**2007**
Commercial Vehicles	1,062	1,039
Diesel Engines	390	313
Turbo Machinery	148	104
Others/consolidation	129	95
Operating profit	**1,729**	**1,551**

Five-year operating profit trend

€ million



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

Income statement

	2008		2007	
	€ million	**in %**	**€ million**	**in %**
Revenue	14,945	100,0	14,063	100.0
Cost of goods sold and services rendered *	–11,243	–75,2	–10,722	–76.3
Gross margin	3,702	24,8	3,341	23.8
Other operating income *	401	2,7	407	2.9
Selling expenses	–852	–5,7	–782	–5.6
General and administrative expenses	–682	–4,6	–666	–4.7
Other operating expenses *	–929	–6,2	–830	–5.9
Income from investments *	89	0,6	81	0.6
Operating profit	**1,729**	**11,6**	**1,551**	**11.0**

* 2008 excluding share of losses from nonrecurring factors totaling €106 million;
2007: share of gains from nonrecurring factors totaling €183 million

Revenue increased by 6% year-on-year in 2008, while the cost of goods sold and services rendered rose by 5% in the same period. This lifted the gross margin further from 24% to 25%.

Selling expenses were up by 9% in fiscal year 2008 to €852 million due to the expansion of the Group's international sales networks, among other things. General and administrative expenses rose more slowly than revenue to €682 million.

At €401 million excluding nonrecurring factors, other operating income was slightly below the prior-year figure of €407 million. This contrasts with other operating expenses of €929 million excluding nonrecurring factors (previous year: €830 million). This item mainly reflects the €68 million increase in research and development costs, which focused on environmental and climate protection as well as fuel efficiency. It also includes higher specific valuation allowances on receivables.

The rise in income from investments is due mainly to the increase in the Scania dividend.

Reconciliation to net income

€ million	2008	2007
Operating profit	**1,729**	**1,551**
Gains/losses from nonrecurring factors	–106	183
Net interest income	20	–55
Earnings before tax	**1,643**	**1,679**
Income taxes	–488	–600
Income from discontinued operations, net of tax	92	146
Net income	**1,247**	**1,225**
Earnings per share from continuing operations in €	7.76	7.27
Dividend per share in €	**2.00**	**3.15**

In 2008, several nonrecurring factors led to gains or losses that did not affect operating profit. The change in the market outlook led to restructuring measures being resolved at Commercial Vehicles, resulting in losses from nonrecurring factors of €78 million. In addition, toll increases for EURO 3 vehicles in Germany and higher import duties on these vehicles – in particular in Russia – led to a writedown of €61 million on assets leased out and used vehicles. These losses were offset by income of €65 million from the stock split and subsequent stock repurchase by Scania. Finally, the exceptional fall in the value of Eastern European currencies and the heavily restricted availability of finance in these currencies resulted in costs of €32 million. Losses from nonrecurring factors therefore amounted to €106 million in 2008.

In addition to interest on bank balances and bank liabilities, the positive net interest income of €20 million includes net interest on pensions. The improvement in net interest of €75 million is due mainly to lower bank interest expenses. At €1,643 million, the MAN Group's earnings before tax virtually matched the previous year's record figure despite the impact of nonrecurring factors.

The MAN Group's income tax expense decreased by €112 million to €488 million. Its tax rate fell from 35.7% to 29.7% and is calculated from the tax rates of the German and foreign Group companies, prior-period income taxes, and tax-exempt income.

Income from discontinued operations amounted to €92 million net of tax and mainly comprises the net income of MAN Ferrostaal.

The MAN Group's net income totaled €1,247 million, up slightly on the prior-year figure of €1,225 million. Earnings per share from continuing operations rose from €7.27 to €7.76.

In view of the economic environment, the Executive Board and Supervisory Board of MAN Aktiengesellschaft will propose a dividend of €2.00 per share carrying dividend rights to the Annual General Meeting (previous year: €3.15).

Majority of expectations met
Business developments in 2008 largely met MAN's forecasts at the beginning of the year. However, in the second half of the year the order intake was affected by the state of the economy and the financial market crisis. The Group's record order intake in 2007 fell by 21% in 2008, with Commercial Vehicles in particular being affected by a decline. Revenue rose by 6% in line with the Group's forecasts. Operating profit improved by 11%, lifting MAN's return on sales (ROS) from 11.0% to 11.6% and its return on capital employed (ROCE) from 31.9% to 40.2%.

Financial control system and value management

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

Target returns
MAN's average ROS target from 2008 is 8.5% over an economic cycle, and more than 22% for ROCE. Its ROS target of 8.5% applies to both the Group and all subgroups. In the Group, the bandwidth for the ROS target over an economic cycle is +/–2 percentage points for Commercial Vehicles and Turbo Machinery, and +/–4 percentage points for Diesel Engines due to the higher long-term volatility of the two-stroke license business.

Operating profit
Operating profit is the central measure for assessing and controlling a business area's profitability and usually corresponds to earnings before interest and taxes (EBIT). In individual cases, an adjustment is made for nonrecurring factors, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. In 2008, MAN recorded losses from nonrecurring factors totaling €106 million, which affected EBIT but not operating profit. In 2007, the Group generated gains from nonrecurring factors of €183 million.

ROS

%	2008	2007
Commercial Vehicles	10.0	10.0
Diesel Engines	15.4	14.4
Turbo Machinery	11.1	9.4
MAN Group	**11.6**	**11.0**

The MAN Group generated a return on sales of 11.6% in 2008 (previous year: 11.0%), again significantly exceeding its target. Commercial Vehicles confirmed its ROS of 10.0% despite the more difficult economic environment, while the Trucks business recorded an ROS of 11.4% (previous year 11.3%). Diesel Engines further increased its excellent prior-year return on sales of 14.4% to 15.4% and therefore remained by far the most profitable business area in the MAN Group. Turbo Machinery also sharply increased its ROS to 11.1% (previous year: 9.4%).

ROCE

€ million	2008	2007
Total equity	**5,396**	**5,177**
Pension obligations *	109	132
Financial liabilities *	1,755	1,967
	7,260	**7,276**
Volume not funded by equity of MAN Finance	–2,339	–1,939
Capital employed by the MAN Group at December 31	**4,921**	**5,337**
Annual average capital employed by the MAN Group	**4,715**	**5,488**
Operating profit **	**1,896**	**1,752**
ROCE in %	**40.2**	**31.9**

* including discontinued operations
** including operating profit attributable to discontinued operations of €167 million (previous year: €201 million)

The return on capital employed (ROCE) is the ratio of operating profit to annual average capital employed. The MAN Group's capital employed is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less the volume not funded by the equity of MFI. The earnings measure also includes the operating profit or loss of discontinued operations up to the date of disposal because these activities are also funded using Group capital. The year-on-year decline in capital employed is due mainly to lower pension provisions and financial liabilities in the industrial business.

The business areas' capital employed is derived from the asset side. For the industrial business, it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pension provisions, and income taxes. Prepayments received are only deducted if they have already been used in order processing.

The MAN Group's ROCE continued to increase from 31.9% in the previous year to 40.2%.

WACC

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

MAN uses WACC together with other control parameters as a basis for setting ROCE requirements. Its target WACC is 11.0% before taxes. This figure is kept constant over an extended period to ensure continuity of the target parameters.

MAN value added (MVA)

MVA is a financial measure that indicates whether the MAN Group has earned its cost of capital and additionally added value. It is calculated as the difference between operating profit and the cost of capital.

In 2008, the MAN Group generated MVA of €1,377 million, up 20% on the previous year (€1,148 million).

MVA by business area

€ million	2008 Operating profit	2007 Operating profit	2008 Average capital employed	2007 Average capital employed	2008 MVA	2007 MVA
Commercial Vehicles	1,062	1,039	2,812	2,497	750	762
Diesel Engines	390	313	500	444	335	264
Turbo Machinery	148	104	229	216	123	81
MAN Group * **	**1,896**	**1,752**	**4,715**	**5,488**	**1,377**	**1,148**

* including operating profit attributable to discontinued operations of €167 million (previous year: €201 million)
** due to different definitions of capital employed, the business areas do not add up to the MAN Group's total

The performance-related remuneration of managers is primarily determined by MVA and ROS.

FINANCIAL POSITION

Principles and objectives of financial management

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

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

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

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

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

Cashflow

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

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

The MAN Group's free cash flow in the reporting period was €–570 million. The Industrial Business generated free cash flow of €53 million, after €1,668 million in the previous year. The significant €861 million growth in net funds employed is attributable to the increase in inventories in all divisions by €599 million and higher receivables of €281 million. Because tax loss carryforwards have now been utilized, MAN also made tax prepayments in 2008 that resulted in a cash outflow of €242 million. Cash flow from investing activities was affected by the further increase in investments in property, plant, and equipment to €597 million and the increase in the interest and capital of MAN FORCE TRUCKS. Market opportunities to finance commercial vehicles were leveraged last year at Financial Services, which increased the volume of financing by €586 million.

	Industrial Business		Financial Services	
€ million	**2008**	**2007**	**2008**	**2007**
Net liquidity/net financial debt at beginning of period	**1,148**	**572**	**–1,595**	**–1,518**
Cash earnings	1,612	1,656	7	5
Change in net capital employed in continuing operations	– 861	275	–595	15
Change in net capital employed in discontinued operations	– 26	158	–	–
Cash flow from operating activities	**725**	**2,089**	**–588**	**20**
Cash flow from investing activities of continuing operations	– 669	– 481	– 35	–5
Cash flow from investing activities of discontinued operations	–3	60	–	–
Cash flow from investing activities	**– 672**	**– 421**	**– 35**	**–5**
Free cash flow	**53**	**1,668**	**– 623**	**15**
Cash flow from net liquidity/net financial debt financing activities of continuing operations	– 488	– 939	7	–46
Cash flow from net liquidity/net financial debt financing activities of discontinued operations	–	–14	–	–
Cash flow from net liquidity/net financial debt financing activities	**–488**	**–953**	**7**	**–46**
Net change in net liquidity/net financial debt	**–435**	**715**	**–616**	**–31**
Other changes in net liquidity/net financial debt	–42	–139	112	–46
Change in net liquidity/net financial debt of discontinued operations	–203	–	–	–
Net liquidity/net financial debt at end of period	**468**	**1,148**	**–2,099**	**–1,595**

The dividend of €466 million paid is reported in cash flow from financing activities. Compared with the previous year's figure (€447 million), the MAN Group's net financial debt increased by €1,184 million to €1,631 million. The positive net liquidity of the Industrial Business declined by €680 million from €1,148 million as of December 31, 2007 to €468 million, while Financial Services increased its net financial debt from refinancing its business to €2,099 million (previous year: €1,595 million).

The MAN Group's net financial debt is composed of cash and cash equivalents of €105 million (previous year: €1,266 million), less financial liabilities of €1,736 million (previous year: €1,967 million). The MAN Group no longer held any marketable securities as of December 31, 2008 (previous year: €254 million).

MAN Group funding

The MAN Group funded its ongoing business activities in 2008 to a large extent from existing net liquidity. In addition to bilateral lines with financial institutions, debt funding takes the form of a €2.0 billion variable-rate syndicated credit facility commitment by a syndicate of 25 banks that runs until December 2011. As in the previous year, this credit facility had not been drawn down as of December 31, 2008.

Another component of the MAN Group's financing is a Eurobond issued by MAN AG in December 2003 via MAN Financial Services plc, Swindon/UK. The aggregate principal amount of the bond remained at €240 million in 2008. The bond matures in 2010 and carries a coupon of 5.375%.

Following repayments in 2007 and 2008, €400 million of the variable-rate credit facility agreement with a banking syndicate to finance the acquisition of Scania stock was drawn down as of December 31, 2008. The unused portion of the credit facility originally amounting to €11 billion has expired. The average annual interest rate on the tranche drawn down was 4.75% in 2008. The A-/A3 ratings awarded by Standard & Poor's and Moody's at the beginning of 2008 reduced the spreads.

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

For equity-based financing, the Executive Board has been granted several authorizations by MAN AG's annual general meeting, subject to the consent of the Supervisory Board. These include authorized capital of €188 million, corresponding to 50% of the share capital, which enables the Executive Board to implement a capital increase against cash and/or noncash contributions. The Executive Board has entered into a voluntary commitment to exercise the authorization to increase the Company's share capital against noncash contributions only up to a maximum of 20% of the share capital. Additionally, the Executive Board can issue convertible bonds or bonds with warrants up to an aggregate principal amount of €1.5 billion with a term of up to 20 years.

Asset and capital structure

To enhance the informative value of the analysis of the asset and capital structure, the carrying amounts attributable to MAN Ferrostaal were eliminated in the individual prior-period amounts in the table below.

	Industrial Business		Financial Services	
€ million	**2008**	**2007 ***	**2008**	**2007**
Property, plant, and equipment, and intangible assets	2,241	1,985	6	4
Investments	1,598	1,958	35	7
Assets leased out	1,025	1,074	538	727
Tax assets	521	503	15	6
Inventories	3,189	2,663	86	40
Trade receivables	2,585	2,267	1,670	1,148
Assets held for sale	1,812	2,137	–	–
Other noncurrent and current assets	1,015	647	89	103
Cash and cash equivalents	78	866	27	26
Total assets	**14,064**	**14,100**	**2,466**	**2,061**
Total equity	5,269	5,054	127	123
Pension obligations	72	89	2	2
Financial liabilities	690	1,294	1,046	646
Intragroup financing	–1,080	–975	1,080	975
Provisions	1,404	1,407	4	9
Prepayments received	1,093	1,003	6	2
Tax liabilities	899	1,020	18	16
Trade payables	1,420	1,366	128	144
Liabilities associated with assets held for sale	1,820	1,803	–	–
Other noncurrent and current liabilities	2,477	2,039	55	144
Total equity and liabilities	**14,064**	**14,100**	**2,466**	**2,061**

* Prior-period amounts adjusted.

Industrial Business
Property, plant, and equipment, and intangible assets increased by €256 million over the course of the year because of higher capital expenditures.

The net €360 million reduction in investments in 2008 is primarily attributable to the equity-method accounting for the Scania shares as of December 31, 2008 compared with the fair value as of December 31, 2007. This was offset by the increase in the interest in the Indian joint venture MAN FORCE TRUCKS from 30% to 50%. Please see “Acquisitions and Divestments” and the notes to the consolidated financial statements for more detailed information.

Inventories and trade receivables increased by €526 million and €318 million respectively. Prepayments received increased by €90 million.

Financial liabilities decreased by €604 million year-on-year due mainly to the further reduction in the credit facility granted in 2006 to purchase Scania shares.

The increase in total equity improved the ratio of equity to intangible assets, property, plant, and equipment, and investments by 9 percentage points from 128% to 137%. The equity ratio of the Industrial Business increased to 37.5% (35.8%). The MAN Group's overall equity-to-assets ratio was 139% (131%), and its equity ratio was 32.6% (32.0%).

Financial Services
At Financial Services, total assets increased from €2.1 billion to €2.5 billion because of the increased business volume. €1,046 million (previous year: €646 million) was refinanced externally, and €1,080 million (previous year: €975 million) internally within the Group.

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

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

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

Further information on the subscribed capital, the classes of shares, the authorizations of the annual general meeting to create Authorized Capital 2005 and to issue convertible bonds and bonds with warrants, together with the contingent capital created in this context (Contingent Capital 2005), and on the authorizations to purchase own shares granted in fiscal 2008, is contained in the following chapter "Disclosures in accordance with section 315(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report in accordance with section 120(3) sentence 2 of the *Aktiengesetz* (AktG – German Stock Corporation Act)".

Disclosures in accordance with section 315(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report in accordance with section 120(3) sentence 2 of the *Aktiengesetz* (AktG – German Stock Corporation Act)

Composition of share capital, classes of shares
MAN Aktiengesellschaft'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 Incorporation/Bylaws, 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 Incorporation/Bylaws, stockholders 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 stock, as well a further €0.11 per common share as a subordinate right to holders of common stock. 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 stock.

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140(2) of the AktG, this does not apply if the preferred dividend is not paid in a year, or is not paid in full, and the shortfall is not made good in the following year in addition to the full preferred dividend for that year. In such cases, holders of preferred stock 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 stock 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 stock is required if the Annual General Meeting adopts a resolution to revoke or limit the preferred dividend or to issue preferred stock that would rank prior to or equal with the existing nonvoting preferred stock in the distribution of profit or the net assets of the Company.

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

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

Shareholdings exceeding 10% of the voting rights

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

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

Volkswagen Aktiengesellschaft notified MAN Aktiengesellschaft in February 2007 in accordance with section 21(1) sentence 1 of the WpHG that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 25% and amounted to 29.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us in September 2008 in accordance with section 21(1) of the WpHG that – because Porsche Automobil Holding SE had assumed control of Volkswagen Aktiengesellschaft – Volkswagen Aktiengesellschaft's 29.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders (for details of the notification see the "Equity" chapter in the notes to MAN's consolidated financial statements). We have not been notified of, nor are we aware of, further direct or indirect interests in the capital of the Company that reach or exceed 10% of the voting rights.

Appointment and dismissal of members of the Executive Board, amendments to the Articles of Incorporation/Bylaws

The appointment and dismissal of members of the Company's Executive Board is governed by sections 84 and 85 of the AktG and section 31 of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act) in conjunction with Article 5 of the Articles of Incorporation/Bylaws. Under these provisions, the Executive Board must consist of at least two members. It falls within the responsibility of the Supervisory Board, and it is entitled to do so, to appoint the members of the Executive Board for a maximum term of office of five years and to revoke the appointment for cause.

Sections 179 et seq. of the AktG apply to amendments to the Articles of Incorporation/Bylaws. Under these provisions, the general meeting may resolve to amend the Articles of Incorporation/Bylaws by a majority of at least three-quarters of the share capital represented when the vote is taken. Under Article 10(5) of the Articles of Incorporation/Bylaws, the Supervisory Board is authorized to resolve amendments to the Articles of Incorporation/Bylaws that affect only the wording of the Articles of Incorporation/Bylaws.

Powers of the Executive Board, in particular to issue and repurchase shares
The powers of the Executive Board are governed by sections 76 et seq. of the AktG in conjunction with Article 6 of the Articles of Incorporation/Bylaws. These provisions require the Executive Board to manage the Company at its own responsibility and to represent the Company both in and out of court.

The powers of the Executive Board to issue or repurchase shares are presented in the following. The corresponding authorizations were not exercised in fiscal 2008.

Authorized Capital 2005
The Annual General Meeting on June 3, 2005 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 bearer shares of common stock on one or more occasions against cash contributions and/or noncash contributions in the period up to June 2, 2010 (Authorized Capital 2005).

The stockholders must generally be granted preemptive rights. However, the Executive Board is authorized, with the consent of the Supervisory Board, to disapply preemptive rights when shares are issued against noncash contributions for the purpose of acquiring companies, investments in companies, or significant assets of companies. In the case of cash capital contributions, the Executive Board is additionally authorized, with the consent of the Supervisory Board, to disapply preemptive rights
(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that are or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options (antidilution provision); and/or
(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization 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 also count towards this limit; and/or
(iii) to realize any fractions needed to round the share capital. Further details are governed by Article 4 (3) of the Articles of Incorporation/Bylaws.

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).

Issuance of 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, 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 Aktiengesellschaft 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 bearer shares of common stock of MAN Aktiengesellschaft 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 Aktiengesellschaft 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 bearer shares of common stock. 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 Aktiengesellschaft 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).

Stock repurchase
The resolution on May 10, 2007 to purchase the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 25, 2008 to purchase the Company's own shares took effect.

The resolution of the Annual General Meeting on April 25, 2008 authorized the Executive Board to purchase common and/or nonvoting preferred stock of the Company, with the consent of the Supervisory Board, on one or more occasions until October 24, 2009 up to a maximum total amount of 10% of the share capital. Together with other treasury shares held by the Company or attributable to the Company in accordance with sections 71d and 71e of the AktG, the shares purchased by virtue of this authorization may not account for more than 10% of the existing share capital at any time. The shares may also be purchased by other Group companies and/or third parties for the account of MAN Aktiengesellschaft or other Group companies.

The shares may be purchased on the stock exchange or by means of a public 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 stock tendered exceeds the volume of the purchase offer, it must be accepted on a proportionate basis. The terms of the offer may provide for preferred acceptance of small numbers of shares to the extent provided by law, but in any case up to no more than a maximum of 100 shares tendered per shareholder.

The Executive Board has been additionally authorized, with the consent of the Supervisory Board, to use purchased shares of common stock of the Company for all purposes permitted by law in addition to sale on the stock exchange or by a public offer to all stockholders, and to disapply stockholders' preemptive rights. This applies in particular if (i) the purchased shares of common stock 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 25, 2008 further authorized the Executive Board to redeem the Company's own shares of common stock and/or nonvoting shares of preferred stock with the consent of the Supervisory Board, but without any further resolution by the Annual General Meeting.

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

As already described above in the "Man Group funding" chapter, MAN Aktiengesellschaft has agreed credit facilities of €2.0 billion and €0.4 billion with banking syndicates.

Each of these agreements may be terminated with immediate effect if one or more legal entities or natural persons obtain control of MAN Aktiengesellschaft either individually or collectively.

RESEARCH AND DEVELOPMENT

One of the main consequences of globalization is a faster pace of change in industry and society. Changes in the MAN Group's environment now occur more frequently and at shorter intervals than before. More ambitious goals with regard to environmental protection and sustainability, as well as climate change in particular, require additional adjustment – a challenge that companies must face in order to survive in the future.

Research and development offers a large number of the answers to these challenges. It provides the technical innovations that MAN needs to meet both the demands of government and society and the needs of customers. The Company is therefore continuing to invest in research and development despite the global financial crisis and the economic slowdown. This fulfills a key requirement for the MAN Group's future success.

The global increase in fossil fuel prices means that hybrid drive technology is becoming more significant in the development of commercial vehicles in particular. MAN Nutzfahrzeuge sees future potential especially in local and distribution transportation because vehicles in this market that are fitted with hybrid drives consume considerably less fuel and therefore help increase transportation efficiency and reduce the problems associated with CO_2. MAN is one of the pioneers of these drive concepts. Since the 1970s, developers have been working on a wide range of technologies to make brake energy usable. To date, these solutions have consistently failed due to high additional costs for complex technologies that did not have any economically justifiable use.

MAN Nutzfahrzeuge presented two different hybrid drive concepts at the 62nd IAA 2008 (International Motor Show) in Hanover. A Lion's City municipal bus with a serial hybrid drive and ultracaps to store energy, as well as a TGL distribution truck with a parallel hybrid drive and state-of-the-art battery technology, reflect MAN's extensive technical expertise in the area of alternative commercial vehicle drive concepts.

The Lion's City Hybrid enables MAN to implement measures that will lead to substantial savings. MAN's engineers expect a 25% to 30% fuel saving and significantly reduced emissions. Although the TGL hybrid cannot achieve this level of savings potential because of the limitations of this concept, it offers fuel savings of up to 15%.

MAN Diesel's presentation at the world's leading shipbuilding fair SMM (Shipbuilding, Machinery, and Marine technology) in Hamburg in 2008 was also dedicated to reducing emissions and saving fuel. MAN Diesel presented state-of-the-art technologies that are used to drive large ships such as tankers, freighters, cruise or container ships, as well as power plants with diesel engines.

One of the highlights was the new version of the tried-and-tested MAN Diesel 48/60B four-stroke engine that debuted as the 48/60CR common rail model. While common rail injection is already widespread in the automotive industry, it poses considerable challenges for product developers in large engine construction. The high-pressure injection system must be able to withstand the special operating conditions required for the combustion of viscous heavy oil. The system offers clear benefits: The common rail injection system enables optimum fuel injection in the entire operating area of large diesel engines, which has a positive effect on fuel consumption and emissions. MAN Diesel also showed trade fair visitors a model of the world's first electronically controlled two-stroke engine with a "small bore" of 35 centimeters. The engine is more powerful, lighter, and more compact than existing two-stroke engines of this size, and its electronically controlled injection system makes it ideally equipped to comply with the next stage of emissions regulations (Tier II) adopted by the International Maritime Organization (IMO).

MAN Diesel presented another key innovation in the area of turbocharger technology. In the same way as the common rail system regulates fuel intake, the new VTA system (variable turbine area) ensures the flexible, electronically controlled adjustment of combustion-air intake. This makes MAN Diesel the first, and currently the only, manufacturer in the world to use variable turbine geometry in heavy oil engines. This not only results in a more dynamic response from the engine, but also reduces fuel consumption while lowering emissions.

MAN Turbo will supply a steam turbo-generating set with a 50 MW output for the Spanish "Andasol 3" solar power plant. The machinery train with intermediate superheating was designed especially for use in this solar thermal application. Parabolic reflectors with an area of around 500,000 square meters concentrate the sun's energy. Thermal oil circulating in pipelines is heated to just under 400°C. This in turn heats water to produce steam in a second circuit via a heat exchanger. The steam is used in a MAN Turbo steam turbine to drive the generator, which then supplies the electricity.

The solar technology sector is experiencing strong growth due to the continuing increase in energy demand worldwide. MAN Turbo leveraged its many years of expertise in constructing entire turbo machinery trains when designing Andasol 3. This order expanded the range of applications of MAN Turbo's steam turbines. The entire water-steam cycle was optimized and the steam turbine was adapted in line with this in cooperation with the customer. This concept leads to significant improvements in effectiveness and a substantial increase in the efficiency of the entire solar power plant. This is also reflected in a higher electricity yield, with a portion of the solar energy generated during the day being conducted into thermal storage units. This enables power production to be planned and facilitates electricity generation even at night. The Andasol 3 parabolic trough power plant is under construction in Andalusia, Spain, in the immediate vicinity of its two sister projects, Andasol 1 and 2, which are the first parabolic trough power plants in Europe. After it is completed, Andasol 3 will provide up to 200,000 people with solar energy.

The MAN Group is investing in its future and maintains a high level of expenditure on developing innovative products that offer high customer benefits and on improving production. 3.3% of revenue, or €493 million, was invested in research and development.

€381 million, or 77% of R&D expenses, was internally funded. Funds for order-specific R&D activities and for publicly subsidized projects amounted to €112 million. Around 35% of internal funds were invested in basic research and the development of new projects.

3,135 people were employed in research and development in 2008, compared with 3,127 in the previous year.

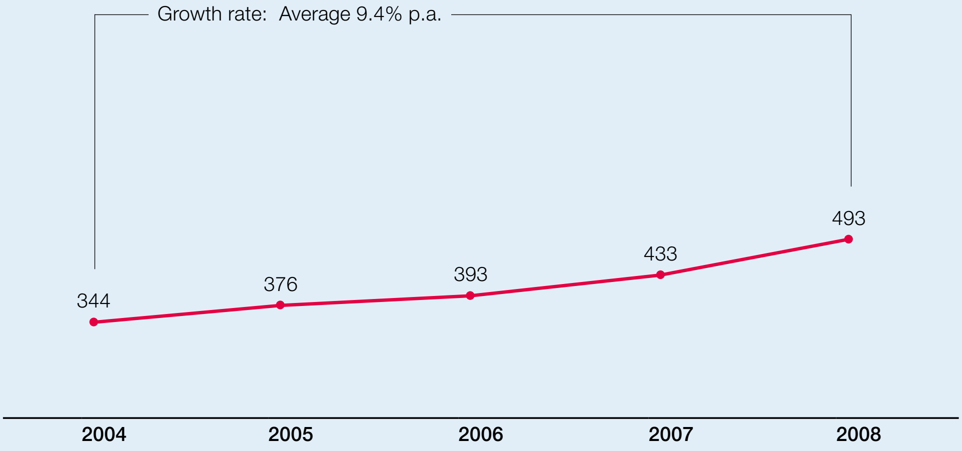
€ million	2008	2007
R&D expenses	**493**	**433**
R&D expenses of the manufacturing business areas (% of revenue)	3.3	3.1
Internally funded R&D	381	331
R&D headcount (annual average)	3,135	3,127

R&D expenses by business area

€ million	2008	2007
Commercial Vehicles	257	234
Diesel Engines	156	129
Turbo Machinery	64	56
Others	16	14
Total	**493**	**433**

Five-year R&D expenses trend

€ million



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

INVESTMENTS

Investments totaled €873 million in fiscal year 2008, compared with €718 million in the previous year. They included €123 million (previous year: €228 million) for the purchase of Scania stock. Excluding the Scania stock, MAN invested €750 million (previous year: €490 million) in property, plant, and equipment, intangible assets, and investments. The proportion of investments made outside Germany was 30% or €226 million.

Investments focused on eliminating capacity bottlenecks in engine production, the expansion of strategic investments, and the extension of our service business.

At its engine plant in Nuremberg, MAN Nutzfahrzeuge purchased processing machines for key components. In addition, the interest in the Indian company MAN FORCE TRUCKS was increased from 30% to 50%. Diesel invested in production facilities at Augsburg and St. Nazaire, while Turbo Machinery finished developing its production facilities in China and selectively expanded its service capacity.

€ million	2008	2007
Property, plant, and equipment and investment property	518	393
Intangible assets	85	66
Investments	270	259
Total	**873**	**718**
of which: Scania stock purchase	123	228
Investments excluding Scania stock purchase	750	490
of which: Germany	524	357
of which: abroad	226	133
Amortization/depreciation/impairment *	324	397
Capital expenditure ratio in % **	231	123

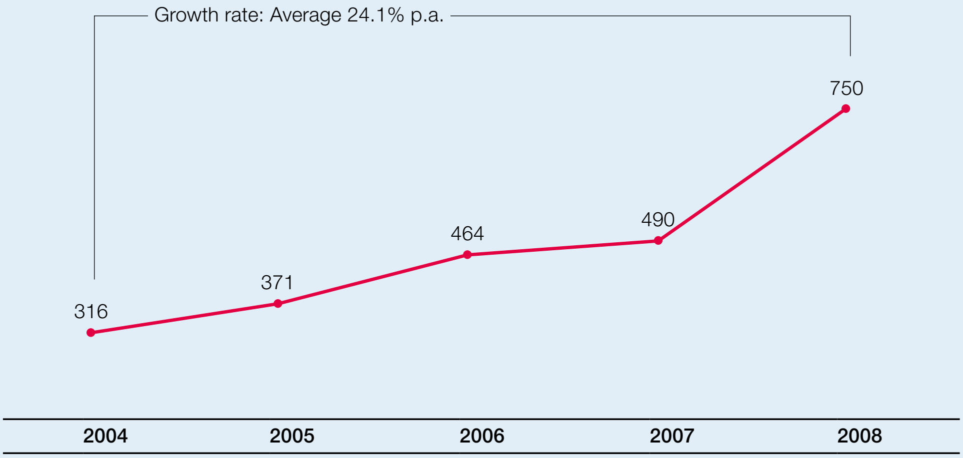
* excluding discontinued operations
** excluding Scania stock purchase

Investments by business area

€ million	2008	2007
Commercial Vehicles	528	357
Diesel Engines	93	48
Turbo Machinery	54	39
Others	198	274
Total	**873**	**718**

Five-year investment trend **

€ million



** 2006 to 2008 excluding Scania stock purchase
Like-for-like data for all years, excluding discontinued operations

PURCHASING

Cost of materials by business area		
€ million	**2008**	**2007**
Commercial Vehicles	6,385	5,996
Diesel Engines	1,130	959
Turbo Machinery	646	507
Others/consolidation	174	62
MAN Group	**8,335**	**7,524**

Cost of materials		
in % of revenue	**2008**	**2007**
Commercial Vehicles	60	58
Diesel Engines	44	44
Turbo Machinery	49	46
Others/consolidation	37	17
MAN Group	**56**	**54**

The MAN Group's business areas are expanding their purchasing activities worldwide. MAN Nutzfahrzeuge has begun purchasing the majority of parts for its Indian truck production and individual components for European plants in India via MAN FORCE TRUCKS. Diesel Engines and Turbo Machinery are increasingly purchasing in low-wage countries without compromising the quality of MAN products. At approximately €8.3 billion (previous year: €7.5 billion), the MAN Group's cost of materials amounted to around 56% of revenue.

To generate synergies through bundling effects, non-production-related requirements are procured by a Group-wide Purchasing department. This gives the MAN Group a single face to the market and therefore a stronger market presence.

Key purchasing volumes are covered by master agreements that are regularly put out to tender on the market and therefore guarantee attractive conditions for the MAN Group and safeguard supply. Category managers provide market expertise and specialist knowledge for individual material groups. Ongoing supplier assessments monitor delivery performance and the financial security of key suppliers. Plans of action have been agreed in the event of supplier insolvency.

In 2008, MAN continued realigning its Group-wide purchasing activities and introduced a new, uniform Group-wide B2B platform that standardizes purchasing processes to a greater extent and further enhances efficiency.

As part of a global purchasing strategy, existing and newly established MAN companies throughout the world are also increasingly being used to bundle purchasing activities. A systematic examination is being performed of the potential savings to be achieved from integrating suppliers in low-wage countries.

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

EMPLOYEES

Employees at 12/31 *

	2008	2007
Germany	28,753	28,963
Abroad	22,568	21,436
Total	**51,321**	**50,399**
Abroad in %	44	43

Employees by business area at 12/31 *

	2008	2007
Commercial Vehicles	36,251	36,591
Diesel Engines	7,986	7,383
Turbo Machinery	4,493	4,011
RENK	2,041	1,854
MAN Shared Services	367	361
MAN AG	183	199
MAN Group	**51,321**	**50,399**

* Including temporary employees, previous year adjusted

Headcount
On December 31, 2008 the MAN Group employed 51 321 people, including temporary workers. This represents an increase of 922 people or 1.8% as against the figure at the prior-year end of 50,399. A slight decline of 0.7% was recorded in Germany, whereas the figure abroad rose by 5.3%. 44% of employees work for companies abroad.
On December 31, 2008 the MAN Group employed 2,197 temporary workers. This represents a decline of 38% as against the previous year (3,519). The number of workers with short-term employment contracts declined by 3% to 3,403.

Leadership Supply – systematic development program
As part of the Group's Industrial Governance concept, the Leadership Supply program makes a key contribution to medium- and long-term business success by systematically developing managers. The MAN Group identifies employees with management potential at an early stage and systematically provides continuous professional development for junior managers to ensure we fill management positions internally. For detailed information, see the chapter entitled "Strategy – Employees".

Pension system
The MAN Group's uniform pension system is based on individual contribution-based pension plans under which employee contributions are determined on the basis of their annual remuneration. When employees retire, they receive the individual plan assets accumulated from the contributions, plus the return on the assets, either as a lump sum or in installments.
The benefits paid out on retirement under the pension plan for senior managers, directors, and Executive Board members are based on the performance of certain capital market indices.

At the end of 2007, MAN AG and other Group companies transferred and fully outsourced the funding of their pension obligations in respect of around 26,000 pensioners to MAN Pensionsfonds AG. This means that the MAN Group's major obligations from closed pension plans that are restricted to the payment of lifelong annuities are consolidated transparently in a single company.

SUSTAINABILITY MANAGEMENT

MAN AG's profitability is driven by its business success. Achieving sustainable success also means continuing to ensure the conditions for profitable operations in the future.

These conditions are determined not only by the economic environment, but also by ecological and social issues. MAN has only been able to operate successfully in the past – and will only be profitable in the future – in an intact environment and with social acceptance for what the Company does. The alarming reports published recently have pushed the debate about climate change to the forefront of the discussion on sustainability. As a company whose core competence is transport-related engineering, the MAN Group is aware of its special responsibility. The goal of the Company's sustainable corporate governance is to combine the requirements of a mobile society and an increasingly global, transport-oriented economy with efforts to protect the environment and conserve resources. MAN has a tradition of seeking to reconcile ecological and economic issues and ensuring social acceptance. This applies in particular to CO_2 emissions, which figure prominently in the current debate on climate change.

A large proportion of the Company's capital expenditure on research and development focuses on improving the eco-efficiency of its products while maintaining their technological supremacy. Here are just a few examples of this innovative strength driven by sustainability: In the Commercial Vehicles business area, the TGX and TGS truck series are achieving ambitious environmental targets. MAN is rigorously upgrading the common rail engines already in use in order to comply with future emission limits, and will launch them on the market as early as possible. Low fuel and lubricant consumption mean that MAN engines are among the most environmentally friendly and economical in the commercial vehicles segment. Further improvements have also been made to the marine diesel engines: Equipped with electronic control and common rail technology, today's large diesel engines consume around one quarter less fuel than 25 years ago, have much lower emissions, and are therefore ready to meet the increasingly strict requirements of the International Maritime Organization (IMO). The Turbo Machinery business area possesses core components of the technology used to produce synthetic diesel fuels or CO_2-neutral fuels from renewable energies. This represents an attractive future market for us that reconciles ecological and economic interests. In addition, MAN signed up to the international 3C – Combat Climate Change Initiative in 2007, which aims to reduce harmful emissions worldwide.

Progress has also been made on issues relating to corporate citizenship in recent years. MAN's vocational training programs – which go well beyond its own requirements – enable young people to enter skilled trades. Equally, relationships with universities have been expanded to improve young people's educational opportunities, while attracting top graduates as junior managers. Finally, new employee retention strategies are being adopted: To offer qualified women even better prospects in the future, the company is closely examining childcare and work/life balance issues. MAN has also committed itself to significantly increasing the still low proportion of women in managerial positions.

MAN's republished and updated mission statement defines its responsibility to its key stakeholders – customers, investors, employees, and society. It is based on MAN's corporate values of reliability, innovation, dynamism, and openness, and is illustrated further by a Code of Conduct that is binding on all MAN Group employees.

The Code of Conduct describes in more detail the framework for activities that is outlined in our mission statement and shows how this framework can be implemented in MAN's day-to-day work. A Compliance Board supported by external ombudspersons monitors compliance with the Code. These tools ensure that the MAN Group's activities continue to be accepted by society.

THE BUSINESS AREAS IN DETAIL

Commercial Vehicles

The financial crisis, the restricted availability of finance, macroeconomic conditions, and changes in the operating conditions for European truck toll collection have unsettled many customers. This led to a significant reduction in orders in the second half of the year, which dims revenue and earnings prospects for 2009. The order intake amounted to €9.1 billion in 2008, down 28% on the high prior-year level (€12.7 billion). Revenue remained stable at €10.6 billion due to the high order backlog in the previous year. This again resulted in strong operating profit of €1,062 million (previous year: €1,039 million). However, the worsening economic situation and changes in the law necessitated value adjustments for used vehicles and repurchase obligations, which are reflected in losses from nonrecurring factors.

Commercial Vehicles

€ million	2008	2007
Order intake	9,130	12,684
of which: Trucks	7,712	10,996
of which: Buses	1,418	1,688
Order intake (units)	75,497	127,345
of which: Trucks	68,872	119,112
of which: Buses	6,625	8,233
Revenue	10,610	10,410
of which: Trucks	9,088	9,023
of which: Buses	1,522	1,387
Vehicle sales (units)	103,705	100,609
of which: Trucks	96,478	93,260
of which: Buses	7,227	7,349
Headcount *	36,251	36,591
Operating profit **	1,062	1,039
of which: Trucks	1,037	1,023
of which: Buses	19	–13
of which: Financial Services	7	30
ROS (%)	10.0	10.0

* including temporary employees at 12/31
** 2008 and 2007 including €1 million from consolidation adjustments between Financial Services and Trucks

Economic environment

Due to the effects of the financial crisis, unit sales of trucks in Europe declined in 2008 from approximately 421,000 to 412,000 (–2%). Despite this, Commercial Vehicles lifted unit sales of trucks by 3%, increasing its market share for trucks over 6 t to 16.6% as a result (previous year: 16.2%). On a like-for-like basis, the business area's share of the European bus market fell from 14.7% to 12.8%. The coach business in Europe was not as strong as in the previous year.

MAN Commercial Vehicles is expecting significantly lower demand for trucks and buses in 2009 due to the weak economic environment.

Business developments

The order intake at Commercial Vehicles fell by 28% to €9.1 billion. The Trucks division recorded a decline in orders of 30% to €7.7 billion (previous year: €11.0 billion). The number of trucks ordered was down by 42% from 119,112 to 68,872. In particular, the order intake for the most important product group, heavy trucks, fell by 45%. Incoming orders at the Buses division declined by €270 million (-16%) to €1.4 billion, with 6,625 buses ordered (previous year: 8,233). The higher order intake figure compared with the lower number of units is due to a larger proportion of higher-value vehicles.

MAN Nutzfahrzeuge delivered 103,705 new vehicles in 2008 (+3%) and therefore, as in the previous year, sold over 100,000 vehicles (96,478 trucks, 7,227 buses). Revenue from commercial vehicles amounted to €10.6 billion (previous year: €10.4 billion). Truck revenue rose by 1% to €9.1 billion, while revenue from buses rose by 10% to €1.5 billion. Higher unit sales of complete buses offset the lower unit sales of chassis.

The German and foreign truck plants recorded good capacity utilization overall in 2008. The Company's highly flexible production activities allow it to adapt to the significantly lower demand in 2009. For example, temporary and fixed-term employment relationships in truck and engine production will not be extended, flextime accounts will be run down, and additional plant shutdown days and short-time working will be introduced. In addition, restructuring measures were resolved resulting in losses from non-recurring factors of €78 million.

Operating profit

Commercial Vehicles' return on sales remained stable at 10.0%, despite the clear deterioration in business in the second half of the year. Operating profit amounted to €1,062 million, after €1,039 million in the previous year (+€23 million).

The Trucks division increased its operating profit by €14 million (+1%) to €1,037 million, lifting its return on sales to 11.4% (previous year: 11.3%). The Buses division reversed its operating loss of €13 million in the previous year by €32 million to generate an operating profit of €19 million. This reflects successful restructuring activities. Financial Services recorded a decline of €23 million in its operating profit to €7 million due to higher bad debt allowances on receivables and risk provisions.

Employees

Commercial Vehicles had a workforce of 36,251 (of whom 1,082 were temporary employees) as of December 31, 2008. 19,862 staff were employed in Germany (previous year: 20,541), and 16,389 abroad (previous year: 16,050). The business area had 2,190 vocational trainees as of December 31, 2008 (previous year: 2,127). The proportion of vocational trainees therefore remains at 5.9%.

Research and development

Research and development expenses amounted to €257 million in the period under review (previous year: €234 million), or 2.4% of revenue (previous year: 2.2%). An average of 1,479 staff (previous year: 1,709) were employed by the business area's research and development departments worldwide during the year.

The focus was on transportation efficiency, environmental protection, and safety.

MAN Nutzfahrzeuge's goal is to strive for more efficiency in the transportation of people and goods on the road. This includes enhancing its range of trucks and buses, researching alternative drive technologies, and new vehicle concepts. One example of this is the new MAN TGX EcoLion, which celebrated its premiere at the 62nd International Motor Show IAA 2008. This vehicle concept is designed to significantly reduce operating costs thanks to technical innovations such as air pressure management (APM) to reduce fuel consumption, MAN DirectSteering, MAN TipMatic®, and ESP.

MAN has proven its leading technical expertise in the area of alternative commercial vehicle drive concepts with the Lion's City municipal bus, which has a serial hybrid drive and ultracaps to store energy. This low-floor bus, which will go into series production in 2010, consumes up to 30% less fuel than a comparable diesel bus.

To increase vehicle safety, MAN is continuing to drive forward the development of intelligent driver assistance systems to prevent accidents and therefore support traffic flow. One focus of research is an emergency braking system that is based on a sensor fusion of radar and video data, and is therefore designed to identify stationary objects as well. This will increase driver reactions.

Investments

Investments rose by 48% year-on-year to €528 million. The largest equity investment by MAN Nutzfahrzeuge was the increase to 50% of its stake in the Indian company MAN FORCE TRUCKS, which was launched in April 2006, by way of a share purchase and a capital increase. All in all, the capital increase at the joint venture totaled €39 million. This improved capital base will allow MAN FORCE TRUCKS to invest in the continued expansion of its production activities and its sales network. Production expenditure at the Nuremberg plant amounted to €64 million and focused in particular on processing centers for special engine parts. At the Munich location, the MAN and NEOPLAN forum and the new service academy were established. In addition, the service network in the Eastern European growth markets in particular was expanded and modernized.

Outlook

The economic crisis will have a significant impact on the commercial vehicle market in 2009, with a decline in unit sales for trucks and buses in Europe being forecast. As a result, a cost-cutting program was instituted that is designed to leverage maximum potential flexibility. In addition, investments will be reduced substantially in 2009. However, MAN Nutzfahrzeuge expects the continuous improvement of its market position and its attractive product portfolio will be advantageous in this difficult economic environment. It will continue to pursue its long-term growth targets despite the cost-cutting measures at the operational level.

Diesel Engines

Diesel Engines

€ million	2008	2007
Order intake	3,089	3,371
of which: Two-Stroke	924	953
of which: Four-Stroke	2,165	2,418
Revenue	2,542	2,179
of which: Two-Stroke	752	650
of which: Four-Stroke	1,790	1,529
Operating profit	390	313
of which: Two-Stroke	204	144
of which: Four-Stroke	186	169
Headcount *	7,986	7,383
ROS (%)	15.4	14.4

* including temporary employees at 12/31

Following a highly successful start to fiscal year 2008, the uncertainty on the financial markets and the related financing difficulties experienced by customers led to a sharp slowdown in demand at the end of the year, in particular in the marine business. At €3.1 billion, MAN Diesel's order intake therefore did not match the extremely high prior-year figure of €3.4 billion. However, its revenue increased significantly year-on-year from €2.2 billion to €2.5 billion (+17%). Operating profit improved to €390 million – up by 25% on the previous year – due to the substantial increase in revenue and the related utilization of production capacity. Despite the deterioration in the operating environment, the 2009 forecast is for more or less stable revenue and continuing strong earnings, based on the high order backlog and the resulting capacity utilization in all operational areas.

Economic environment

The consolidation of the international shipbuilding market that had been forecast by experts in the previous year occurred in 2008. The slowdown in global economic and trade growth as well as the turbulence on the financial markets significantly reduced the number of ship orders starting in the second half of the year. With the exception of oil tankers, all ship types were affected by the recent negative development, although the drop in demand was more moderate for specialized ships and in the offshore sector. The center of shipbuilding activities was again Asia – in particular South Korea and China, followed at some distance by Japan. Shipbuilding in Europe declined faster than Asia, and focused mainly on specialized ships.

Demand on the power plant market remained high in 2008 despite the slowdown in global economic growth and the problems on the financial markets. The positive development was driven mainly by efforts to create more efficient, environmentally friendlier, and more fuel-flexible energy generation facilities. Infrastructure improvements in global gas supply and the greater use of renewable resources for energy generation, such as biofuels or biomass, supported the above trends and will continue to do so in the future.

Business developments

The drop in orders at shipyards impacted demand for marine diesel engines, resulting in a substantial decline in incoming orders starting in the second half of the fiscal year. The economic slowdown, global fears of recession, and the effects of the financial crisis unsettled shipowners and investors, which led to delays in project development and the cancellation of orders. Nevertheless, MAN Diesel recorded a satisfactory order intake.

The order situation for stationary engines, in particular for turnkey power plants, continued to improve despite the tougher market environment. The sharp decline in oil prices in the final months of the year and the recovery in the dollar gave an additional boost to demand. The market situation remains characterized by long delivery times – in some cases more than two years.

At €3.1 billion, the order intake at Diesel Engines was unable to match the extremely good prior-year figure. Revenue rose from €2.2 billion to €2.5 billion, and the order backlog increased from €3.9 billion in the previous year to €4.1 billion, despite a number of cancellations.

Orders for two-stroke engines were satisfactory in the first half of 2008, but deteriorated increasingly from the third quarter. A drop in transportation volumes from mid-2008 and concerns relating to possible overcapacity in bulk freighters and container ships in particular led to a slump in freight rates, which noticeably impacted project development and the award of orders for large new merchant ships. Despite the weak market, however, as things stand today shipyard order books are full up to the end of 2011. The global order backlog for two-stroke engines amounted to 99 GW at the end of the year under review, 84 GW of which was accounted for by MAN Diesel; this corresponds to a delivery volume at our licensees of approximately three years. As a result, MAN Diesel again achieved a market share well in excess of 80% and confirmed its exceptional market position as a leading developer of large low-speed diesel engines.

As expected, the order intake for four-stroke medium-speed diesels used as propulsion engines and for powering onboard equipment was below the record prior-year figure. A total of 3,028 original and licensed engines amounting to 5,644 MW were sold. The drop in demand affected all market segments, although the decline was more moderate in the offshore sector. Four-stroke propulsion engines were used primarily in specialized ships such as heavy cargo ships, dredgers, RoRo/cargo ships, multipurpose carriers, patrol ships, as well as offshore tugboats and supply vessels. The common rail 32/44CR and 48/60CR engines have established themselves extremely well in the marine engine market. Well over 100 engines have now been sold or delivered since these models were launched in the past year.

The order intake for four-stroke engines used in diesel power plants substantially exceeded the prior-year figure in the year under review. Together with its licensee partners, MAN Diesel sold a total of 147 engines amounting to 1,246 MW. A particular highlight this year was the largest order in MAN Diesel's history for a total of 54 large engines from the French energy group Electricité de France. Major orders from Brazil and Pakistan for a total of 51 engines in the 32/40 and 48/60 series also deserve special mention. In addition, orders were received from Western European countries, Caribbean islands, as well as Africa and Asia. For the first time, combustion ignition engines from the new 51/60DF series were sold for a power plant in Australia. All engines are designed to extend and secure public energy supply or for internal electricity generation at industrial companies. In a number of contracts MAN Diesel is the turnkey supplier, i.e., it is responsible for delivering an entire turnkey power plant. Its state-of-the-art diesel and gas engines that offer a broad range of outputs enable the company to optimally meet customers' wishes in terms of using the most efficient fuel type.

MAN Diesel increased its market share in medium-speed four-stroke engines in almost all areas of application, and with 35% is the market leader in this segment, too.

Operating profit

MAN Diesel's operating profit increased by 25% year-on-year from €313 million to €390 million, due in particular to increased revenue volumes and the related high utilization of production capacity. At 15.4%, the return on sales again exceeded the prior-year figure of 14.4%.

Employees

MAN Diesel employed 7,986 people as of December 31, 2008 (including temporary employees; previous year: 7,383). In addition to the initial consolidation of the companies in the Netherlands and Belgium, the growth in the headcount was driven in particular by the recruitment of additional staff in Germany and Denmark, as well as in our Engineering Center in India. Temporary employees, fixed-term employment relationships, and flextime accounts continue to be used to handle the high order backlog and ensure flexible staffing levels. The company's international presence, the existing offering of vocational training and continuing professional development opportunities for its staff, and the establishment of new locations make MAN Diesel an attractive employer.

Investment, research and development
To meet the significant increase in unit sales, MAN Diesel again invested heavily in modernizing and rationalizing the production and assembly activities in fiscal year 2008. The Augsburg location made extensive investments to implement a synchronized moving assembly line for new engine construction and to modify its testing facilities. Expenditure also focused on facilities to produce injection components, in particular for the spare parts market.

As planned, the restructuring of the French production facility at Saint Nazaire was driven forward to meet the greater demand for large stationary engines in the future. This location will also be expanded into a competence center for spare parts manufacture within the production network.

Significant investments in the company's Augsburg, Velkà Biteš, and Shanghai production facilities are being made to manufacture turbochargers, the business area's core components. These funds are being invested to increase production capacity and optimize processes.

In addition, Metalock Denmark, Copenhagen/Denmark was acquired in 2008 to strengthen MAN Diesel's after-sales business. Service and sales companies in Argentina, Pakistan, Portugal, Russia, South Africa, Turkey, and the United Arab Emirates were also established. Other service centers were also opened in Brazil, China, India, Sweden, Spain, South Korea, and the U.S.A.

In the past fiscal year, MAN Diesel's research and development activities focused on launching new or redesigned engine types that are able to meet the IMO Tier II emission requirements. The company is already working on complying with the much stricter requirements under the next stage, IMO Tier III. The limits are set by the United Nations' International Maritime Organization (IMO). MAN Diesel already has all the technical measures at its disposal to meet both the IMO Tier II limits that come into force in 2011 and the IMO Tier III limits that will be effective from 2016.
With these targets in mind, MAN Diesel's R&D activities will continue to focus strongly on developing technologies in-house to more flexibly leverage the key factors for optimum fuel combustion – an important task in engine construction in times of heightened ecological awareness and high fuel prices. This includes MAN Diesel's electronically controlled injection systems for two-stroke and four-stroke engines including its modular common rail system, the VTA variable nozzle ring for turbochargers that offers precise control of combustion air intake, the variable valve drive, and the SaCoSone electronic control system that can be used to precisely tune these technologies to each other.

Outlook
In the past four to five years, maritime traffic has profited exceptionally from the globalization of trade and experienced an unprecedented boom. This trend was halted in the third quarter of the year under review by the expected industry downturn and the international financial crisis, which is frequently impacting customers' financing plans. However, the boom years have enabled MAN Diesel to generate a record order backlog that

will ensure a core level of capacity utilization at its production facilities for the immediate future. The turnkey diesel power plant business is much less affected by the turbulence on the financial markets. This business area, together with the less cyclically dependent after-sales segment, will play a key role in largely offsetting the expected ongoing decrease in new marine construction business. Growth potential also exists in high-speed diesel engines for use in yachts, energy generation, and other industrial applications.
Ongoing customer uncertainty with respect to financing and the weaker financial position of the shipyards are impacting the company and, to a certain extent, its licensees.
Nevertheless, the forecast for fiscal year 2009 is for more or less stable revenue and continuing strong earnings overall. However, it is expected that the order intake will decline from the exceptionally high level seen in recent years due to a slowdown in the marine market.

Turbo Machinery

In 2008, business activity at MAN Turbo remained almost as brisk as it had been in the previous two years. The order intake was down slightly on 2007 levels, at €1.4 billion. Revenue rose again sharply, this time to €1.3 billion. Operating profit was €148 million, taking the return on sales to 11.1% (previous year: 9.4%) and therefore into double figures for the first time.

Turbo Machinery

€ million	2008	2007
Order intake	1,426	1,454
Revenue	1,328	1,108
Operating profit	148	104
Headcount *	4,493	4,011
ROS (%)	11.1	9.4

* including temporary employees at 12/31

Economic environment
Although business remained strong for most of the year, demand for turbo machinery and drive turbines then eased slightly towards the end of 2008 amid the global financial crisis. Overall, the regional focal points were Europe and Asia, with business in the Asian market declining slightly.

Business developments
On the whole, the order intake was almost as brisk as it had been in the previous two years. Services once again improved its business activity. The most important area of business was the oil and gas industry, with plant and equipment for the production, storage, processing, and transportation of gas. A further focus was the sale of compressor trains for air separation equipment and generator steam turbines for energy generation. In this sector, MAN Turbo broke into the solar power market, where it sold three generator steam turbines. Both new plant and services improved earnings quality.

Revenue was lifted by 20% to €1.3 billion (previous year: €1.1 billion) thanks to capacity expansions. This brings the company closer to its goal of raising revenue to the level of order intake and sharply reducing delivery times.

The order backlog had reached €1.8 billion by the end of the year. To a large extent, this safeguards revenue and employment in fiscal year 2009, even if the global economic crisis reduces the order intake in individual market segments.

Operating profit
Operating profit improved to €148 million (previous year: €104 million), buoyed by higher revenue, improved earnings quality, and the excellent capacity utilization rate. Return on sales was up to 11.1% (previous year: 9.4%) and therefore into double figures for the first time.

Employees
Once again, headcount was increased in order to cope with the high order backlog. In the course of the past year, it rose by 482 to 4,493 (including 375 temporary employees). Headcount in Europe was up by 181, while expansion in China increased the number of employees by the substantial figure of 130. In the U.S.A., the expansion of the service business added 157 people to the workforce. As of December 31, 2008, 2,964 people were employed at facilities in Germany and 1,529 people outside Germany. In addition, there were a total of 226 trade, technical, and vocational trainees (previous year: 197).

Research and development
Ever decreasing oil and gas reserves are forcing production companies to operate in regions that are difficult to explore using today’s technology. Deep waters (of up to 3,000 m), oil and gas fields that lie beneath ice, arctic temperatures, adverse sea conditions, and declining reservoir pressures necessitate new compressor technologies for gas exploration. Together with a prominent oil and gas company, MAN Turbo is testing a prototype that rises to these challenges. A key aspect of this new technology is the innovative high-frequency engine, which is robust, sour gas-compatible, and modular in design, allowing it to be used in other growth markets as well (e.g., gas transportation and gas storage).
Turbo machinery is required for the transportation and sequestration of CO_2 in the CCS (carbon dioxide capture and storage) program, where the aim is to prevent CO_2 emissions and thus protect the climate. By systematically developing and standardizing its geared compressors, MAN Turbo has demonstrated the economic viability of these compressor systems. These CO_2 compressors can now be used worldwide for transportation, separation, and storage. MAN Turbo is therefore making another significant contribution to climate protection, just as it is in developing a new low-emission gas turbine combustor.
The CO_2 issue is also a key concern in the power generation sector. Here, the focus is on solar thermal power plants that use reheat steam turbines. One example of this application are the two 50 MW solar power plants in Spain for which MAN Turbo developed a highly flexible, dual-housing turbine design that enables maximum efficiency not only for the turbine itself, but also for the entire process. This makes MAN Turbo one of the technology leaders in the solar steam turbine market.

In the air separation, ethylene, terephthalic acid, and refinery sectors, a strong trend towards mega-sized plants has been in evidence for some years and continues to grow apace. In fiscal 2008, MAN Turbo therefore vigorously and successfully pursued an extensive development program with a view to moving into new size and power density categories in all segments – axial compressors, centrifugal compressors, geared compressors, and steam turbines.

Investment

The establishment of the production facilities in China was completed in 2008 and production started there at the end of the year. At the Oberhausen location in Germany, construction of a service workshop that is scheduled to open in spring 2009 was driven forward. With it, the company will have achieved its goal of setting up a competence center for maintenance in Europe. In addition, investments in machinery were made at all production locations in 2008 in order to increase production capacity and to maintain the plant and machinery in an up-to-date and efficient state. In the coming year, it is planned to increase production in China in line with the company's strong presence on the Asian and Chinese market. This also includes the expansion of production and engineering facilities in India.

Outlook

Order intake is expected to be weaker in 2009 due to the tight market situation. MAN Turbo is assuming that it will be possible to partially offset the decline in demand in individual market segments that are affected by the financial crisis and the oil price by growth in less affected market segments and in the service area. Service activities will also be boosted by additional acquisitions and the expansion of a local presence. The introduction of the MAN Turbo PrimeServ brand in 2008 will raise global awareness and hence open up new business opportunities. With respect to new construction, the aim is to expand the key business area of energy generation facilities, especially in conjunction with solar power. Following the strong start in the past year, the company is of the opinion that this area offers growing replacement potential, both in the European Union and throughout the world.

Revenue is expected to increase further in the coming year; this rise has largely been already secured due to the high order backlog. In turn, the planned growth in revenue will lead to improved earnings. MAN Turbo will ensure that its earnings targets are reached by taking measures to cut costs and achieve cost flexibility in the face of changing market conditions, as well as by making targeted technical enhancements.

Others/consolidation

€ million	2008	2007
Order intake	388	309
of which: RENK	443	439
of which: Shared Services/consolidation	–55	–130
Revenue	465	366
of which: RENK	527	430
of which: Shared Services/consolidation	–62	–64
Headcount *	2,591	2,414
of which: RENK	2,041	1,854
of which: Shared Services/consolidation	367	361
of which: MAN AG	183	199
Operating profit	129	95
of which: RENK	80	68
of which: MAN AG and Shared Services	–20	–41
of which: Scania dividend	57	43
of which: Roland (equity-method investment)	12	24
of which: consolidation	0	1

* including temporary employees at 12/31

In addition to consolidation effects, the figure for Others/consolidation includes the results of the RENK industrial subsidiary, MAN AG, and its Shared Services companies as well as MAN's share of MAN Roland's net income and the Scania dividend. The improvement in this item is due primarily to the increase in RENK's earnings, the higher dividend from Scania, and the improvement in the results achieved by Corporate Center and its Shared Services companies. It was driven in particular by gains of €14 million realized on exchanging Scania B shares for Scania A shares, a €10 million gain on the disposal of investment property, and the absence of nonrecurring expenses in the previous year.

At €443 million, RENK's order intake slightly exceeded the prior-year figure, with large-gear units maintaining a strong market position. Global orders for drive elements/slide bearings showed another sharp increase. By working at full capacity, RENK was able to lift revenue by 22% to €527 million. Operating profit climbed 18% to €80 million. At 15.1%, the return on sales was slightly lower year-on-year (previous year: 15.7%). Given the recessionary trend in the engineering sector, a decline in orders and earnings is expected in 2009.

Financial statements of MAN Aktiengesellschaft

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

Results of operations

€ million	2008	2007
Net investment income	923	1,033
Other earnings before taxes	–62	–157
Earnings before taxes	**861**	**876**
Income taxes	–194	–379
Net income for the fiscal year	**667**	**497**
Transfer to revenue reserves	–333	–34
Net retained profit	**334**	**463**

MAN AG's earnings before taxes declined by €15 million in the reporting period to €861 million, mainly because of the absence of the disposals of investments recorded in the previous year. Other earnings include general and administrative expenses, net interest income, and other income and expenses. The improvement as against 2007 is due in particular to the decline in the interest expense. The €185 million decrease in income tax expense is mainly due to lower prior-period taxes.

Net retained profit amounts to €334 million following the transfer of €333 million to retained earnings. At the Annual General Meeting on April 3, 2009, MAN AG's Executive and Supervisory Boards will propose utilizing the net retained profits of €334 million (previous year: €463 million) to distribute a dividend of €2.00 per share carrying dividend rights (previous year: €3.15) and to carry forward the remainder to new account.

Net assets and financial position

€ million	2008	2007
Fixed assets	2,946	2,909
Current assets	3,206	3,597
Total assets	**6,152**	**6,506**
Equity	2,420	2,216
Financial liabilities	3,131	3,444
Other liabilities and provisions	601	846
Total assets	**6,152**	**6,506**

Fixed assets relate primarily to investments.

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

Additional information
The rules governing the appointment and dismissal of members of the Executive Board of MAN AG and amendments to the Articles of Incorporation/Bylaws comply with the statutory provisions.

The principles governing the remuneration system for members of the Executive and Supervisory Boards are explained in the remuneration report, which forms part of the management report in accordance with section 315 of the HGB. The remuneration of the members of the Executive and Supervisory Boards is reported individually in the chapter entitled "Remuneration of the Executive Board" and "Remuneration of the Supervisory Board". As of December 31, 2008, MAN AG employed 183 people including temporary employees (previous year: 199).

RISK REPORT AND OUTLOOK

Risk management

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

The MAN Group's risk management activities are an integral part of its corporate management and business processes. Strategic corporate planning, internal reporting, the internal control system, and the Group ombudsmen are all core elements of the risk management system. One of the objectives of strategic planning is to promptly identify and assess long-term opportunities and risks so that appropriate structural measures can be taken. The internal reporting system is set up at all levels of the Group to provide up-to-date and relevant information on the status of significant risks and the efficacy of risk mitigation measures. The internal control system ensures that existing rules aimed at reducing risks are consistently adhered to at all levels. The Group ombudsmen assist management in promptly identifying and responding to compliance-related risks.

The Industrial Governance management system requires decentralized decision-making processes within the MAN Group and an appropriately organized risk management system. The MAN Group's risk management manual is applicable throughout the Group and contains binding guidelines on identifying, recording, analyzing, assessing, controlling, and monitoring significant risks within the Group. The risk policy principles set out in the manual ensure a common understanding of risk management across the Group. Management of each business area is responsible for ensuring that all Group companies are integrated into the risk management system. Overarching risk boards have been set up in all the Group's business areas. These are tasked with identifying and assessing risks, and with introducing and monitoring measures to combat those risks. Uniformly defined risk fields allow the Group to promptly identify and manage any concentration of risk. Opportunities, risks, and measures introduced by the business areas are identified on a quarterly basis, and discussed and evaluated at review meetings attended by the Executive Board and Corporate Controlling. Where necessary, further action is decided upon. The Supervisory Board is briefed on the MAN Group's risk position.

Internal Auditing and the external auditors are responsible for reviewing the effective functioning of the MAN Group's risk management system. In 2008, the processes and storage of data within the risk management system were reviewed as part of the ongoing improvement process, and preparations were made for the introduction of a software solution. This will enable risks to be recorded, discussed, and reported more efficiently in future.

Opportunities and risks

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

Markets

Economic conditions have been strongly impacted by the fallout from the financial crisis, both on the capital markets and, to an increasing extent, on the markets for manufactured goods. Many economies are already in recession, and the uncertain outlook is depressing demand for capital goods. Lending banks are exacerbating this trend by severely restricting credit and imposing tighter credit terms. For the MAN Group, this gives rise to the risk that demand will be stifled long-term or even fall further. The forward-looking approach taken over the past two years has led to substantially more flexible costs with which to manage any fall in demand. Nevertheless, margins remain at risk from a sharp and rapid decline in volumes. On the other hand, an ailing economy may mean a drop in prices on procurement markets, which at the start of the fiscal year were still severely overheated. Suppliers have also been affected by falling demand and financing problems. The MAN Group is keeping a close watch on suppliers' financial position and is putting alternatives in place. The expansion of the Company's after-sales activities represents an opportunity even in difficult times.
Over the medium term, and with the current slump in demand behind it, the MAN Group continues to see opportunities for profitable growth in all business areas. The underlying global economic trends will continue: sustained economic growth, a greater international division of labor and resulting increase in global transport routes and volumes, capital spending by the oil and gas industry, and a need to innovate due to trends in global climate policy. Through the appropriate expansion of our sales activities in growth markets, the MAN Group is endeavoring to increase our sales potential and thus counter regional economic risks.

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop technologically superior and highly cost-effective products that are of outstanding quality when launched on the market. Abandoning this mission would pose an unjustifiable risk to the Group's market position. However, the rollout of new products involves conceptual and market risks, which are managed through a careful strategic planning process that analyzes trends in the markets and business environment. The resulting product plans are used to manage our extensive research and development activities. For many years now, research and development expenses have been in the region of 3% of revenue. The market success of the common rail 32/44CR and 48/60CR engines produced by Diesel Engines and the "Truck of the Year" title awarded several times to Commercial Vehicles' TGX and TGS models clearly show that these risks can be successfully overcome.
Products that have already been launched pose quality risks. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs, and lead in the long term to the loss of market share or lower product margins. In extreme cases, product

liability and compensation claims may be made. The MAN Group starts to identity and limit these risks right from the product gestation stage. A standardized product gestation process ensures that only properly functioning and reliable product concepts move on to the next stage of development. Suppliers and their products are required to undergo a strict approval process in order to safeguard the Company's high quality standards. After production start-up, defined quality assurance measures within the production process ensure that manufacturing defects are promptly identified and eliminated. During use, any defective products are collected, analyzed, and repaired in collaboration with the service operations. Long-term customer contracts give rise to additional risks: Changes in the political or economic conditions in a particular market may result in additional expenditure on major projects. In the Commercial Vehicles business area, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly versus expectations at the time the contract was entered into. In the project business, risks arise as a result of guarantees or guarantee obligations. However, these are often covered by third-party guarantees, or in the case of prepayment guarantees by prepayments received from customers. By carrying out intensive checks before and after extending guarantees, we have always been able to keep defaults to a minimum. The high-growth turnkey business in the Diesel Engines business area, where the Company functions as a lead contractor for the delivery of turnkey diesel power plants, entails particular risks in relation to timely and due and proper performance by subcontractors. The business area combats this risk through appropriate controlling during all phases of the project.

Processes

The MAN Group considers the optimization of its development, purchasing, production, sales, and administration processes to be a central and ongoing task. Inadequate processes in these areas result in excessive costs and, by tying up too much capital, in financing risks. Moreover, overstocked inventories regularly result in an increased risk of loss through shrinkage or scrapping, while excessively high receivables increase the risk of default. These risks tend to increase as the general economic situation deteriorates. MAN is therefore driving forward the systematic reduction in capital employed by improving the underlying processes.

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

As in any modern enterprise, the MAN Group's processes are to a large extent supported by information technology. Besides improving efficiency, this also gives rise to risks. Parts of the infrastructure may fail as a result of accidents, disasters, or technical faults, thereby impairing a wide variety of business processes. There is also the risk of unauthorized access, theft, or the destruction of business information. By centralizing IT operations and systematically introducing service management processes in accordance with ITIL (IT Infrastructure Library), the MAN Group has significantly improved the transparency and reliability of the IT infrastructure. The latest hardware and software technologies ensure continuous data availability and protection against unauthorized access. Regular data backups reduce the risk of a total loss. State-of-the-art security mechanisms are used to combat potential threats to operational reliability of the systems from the internet.
Internal controls ensure compliance with the relevant regulations across all business processes and thus help to protect assets and reduce risks. In 2008, the MAN Group launched a series of activities aimed at structuring and improving the internal control system prior to the implementation of the 8th EU Directive and the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act).

Employees
The highly qualified specialists and managerial staff who set technological standards with MAN products are a critical success factor. The opportunities in the human resources area lie in the skills, international focus, and innovativeness of the employees who develop and continuously improve MAN's products, services, and processes. The risks include not being able to fill key positions to meet future requirements. Filling such positions requires a holistic approach to talent management. A variety of HR marketing activities have made it possible to recruit and retain outstanding specialists and managers. The MAN Group's strong positioning as an attractive employer helps it to recruit the human resources it requires worldwide, while systematic succession planning supports it in its efforts to fill management positions from within its own ranks. As part of its internationalization strategy, the MAN Group will continue to concentrate on aspects such as intercultural skills in training its specialists and managerial staff.

The MAN Group's employees are at work worldwide, initiating and concluding transactions on the Company's behalf. Any misconduct on their part may tarnish the Company's reputation and have a detrimental effect on its net assets and profitability. Back at the start of 2006, MAN therefore adopted a Code of Conduct for its employees and established the Compliance Board. Two external ombudspersons note and assess indications of possible misconduct by employees and, if their suspicions are confirmed, forward the matter to MAN AG's Compliance Board for investigation. In 2008, managers and employees received intensive training on issues and procedures related to legal compliance. All managers have completed a compulsory web-based training program that is now being extended to other employee groups. In addition, a number of training sessions were held in the relevant departments locally. Compliance with the Code of Conduct is monitored by Internal Auditing.

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

For short-term financing requirements, the MAN Group must have access to sufficient liquidity reserves. Arrangements are based on a detailed financial plan prepared for the MAN Group at three levels. As part of the corporate planning process, the liquidity and financing position is projected over a three-year planning horizon. Quarterly forecasts contain rolling liquidity plans for the next four quarters. These are supplemented by more detailed three-month plans that estimate short-term liquidity requirements.
When investing any liquidity reserves, there is always a risk that investment funds may be lost as a result of a bank becoming insolvent. MAN therefore takes care to invest its liquidity reserves conservatively and to spread risks by distributing investments across several financial institutions. Only reputable, prime-rated financial institutions (investment-grade institutions with deposit insurance) are considered.

Exchange rate movements can affect both prices for goods and services and profit margins. The MAN Group hedges all firm customer contracts, its own purchase orders, and other transactions against currency risks. Hedging is also used for budgeted serial-production revenue and for highly probable customer projects. Despite these measures, there is still a risk that the amount and timing of revenue payments will deviate from budget.
Currency risks also include the changes exchange rates may cause to customers' purchasing power. In the short term, a reduction in the value of a currency may result in losses in the sales markets concerned. In the long term, MAN endeavors to offer products and services that are always competitive, irrespective of current exchange rates, by constantly improving its productivity and geographical diversification.

Adverse effects may also result from changes in interest rates. The risks associated with such changes are managed by entering into interest rate hedges. This applies in particular to our customer financing arrangements, which are usually entered into at fixed rates of interest. Derivatives and other hedging transactions are only entered into via the Group's central finance department. They are subject to strict internal controls. In managing currency and interest rate risk, MAN restricts itself to marketable instruments, which are used solely to hedge existing underlying transactions and to some extent for forecasted revenues, but never for speculative purposes.
The manufacture of MAN's products requires substantial amounts of raw materials. Price trends on the commodity markets or price escalation clauses in supplier contracts may pose risks to operating profit. Where material, these risks are managed through targeted commodity hedging.

Changes in the investment portfolio may give rise to significant strategic risks. Acquisitions, for example, may result in risks if the assumptions underlying the purchase price, such as assumptions regarding potential synergies, cannot be realized.

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

Counterparty and country risk are reduced through the careful selection of transactions and business partners, as well as through appropriate contractual and payment terms. Any remaining risks are classified according to the debtor's credit standing and largely transferred to banks or insurance companies by way of hedging instruments. Guarantees are furnished centrally by MAN AG so as to ensure a uniform and restrictive policy. Particular importance is attached to formulating and performing the contract so as to minimize the possibility of an unjustified claim.

In order to reduce the risks associated with pension obligations, almost all MAN's pension obligations are externally funded, i.e., funded through assets that are separate from its business assets. The pension plan assets are invested by external investment companies in accordance with conservative investment (prudent investor) policies. Their fair value is subject to standard fluctuations, particularly those resulting from changes in interest rates and equity prices.

Assessment of the Group's risk position

On the basis of the risk management system established by the MAN Group, the Executive Board has determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced and the associated organizational measures allow the Executive Board to obtain timely information on risks and thus take appropriate action.

Risk management is an ongoing and continuous activity on the part of the Company, and of course something that is undergoing constant development. For MAN, this means continuing the optimization of its risk management in 2009 and adapting it to changing conditions. Given the uncertainty on the financial and manufactured goods markets, activities will focus on financial and market risk management.

Significant events after the reporting period

No events occurred after the reporting period that are of material importance for the MAN Group and that could result in a different assessment of the Group.

Outlook

Global economic trend
The global economy is set to experience an extremely sharp decline as a result of the fallout from the financial market crisis. Current forecasts predict a 1% reduction in GDP for the euro zone and a contraction of 2.2% to 4% for the German economy. The recession is expected to continue into 2010.

As a result, we consider the economic outlook, particularly for capital goods, to be negative. While demand in the infrastructure and energy sectors remains stable, MAN sees a downward trend in demand for transportation services and commercial vehicles.
Going forward, the economic trend will depend to a large extent on the timely implementation of economic and financing programs in individual countries. We expect a decline in the capital goods market and therefore a reduction in our order intake in all areas, and particularly at Commercial Vehicles. In 2009, the MAN Group's revenue is likely to fall year-on-year.

The cost flexibility in the business areas is already helping to offset the impact on earnings of a reduction in revenue. Additional measures were implemented at Commercial Vehicles in particular.

The MAN Group is constantly monitoring ongoing economic developments and will take additional measures without delay should the economic situation deteriorate.

Returns and operating profit
MAN continues to target a return on sales of 8.5% on average over the economic cycle. Diesel Engines and Turbo Machinery are expected to generate a return on sales on a level with the high figure for the previous year. In the Commercial Vehicles business area, a much lower return on sales year-on-year is to be expected due to economic developments, despite the measures introduced to adjust capacity.

Long-term growth strategy
The MAN Group will continue to systematically pursue its growth strategy in the future. As well as growing revenue, it will also further increase the flexibility of its cost structures so that it is able to more vigorously manage economic fluctuations and fluctuations in demand. The acquisition of a stake in VW Truck & Bus will serve to drive forward the Group's expansion strategy in a long-term growth region. Other growth regions for the Group are Eastern Europe, the Middle East, and parts of Asia. The Diesel Engines business area will continue to expand its four-stroke engine business, especially for stationary

applications, while Turbo Machinery will continue to implement its growth plans and thus achieve a sustained increase in business volumes. Across all manufacturing business areas, MAN will not only expand new business, but will also continue to bolster its service and spare parts business.

Capital expenditure, research and development, and procurement
In 2008, substantial investments were made with a view towards the ongoing modernization of the production facilities, and above all the planned growth of Commercial Vehicles, Turbo Machinery, and Diesel Engines. In keeping with the economic trend, capital expenditure will be scaled back substantially (2008: €873 million), with the focus being on rationalization and adjusting capacity in the Diesel Engines and Turbo Machinery business areas.
Research and development is of elementary importance to MAN because more and more sophisticated technical solutions are needed to meet both market and legal requirements. At the same time, research and development is not an end in itself, but an activity rigorously aimed at providing customers with a competitive advantage. As a result, MAN's R&D continues to focus on enhancing its commercial vehicle and diesel engines in terms of their performance, consumption, and emissions standards; further developing its truck and bus models; and improving its turbo machinery product range.
In 2009, MAN's common purchasing strategy will be further expanded and its international supply sources systematically developed with a view to sustaining its successful purchasing activities and achieving further synergies.

Cash flow
In view of the economic situation, cash management will be a particular focus. This will be supported by the Group-wide working capital optimization program initiated in 2008.

Employees
In 2009, the number of employees in the MAN Group will decline as a result of the economic situation.

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

Gala with the German Chancellor
At the anniversary gala in Munich, MAN CEO Håkan Samuelsson presented the anniversary chronicle to Angela Merkel. The celebration of MAN's 250th anniversary lay very close to the Chancellor's heart "in light of the extremely rapid rise and fall of events around the world."

MAN CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year from
January 1 to December 31, 2008

MAN CONSOLIDATED INCOME STATEMENT

		MAN Group		Industrial Business *		Financial Services *	
€ million	**Note**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenue		**14,945**	**14,063**	**14,945**	**14,063**	**–**	**–**
Cost of goods sold and services rendered		–11,304	–10,757	–11,304	–10,757	–	–
Gross margin		**3,641**	**3,306**	**3,641**	**3,306**	**–**	**–**
Other operating income	[8]	401	742	194	568	207	174
Selling expenses		–852	–782	–842	–774	–10	–8
General and administrative expenses		–682	–666	–662	–649	–20	–17
Other operating expenses	[9]	–1,039	–980	–868	–857	–171	–123
Share of net income (loss) of equity-method investments	[18]	17	15	16	10	1	5
Income from financial investments	[19]	137	99	137	100	–	–1
Earnings before interest and taxes (EBIT)		**1,623**	**1,734**	**1,616**	**1,704**	**7**	**30**
Interest income	[10]	30	24	30	24	–	–
Interest expense	[10]	–10	–79	–10	–79	0	0
Earnings before tax (EBT)		**1,643**	**1,679**	**1,636**	**1,649**	**7**	**30**
Income taxes	[11]	–488	–600	–488	–596	0	–4
Income from discontinued operations, net of tax	[7]	92	146	92	146	–	–
Net income		**1,247**	**1,225**	**1,240**	**1,199**	**7**	**26**
Net income attributable to noncontrolling interests		14	9	14	9	–	–
Net income attributable to shareholders of MAN Aktiengesellschaft		**1,233**	**1,216**	**1,226**	**1,190**	**7**	**26**
Basic earnings per share from continuing operations in €	[12]	**7.76**	**7.27**	**7.71**	**7.09**	**0.05**	**0.18**
Basic earnings per share from continuing and discontinued operations in €	[12]	**8.39**	**8.27**	**8.34**	**8.09**	**0.05**	**0.18**

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

MAN CONSOLIDATED BALANCE SHEET

ASSETS		MAN Group		Industrial Business *		Financial Services *	
€ million	**Note**	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**
Intangible assets	[15]	351	324	347	322	4	2
Property, plant, and equipment	[16]	1,896	1,772	1,894	1,770	2	2
Investment property	[17]	18	37	18	37	–	–
Equity-method investments	[18]	1,563	354	1,528	349	35	5
Financial investments	[19]	70	1,912	70	1,910	–	2
Assets leased out	[20]	1,563	1,801	1,025	1,074	538	727
Deferred tax assets	[11]	471	522	456	516	15	6
Other noncurrent assets	[23]	78	169	66	143	12	26
Noncurrent assets		**6,010**	**6,891**	**5,404**	**6,121**	**606**	**770**
Inventories	[21]	3,275	3,279	3,189	3,239	86	40
Trade receivables	[22]	4,255	3,705	2,585	2,557	1,670	1,148
Current income tax receivables		65	47	65	47	0	–
Assets held for sale	[7]	1,812	13	1,812	13	–	–
Other current assets	[23]	1,008	706	931	629	77	77
Marketable securities		–	254	–	254	–	–
Cash and cash equivalents		105	1,266	78	1,240	27	26
Current assets		**10,520**	**9,270**	**8,660**	**7,979**	**1,860**	**1,291**
		16,530	**16,161**	**14,064**	**14,100**	**2,466**	**2,061**

* 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		MAN Group		Industrial Business *		Financial Services *	
€ million	**Note**	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**
Subscribed capital		376	376				
Capital reserves		795	795				
Retained earnings		4,447	3,643				
Accumulated other comprehensive income		–263	334				
Equity attributable to shareholders of MAN Aktiengesellschaft		**5,355**	**5,148**	**5,228**	**5,025**	**127**	**123**
Noncontrolling interests		41	29	41	29	–	–
Total equity	[24]	**5,396**	**5,177**	**5,269**	**5,054**	**127**	**123**
Noncurrent financial liabilities	[25]	684	405	181	149	503	256
Pension obligations	[26]	74	132	72	130	2	2
Deferred tax liabilities	[11]	513	451	496	435	17	16
Other noncurrent provisions	[27]	510	467	510	467	0	0
Other noncurrent liabilities	[28]	1,064	1,019	1,064	1,019	0	–
Noncurrent liabilities and provision		**2,845**	**2,474**	**2,323**	**2,200**	**522**	**274**
Current financial liabilities	[25]	1,052	1,562	509	1,172	543	390
Intragroup financing		–	–	–1,080	–975	1,080	975
Trade payables		1,548	1,805	1,420	1,661	128	144
Prepayments received		1,099	2,031	1,093	2,029	6	2
Current income tax payables		404	649	403	649	1	0
Liabilities associated with assets held for sale	[7]	1,820	–	1,820	–	–	–
Other current provisions	[27]	898	1,121	894	1,112	4	9
Other current liabilities	[28]	1,468	1,342	1,413	1,198	55	144
Current liabilities and provisions		**8,289**	**8,510**	**6,472**	**6,846**	**1,817**	**1,664**
		16,530	**16,161**	**14,064**	**14,100**	**2,466**	**2,061**

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

MAN CONSOLIDATED STATEMENT OF CASH FLOWS

	MAN Group		Industrial Business *		Financial Services *	
€ million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Earnings before tax	1,643	1,679	1,636	1,649	7	30
Current income taxes	–411	–509	–410	–488	–1	–21
Cash earnings of discontinued operations	68	102	68	102	–	–
Depreciation, amortization, and impairment of noncurrent assets (other than assets leased out) [1]	324	397	322	396	2	1
Change in pension obligations	12	8	12	8	0	0
Dividends received from equity-method investments	–17	–15	–16	–10	–1	–5
Other noncash income and expense	–	–1	–	–1	–	–
Cash Earnings	**1,619**	**1,661**	**1,612**	**1,656**	**7**	**5**
Change in inventories	–649	–320	–599	–327	–50	7
Change in prepayments received	88	355	84	353	4	2
Change in trade receivables	–867	–589	–281	–294	–586	–295
Change in trade payables	15	209	31	146	–16	63
Change in assets leased out	194	592	5	514	189	78
Change in customer payments for assets leased out	90	–569	90	–569	–	–
Change in tax assets and liabilities	–242	244	–242	244	0	0
Change in other provisions	–6	162	–2	162	–4	0
Change in other assets	–78	38	–82	–45	4	83
Change in other liabilities	–14	206	109	123	–123	83
Change in discontinued operations	–26	158	–26	158	–	–
Elimination of gains/losses from asset disposals	–30	–80	–30	–80	0	–
Other changes in working capital	43	42	56	48	–13	–6
Net cash provided by/ (used in) operating activities	**137**	**2,109**	**725**	**2,089**	**–588**	**20**

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

	MAN Group		Industrial Business *		Financial Services *	
€ million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Net cash provided by/ (used in) operating activities	**137**	**2,109**	**725**	**2,089**	**–588**	**20**
Payments to acquire property, plant, and equipment, investment property, and intangible assets	–603	–459	–597	–456	–6	–3
Payments to acquire investments	–270	–259	–240	–257	–30	–2
Proceeds from asset disposals	169	232	168	232	1	0
Net cash flows from investing activities of discontinued operations	–3	–3	–3	–3	–	–
Proceeds from disposal of discontinued operations	–	63	–	63	–	–
Net cash used in investing activities	**–707**	**–426**	**–672**	**–421**	**–35**	**–5**
Free cash flow from operating and investing activities	**–570**	**1,683**	**53**	**1,668**	**–623**	**15**
Intragroup dividend distributions	–	–	–7	46	7	–46
Dividends paid	–466	–297	–466	–297	–	–
Change in marketable securities	250	–254	250	–254	–	–
Change in noncurrent financial liabilities	368	–1,254	44	–1,188	324	–66
Change in current financial liabilities	–590	932	–660	854	70	78
Change in intragroup financing	–	–	–125	–30	125	30
Special pension fund endowment	–15	–688	–15	–688	–	0
Net cash flows from financing activities of discontinued operations	–8	14	–8	14	–	–
Net cash provided by/ (used in) financing activities	**–461**	**–1,547**	**–987**	**–1,543**	**526**	**–4**
Net change in cash and cash equivalents	**–1,031**	**136**	**–934**	**125**	**–97**	**11**
Cash and cash equivalents at beginning of period	**1,266**	**1,162**	**1,240**	**1,147**	**26**	**15**
Change in cash and cash equivalents due to changes in consolidated Group structure	103	–51	4	–51	99	0
Effect of exchange rate changes on cash and cash equivalents	–10	16	–9	16	–1	0
Change in cash and cash equivalents of discontinued operations	–223	3	–223	3	–	–
Cash and cash equivalents at end of period	**105**	**1,266**	**78**	**1,240**	**27**	**26**

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

Cash flow from operating activities of continuing operations includes interest received of €30 million (previous year: €24 million), interest paid of €53 million (previous year: €94 million), income taxes paid of €614 million (previous year: €307 million), and dividends of €57 million (previous year: €43 million) received from investments.

MAN STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

€ million	**2008**	**2007**
Currency translation differences	–42	–38
Change in fair values of marketable securities and financial investments	–534	454
Change in fair values of derivatives	–16	15
Actuarial gains attributable to pensions	16	112
Actuarial losses/gains attributable to provisions for termination benefits	–9	8
Effect of asset ceiling in accordance with IAS 19.58	7	–7
Deferred taxes	–19	–70
Other comprehensive income for the period	**–597**	**474**
Net income	**1,247**	**1,225**
of which accumulated other comprehensive income transferred to income statement	–	4
Total comprehensive income for the period	**650**	**1,699**
of which attributable to noncontrolling interests	14	9
of which attributable to shareholders of MAN Aktiengesellschaft	**636**	**1,690**

See also Note (24) for additional information on equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

1 General principles

MAN Aktiengesellschaft (referred to in the following as “MAN” or “MAN AG”) is a listed corporation headquartered in Munich. With its three core business areas of Commercial Vehicles, Diesel Engines, and Turbo Machinery, the MAN Group is one of Europe’s leading engineering groups, generating annual revenue of €14.9 billion (previous year: €14.1 billion) and employing a worldwide workforce of approximately 51,300 employees, including around 2,200 temporary employees (previous year: approximately 50,400 employees, including around 3,500 temporary employees).

In compliance with section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code), the accompanying consolidated financial statements of MAN Aktiengesellschaft for the fiscal year January 1 to December 31, 2008 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 resolved to authorize these consolidated financial statements for submission to the Supervisory Board on January 28, 2009.

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 parts of the MAN Group with the exception of MAN Finance. In the MAN Group, MAN Finance primarily operates the sales financing business for the Group’s commercial vehicles and is presented as Financial Services. 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.

2 Consolidation and measurement of investments

a) Investments

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

Subsidiaries are those investments whose financial and operating policies can be controlled by MAN AG by virtue of the Articles of Incorporation/Bylaws, 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 AG. Special purpose entities in which MAN AG does not hold a majority of voting rights are consolidated if these companies are constructively controlled by MAN AG.

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

Associates are investments over which MAN AG 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 Aktiengesellschaft, all subsidiaries are consolidated in the consolidated financial statements. Subsidiaries that are acquired during the fiscal year are consolidated from the date when MAN AG 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, 2007	**63**	**95**	**158**
Initially consolidated in fiscal 2008	0	15	15
Deconsolidated in fiscal 2008	3	3	6
Consolidated as of Dec. 31, 2008	**60**	**107**	**167**

* Includes subsidiaries of discontinued operations, see Notes (6) and (7).

There were no material acquisitions of subsidiaries in fiscal 2008. Initially consolidated companies related in particular to newly formed companies and to existing companies that have now started operating.

Deconsolidated companies relate mainly to intragroup mergers.

Major subsidiaries are listed on pages 220 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 presented 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	
	12/31/2008	12/31/2007	2008	2007
US dollar	1.3917	1.4721	1.4759	1.3733
Sterling	0.9525	0.7334	0.7934	0.6847
Danish krone	7.4506	7.4583	7.4561	7.4512
Swiss franc	1.4850	1.6547	1.5857	1.6439
Swedish krona	10.8700	9.4415	9.6237	9.2480
Polish zloty	4.1535	3.5935	3.5044	3.7848
Japanese yen	126.1400	164.9300	153.1504	161.7742
South African rand	13.0667	10.0298	11.9600	9.6496
Canadian dollar	1.6998	1.4449	1.5550	1.4697

3 Accounting policies

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

a) Revenue recognition

URevenue 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 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 3 (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 return of the item sold and 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 sales 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 and write-downs of inventories. 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.

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 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 Diesel Engines. 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 and proportionate production overheads. 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. Borrowing costs are recognized as expenses in the period in which they are incurred.

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

	Years
Buildings	20 to 50
Leasehold improvements	8 to 20
Production plant and machinery	5 to 15
Operating and office equipment	3 to 10

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 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 (17). It is normally estimated by means of internal appraisals (using recognized valuation techniques).

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 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 reported 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, general and administrative expenses, and borrowing costs 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 sales 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. 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 six 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 and only occur in isolated instances in the MAN Group.

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 risks resulting mainly from ongoing business operations. Derivatives are recognized initially and at the end of each subsequent reporting period at fair value.

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 (32) 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 2009; 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 directly in equity or in other comprehensive income, the change in deferred taxes is also recognized directly in equity or 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 acquired 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 (26). 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

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 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.

For details, please refer to Note (7).

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 is linked to estimates by management.

Certain Group companies, especially the Turbo Machinery and Diesel Engines 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.

4 Statement of cash flows

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

Noncash operating expenses and income, as well as gains and losses from asset disposals, are eliminated in cash flow from operating activities. The change in assets leased out and in the customer payments received for them is allocated to cash flow from operating activities. Cash earnings, which are the components of cash flows resulting from net income for the period, 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, in the segments, receivables from intragroup finance transactions.

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

5 New and revised accounting pronouncements

a) New accounting pronouncements applied

In November 2006, the IFRIC issued IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions*. This Interpretation addresses the accounting treatment of share-based payments within a group, the effects on IFRS 2 of transfers of employees within a group, and the treatment of share-based payments in which the entity issues its own equity instruments or is required to buy its own equity instruments (treasury shares). This pronouncement will not have any material effect on the MAN Group's consolidated financial statements.

On July 5, 2007, the IFRIC issued IFRIC 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This Interpretation defines how defined benefit assets are measured if minimum funding requirements are imposed. A defined benefit asset exists when the fair value of plan assets exceeds the present value of the defined benefit obligation. IFRIC 14 is effective for annual periods beginning on or after January 1, 2008. This Interpretation will not have any material effect on the MAN Group's consolidated financial statements.

In October 2008, the IASB resolved to amend IAS 39, *Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures*. This amendment now allows entities to reclassify certain financial instruments. Entities are required to apply the amendment retrospectively as of July 1, 2008. This amendment will not have any material effect on the MAN Group'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, 2009. The Company is currently assessing the potential effects of these pronouncements on its consolidated financial statements.

In November 2006, the IASB issued IFRS 8, *Operating Segments, which supersedes the previous IAS 14, Segment Reporting*. IFRS 8 requires application of the "management approach" to reporting of financial information about its segments. This approach defines segments and specifies which information is to be disclosed on the segments on the basis of the internal information used by management to assess segment performance and decide on the resources to be allocated to the segments. IFRS 8 is effective for annual periods beginning on or after January 1, 2009.

In March 2007, the IASB issued an amendment to IAS 23, *Borrowing Costs*. In this amendment, the IASB removed the option of immediately recognizing as expenses borrowing costs that directly relate to the acquisition, construction, or production of a qualifying asset. These borrowing costs must in the future be capitalized as part of the cost of such assets. The amended standard is effective for annual periods beginning on or after January 1, 2009.

The IASB issued a revision of IAS 1, *Presentation of Financial Statements*, in September 2007. The aim of the revision is to make it easier for users to compare an entity's financial statements with the entity's financial statements of previous periods and with those of other entities. IAS 1 governs the principles for the presentation and structure of financial statements, as well as setting out minimum requirements for the content of financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2009.

An amendment to IFRS 2, *Share-based Payment, Vesting Conditions and Cancellations*, was issued in January 2008. This amendment clarifies that vesting conditions are service conditions and performance conditions only. It also clarifies that the accounting treatment of cancellations is the same, regardless of whether the entity or another party cancels the plan. The amended standard is effective for annual periods beginning on or after January 1, 2009.

In May 2008, the IASB issued its first *Improvements to IFRSs*, a collection of minor amendments to existing IFRSs. The document contains amendments to 20 IFRSs in two parts. The first part contains amendments that may affect presentation, recognition, or measurement. The second part contains terminology or editorial changes only. Unless otherwise specified in the standard concerned, the amendments are effective for annual periods beginning on or after January 1, 2009.

In May 2008, the IASB issued amendments to IFRS 1 and IAS 27 that clarify the way the cost of an investment in subsidiaries, associates, and joint ventures is measured. They removed the definition of the cost method. In the future, dividends from subsidiaries, associates, and joint ventures must consequently also be recognized as income if they are paid from reserves that existed prior to the acquisition. In addition, IAS 27 contains guidance on the measurement of the cost of an investment if the structure of the group has been reorganized in the course of the acquisition. The amendments are effective for annual periods beginning on or after January 1, 2009.

6 Acquisitions and divestments
a) Acquisitions

Acquisitions in 2008
MAN Finance International GmbH acquired a 25.13% interest in EURO-Leasing GmbH, Sittensen (EURO-Leasing), in early 2008 as part of a capital increase at that company. MAN has significant influence over EURO-Leasing's operating and financial policies. The investment in EURO-Leasing has been accounted for using the equity method since early 2008. Please see Note (18) for further information.

In December 2008, MAN Nutzfahrzeuge AG increased its interest in the MAN FORCE TRUCKS Private Limited, Akurdi, Pune/India, joint venture (MAN FORCE TRUCKS) from 30% to 50%. By increasing its stake, MAN Nutzfahrzeuge is taking 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 (18) for further information.

In December 2008, MAN announced that it would acquire Volkswagen Caminhões e Ônibus Indústria e Comércia de Veículos Comerciais Ltda., São Paulo/Brazil, (VW Truck & Bus) from Volkswagen Aktiengesellschaft, Wolfsburg (Volkswagen AG). By acquiring this Brazilian company with its strong brand, MAN will be able to expand into the South American market, and thus systematically boost its commercial vehicles business. VW Truck & Bus is Brazil's largest truck manufacturer, where it is the market leader for trucks with a gross weight of over five tons. The enterprise value is €1,175 million. The purchase agreement signed in December 2008 is expected to close in March 2009.

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. Please see Note (18) for further information.

Acquisitions in 2007
We did not acquire any material subsidiaries in fiscal 2007.

b) Divestments
Divestments in 2008
MAN Aktiengesellschaft has entered into an agreement with the International Petroleum Investment Company (IPIC), Abu Dhabi, to sell its 70% interest in MAN Ferrostaal AG, Essen. The purchase price for the company will be at least €700 million, MAN AG will initially retain a 30% interest. As a partner, IPIC has the goal and financial strength to offer MAN Ferrostaal new growth opportunities and access to markets for future technologies. The assets and liabilities of MAN Ferrostaal that will be transferred in the course of the

transaction have been reclassified as held for sale until transaction has been completed. MAN 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. Please see Note (7) for further information. The transaction is expected to close in the first half of 2009.

Divestments in 2007

A majority interest in MAN Ferrostaal's steel trading business was sold to CCC Steel GmbH & Co. KG, Hamburg, for a price of €117 million, including cash and cash equivalents disposed amounting to €8 million. This transaction sustainably reinforced the competitive position of our steel trading business. The new company started operating on January 1, 2008 under the name of Coutinho & Ferrostaal GmbH & Co. KG. Following the sale, MAN Ferrostaal has a 33.33% interest in the new company.

As of December 1, 2007, MAN Nutzfahrzeuge AG contributed its wholly owned sales subsidiaries MAN Camions et Bus S.A., Evry Cedex/France, and MAN Truck & Bus S.A., Kobbegem, Brussels/Belgium, to the newly formed company MAN Region West B.V., Vianen/Netherlands. MAN Nutzfahrzeuge AG and PON each have a 50% interest in the new company. PON contributed its Dutch sales company PON Equipment & Power Systems B.V., Almere/Netherlands. As this new company is not jointly controlled, the interest in MAN Region West B.V. is accounted for as an associate. Starting on January 1, 2011, PON is entitled to sell all shares to MAN Nutzfahrzeuge AG under a put option. In return, MAN Nutzfahrzeuge AG has a call option.

7 Discontinued operations

Discontinued operations in fiscal 2008 relate to MAN Ferrostaal. Discontinued operations in the previous year relate to both MAN Ferrostaal and the steel trading activities of MAN Ferrostaal. Please see Note (6) for further information.

Income from discontinued operations, net of tax, reported in MAN's consolidated income statement is composed of the following items:

€ million	2008	2007
Revenue	1,640	2 513
Costs, expenses, and income	–1,493	–2,345
Income taxes	–55	–29
Net income of discontinued operations	92	139
Disposal gain/loss	–	7
Income from discontinued operations, net of tax	**92**	**146**

The disposal gain of €7 million on discontinued operations in 2007 relates to the disposal of the steel trading activities and includes an income tax expense of €4 million.

The following table discloses the carrying amounts of MAN Ferrostaal's material assets and liabilities as of December 31, 2008:

€ million	2008
Intangible assets, property, plant, and equipment, and investments	460
Inventories	602
Trade receivables	317
Other assets and receivables	210
Cash and cash equivalents	223
Assets held for sale	**1,812**
Pensions and other provisions	171
Financial liabilities	20
Trade payables	401
Prepayments received	847
Other liabilities	381
Liabilities associated with assets held for sale	**1,820**

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

€ million	2008	2007
Cash earnings	68	102
Change in discontinued operations	–26	158
Net cash provided by/(used in) operating activities	42	260
Net cash flows from investing activities	–3	–3
Proceeds from disposal of discontinued operations	–	63
Net cash flows from financing activities	–8	14

Accounting for discontinued operations resulted in the following adjustments of prior-period amounts in the income statement.

Adjustments to 2007 consolidated income statement

€ million	2007 reported	IFRS 5 adjustments	2007 comparative
Revenue	**15,508**	**–1,445**	**14,063**
Cost of goods sold and services rendered	–11,936	1,179	–10,757
Gross margin	**3,572**	**–266**	**3,306**
Other operating income	1,073	–331*	742
Selling expenses	–911	129	–782
General and administrative expenses	–749	83	–666
Other operating expenses	–1,246	266*	–980
Share of net income (loss) of equity-method investments	76	–61	15
Income from financial investments	98	1	99
Earnings before interest and taxes (EBIT)	**1,913**	**–179**	**1,734**
Interest income	33	–9	24
Interest expense	–94	15	–79
Earnings before tax (EBIT)	**1,852**	**–173**	**1,679**
Income taxes	–631	31	–600
Income from discontinued operations, net of tax	4	142	146
Net income	**1,225**	**–**	**1,225**
Net income attributable to noncontrolling interests	9	–	9
Net income attributable to shareholders of MAN AG	**1,216**	**–**	**1,216**
Basic earnings per share from continuing operations in €	**8.24**	**–0.97**	**7.27**
Basic earnings per share from continuing and discontinued operations in €	**8.27**	**–**	**8.27**

* See Note (8) for information on the separate disclosure of currency translation effects.

Income statement disclosures

8 Other operating income

€ million	2008	2007
Income from financial services	176	124
Income from reversal of provisions	59	75
Gains on financial instruments	40	67
Other trade income	30	25
Gains on disposal of property, plant, and equipment, and intangible assets	21	18
Gains from nonrecurring items	–	335
Miscellaneous other income	75	98
	401	**742**

Income from financial services represents the income generated by the MAN Finance Group companies. The year-on-year increase is attributable mainly to the expansion in the volume of financing.

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 starting in fiscal 2008. The prior-period amounts were adjusted.

Gains from nonrecurring items in fiscal 2007 contain the ERF settlement less derecognized goodwill.

9 Other operating expenses

€ million	2008	2007
Research and development	383	315
Expenses from financial services	126	96
Losses from nonrecurring items	110	150
Additions to provisions	100	133
Losses on financial instruments	71	50
Bad debt allowances on receivables	59	21
Miscellaneous other expenses	190	215
	1,039	**980**

Other operating expenses comprise those expenses that cannot be allocated to the functional expenses, and in particular to cost of sales. Research and development expenses contain only that portion of R&D expenses that cannot be allocated to contract-related production costs or capitalized development costs.

Expenses from financial services and losses on financial instruments correspond to the related items in other operating income; please refer to Note (8).

Losses from nonrecurring items in fiscal 2008 relate to Commercial Vehicles. Restructuring measures of €78 million were resolved because of a reassessment of market prospects. In addition, the unusually steep depreciation of Eastern European currencies against the euro and the sharp decrease in the availability of finance in these currencies resulted in costs of €32 million. In the previous year, losses from nonrecurring items related to the recognition of provisions in connection with the Buses restructuring program and to goodwill impairment.

Miscellaneous other expenses relate to legal, audit, and consulting costs, personnel expenses not attributable to specific functions, and a large number of individual items.

10 Net interest income/(expense)

€ million	2008	2007
Interest and similar income	30	24
Interest and similar expenses	–53	–94
Interest component of additions to pension provisions	–82	–74
Return on CTA plan assets	83	49
less: interest expenses reclassified as other operating expenses	42	40
	20	**–55**

The €75 million improvement in net interest income/(expense) is attributable mainly to lower expenses for bank interest and a significant increase in the return on pension plan assets. The reduction in interest expenses is a result of the amount repaid in the first half of 2008 on the syndicated loan for the purchase of Scania stock amounting to €600 million.

The interest expenses of €42 million (previous year: €40 million) reclassified as other operating expenses relate to the refinancing of assets leased out by Financial Services.

11 Taxes

The reported tax expense is broken down as follows:

€ million	2008	2007
Current taxes		
Germany	212	363
Abroad	199	146
Deferred taxes		
Germany	58	122
Abroad	19	–31
	488	**600**

The tax expense expected for fiscal 2008 is based on the application of the German tax rate applicable for the 2008 assessment period of 31.58% (previous year: 39.9%) 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 corporate income tax liability). As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2008.

No deferred tax assets on corporate income tax or and municipal trade tax loss carryforwards (previous year: €36 million) are currently recognized at German companies. This is due firstly to the utilization of tax loss carryforwards and secondly to the discontinued availability of tax loss carryforwards at the Industrial Services business area due to its pending disposal; see Notes (6) and (7). Deferred taxes of €16 million (previous year: €18 million) were recognized at foreign companies for their local taxes. No deferred tax assets were recognized as of December 31, 2008 for existing tax loss carryforwards of €43 million and temporary differences of €123 million due to the low probability of such deferred tax assets being recoverable (in the previous year, €52 million was attributable to tax loss carryforwards and €59 million to temporary differences). Tax losses of €14 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 2008 for accumulated earnings at subsidiaries and associates amounting to €71 million (previous year: €462 million).

Reconciliation of expected and actual tax expense				
€ million	**2008**	**%**	**2007**	**%**
Earnings before tax	1,643	100	1,679	100.0
Expected tax expense	519	31.6	670	39.9
Tax-exempt income	–57	–3.5	–47	–2.8
Differences to foreign tax rates	–58	–3.5	–115	–6.8
Equity-method investments	–5	–0.3	–6	–0.4
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	–20	–1.2
Prior-period taxes	46	2.8	48	2.9
Nondeductible expenses	26	1.6	17	1.0
Change in German tax rates	–	–	3	0.2
Disposal and impairment of goodwill	–	–	47	2.8
Other items	25	1.5	3	0.2
Actual tax expense	**488**	**29.7**	**600**	**35.7**

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

	Deferred tax assets		**Deferred tax liabilities**	
€ million	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**
Intangible assets	6	10	80	76
Property, plant, and equipment	8	31	150	114
Inventories	45	40	75	61
Receivables and other assets	26	27	91	126
Pension obligations	44	106	22	8
Other provisions	120	96	22	4
Other liabilities	200	158	64	28
Tax loss carryforwards	16	54	–	–
Other items	6	–	9	34
	471	**522**	**513**	**451**

12 Earnings per share

€ million	2008	2007
Net income attributable to shareholders of MAN Aktiengesellschaft	1,233	1,216
of which: income from discontinued operations, net of tax	92	146
Net income from continuing operations attributable to shareholders of MAN AG	**1,141**	**1,070**
Number of shares outstanding (weighted average, million)	147,0	147,0
Earnings per share from continuing operations in €	**7.76**	**7.27**

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 2008, as in the previous year.

There were no outstanding options as of December 31, 2008 and December 31, 2007 that dilute earnings per share. Any exercise of MAN Aktiengesellschaft's contingent capital in future periods will be dilutive.

Earnings per share from discontinued operations were €0.63 (previous year: €1.00).

13 Other income statement disclosures

Cost of materials

€ million	2008	2007
Cost of raw materials, consumables, and supplies, and of purchased merchandise	7,823	7,007
Cost of purchased services	512	517
	8,335	**7,524**

Payments under operating leases

€ million	2008	2007
	111	**93**

Personnel expenses

€ million	2008	2007
Wages and salaries	2,343	2,273
Social security contributions, retirement and other employee benefit expenses	461	458
	2,804	**2,731**

Retirement benefit expenses amounted to €179 million (previous year: €172 million), of which €135 million (previous year: €121 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 of continuing operations

	2008	2007
Commercial Vehicles	35,251	34,685
Diesel Engines	7,163	6,685
Turbo Machinery	3,941	3,492
Other	2,432	2,266
	48,787	**47,128**

Depreciation and amortization expense

€ million	**2008**	**2007**
Intangible assets	67	61
Property, plant, and equipment	253	237
Investment property	1	2
	321	**300**

Impairment losses

€ million	**2008**	**2007**
Goodwill	0	85
Property, plant, and equipment	3	5
Financial investments	0	4
Investment property	–	3
	3	**97**

See Notes (15) et seq. for information on the reasons for impairment.

14 Total remuneration of the auditors

The fees for the activities of the Group auditors KPMG and its affiliated companies recognized as expenses amounted to €12.3 million in the reporting period (previous year: €9.3 million), of which €4.9 million is attributable to audits (previous year: €4.6 million), €0.4 million to reviews of interim financial reports (previous year: €0.4 million), €4.1 million to other assurance and valuation services (previous year: €2.5 million), €0.6 million to tax advisory services (previous year: €0.2 million), €1.8 million to other services (previous year: €1.2 million), and €0.5 million to incidental costs (previous year: €0.4 million).

Balance sheet disclosures

15 Intangible assets

€ million	Licenses, software, similar rights, customer relationships, brands, and other assets	Capitalized development costs	Goodwill	Intangible assets
Gross carrying amount at January 1, 2007	117	440	185	742
Accumulated amortization and impairment losses	–74	–229	–	–303
Balance at January 1, 2007	**43**	**211**	**185**	**439**
Additions	24	43	0	67
Transfers	1	0	–	1
Disposals	–2	0	–34	–36
Amortization	–18	–43	–	–61
Impairment losses	–	–	–85	–85
Currency translation differences	0	–	–1	–1
Balance at December 31, 2007	**48**	**211**	**65**	**324**
Gross carrying amount at December 31, 2007	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	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

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization recognized on these assets amounted to €67 million (previous year: €61 million, including €1 million relating to discontinued operations) is included in the functional expenses, in particular cost of sales. Impairment losses on intangible assets in fiscal 2007 related to goodwill at Buses amounting to €85 million.

Analysis of goodwill

€ million	12/31/2008	12/31/2007
Trucks – Commercial Vehicles	4	1
Medium-speed engines – Diesel Engines	14	14
Turbo Machinery	54	50
	72	**65**

Goodwill is allocated to the divisions as shown above. It is attributable mainly to acquisitions and initial consolidation before January 1, 2004.

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.
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 11.5% (previous year: 12%). Goodwill is impaired if the division's value in use is less than its carrying amount.

No impairment of recognized goodwill was identified in fiscal 2008. In fiscal 2007, an impairment loss of €85 million was recognized on goodwill allocated to the Buses division.

16 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, 2007	1,619	1,841	1,023	126	4,609
Accumulated depreciation and impairment losses	–826	–1,316	–816	–2	–2,960
Balance at January 1, 2007	**793**	**525**	**207**	**124**	**1,649**
Change in consolidated Group structure	0	2	–2	2	2
Additions	32	144	80	152	408
Transfers	87	68	9	–165	–1
Reclassified to investment property	0	–	–	–	0
Disposals	–16	–8	–10	–1	–35
Depreciation	–46	–137	–70	–	–253
Impairment losses	–3	–3	–	–	–6
Currency translation differences	3	3	0	2	8
Balance at December 31, 2007	**850**	**594**	**214**	**114**	**1,772**
Gross carrying amount at December 31, 2007	1,611	1,867	994	114	4,586
Accumulated depreciation and impairment losses	–761	–1,273	–780	–	–2,814
Balance at January 1, 2008	**850**	**594**	**214**	**114**	**1,772**
Reclassified as assets held for sale	–67	–24	–14	0	–105
Change in consolidated Group structure	1	6	2	0	9
Additions	56	178	102	182	518
Transfers	60	34	14	–109	–1
Reclassified from investment property	8	–	–	–	8
Disposals	–7	–6	–5	0	–18
Depreciation	–54	–134	–65	–	–253
Impairment losses	–3	0	–	–	–3
Currency translation differences	–24	–4	–3	0	–31
Balance at December 31, 2008	**820**	**644**	**245**	**187**	**1,896**
Gross carrying amount at December 31, 2008	1,505	1,835	961	187	4,488
Accumulated depreciation and impairment losses	–685	–1,191	–716	–	–2,592

Depreciation of items of property, plant, and equipment amounted to €253 million (previous year: €253 million, including €16 million relating to discontinued operations) and is included in the functional expenses, in particular cost of sales.

17 Investment property

€ million	2008	2007
Gross carrying amount at January 1	129	198
Accumulated depreciation and impairment losses	–92	–121
Balance at January 1	**37**	**77**
Reclassified as assets held for sale	–6	–
Reclassified from/to property, plant, and equipment	–8	0
Additions	0	3
Disposals	–3	–33
Depreciation	–1	–2
Impairment losses	–	–8
Currency translation differences	–1	0
Balance at December 31	**18**	**37**
Gross carrying amount at December 31	85	129
Accumulated depreciation and impairment losses	–67	–92

The fair value of investment property at December 31, 2008 was €63 million (previous year: €111 million). Rental of investment property resulted in rental income of €3 million (previous year: €4 million), and directly attributable operating expenses amounted to €3 million (previous year: €1 million).

18 Equity-method investments

a) Associates

Investments in associates amounting to €1,469 million (previous year: €325 million) relate primarily to Scania, Roland Holding GmbH, Munich, EURO-Leasing, and MAN Region West B.V.

Scania

Further class A Scania shares were acquired and class B Scania shares were exchanged for class A Scania shares in fiscal 2008. Our equity interest in Scania was 13.35% at December 31, 2008, and we held 17.22% of the voting rights. The additional 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. We account for our investment in Scania using the equity method as of December 31, 2008. Until the increase in the share of voting rights attributable to MAN, the investment in Scania was measured as a financial investment at fair value. The financial investments of €1,912 million at December 31, 2007 correspondingly include the fair value of the investment in Scania amounting to €1,822 million (13.23% equity interest, 15.57% share of voting rights). The €1,293 million difference between fair value and historical cost was recognized directly in other comprehensive income as of December 31, 2007.

The equity-method carrying amount of the 13.35% investment in Scania as of December 31, 2008 amounted to €1,349 million. The quoted market value of the 13.35% investment in Scania as of December 31, 2008 was €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	2008
Balance sheet [1]	
Assets	10,269
Liabilities	8,028
Income statement [2]	
Revenue	6,795
Net income	755

[1] Amounts shown relate to the reporting period ended September 30, 2008.
[2] The amounts relate to the period January 1 to September 30, 2008.

Other associates

The following table contains summary financial information in aggregated form for the other associates included in MAN's consolidated financial statements. The amounts disclosed are the full amounts of the associates, and not just the Group's share.

€ million	2008	2007
Balance sheet [1]		
Assets	2,566	3,602
Liabilities	2,141	2,589
Income statement [2]		
Revenue	2,869	2,812
Net income	42	54

[1] The amounts disclosed as of December 31, 2007 include both amounts for MAN Ferrostaal's associates and for MAN FORCE TRUCKS. MAN Ferrostaal's associates were classified as held for sale as of December 31, 2008. MAN FORCE TRUCKS is a joint venture as of December 31, 2008.
[2] The amounts for fiscal 2007 do not contain amounts for MAN Ferrostaal's associates.
For further information on MAN Ferrostaal, please see Notes (6) and (7).

b) Joint ventures

The interests in joint ventures amounting to €94 million as of December 31, 2008 relate primarily to MAN FORCE TRUCKS; please see Note (6) for further information. The carrying amount of the interest in MAN FORCE TRUCKS as of December 31, 2008 amounted to €90 million. The interests in joint ventures amounting to €29 million as of December 31, 2007 relate primarily to MAN Ferrostaal's jointly controlled entity Coutinho & Ferrostaal GmbH & Co. KG.

19 Financial investments

Please see Note (18) for information on the investment in Scania.

Income from financial investments includes dividend income of €57 million (previous year: €43 million) and income of €65 million (previous year: €33 million) from a stock split and subsequent stock repurchase by Scania.

No impairment losses (previous year: €4 million) were recognized on financial investments in fiscal 2008.

20 Assets leased out

€ million	2008	2007
Gross carrying amount at January 1	2,454	3,398
Accumulated depreciation	–653	–1,003
Balance at January 1	**1,801**	**2 395**
Change in consolidated Group structure	–	–2
Additions	840	750
Disposals	–451	–890
Depreciation	–583	–452
Currency translation differences	–44	0
Balance at December 31	**1,563**	**1,801**
Gross carrying amount at December 31	2,197	2,454
Accumulated depreciation	–634	–653

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.

Impairment losses of €67 million were recognized on assets leased out because of the fall in used vehicle prices.

Future revenue from noncancelable operating leases

€ million	12/31/2008	12/31/2007
Due within one year	166	213
Due between one and five years	708	692
Due after more than five years	1	3
	875	**908**

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

Certain prior-period amounts in the tables shown above have been adjusted.

21 Inventories

€ million	12/31/2008	12/31/2007
Raw materials, consumables, and supplies	500	506
Work in progress and finished products	2,348	1,697
Merchandise	265	829
Prepayments	162	247
	3,275	**3,279**

Consumption of inventories amounting to €7,823 million (previous year: €7,007 million) is recognized as cost of sales in the reporting period. Inventories of €1,036 million (previous year: €753 million) were recognized at net realizable value. The impairment loss amounted to €71 million (previous year: €54 million).

22 Trade receivables

€ million	12/31/2008	12/31/2007
Customer receivables	2,663	2,629
Finance lease receivables	1,240	707
PoC receivables	164	183
Receivables from investments	188	186
	4,255	**3,705**

€1,143 million (previous year: €435 million) of the receivables are due after more than one year, including €25 million (previous year: €51 million) due after more than five years. The remaining €3,112 million (previous year: €3,270 million) is due in less than one year.

The increase in finance lease receivables is due primarily to the expansion in the volume of financing at MAN Finance.

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

€ million	2008	2007
Balance at January 1	**216**	**254**
Additions	41	49
Utilization	–12	–21
Reversals	–13	–35
Exchange rate effects and other changes	–2	–31
Reclassified as discontinued operations	–140	–
Balance at December 31	**90**	**216**

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	12/31/2008	12/31/2007
Due within one year	478	257
Due between one and five years	945	537
Due after more than five years	26	24
	1,449	**818**

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

€ million	12/31/2008	12/31/2007
Due within one year	376	216
Due between one and five years	837	464
Due after more than five years	24	24
	1,237	**704**

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

€ million	12/31/2008	12/31/2007
Gross investment in finance leases	**1,449**	**818**
Discount	–181	–96
Bad debt allowances	–28	–15
Net investment in finance leases	**1,240**	**707**
of which unguaranteed residual value	–3	–3
Minimum lease payments	**1,237**	**704**

Bad debt allowances on finance lease receivables changed as follows:

€ million	2008	2007
Balance at 1/1	**15**	**27**
Additions	26	11
Utilization	–5	–9
Reversals	–7	–14
Exchange rate effects and other changes	–1	0
Balance at December 31	**28**	**15**

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 €177 million (previous year: €0 million). The corresponding liabilities are contained in financial liabilities; see Note (25).

Receivables from construction contracts recognized using the percentage of completion method are calculated as follows:

€ million	12/31/2008	12/31/2007
Contract costs and proportionate contract profit/loss of construction contracts	1,739	1,866
of which billed to customers	–679	–475
PoC receivables, gross	**1,060**	**1,391**
Prepayments received	–896	–1,208
	164	**183**

Other prepayments of €534 million (previous year: €587 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €915 million (previous year: €906 million). Orders and part-orders billed to customers are reported in customer receivables.

23 Other assets

€ million	12/31/2008	12/31/2007
Derivatives and measurement of hedged items	538	231
VAT receivables	227	150
Prepaid expenses, prior-period payments	72	62
Loans and other third-party receivables	42	76
Financing receivables from investments	26	78
Reserve from pension liability insurance	26	48
Miscellaneous other current assets	155	230
	1,086	**875**

Other assets are reported in the following balance sheet items:

€ million	12/31/2008	12/31/2007
Other noncurrent assets	78	169
Other current assets	1,008	706

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

€80 million (previous year: €244 million) of the other assets is due after more than one year, including €44 million (previous year: €55 million) due after more than five years. The remaining €1,005 million (previous year: €631 million) is due in less than one year.

24 Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income	Equity attributable to shareholders of MAN AG	Noncontrolling interests	Total
Balance at December 31, 2006	**376**	**795**	**2,731**	**–144**	**3,758**	**21**	**3,779**
Dividend payment	–	–	–294	–	–294	–3	–297
Net income	–	–	1,212	4	1,216	9	1,225
Currency translation differences	–	–	–	–38	–38	–	–38
Change in accumulated other comprehensive income (excluding currency translation differences)	–	–	–	512	512	–	512
Other changes	–	–	– 6	–	–6	2	–4
Balance at December 31, 2007	**376**	**795**	**3,643**	**334**	**5,148**	**29**	**5,177**
Dividend payment	–	–	–463	–	–463	–3	–466
Net income	–	–	1,233	–	1,233	14	1,247
Currency translation differences	–	–	–	–42	–42	–	–42
Change in accumulated other comprehensive income (excluding currency translation differences)	–	–	–	–555	–555	–	–555
Other changes	–	–	34	–	34	1	35
Balance at December 31, 2008	**376**	**795**	**4 447**	**–263**	**5,355**	**41**	**5,396**

a) Share capital, rights to implement capitalization measures

MAN Aktiengesellschaft'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 Incorporation/Bylaws, 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 Incorporation/Bylaws, stockholders 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 stock, as well a further €0.11 per common share as a subordinate right to holders of common stock. 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 stock.

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 stock 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 stock 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 stock is required if the Annual General Meeting adopts a resolution to revoke or limit the preferred dividend or to issue preferred stock that would rank prior to or equal with the existing nonvoting preferred stock 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
The Annual General Meeting on June 3, 2005 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 bearer shares of common stock 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).

Authorization to issue bonds, contingent capital
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, 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 Aktiengesellschaft 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 bearer shares of common stock of MAN Aktiengesellschaft 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 Aktiengesellschaft 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 bearer shares of common stock. 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 Aktiengesellschaft 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).

Stock repurchase

The resolution on May 10, 2007 authorizing the purchase of the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 25, 2008 to purchase the Company's own shares took effect.

The resolution of the Annual General Meeting on April 25, 2008 authorized the Executive Board to purchase common and/or nonvoting preferred stock of the Company, with the consent of the Supervisory Board, on one or more occasions until October 24, 2009 up to a maximum total amount of 10% of the share capital. Together with other treasury shares held by the Company or attributable to the Company in accordance with sections 71d and 71e of the AktG, the shares purchased by virtue of this authorization may not account for more than 10% of the existing share capital at any time. The shares may also be purchased by other Group companies and/or third parties for the account of MAN Aktiengesellschaft 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 stock tendered exceeds the volume of the purchase offer, it must be accepted on a proportionate basis. The terms of the offer may provide for preferred acceptance of small numbers of shares to the extent provided by law, but in any case up to no more than a maximum of 100 shares tendered per shareholder.

The Executive Board has been additionally authorized, with the consent of the Supervisory Board, to use purchased shares of common stock of the Company for all purposes permitted by law in addition to sale on the stock exchange or by a public offer to all stockholders, and to disapply stockholders' preemptive rights. This applies in particular if (i) the purchased shares of common stock 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 25, 2008 further authorized the Executive Board to redeem the Company's own shares of common stock and/or nonvoting shares of preferred stock with the consent of the Supervisory Board, but without any further resolution by the Annual General Meeting.

b) Significant shareholdings in MAN Aktiengesellschaft

Volkswagen AG notified MAN Aktiengesellschaft 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 AG 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 have not been notified of, nor are we aware of, further direct or indirect interests in the capital of the Company that reach or exceed 10% of the voting rights.

c) Reserves

MAN Aktiengesellschaft's capital reserves consist of premiums paid for capital increases and the conversion of preferred stock into common stock. The MAN Group's retained earnings contain the retained earnings of MAN AG amounting to €914 million (previous year: €581 million) and the net retained profit of MAN AG amounting to €334 million (previous year: €463 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 Aktiengesellschaft will propose to the Annual General Meeting to pay a total dividend of €2.00 (previous year: €3.15) per share carrying dividend rights. The proposed total dividend payout is therefore €294 million (previous year: €463 million).

d) Accumulated other comprehensive income

€ million	12/31/2008	of which attributable to discontinued operations	12/31/2007	of which attributable to discontinued operations
Currency translation differences	–105	–39	–63	–44
Marketable securities and financial investments *	–	–	534	–
Derivatives	1	0	17	0
Actuarial gains/losses attributable to pensions	–160	–26	–176	–35
Actuarial gains/losses attributable to provisions for termination benefits	–26	–	–17	0
Effect of asset ceiling in accordance with IAS 19.58	0	–	–7	–
Deferred taxes	27	3	46	9
	–263	**–62**	**334**	**–70**

* See Note (18) for information on the change relating to the investment in Scania.

€12 million (previous year: €37 million) of the changes in other comprehensive income is attributable to changes in the equity of associates recognized in other comprehensive income.

e) Noncontrolling interests

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

f) Capital management

The most important goals of MAN AG'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 AG 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.

MAN AG's current creditworthiness is rated by rating agencies. Moody's and Standard & Poor's have issued A3 and A- ratings respectively for MAN AG. These credit ratings reflect MAN AG's healthy solvency and give us access to a broad investor base for financing purposes.

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	12/31/2008	12/31/2007
Equity	5,396	5,177
Pension obligations	74	132
Financial liabilities	1,736	1,967
Capital employed	**7,206**	**7,276**

Equity increased by 4% year-on-year in fiscal 2008, driven mainly by the increase in retained earnings. Pension obligations decreased by 44% year-on-year because of the reclassification of the Ferrostaal subgroup to liabilities of discontinued operations and because of actuarial gains, while financial liabilities declined by 12% because of the partial repayment of the syndicated loan, among other factors. Overall, this resulted in a €70 million or 1% reduction in capital employed in fiscal 2008.

MAN AG's Articles of Incorporation/Bylaws do not stipulate any capital requirements.

25 Financial liabilities

€ million	12/31/2008	12/31/2007
Syndicated loan for Scania stock purchase	400	1,000
Bond	247	239
Structured finance	543	266
Bank borrowings	546	462
	1,736	**1,967**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2008	12/31/2007
Noncurrent financial liabilities due after more than one year	684	405
of which: due after more than five years	4	34
Current financial liabilities due within one year	1,052	1,562

To finance the planned Scania acquisition, MAN AG entered into an agreement on a €11 billion credit facility on September 17, 2006 with a banking syndicate led by Citigroup Global Markets Limited, The Royal Bank of Scotland plc, BayernLB, WestLB AG, and Handelsbanken Capital Markets. A €1,170 million tranche of this credit facility had been drawn down by December 31, 2006 to purchase Scania stock. The unutilized portion of the credit facility expired following the withdrawal of the public offer to purchase Scania stock on January 23, 2007. As of December 31, 2008, the tranche drawdown amounted to €400 million; it bears a variable rate of interest. The average annual interest rate on the tranche drawdown in 2008 was 4.75%.

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, 2008, the carrying amount, including fair value adjustments from hedge accounting for interest rate hedges, amounted to €247 million (previous year: €239 million) and the fair value was €247 million (previous year: €243 million). The bond matures on December 8, 2010. MAN AG 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 €179 million (previous year: €0 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.

26 Pension obligations

Provisions for pensions are broken down as follows:

€ million	12/31/2008	12/31/2007
Pension obligations in Germany	39	120
Pension obligations abroad	35	12
	74	**132**

a) Pension plans and funding

Occupational pensions for employees of German Group companies are mainly based on defined contribution pension plans. The pension plans center around the accumulation of capital that is paid out as a capital benefit on retirement; in certain cases, the pensioner can opt for annuitization of the capital amount. The amount of the benefit assets is calculated as the total of the annual capital components that the employee receives as a function of the employee’s pensionable remuneration and age.

The MAN Group further extended the funding of the German pension obligations in fiscal 2007 and transferred a net amount of €699 million to MAN Pension Trust e.V.

On November 30, 2007, MAN AG transferred and fully outsourced pension obligations in the amount of approximately €850 million (including approximately €14 million for MAN Ferrostaal) for approximately 26,000 pensioners to the newly formed MAN Pensionsfonds AG. Because the Group companies continue to guarantee the pension payments in the event of default, the transferred pension obligations and the trust assets transferred to

MAN Pensionsfonds AG to settle these obligations continue to be recognized as a net amount in the consolidated balance sheet.

The trust assets are irrevocably secured from recourse by the Group companies and may only be used to fund current benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets is supervised by independent trustees. MAN Pensionsfonds AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority).

The trust assets are invested in the capital markets by several asset managers in a variety of funds in accordance with specific investment policies. They are barred from investing in securities issued by, and real estate used by, MAN AG or one of its Group companies.

Group companies in the United Kingdom and Switzerland have defined benefit plans that are wholly funded. The pension plans in the United Kingdom have been closed to new entrants. Group companies in France, Austria, Poland, and the Philippines have defined benefit pension plans with a low level of obligations that are funded by provisions.

The expected contribution obligations for defined benefit plans for 2009 amount to €9 million for German pension plans and €9 million for non-German pension plans.

Plan asset portfolio structure	Germany		Abroad	
€ million	**2008**	**2007**	**2008**	**2007**
Bonds	1,200	1,161	172	201
Equities	137	216	105	173
Real estate	–	–	29	27
Other assets	–	4	9	8
Total plan assets	**1,337**	**1,381**	**315**	**409**

The return on plan assets was 0.35% in Germany, –13.55% in the United Kingdom and –17.47% in Switzerland.

b) Funded status

Change in present value of defined benefit obligation	Germany		Abroad	
€ million	**2008**	**2007**	**2008**	**2007**
Present value of DBO at January 1	1,501	1,599	396	425
Change in consolidated Group structure	–16	–13	7	–
Current service cost	28	31	10	10
Interest cost	76	67	19	18
Past service cost	–	–	–	5
Actuarial losses (+)/gains (–)	–124	–105	–36	–22
Pension payments	–83	–78	–20	–17
Contributions by beneficiaries	2	2	5	4
Currency translation differences, other	14	–2	–38	–27
Present value of DBO at December 31	**1,398**	**1,501**	**343**	**396**

Change in plan assets	Germany		Abroad	
€ million	**2008**	**2007**	**2008**	**2007**
Plan assets at January 1	1,381	670	409	409
Change in consolidated Group structure	–1	–	6	–
Expected return on plan assets	71	35	23	23
Difference between expected and actual return on plan assets	–66	–23	–78	8
Current contributions by employers	9	5	9	9
Special endowment by employers	15	702	–	–
Contributions by beneficiaries	2	2	5	4
Pension payments	–74	–10	–19	–16
Currency translation differences, other	–	–	–40	–28
Plan assets at December 31	**1,337**	**1,381**	**315**	**409**

Composition of funded status and pension provisions	Germany		Abroad	
€ million	**2008**	**2007**	**2008**	**2007**
Unfunded defined benefit obligation	38	61	8	8
Funded defined benefit obligation	1,360	1,440	335	388
Total defined benefit obligation	**1,398**	**1,501**	**343**	**396**
Fair value of plan assets	–1,337	–1,381	–315	–409
Funded status at 12/31	**61**	**120**	**28**	**–13**
Effect of asset ceiling in accordance with IAS 19.58	12	–	7	18
Unrecognized plan assets	–	–	0	7
Reclassified as liabilities associated with assets held for sale	–34	–	0	–
Pension provisions at 12/31	**39**	**120**	**35**	**12**

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

	Germany		Abroad	
	12/31/2008	**12/31/2007**	**12/31/2008**	**12/31/2007**
Discount rate	6.0 %	5.25 %	3.25 % – 7.0 %	3.5 % – 6.1 %
Pension trend	2.0 %	2.0 %	0.25 % – 3.2 %	0.5 % – 3.5 %
Pay trend	2.5 %	2.5 %	2.0 % – 3.8 %	2.0 % – 4.5 %
Expected return on plan assets	4.8 % – 5.31 %	4.25 %	3.0 % – 6.25 %	3.0 % – 7.2 %

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 asset classes used. The expected return on plan assets for plans outside Germany is calculated by the responsible actuaries.

c) Pension expense

The pension expense is composed of the following items:

€ million	**2008**	**2007**
Current service cost	38	41
Past service cost	–	5
Interest cost	95	85
Expected return on plan assets	–94	–58
	39	**73**

In the table above, the pension expense includes current service cost of €3 million (previous year: €3 million), interest cost of €13 million (previous year: €11 million), and the expected return on plan assets of €11 million (previous year: €9 million) attributable to the MAN Ferrostaal discontinued operation.

d) Gains and losses eliminated directly in other comprehensive income

€ million	**2008**	**2007**
Actuarial gains (–)/losses (+) at January 1	**176**	**288**
Change in fiscal year	–16	–112
Actuarial gains/losses at December 31	**160**	**176**

27 Other provisions

€ million	12/31/2007	Reclassified *	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding	31.12.2008
Warranties	534	–7	–2	–161	225	–28	8	569
Outstanding costs	209	–5	–8	–116	166	–28	–	218
Other business-related obligations	370	–99	–2	–86	43	–48	0	178
Obligations to employees	228	–8	0	–45	49	–13	2	213
Miscellaneous other provisions	247	–53	–1	–74	143	–32	0	230
	1,588	**–172**	**–13**	**–482**	**626**	**–149**	**10**	**1,408**

* Relates to reclassification as liabilities associated with assets held for sale.

Other provisions are reported in the following balance sheet items:

	12/31/2008		12/31/2007	
€ million	**Noncurrent**	**Current**	**Noncurrent**	**Current**
Warranties	249	320	221	313
Outstanding costs	58	160	40	169
Other business-related obligations	15	163	20	350
Obligations to employees	188	25	183	45
Miscellaneous other provisions	0	230	3	244
	510	**898**	**467**	**1,121**

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 depend 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 €30 million (previous year: €52 million) relating to the Buses restructuring program. Additionally, restructuring provisions of €78 million were recognized in the Commercial Vehicles business area in fiscal 2008.

28 Other liabilities

€ million	12/31/2008	12/31/2007
Deferred purchase price payments for assets leased out	1,295	1,212
Derivatives and measurement of hedged items	475	126
Employee-related liabilities	411	428
Miscellaneous other tax payables	122	235
Deferred income	41	36
Financing liabilities to investments	34	71
Miscellaneous other liabilities	154	253
	2,532	**2,361**

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 financial instruments. 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.

The decrease in miscellaneous other tax payables is primarily attributable to the fact that there were significant VAT liabilities in the previous year in conjunction with the sale of leased vehicles held by MAN Finance.

The principal reason for the decrease in miscellaneous other liabilities is the classification in 2008 of liabilities related to MAN Ferrostaal as liabilities associated with assets held for sale.

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2008	12/31/2007
Other noncurrent liabilities	1,064	1,019
Other current liabilities	1,468	1,342

Other noncurrent liabilities are due between one and five years.

Other disclosures

29 Contingent liabilities

€ million	12/31/2008	12/31/2007
Contingent liabilities under guarantees	155	255
Contingent liabilities under buyback guarantees	193	214

The contingent liabilities under guarantees relate mainly to guarantees issued by MAN AG and MAN Ferrostaal AG for trade obligations of investments, former investments, and other companies. The year-on-year decrease is due primarily to the scheduled reduction in liability for non-Group third parties and former investments.

Contingent liabilities under guarantees and indemnities as of December 31, 2007 still included liabilities of €8 million assumed by MAN AG prior to the sale of MAN Roland Druckmaschinen in favor of the latter's customers and banks.

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 €193 million (previous year: €214 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.

At present, there are no indications that any claims will be asserted under the obligations described above.

Purchase commitments for items of property, plant, and equipment amounted to €207 million at the end of the reporting period (previous year: €123 million).

30 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	12/31/2008	12/31/2007
Investment leases		
Due within one year	**20**	**12**
Due between one and five years	**43**	**38**
Due after more than five years	**12**	**12**
	75	**62**
Rental and lease obligations		
Due within one year	193	211
Due between one and five years	323	409
Due after more than five years	262	204
	778	**824**

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 €152 million (previous year: €267 million).

31 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	12/31/2008 Carrying amount	12/31/2008 Fair value	12/31/2007 Carrying amount	12/31/2007 Fair value
Assets				
Trade receivables	3,015	3,015	2,998	2,998
Finance lease receivables	1,240	1,334	707	698
Cash and cash equivalents	105	105	1,266	1,266
Other financial assets	749	749	2,683	2,683
Available for sale	80	80	2,182	2,182
At fair value through profit or loss	274	274	142	142
Derivatives in hedging relationships	264	264	89	89
Other assets	131	131	270	270
Liabilities				
Trade payables	1,548	1,548	1,805	1,805
Financial liabilities	1,736	1,736	1,967	1,971
Other financial liabilities	595	595	302	302
At fair value through profit or loss	375	375	100	100
Derivatives in hedging relationships	100	100	26	26
Other liabilities	120	120	176	176

Fair values are measured on the basis of market prices available at the end of the reporting period or using the valuation techniques described in the following.

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 value of unquoted 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 €80 million (previous year: €90 million) measured at cost. These are shares of unlisted entities that could not be 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	12/31/2008	12/31/2007
Financial assets		
Loans and receivables	3,146	3,268
Trade receivables	3,015	2,998
Other assets	131	270
Available for sale	80	2,182
Financial investments and marketable securities	70	2,169
Other assets	10	13
At fair value through profit or loss	538	231
Cash and cash equivalents	105	1,266
Financial liabilities		
Financial liabilities at cost	3,404	3,948
Trade payables	1,548	1,805
Financial liabilities	1,736	1,967
Other liabilities	120	176
At fair value through profit or loss	475	126

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

€ million	2008	2007
Loans and receivables	–66	–48
Available-for-sale financial assets	151	99
Financial liabilities at cost	–11	–5
Financial assets and liabilities at fair value through profit or loss	–54	19

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

Net gains and losses on available-for-sale financial assets relate primarily to income from financial investments. They also include €13 million from the sale of marketable securities.

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 losses on the items mentioned above amounted to €8 million (previous year: gain of €47 million).

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

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

€ million	2008	2007
Interest income	240	197
Interest expenses	–185	–182

Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases.

32 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 AG's Group Treasury on an arm's length basis using nonderivative and derivative financial instruments.

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 the Group if revenues are billed in a currency other than the currency in which the costs are incurred. To mitigate the effects of exchange rate movements, MAN AG continuously quantifies the currency risk and hedges all material risks, primarily through the use of currency forwards and currency options.

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.

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	2008	2007
Firm commitments	2	–2
Forecasted transactions	–2	–10

Cash flow hedges, and in some cases fair value hedges, are used for hedge accounting.

In the course of the year, losses of €21 million (previous year: gains of €5 million) from cash flow hedges were reclassified from other comprehensive income to revenue. As of December 31, 2008, net unrealized gains (before taxes) from the measurement of derivatives amounting to €1 million (previous year: €17 million) were recognized in other comprehensive income.

Early termination of cash flow hedges resulted in gains of €11 million (previous year: €0 million) in fiscal 2008.

Gains on hedging instruments in fair value hedges amounted to €146 million (previous year: losses of €32 million). Losses on the related underlyings amounted to €145 million (previous year: gains of €33 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 relate in particular to a fixed-rate euro bond issue, a variable-rate tranche of the credit facility for the Scania stock purchase, 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 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 shift in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

€ million	12/31/2008	12/31/2007
Variable-rate nonderivative financial instruments	–6	–10
Derivatives	19	21

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 31). The following measures in particular are used to minimize credit risk:

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.

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.

In the project business, the default risk is minimized by requiring prepayments and obtaining collateral.

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.

To reduce the default risk of derivatives, we only enter into derivatives transactions with prime-rated banks.

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

	12/31/2008		12/31/2007	
€ million	**Receivables from customers and investments**	**Finance lease receivables**	**Receivables from customers and investments**	**Finance lease receivables**
30 days or less	425	19	451	7
31 – 90 days	221	10	181	2
91 – 180 days	80	4	45	1
181 days – 1 year	34	2	39	2
More than 1 year	19	–	43	–

Collective impairment losses are recognized for groups of financial assets to cover the credit risk from these receivables.

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. Cash funds are primarily generated by our operating business and by external financing arrangements. Cash outflows result mainly from financing working capital, investments, and cover for financing requirements in the leasing and sales financing business.

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 derivatives. 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.

€ million	2009	2010	2011	2012	2013	> 2013
Financial liabilities	1,096	381	245	52	25	6
Trade payables	1,546	1	1	–	–	–
Other financial liabilities	100	12	2	1	1	4
Derivatives and measurement of hedged items	346	40	25	31	10	23
Total	**3,088**	**434**	**273**	**84**	**36**	**33**

f) Classification of hedging instruments by type of hedge

The following table shows the fair values of hedging instruments.

€ million	12/31/2008	12/31/2007
Fair value hedges	163	40
Cash flow hedges	1	23
	164	**63**

Approximately two-thirds of cash flow hedges expire within one year; the maximum remaining term is four years.

33 Share-based payment

Share-based payment for members of MAN AG'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 AG common stock. Purchase and safekeeping of the shares is undertaken centrally by MAN AG 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 AG common stock (stock bonus); the vesting period for shares purchased in this way is two years.

In fiscal 2008, the beneficiaries received a total of 23,932 (previous year: 15,669) MAN common shares under the MSP 2008 at an average price of €78.54 (previous year: €106.53). Payments for these shares amounted to €1,880 thousand (previous year: €1,669 thousand). The part of the variable remuneration required to be used to purchase MAN common stock amounted to €2,775 thousand (previous year: €2,354 thousand). Based on the closing price of €38.72 at December 31, 2008 (previous year: €113.80), this corresponds to 71,655 (previous year: 20,684) shares of MAN common stock. The total expense from the MSP 2008 and the variable remuneration to be used for share purchases under the MSP was €9,326 thousand (previous year: €8,037 thousand). Corresponding provisions were recognized for the stock purchases to be made in 2009.

In fiscal 2008, the Executive Board members received a total of 9,347 (previous year: 6,482) MAN common shares under the MSP 2008 at an average price of €78.55 (previous year: €106.53). Payments for these shares amounted to €734 thousand (previous year: €691 thousand). The part of the variable remuneration required to be used to purchase MAN common stock amounted to €1,475 thousand (previous year: €1,229 thousand). Based on the closing price of €38.72 at December 31, 2008 (previous year: €113.80), this corresponds to 38,094 (previous year: 10,797) shares of MAN common stock. The total expense from the MSP 2008 and the variable remuneration to be used for share purchases under the MSP was €4,425 thousand (previous year: €3,834 thousand).

34 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 Aktiengesellschaft. Goods and services amounting to €8 million (previous year: €10 million) were purchased from Volkswagen AG in fiscal 2008. These resulted in liabilities to Volkswagen AG of €0.4 million (previous year: €1 million) as of December 31, 2008. In addition, we purchased a call option on Scania shares from Volkswagen AG; see Notes (6) and (18). See Note (6) for information on the planned 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	12/31/2008	12/31/2007
Revenue	802	236
Other income	7	–
Purchased services	167	2
Receivables	199	151
Liabilities	8	2

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to Notes (35) and (36) below.

35 Remuneration of the Executive Board

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

€ thousand	2008	2007
Fixed remuneration	3,198	2,978
Variable cash bonus	5,900	4,906
Variable stock bonus and MSP	4,425	3,834
Pension expense	1,321	1,306
Total	**14,844**	**13,024**

The present value of pension obligations to active members of the Executive Board as of December 31, 2008 amounted to €9,320 thousand (previous year: €6,819 thousand). The expense from the addition to the provision amounted to €1,679 thousand (previous year: €1,557 thousand), of which €1,321 thousand (previous year: €1,306 thousand) related to current service and €358 thousand (previous year: €251 thousand) to interest. The pension expense includes the service cost resulting from the 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 €3,690 thousand (previous year: €3,814 thousand). A total of €36,409 thousand (previous year: €40,887 thousand) was recognized for provisions for pension obligations to former Executive Board members and their surviving dependents.

The members of the Executive Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on pages 217 et seq. and more detailed information on the remuneration structure and its components is disclosed in the remuneration report in this Annual Report.

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

Executive Board remuneration 2008/(2007)

€ thousand	Fixed remuneration	Variable cash bonus	Variable stock bonus and MSP	Pension expense	Total	No. of shares vested in fiscal year
Dipl.-Ing. Håkan Samuelsson (CEO)	891 (816)	1,700 (1,387)	1,275 (1,083)	378 (365)	4,244 (3,651)	13,670 (4,884)
Prof. Dr. h.c. Karlheinz Hornung	571 (540)	1,030 (862)	773 (674)	253 (238)	2,627 (2,314)	8,282 (3,036)
Dr. jur. Matthias Mitscherlich	555 (519)	1,030 (862)	773 (674)	250 (241)	,2,608 (2,296)	8,282 (3,036)
Dr.-Ing. Georg Pachta-Reyhofen	548 (515)	1,030 (862)	773 (674)	191 (222)	2,542 (2,273)	8,282 (3,036)
Dipl.-Ökonom Anton Weinmann	633 (588)	1,110 (933)	831 (729)	249 (240)	2,823 (2,490)	8,925 (3,287)
Total	**3,198** **(2,978)**	**5,900** **(4,906)**	**4,425** **(3,834)**	**1,321** **(1,306)**	**14,844** **(13,024)**	**47,441** **(17,279)**

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

Corresponding provisions were recognized for the variable cash bonus payable in 2009.

36 Remuneration of the Supervisory Board

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

€ thousand	2008	2007
Fixed remuneration	771	769
Variable remuneration	1,540	1,536
Remuneration for committee membership	317	303
Total	**2,628**	**2,608**

A housing loan granted to a member of the Supervisory Board (outstanding balance as of December 31, 2007: €23 thousand) that was disclosed in the previous year was repaid in December 2008.

The members of the Supervisory Board are listed on pages 214 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 in the remuneration report in this Annual Report.

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

Supervisory Board remuneration (€ thousand)

Name	Period of membe-rship	Fixed remunera-tion	Variable remunera-tion	Remunera-tion for committee member-ships	Total 2008	Total 2007
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	140	70	280	179
Lothar Pohlmann, Deputy Chairman, until December 31, 2008	Full-year	53	105	53	211	211
Dr.-Ing. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	105	35	193	231
Michael Behrendt	Full-year	35	70	53	158	139
Detlef Dirks	Full-year	35	70	–	105	105
Jürgen Dorn	Full-year	35	70	18	123	116
Jürgen Hahn	Full-year	35	70	–	105	105
Dr.-Ing. Uwe Hansult	Full-year	35	70	–	105	67
Dr. jur. Heiner Hasford	Full-year	35	70	–	105	67
Dr. phil. Klaus Heimann	Full-year	35	70	–	105	105
Jürgen Kerner	Full-year	35	70	–	105	105
Prof. Dr. rer. pol. Renate Köcher	Full-year	35	70	–	105	105
Dr. jur. Thomas Kremer	Full-year	35	70	–	105	35
Wilfrid Loos	Full-year	35	70	–	105	105
Nicola Lopopolo	Full-year	35	70	–	105	105
Thomas Otto	Full-year	35	70	35	140	140
Dipl.-Kfm. Stefan W. Ropers	Full-year	35	70	18	123	78
Dr.-Ing. E.h. Rudolf Rupprecht	Full-year	35	70	–	105	105
Stephan Schaller	Full-year	35	70	–	105	67
Rupert Stadler	Full-year	35	70	35	140	102
Members who left the Supervisory Board in 2007		–	–	–	–	336
Total 2008		**771**	**1,540**	**317**	**2,628**	**–**
Total 2007		**769**	**1,536**	**303**	**–**	**2,608**

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 €20 thousand (previous year: €20 thousand), Mr. Kerner received €5 thousand (previous year: €5 thousand), Mr. Otto received €20 thousand (previous year: €13 thousand), and Mr. Loos received €3 thousand (previous year: €3 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €77 thousand in fiscal 2008 (previous year: €113 thousand)

37 Notifications of changes in the ownership of voting rights of MAN Aktiengesellschaft in accordance of the WpHG in 2008

1.
Porsche Automobil Holding SE, Stuttgart, notified us on September 17, 2008 in accordance with section 21 (1) of the WpHG that the share of the voting rights of MAN Aktiengesellschaft held by Porsche Automobil Holding SE exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, and 25% on September 16, 2008 and amounted to 29.90% (42,151,331 voting rights) on that date. All of the above-mentioned 42,151,331 voting rights are attributed to Porsche Automobil Holding SE in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The attributed voting rights are held via Volkswagen Aktiengesellschaft, Wolfsburg, which is controlled by Porsche Automobil Holding SE, and whose share of the voting rights of MAN Aktiengesellschaft is more than 3%.

2.
The following persons ("notifying persons") notified us on September 17, 2008 in accordance with section 21 (1) of the WpHG that the share of the voting rights of MAN Aktiengesellschaft held by the respective notifying persons on September 16, 2008 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, and 25% in each case and amounted to 29.90% (42,151,331 voting rights) on that date. All of the abovementioned 42,151,331 voting rights are attributed to the respective notifying persons in accordance with section 22 (1) sentence 1 no. 1 of the WpHG. The voting rights attributed to the notifying persons are actually held by the controlled companies listed in the following, whose share of the voting rights of MAN Aktiengesellschaft is 3% or more in each case:

Notifying person	Companies controlled by each of the named notifying persons
Mag. Josef Ahorner, Vienna Mag. Louise Kiesling, Vienna Prof. Ferdinand Alexander Porsche, Gries/Pinzgau Dr. Oliver Porsche, Salzburg Kai Alexander Porsche, Innsbruck Mark Philipp Porsche, Salzburg Gerhard Anton Porsche, Mondsee	Ferdinand Porsche Privatstiftung, Salzburg, Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piëch GmbH, Grünwald, Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Grünwald, Gerhard Anton Porsche GmbH, Salzburg, Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Ing. Hans-Peter Porsche, Salzburg Peter Daniell Porsche, Rif bei Hallein	Familie Porsche Privatstiftung, Salzburg, Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Dr. Wolfgang Porsche, Munich	Familie Porsche Privatstiftung, Salzburg, Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Wolfgang Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Ferdinand Porsche Privatstiftung, Salzburg	Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piëch GmbH, Grünwald, Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Grünwald, Gerhard Anton Porsche GmbH, Salzburg, Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Familie Porsche Privatstiftung, Salzburg	Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Ferdinand Porsche Holding GmbH, Salzburg	Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piëch GmbH, Grünwald, Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Grünwald, Gerhard Anton Porsche GmbH, Salzburg, Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Familie Porsche Holding GmbH, Salzburg	Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Louise Daxer-Piëch GmbH, Salzburg	Louise Daxer-Piëch GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Prof. Ferdinand Alexander Porsche GmbH, Salzburg	Ferdinand Alexander Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Gerhard Anton Porsche GmbH, Salzburg	Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Louise Daxer-Piëch GmbH, Grünwald Ferdinand Alexander Porsche GmbH, Grünwald Gerhard Porsche GmbH, Grünwald	Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Ing. Hans-Peter Porsche GmbH, Salzburg	Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Hans-Peter Porsche GmbH, Grünwald Wolfgang Porsche GmbH, Grünwald	Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Porsche Holding Gesellschaft m.b.H., Salzburg	Porsche GmbH, Salzburg, Porsche GmbH, Stuttgart, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Porsche GmbH, Salzburg	Porsche GmbH, Stuttgart, Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg
Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald Familie Porsche Beteiligung GmbH, Grünwald Porsche GmbH, Stuttgart	Porsche Automobil Holding SE, Stuttgart, Volkswagen AG, Wolfsburg

3.
The following persons (“notifying persons”) notified us on September 17, 2008 in accordance with section 21 (1) of the WpHG that the share of the voting rights of MAN Aktiengesellschaft held by the respective notifying persons on September 16, 2008 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, and 25% in each case and amounted to 29.90% (42,151,331 voting rights) on that date. All of the above-mentioned 42,151,331 voting rights are attributed to the respective notifying persons in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The voting rights attributed to the notifying persons are actually held by the followed companies within the meaning of section 22 (1) sentence 1 no. 1 of the WpHG, whose share of the voting rights of MAN Aktiengesellschaft is 3% or more in each case:

Notifying person	Companies within the meaning of section 22 (1) sentence 1 no. 1 of the WpHG
Dr. Hans Michel Piëch, Salzburg	Volkswagen AG, Wolfsburg, Porsche Automobil Holding SE, Stuttgart, Hans Michel Piëch GmbH, Grünwald, Dr. Hans Michel Piëch GmbH, Salzburg
Dr. Hans Michel Piëch GmbH, Salzburg	Volkswagen AG, Wolfsburg, Porsche Automobil Holding SE, Stuttgart, Hans Michel Piëch GmbH, Grünwald
Hans Michel Piëch GmbH, Grünwald	Volkswagen AG, Wolfsburg, Porsche Automobil Holding SE, Stuttgart
Dipl.-Ing. Dr.h.c. Ferdinand Piëch, Salzburg	Volkswagen AG Wolfsburg, Porsche Automobil Holding SE, Stuttgart, Ferdinand Piëch GmbH, Grünwald, Dipl.-Ing Dr.h.c. Ferdinand Piëch GmbH, Salzburg, Ferdinand Karl Alpha Privatstiftung, Vienna
Ferdinand Karl Alpha Privatstiftung, Vienna	Volkswagen AG, Wolfsburg, Porsche Automobil Holding SE, Stuttgart, Ferdinand Piech GmbH, Grünwald, Dipl.-Ing. Dr.h.c. Ferdinand Piëch GmbH, Salzburg
Dipl.-Ing. Dr.h.c. Ferdinand Piëch GmbH, Salzburg	Volkswagen AG, Wolfsburg, Porsche Automobil Holding SE, Stuttgart, Ferdinand Piëch GmbH, Grünwald
Ferdinand Piëch GmbH, Grünwald	Volkswagen AG, Wolfsburg, Porsche Automobil Holding SE, Stuttgart

38 Corporate Governance Code
The Executive Board and Supervisory Board of MAN Aktiengesellschaft issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2008. 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 declaration of conformity states that MAN Aktiengesellschaft complied with the recommendations of the "Government Commission on the German Corporate Governance Code" as specified in its declaration of conformity issued in the previous year, and that it will continue to comply with the recommendations of the German Corporate Governance Code (as amended on June 6, 2008).

The Executive Board and Supervisory Board of the listed subsidiary RENK AG, Augsburg, have also issued the declaration required by section 161 of the AktG and made it available to the shareholders on the company's website.

39 Events after the reporting period
No events occurred after the reporting period that are of material importance for the MAN Group and that could result in a different assessment of the Company.

40 Segment reporting
The activities of the MAN Group are classified into the Commercial Vehicles, Diesel Engines, and Turbo Machinery segments to reflect its products and services. These segments are identical to the MAN Nutzfahrzeuge, MAN Diesel, and MAN Turbo business areas. MAN Finance is reported in MAN Nutzfahrzeuge. The RENK industrial subsidiary and MAN's Corporate Center are allocated to Others. Companies with no operating activities are allocated to the Corporate Center.

The Industrial Services business area is reported as a discontinued operation (see Notes (6) and (7) for further information) and is no longer presented as a reportable segment. The segment disclosures for the reporting period and the previous year therefore do not include the corresponding information, although it is contained in the consolidated financial statements.

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 business areas. Segment assets correspond to the consolidated total assets of the companies in the regions concerned. Please see "Control system and value management" in the Group management report for information on the key performance indicators ROS and ROCE.

Segment reporting

Condensed financial information of the segments

	Commercial Vehicles		Diesel Engines		Turbo Machinery	
€ million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Noncurrent assets (excluding taxes)	3,389	3,430	268	201	207	169
of which equity-method investments	151	26	–	–	–	–
Inventories	1,987	1,675	864	645	297	249
Receivables and other assets	3,933	2,990	572	497	382	304
Income tax receivables, deferred tax assets	349	291	53	36	24	14
Assets held for sale	–	–	–	–	–	–
Cash and cash equivalents, marketable securities	409	148	178	362	233	204
Total assets	**10,067**	**8,534**	**1,935**	**1,741**	**1,143**	**940**
Equity	2,111	1,894	627	531	271	232
Pension obligations	25	38	7	8	27	20
Financial liabilities	3,572	2,395	2	133	10	0
Other liabilities and provisions	4,015	3,958	1,250	1,033	741	614
Liabilities directly associated with assets held for sale	–	–	–	–	–	–
Income tax payables, deferred tax liabilities	344	249	49	36	94	74
Net liquidity/net financial debt	**–3,163**	**–2,247**	**176**	**229**	**223**	**204**
Revenue	**10,610**	**10,410**	**2,542**	**2,179**	**1,328**	**1,108**
Cost of goods sold and services rendered	–8,299	–8 171	–1,771	–1,526	–983	–830
Gross margin	**2,311**	**2,239**	**771**	**653**	**345**	**278**
Selling expenses	–577	–538	–156	–148	–94	–75
General and administrative expenses	–437	–449	–99	–83	–51	–46
Share of net income (loss) of equity-method investments	6	–9	–	–	–	–
Other income and expenses	–412	–54	–126	–109	–52	–53
Earnings before interest and taxes (EBIT)	**891**	**1,189**	**390**	**313**	**148**	**104**
Net interest income/(expense)	–34	–44	16	6	10	7
Earnings before tax (EBT) of continuing operations	**857**	**1,145**	**406**	**319**	**158**	**111**
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	**1,118**	**1,496**	**427**	**344**	**168**	**123**
of which: depreciation and amortization	–226	–217	–36	–31	–19	–19
of which: impairment losses	–1	–90	–1	–	–1	–
Net cash provided by/(used in) operating activities	**–263**	**1,204**	**250**	**333**	**148**	**94**
of which: cash earnings	866	1,107	337	270	137	114
Net cash used in investing activities	**–494**	**–305**	**–90**	**–39**	**–54**	**–38**
of which: capital expenditures by continuing operations	–528	–357	–93	–48	–54	–39
Free cash flow	**–757**	**899**	**160**	**294**	**94**	**56**
Net cash provided by/(used in) financing activities	**916**	**–923**	**–346**	**–174**	**–68**	**–46**

[1] Corporate Center: MAN AG, Shared Services, and holding companies
[2] In 2007 including discontinued operations (see Note (7) for further information)

Others/Consolidation and Reconciliation									
RENK		Corporate Center [1]		Consolidation [2]		Total		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
97	69	1,582	2,040	–4	460	1,675	2,569	5,539	6,369
–	–	1,415	54	–3	274	1,412	328	1,563	354
154	150	2	1	–29	559	127	710	3,275	3,279
116	102	771	456	–511	62	376	620	5,263	4,411
9	10	248	154	–147	64	110	228	536	569
–	–	–	–	1,812	13	1,812	13	1,812	13
23	10	3,088	3,398	–3,826	–2,602	–715	806	105	1,520
399	**341**	**5,691**	**6,049**	**–2,705**	**–1,444**	**3,385**	**4,946**	**16,530**	**16,161**
159	118	1,812	2,112	416	290	2,387	2,520	5,396	5,177
5	5	11	21	–1	40	15	66	74	132
0	1	2,428	2,644	–4,276	–3,206	–1,848	–561	1,736	1,967
206	186	913	639	–538	1,355	581	2,180	6,587	7,785
–	–	–	–	1,820	–	1,820	–	1,820	–
29	31	527	633	–126	77	430	741	917	1,100
23	**9**	**660**	**754**	**450**	**604**	**1,133**	**1,367**	**–1,631**	**–447**
527	**430**	**178**	**153**	**–240**	**–217**	**465**	**366**	**14,945**	**14,063**
–396	–325	–155	–140	300	235	–251	–230	–11,304	–10,757
131	**105**	**23**	**13**	**60**	**18**	**214**	**136**	**3,641**	**3,306**
–24	–22	–1	–1	0	2	–25	–21	–852	–782
–15	–12	–80	–78	0	2	–95	–88	–682	–666
–	–	11	24	–	0	11	24	17	15
–12	–3	156	101	–55	–21	89	77	–501	–139
80	**68**	**109**	**59**	**5**	**1**	**194**	**128**	**1,623**	**1,734**
0	–2	28	–22	0	0	28	–24	20	–55
80	**66**	**137**	**37**	**5**	**1**	**222**	**104**	**1,643**	**1,679**
91	**76**	**138**	**91**	**5**	**1**	**234**	**168**	**1,947**	**2 131**
–11	–8	–29	–25	0	0	–40	–33	–321	–300
0	–	0	–7	0	–	0	–7	–3	–97
68	**61**	**401**	**521**	**–467**	**–104**	**2**	**478**	**137**	**2 109**
69	51	–46	–317	256	436	279	170	1,619	1,661
–28	**–16**	**–36**	**–10**	**–5**	**–18**	**–69**	**–44**	**–707**	**–426**
–29	–16	–173	–262	4	4	–198	–274	–873	–718
40	**45**	**365**	**511**	**–472**	**–122**	**–67**	**434**	**–570**	**1,683**
–14	**–78**	**–609**	**–359**	**–340**	**33**	**–963**	**–404**	**–461**	**–1,547**

Condensed financial information of the segments

	Commercial Vehicles		Diesel Engines		Turbo Machinery	
€ million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Segment order intake	**9,130**	**12,684**	**3,089**	**3,371**	**1,426**	**1,454**
of which: Germany	2,700	3,770	191	405	276	252
of which: other countries	6,430	8,914	2,898	2,966	1,150	1,202
Intersegment order intake	–18	–24	–8	–6	–4	–81
Group order intake	9,112	12,660	3,081	3,365	1,422	1,373
Segment revenue	**10,610**	**10,410**	**2,542**	**2,179**	**1,328**	**1,108**
of which: Germany	2,993	3,470	263	257	262	210
of which: other countries	7,617	6,940	2,279	1,922	1,066	898
Intersegment revenue	–18	–27	–7	–14	–5	–7
Group revenue	10,592	10,383	2,535	2,165	1,323	1,101
Order backlog at December 31	**4,007**	**6,266**	**4,102**	**3,866**	**1,822**	**1,655**
Headcount including temporary employees at December 31 (no.)	**36,251**	**36,591**	**7,986**	**7,383**	**4,493**	**4,011**
of which: Germany	19,862	20,541	3,505	3,280	2,964	2,815
of which: other countries	16,389	16,050	4,481	4,103	1,529	1,196
Headcount at December 31 (no.)	**35,169**	**34,148**	**7,387**	**6,837**	**4,118**	**3,610**
Annual average headcount	**35,251**	**34,685**	**7,163**	**6,685**	**3,941**	**3,492**
Key performance indicators						
Operating profit	1,062	1,039	390	313	148	104
ROS (%)	10.0	10.0	15.4	14.4	11.1	9.4
MVA	750	762	335	264	123	81

[1] Corporate Center: MAN AG, Shared Services, and holding companies
[2] In 2007 including discontinued operations (see Note (7) for further information)

Segment information by region

€ million	Germany	Rest of Europe	Rest of World	Total
2008				
Assets at December 31	**10 243**	**5 678**	**609**	**16 530**
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 temporary employees at December 31 (no.)	**28 753**	**20 363**	**2 205**	**51,321**
2007				
Assets at December 31	**11,296**	**4 392**	**473**	**16 161**
Capital expenditures	**585**	**127**	**6**	**718**
Revenue	**4 073**	**6 827**	**3 163**	**14 063**
Headcount at December 31 (no.)	**27 221**	**18 222**	**1,437**	**46 880**
Headcount including temporary employees at December 31 (no.)	**28 963**	**19 624**	**1,812**	**50 399**

Others/Consolidation and Reconciliation									
RENK		Corporate Center [1]		Consolidation [2]		Total		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
443	**439**	**223**	**413**	**–278**	**–543**	**388**	**309**	**14,033**	**17,818**
162	199	223	410	–246	–487	139	122	3,306	4,549
281	240	0	3	–32	–56	249	187	10,727	13,269
–24	–33	–214	–388	268	532	30	111	0	0
419	406	9	25	–10	–11	418	420	14,033	17,818
527	**430**	**178**	**153**	**–240**	**–217**	**465**	**366**	**14,945**	**14,063**
211	165	178	151	–203	–180	186	136	3,704	4,073
316	265	0	2	–37	–37	279	230	11,241	9,990
–35	–25	–167	–139	232	212	30	48	0	0
492	405	11	14	–8	–5	495	414	14,945	14,063
612	**684**	**305**	**260**	**–432**	**–396**	**485**	**548**	**10,416**	**12,335**
2,041	**1,854**	**550**	**560**	**–**	**–**	**2,591**	**2,414**	**51,321**	**50,399**
1,876	1,771	546	556	–	–	2,422	2,327	28,753	28,963
165	83	4	4	–	–	169	87	22,568	21,436
1,906	**1,728**	**544**	**557**	**–**	**–**	**2,450**	**2,285**	**49,124**	**46,880**
1,875	**1,695**	**557**	**571**	**–**	**–**	**2,432**	**2,266**	**48,787**	**47,128**
80	68	49	26	0	1	129	95	1,729	1,551
15.1	15.7	–	–	–	–	–	–	11.6	11.0
62	52	–	–	–	–	–	–	1,377	1,148

The "Business Developments" section in the management report contains a more detailed breakdown and explanation of revenue by region.

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 28, 2009

MAN Aktiengesellschaft

The Executive Board

Håkan Samuelsson CEO and Chairman of the Executive Board	Prof. Dr. h.c. Karlheinz Hornung Chief Financial Officer

Dr. Matthias Mitscherlich Member of the Executive Board	Anton Weinmann Member of the Executive Board	Dr. Pachta-Reyhofen Member of the Executive Board

AUDITORS' REPORT

We have audited the consolidated financial statements – comprising the balance sheet, income statement, statement of cash flows, statement of changes in comprehensive income, and the notes – and the Group management report prepared by MAN Aktiengesellschaft, Munich, for the fiscal year from January 1 to December 31, 2008. 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 30, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Kozikowski	Dr. Dauner
Wirtschaftsprüfer	Wirtschaftsprüfer

SUPERVISORY BOARD: MEMBERSHIPS IN OTHER SUPERVISORY BODIES

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

[1] Volkswagen AG (Chairman)
AUDI AG
Dr. Ing. h.c. F. Porsche AG
Porsche Automobil Holding SE
[3] Porsche Ges.m.b.H.
Porsche Holding GmbH

Lothar Pohlmann *
Oberhausen,
Chairman of the Works Council of MAN Turbo AG,
Sterkrade plant
Deputy Chairman
(until December 31, 2008)

Dr.-Ing. Ekkehard D. Schulz
Düsseldorf,
CEO of ThyssenKrupp AG
Deputy Chairman

[1] AXA Konzern AG
Bayer AG
RWE AG
[2] ThyssenKrupp Services AG (Chairman)
ThyssenKrupp Steel AG (Chairman)
ThyssenKrupp Technologies AG (Chairman

Michael Behrendt
Hamburg,
CEO of Hapag-Lloyd AG

[1] Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH
[4] CP Ships Ltd. (Chairman)

Detlef Dirks *
Augsburg,
Works Council Chairman of MAN Diesel SE,
Augsburg plant

Jürgen Dorn *
Munich,
Chairman of the Group Works Council of MAN AG,
General Works Council Chairman of MAN
Nutzfahrzeuge AG and Chairman of the European
Works Council

[1] MAN Nutzfahrzeuge AG

Jürgen Hahn *
Essen,
Works Council Chairman of MAN Ferrostaal AG

[1] MAN Ferrostaal AG

Dr.-Ing. Uwe Hansult *
Augsburg
Senior Vice-President BU Production of MAN Diesel SE

Dr. jur. Heiner Hasford
Munich,
Former Executive Board member of Münchener
Rückversicherungs-Gesellschaft AG

[1] D.A.S. Deutscher Automobil Schutz Allgemeine
Rechtsschutz-Versicherungs-AG
ERGO Versicherungsgruppe AG
Europäische Reiseversicherung AG (Chairman)
Hamburg-Mannheimer Sachversicherungs-AG
Nürnberger Beteiligungs-AG
VICTORIA Versicherung AG

Dr. phil. Klaus Heimann *
Frankfurt am Main,
Trade Union Secretary of IG Metall

[1] Krones AG

Jürgen Kerner *
Augsburg,
1st Delegate of IG Metall Augsburg

[1] EADS Deutschland GmbH
Eurocopter Deutschland GmbH
KUKA AG
MAN Diesel SE
manroland AG

Prof. Dr. rer. pol. Renate Köcher
Constance,
General Manager of the Institut für Demoskopie Allensbach

[1] Allianz SE
BMW AG
Infineon Technologies AG

Dr. jur. Thomas Kremer
Düsseldorf,
Chief Legal Counsel of ThyssenKrupp AG

[1] Howaltswerke-Deutsche Werft GmbH
[4] ThyssenKrupp Italia S.p.A.

Gerhard Kreutzer *
Oberhausen,
General Works Council Chairman of MAN Turbo AG (as from January 1, 2009)

Wilfrid Loos *
Dortmund,
General Works Council Chairman of MAN Truck & Bus Deutschland GmbH

[1] MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

Nicola Lopopolo *
Hanover,
Works Council Chairman of RENK AG, Hanover plant

Thomas Otto *
Ottweiler,
Trade Union Secretary of IG Metall

[1] MAN Nutzfahrzeuge AG
MAN Truck & Bus Deutschland GmbH
MAN Turbo AG

Dipl.-Kfm. Stefan W. Ropers
Munich,
Executive Board member of Bayerische Landesbank

[1] KG Allgemeine Leasing GmbH & Co. KG (Deputy Chairman)
[2] BayernInvest Kapitalanlagegesellschaft mbH (Chairman)
BayernLB Corporate Advisers (Deputy Chairman)
BayernLB Private Equity GmbH (Deputy Chairman)

Dr.-Ing. E.h. Rudolf Rupprecht
Augsburg,
Former CEO of MAN AG

[1] Bayerische Staatsforsten AöR
Bilfinger & Berger AG
Demag Cranes AG
Salzgitter AG

Stephan Schaller
Hanover,
Chief Executive Officer of Volkswagen Commercial Vehicles

[1] SCHOTT AG
TÜV NORD AG
[4] Volkswagen Poznan Sp.z.o.o. (Chairman)

Rupert Stadler
Ingolstadt,
CEO of AUDI AG

[4] Automobili Lamborghini Holding S.p.A. (Chairman)
VOLKSWAGEN GROUP ITALIA S.P.A. (Chairman)

* employee representative

As of January 30, 2009, or resignation date

[1] Membership of supervisory boards of German companies
[2] Membership of supervisory boards of German companies, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

SUPERVISORY BOARD COMMITTEES

Standing Committee
Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Thomas Otto
Lothar Pohlmann (until December 31, 2008)
Dr.-Ing. Ekkehard D. Schulz

Executive Personnel & Nomination Committee
For Executive Board Personnel Matters:
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Jürgen Dorn
Lothar Pohlmann (until December 31, 2008)
Dr.-Ing. Ekkehard D. Schulz

For Supervisory Board Membership Candidates:
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Dr.-Ing. Ekkehard D. Schulz

Audit Committee
Rupert Stadler (Chairman)
Michael Behrendt
Thomas Otto
Lothar Pohlmann (until December 31, 2008)
Dipl.-Kaufm. Stefan W. Ropers

Mediation Committee pursuant to section 27 (3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act)
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Thomas Otto
Lothar Pohlmann (until December 31, 2008)
Dr.-Ing. Ekkehard D. Schulz

As of January 30, 2009

EXECUTIVE BOARD: MEMBERSHIPS IN OTHER SUPERVISORY BODIES

Dipl.-Ing. Håkan Samuelsson
Munich,
Chairman

[1] manroland AG
Siemens AG
[2] MAN Nutzfahrzeuge AG (Chairman)
MAN Diesel SE (Chairman)
MAN Turbo AG (Chairman)
MAN Ferrostaal AG (Chairman)
RENK Aktiengesellschaft (Chairman)

Prof. Dr. h. c. Karlheinz Hornung
Munich

[1] Arcandor AG
Demag Cranes AG
manroland AG
[2] MAN Nutzfahrzeuge AG
MAN Diesel SE
MAN Turbo AG
MAN Ferrostaal AG
RENK Aktiengesellschaft (Deputy Chairman)
[3] MAN Capital Corporation, U.S.A. (Chairman)

Dr. jur. Matthias Mitscherlich
Mülheim/Ruhr

[1] National Bank AG
RWE Dea AG
[2] MAN Turbo AG (Deputy Chairman)

Dr.-Ing. Georg Pachta-Reyhofen
Niederpöcking

[2] MAN Nutzfahrzeuge AG

Dipl.-Ökonom Anton Weinmann
Landensberg

[2] MAN Truck & Bus Deutschland GmbH (Chairman)
RENK Aktiengesellschaft
NEOPLAN Bus GmbH
[3] MAN Nutzfahrzeuge Österreich AG
(Deputy Chairman)
MAN Region West B.V.

As of January 30, 2009

[1] Membership of supervisory boards of German companies
[2] MAN Group appointments, Germany
[3] MAN Group appointments, outside Germany

EXECUTIVE AND MANAGEMENT BOARDS OF GROUP COMPANIES

MAN Nutzfahrzeuge AG
Munich
Dipl.-Ökonom Anton Weinmann
Chairman
Dipl.-Kffr. Sabine Drzisga
Peter Erichreineke
Dipl.-Ing. Bernd Maierhofer (since October 1, 2008)
Prof. Dr.-Ing. Karl Viktor Schaller
Dipl.-Ing. Lars Wrebo

MAN Diesel SE
Augsburg
Dr.-Ing. Georg Pachta-Reyhofen
Chairman
Jan Gurander (since February 18, 2008)
Tage Reinert (until August 31, 2008)
Dr.-Ing. Stefan Spindler
Dr.-Ing. Peter Sunn Pedersen (until December 31, 2008)
Dr.-Ing. Stephan Timmermann

MAN Turbo AG
Oberhausen
Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Chairman
Dr. rer. pol. Stephan Funke
Dr.-Ing. Hans-O. Jeske
Prof. Dr. rer. oec. Gerhard Willi Reiff

MAN Ferrostaal AG
Essen
Dr. jur. Matthias Mitscherlich
Chairman
Dipl.-Kfm. Michael Beck
Dr.-Ing. Wolfgang Knothe (until September 25, 2008)
Dr.-Ing. Klaus Lesker
Dr.-Ing. Stephan Reimelt

RENK AG
Augsburg
Dipl.-Ing. (FH) Florian Hofbauer
Spokesman for the Executive Board
Ulrich Sauter

As of January 30, 2009

SELECTED CONSOLIDATED COMPANIES

As of December 31, 2008	Equity interest %	Revenue € mill.	Headcount at Dec. 31, 2008
MAN Nutzfahrzeuge AG, Munich, Germany	**100**	**9,559**	**13,574**
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100	2,806	5,064
MAN Nutzfahrzeuge Österreich AG, Steyr, Austria	100	1,889	3,351
MAN Truck & Bus UK Limited, Swindon, Wiltshire, UK	100	868	1,080
MAN Nutzfahrzeuge Vertrieb Süd AG, Vienna, Austria	100	837	899
MAN Trucks Sp. z o.o., Niepolomice, Poland	100	800	645
MAN Vehiculos Industriales (España) S.A., Coslada (Madrid), Spain	100	469	548
MAN-STAR Trucks & Busses Sp. z o.o., Tarnowo Podgórne, Poland	100	476	3,938
MAN Avtomobili Rossiya, Moscow, Russian Federation	100	414	428
MAN-STAR Trucks Sp. z.o.o., Nadarzyn, Poland	100	340	307
MAN Türkiye A.S., Akyurt Ankara, Turkey	100	287	1,967
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100	271	756
NEOPLAN Bus GmbH, Pilsting, Germany	100	262	440
MAN Last og Bus A/S, Glostrup, Denmark	100	216	207
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100	167	150
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen, Switzerland	100	142	112
MAN uzitková vozidla Ceská republika spol.s.r.o., Cestlice, Czech Republic	100	136	94
MAN Last og Buss A/S, Lorenskog, Norway	100	121	221
Neoplan Omnibus GmbH, Plauen, Germany	84	94	422
MAN Veiculos Industriais (Portugal) S.U. Lda., Algés (Lisbon), Portugal	100	87	99
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100	71	114
MAN Úzitkové Vozidlá Slovakia s.r.o., Bratislava, Slovakia	100	50	55
MAN Gospodarska vozila Slovenija d.o.o., Ljubljana, Slovenia	100	45	37
MAN Truck & Bus Mexico S.A. de C.V., El Marques, Mexico	100	44	91
MAN Engines & Components Inc., Pompano Beach, USA	100 [5]	41	46
MAN Hellas Truck & Bus S.A., Peristeri-Athen, Greece	100	29	22
MAN Diesel SE, Augsburg, Germany [1]	**100**	**2,293**	**5,593**
MAN Diesel SAS, Villepinte, France	100	168	565
MAN Diesel Ltd., Stockport, UK	100	92	258
MAN Diesel North America Inc., New York, USA	100 [5]	73	145
MAN Diesel Singapore Pte. Ltd., Singapore	100	54	163
MAN Diesel Canada Ltd., Oakville, Canada	100	23	63
PBS Turbo s.r.o., Velká Bíteš, Czech Republic	100	23	184
MAN Diesel Benelux NV, Antwerp, Belgium	100	21	52
MAN Diesel Australia Pty. Ltd., North Ryde, Australia	100	15	40
Rostock Diesel Service GmbH, Rostock, Germany	100	14	28
MAN Diesel Benelux B.V., Wassenaar, Netherlands	100	13	47
MAN Diesel India Ltd., Aurangabad, India	73	7	194

As of December 31, 2008

	Equity interest %	Revenue € mill.	Headcount at Dec. 31, 2008
MAN Turbo AG, Oberhausen, Germany	**100**	**823**	**2,277**
MAN Turbo AG Schweiz, Zurich, Switzerland	100	424	767
MAN DWE GmbH, Deggendorf, Germany	100[6]	103	405
MAN Turbo S.r.l. De Pretto, Schio, Italy	100	53	239
MAN Turbo (Changzhou) Co. Ltd., Changzhou, China	100	0	92
MAN Turbo Inc. USA, Houston, USA	100[5]	31	186
MAN Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	100	12	67
MAN Limited, London, UK	100	10	49
MAN Ferrostaal Aktiengesellschaft, Essen, Germany[2]	**100**	**839**	**686**
MAN Ferrostaal Piping Supply GmbH, Essen, Germany[3]	100	170	115
MAN Ferrostaal Automotive GmbH, Essen, Germany[3]	100	154	1,588
MAN Ferrostaal Industrieanlagen GmbH, Geisenheim, Germany	100	131	172
KOCH de Portugal - Serviços de Engenharia e Comercialização Industrial, Lda., Lisbon, Portugal	100	47	165
MAN Ferrostaal Industrial Projects GmbH, Essen, Germany	100	45	112
DSD Construcciones y Montajes S.A., Santiago, Chile	100	40	126
MAN Ferrostaal Air Technology GmbH, Essen, Germany	100	25	62
MAN Construcciones y Montajes de Venezuela S.A., Caracas, Venezuela	99	22	111
MAN Ferrostaal do Brasil Comércio e Indústria Ltda., São Paulo, Brazil	100	22	74
Ferrostaal ProCon de Venezuela C.A., Caracas, Venezuela	100	15	35
MAN Ferrostaal Mexico S.A. de C.V., Mexico, D.F., Mexico	100	15	84
MAN Ferrostaal Procurement Services B.V., Hooge Zwaluwe, Netherlands	100	14	8
MAN Ferrostaal Australia Pty. Ltd., Sydney, Australia	100	12	59
RENK Aktiengesellschaft, Augsburg, Germany[3]	**76**	**550**	**1,906**
MAN Finance International GmbH, Munich, Germany[4]	**100**	**–**	**44**
MAN Financial Services GmbH, Munich, Germany	100	–	78
MAN Financial Services España S.L., Coslada, Spain	100	–	13
MAN Financial Services SpA, Agrate Brianza MI, Italy	100	–	12
MAN Financial Services plc, Swindon, Wiltshire, UK	100	–	38
MAN Financial Services GesmbH, Eugendorf, Austria	100	–	5
MAN Financial Services SAS, Evry Cedex, France	100	–	10
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	100	–	12
MAN Financial Services OOO, Moscow, Russian Federation	100	–	23

[1] MAN Diesel A/S, Copenhagen, Denmark, was merged with MAN Diesel SE, Augsburg, in 2008.
[2] The Ferrostaal business area is not included in the revenue and headcount figures of MAN Group as it has been classified as a discontinued operation in accordance with IFRS 5.
[3] Revenue and headcount including companies under operational management.
[4] Selected according to financing volume; Financial Services income is reported as other operating income (see p. 162), so no revenue is disclosed.
[5] Shares held by MAN Capital Corporation, New Jersey.
[6] Shares held by MAN AG.

GLOSSARY

A Accumulated other comprehensive income (OCI)
Accumulated OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities and hedges (marking to market) and changes in actuarial gains and losses on pensions, after adjustment for deferred taxes.

C Capital employed (CE)
The MAN Group's CE is determined by financing activities in the balance sheet. It comprises total equity, pension provisions, and financial liabilities less the debt-financed volume of Financial Services. The earnings measure also includes the operating profit or loss of discontinued operations up to the date of disposal. The business areas' CE is derived from the asset side of the balance sheet and comprises their total assets excluding financial and tax assets, less other provisions and liabilities with the exception of financial liabilities, pension obligations, and income taxes. Prepayments received are only deducted if they have already been used in order processing.

Cash earnings
Cash earnings reflect the net cash provided by or used in operating activities. They are the net amount of operating profit, interest, taxes (excl. deferred taxes), depreciation, amortization, and impairment losses, and other noncash income and expense.

Contractual trust arrangement (CTA)
Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

D Derivatives/derivative financial instruments
Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

E Equity method
Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor exercises significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

Equity ratio
Indicates the ratio of total equity to total capital.

Equity-to-assets ratio
Indicates the extent to which noncurrent assets (intangible assets; property, plant, and equipment; and investments) are covered by equity.

F Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow reflects the funds generated by a company during the fiscal year.

Functional expenses
Functional expenses comprise the cost of goods sold and services rendered, selling expenses, and general and administrative expenses.

I International Financial Reporting Standards (IFRSs)
Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

M MAN value added (MVA)
A measure that indicates whether the MAN Group and its business areas have earned their cost of capital and additionally added value.

$$MVA = (ROCE - WACC) \times CE_{\text{capital employed}}$$

N **Net liquidity/net financial debt**
Net liquidity/net financial debt is a financial control measure comprising cash and cash equivalents and marketable securities, less financial liabilities.

O **Operating profit**
Indicator used to assess and control the profitability of the MAN Group's business areas. As a rule, it corresponds to earnings before interest and taxes (EBIT). An adjustment for nonrecurring factors is made in individual cases.

$$\text{Operating profit} = \text{EBIT} \pm \text{nonrecurring factors}$$

Option
Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

P **Percentage of completion (PoC) method**
Revenue and profit recognition method that is based on the stage of completion in accordance with IAS 11. This method is applicable to construction contracts for which the total revenue, total costs, and stage of completion can be reliably determined. Earnings contributions are recognized in accordance with the stage of completion even if the contract has not yet been completed in full and invoiced to the customer.

Projected unit credit method
Method used to measure pension obligations in accordance with IAS 19 that reflects expected future pay and pension increases in addition to the vested pension rights and entitlements existing at the end of the reporting period.

R **Rating**
Assessment of a company's creditworthiness issued by independent rating agencies on the basis of a thorough analysis. Ratings are expressed by means of rating classes, which are defined differently by individual rating agencies.

ROCE
Return on capital employed. Ratio of operating profit to average capital employed.

$$\text{ROCE} = \frac{\text{Operating profit}}{\text{CE}_{\text{Capital Employed}}}$$

ROS
Return on sales. Ratio of operating profit to revenue.

$$\text{ROS} = \frac{\text{Operating profit}}{\text{Revenue}}$$

S **Swap**
Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Syndicated credit line
Committed credit line granted by a banking syndicate.

W **WACC**
Weighted average cost of capital. For management purposes, the MAN Group's WACC is fixed for the long term at 11% before tax. The equity portion is measured at fair value. The debt portion includes pension provisions and financial liabilities.

FINANCIAL DIARY

Financial diary of MAN AG	
Annual General Meeting for fiscal 2008	April 3, 2009
Report on Q1/2009	April 30, 2009
Half-yearly report	July 30, 2009
Report on Q3/2009	October 29, 2009
Annual press conference	February 18, 2010
Internet publication of annual report	February 18, 2010
Annual General Meeting for fiscal 2009	April 1, 2010
Report on Q1/2010	April 29, 2010
Half-yearly report	July 29, 2010

MAN Group: Six-year overview

€ million	2008	2007	2006	2005	2004	2003
Order intake	**14,033**	**17,818**	**16,567**	**14,338**	**15,645**	**13,744**
of which: Germany	3,306	4,549	4,151	3,373	3,850	3,943
of which: abroad	10,727	13,269	12,416	10,965	11,795	9,801
Order intake by business areas						
Commercial Vehicles	9,130	12,684	10,103	9,434	7,589	6,772
Diesel Engines	3,089	3,371	2,619	2,203	1,872	1,460
Turbo Machinery	1,426	1,454	1,498	850	675	658
Others/consolidation	388	309	2,347	1,851	5,509	4,854
Revenue [1]	**14,945**	**14,063**	**13,049**	**11,379**	**14,038**	**13,546**
of which: Germany	3,704	4,073	3,394	3,103	3,540	3,792
of which: abroad	11,241	9,990	9,655	8,276	10,498	9,754
Revenue by business area						
Commercial Vehicles [1]	10,610	10,410	8,685	7,377	6,799	6,707
Diesel Engines	2,542	2,179	1,802	1,666	1,421	1,312
Turbo Machinery	1,328	1,108	908	694	659	567
Others/consolidation	465	366	1,654	1,642	5,159	4,960
Order backlog [2]	**10,416**	**12,335**	**11,298**	**8,496**	**7,954**	**7,363**
of which: Germany	1,626	2,331	1,820	1,422	1,815	1,891
of which: abroad	8,790	10,004	9,478	7,074	6,139	5,472
Headcount incl. temporary employees [2]	**51,321**	**50,399**	**53,715**	**51,412**	**61,325**	**67,907**
of which: Germany	28,753	28,963	31,368	30,275	38,844	42,531
of which: abroad	22,568	21,436	22,347	21,137	22,481	25,376
Temporary employees [2]	**2,197**	**3,519**	**3,425**	**2,251**	**2,317**	**3,749**
Headcount [2]	**49,124**	**46,880**	**50,290**	**49,161**	**59,008**	**64,158**
Annual average headcount	**48,787**	**47,128**	**49,994**	**49,770**	**60,371**	**65,521**
MAN stock data						
Common Stock (in €) [2]	38.72	113.80	68.46	45.08	28.34	24.05
Common Stock, high (in €)	110.91	123.73	74.00	45.24	32.23	24.15
Common Stock, low (in €)	27.78	68.46	44.36	29.00	24.33	12.09
Common stock, price/earnings ratio [2]	5.0	15.7	13,6	16.4	13.6	15.6
Preferred stock (in €) [2]	43.05	108.65	63.35	41.00	24.75	19.80
Preferred stock, high (in €)	110.00	117.39	69.78	41.00	29.59	20.49
Preferred stock, low (in €)	32.56	62.69	40.35	25.44	20.00	10.30
Preferred stock, price/earnings ratio [2]	5.5	14.9	12.5	14.9	11.9	12.9
Dividend per share (in €)	2.00	3.15	2.00	1.35	1.05	0.75
Earnings per share (IAS 33) (in €) [3]	7.76	7.27	5.05	2.75	2.08	1.54
Cash earnings per share (in €)	10.43	10.52	6.40	5.90	5.00	5.50
Equity per share (in €)	35.70	30.30	22.90	19.50	18.80	18.50

Information on comparability:
The Others data includes Industrial Services up to 2006 and Printing Systems and Financial Services up to 2004 (revenue reported in other operating income from 2005)

[1] The accounting treatment of commercial vehicle sales subject to repurchase obligations was changed from 2004. These sales are now recognized as operating leases

[2] Number at December 31

[3] For continuing operations

€ million	2008	2007	2006	2005	2004	2003
Noncurrent assets	6,010	6,891	6,998	5,689	5,400	3,932
Inventories	3,275	3,279	3,032	3,453	3,393	3,107
Other current assets	7,140	4,471	4,054	3,819	3,825	3,568
Marketable securities and cash and cash equivalents	105	1,520	1,162	1,191	761	548
Total equity [1]	5,396	5,177	3,779	3,025	2,965	2,784
Pension obligations [1]	74	132	946	1,499	1,716	1,681
Noncurrent and current financial liabilities	1,736	1,967	2,108	1,018	753	987
Prepayments received	1,099	2,031	1,557	1,740	1,399	1,201
Other liabilities and provisions	8,225	6,854	6,856	6,870	6,546	4,502
Total assets/total capital	**16,530**	**16,161**	**15,246**	**14,152**	**13,379**	**11,155**
Revenue	**14,945**	**14,063**	**13,049**	**11,379**	**14,038**	**13,546**
Cost of goods sold and services rendered [2]	–11,243	–10,722	–10,161	–8,943	–11,276	–11,067
Gross margin	**3,702**	**3,341**	**2,888**	**2,436**	**2,762**	**2,479**
Other income and expenses [3]	–1,973	–1,790	–1,783	–1,762	–2,205	–2,096
Operating profit [4]	**1,729**	**1,551**	**1,105**	**674**	**557**	**383**
Gains/losses from nonrecurring factors	–106	183	–	–37	–	–
Net interest income (expense)	20	–55	–82	–62	–115	–122
Earnings before tax (EBT)	**1,643**	**1,679**	**1,023**	**575**	**442**	**261**
Income taxes	–488	–600	–273	–160	–122	–69
Income from discontinued operations, net of tax	92	146	175	57	–2	43
Net income	**1,247**	**1,225**	**925**	**472**	**318**	**235**
Noncontrolling interests	–14	–9	–7	–10	–15	–8
Transfer to reserves	–939	–753	–624	–263	–149	–117
Total dividend paid by MAN Aktiengesellschaft	**294**	**463**	**294**	**199**	**154**	**153**
EBITDA	**1,947**	**2,131**	**1,433**	**972**	**1,011**	**816**
Depreciation, amortization and impairment of noncurrent assets	324	397	328	335	402	373
Earnings before interest and taxes (EBIT)	**1,623**	**1,734**	**1,105**	**637**	**609**	**443**
Capital expenditures and financing						
on property, plant, and equipment and intangible assets	603	459	446	376	357	402
on investments	270	259	1,214	28	32	18
Research and development expenditures	493	433	396	385	476	520
Cash earnings	1,619	1,661	963	876	762	768
Net cash provided by / (used in) operating activities	137	2,109	777	1,267	946	906
Net cash used in investing activities	–707	–426	–1,329	–378	–341	–317
Free cash flow	–570	1,683	–552	889	605	589
Key performance indicators						
ROS (%)	11.6	11.0	8.5	5.9	4.0	2.8
ROCE (%)	40.2	31.9	28.0	19.1	13.0	8.4
MAN value added (MVA)	1,377	1,148	717	321	82	–121

Information on comparability:
The data includes Industrial Services up to 2006 and Printing Systems and Financial Services up to 2004 (revenue reported in other operating income from 2005)
[1] Change in accounting treatment of pensions from 2005
[2] Figure after reclassification of €61 million (previous year: €35 million) of cost of goods sold and services rendered to gains/losses from nonrecurring factors
[3] Incl. net interest income of Financial Services
[4] Printing Systems and Steel Trade reported as discontinued operations from 2005; Industrial Services reported as discontinued operations from 2007

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