We are MAN.

2011 Annual Report

Engineering the Future – since 1758.

MAN SE

We are MAN.

Financial Report →

The MAN Group is one of Europe's leading players in the engine, commercial vehicle, and mechanical engineering industries. As a supplier of trucks, buses, diesel engines, turbomachinery, and special gear units, we hold leading positions in all our markets.

€17.1 billion
Order intake up 14%

€16.5 billion
Revenue growth of 12%

€1,483 million
Operating profit

52,542
Employees worldwide

We are focused.

MAN focuses on transportation and energy. Our expertise and experience in these markets are unparalleled – whether it comes to vehicles, engines, propulsion systems, or turbomachinery.

Engineering the Future – since 1758.

Financial Report

We are focused.

MAN focuses on transportation and energy. Our expertise and experience in these markets are unparalleled – whether it comes to vehicles, engines, propulsion systems, or turbomachinery.

The Company's business areas complement one another. Large-bore diesel engines benefit from expertise in commercial vehicle engines, and vice versa: Ship engines are also used in power plants. Turbine technology makes power generation more efficient still, while gear units turn engine performance or wind energy into drive systems.

Increasing transportation and energy needs in emerging economies guarantee long-term growth opportunities

We aim for profitable, international growth. MAN is represented on all five continents and leverages the demand of fast-growing markets for transportation, mobility, and future-proof energy. Nevertheless, we remain conscious of our responsibility to help protect the climate and the environment, which is why we advance the development of sustainable technologies.

Transportation and energy are key industries in the establishment of a sustainable economy

MAN is responding to the world's growing population, which is increasingly gathering in urban centers, and acting globally: We adapt our range of products to suit local conditions and tailor them to the needs of our customers – across the entire lifecycle of our technology. This brings us closer to the markets and keeps MAN future-proof.

Reliable → We fulfill expectations and keep our promises.
Innovative → We create new solutions through fresh, creative, and expert thinking.
Dynamic → We identify potential and we are flexible and problem-solving.
Open → We work together closely within the Group and swap new ideas and information.

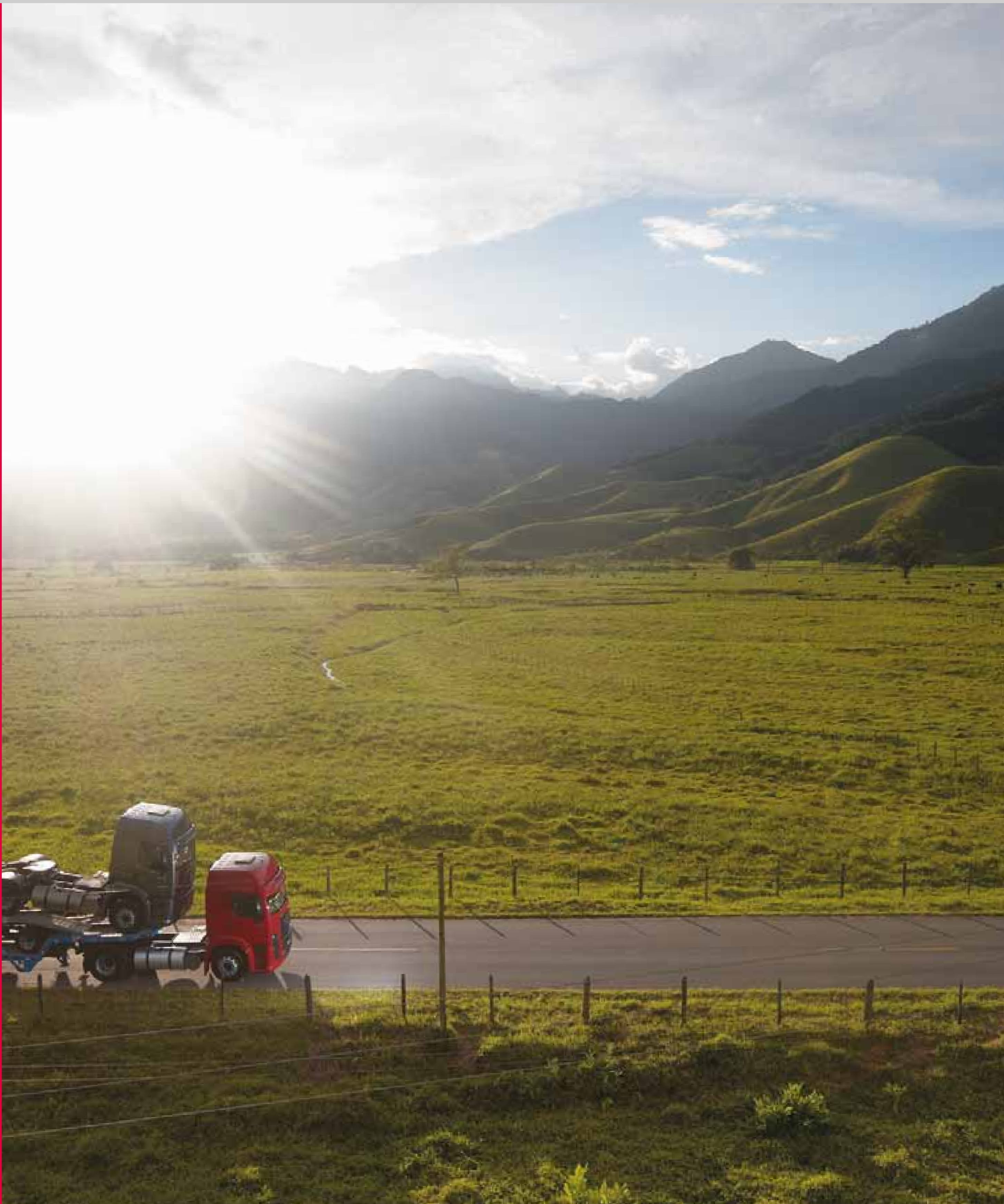
Transportation | Energy

Ulf Steinborn steers the MAN Group from Munich as Head of Strategy and Mergers & Acquisitions.

Find out more → www.man.eu/strategy

We are global.

MAN is a global player represented on all five continents. We hold leading positions in our markets and primarily see growth abroad – hence our focus on the BRIC countries. While striving to consolidate our strong position in the emerging economies, we will also be boosting our presence in the up-and-coming growth markets of Mexico, Chile, Argentina, South Africa, Indonesia, and Turkey.

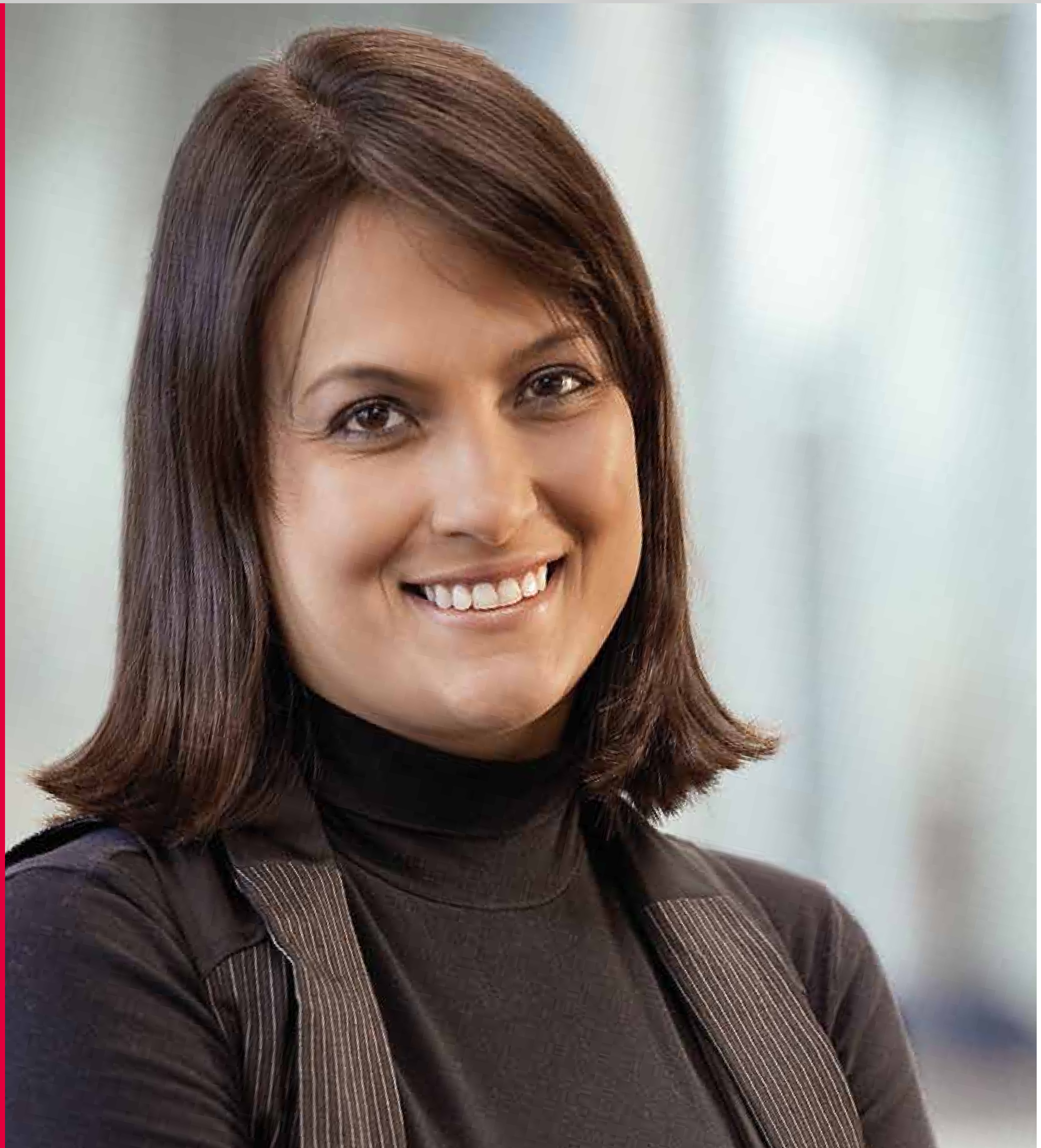


We are global.

MAN is a global player represented on all five continents. We hold leading positions in our markets and primarily see growth abroad – hence our focus on the BRIC countries. While striving to consolidate our strong position in the emerging economies, we will also be boosting our presence in the up-and-coming growth markets of Mexico, Chile, Argentina, South Africa, Indonesia, and Turkey.

Engineering the Future – since 1758.

Financial Report →



Juliana Frech fuels growth on the basis of verified information from São Paulo in MAN Latin America's Strategy department.

Find out more → www.man.eu/locations

Internationalization is a basic prerequisite for future profitable growth.

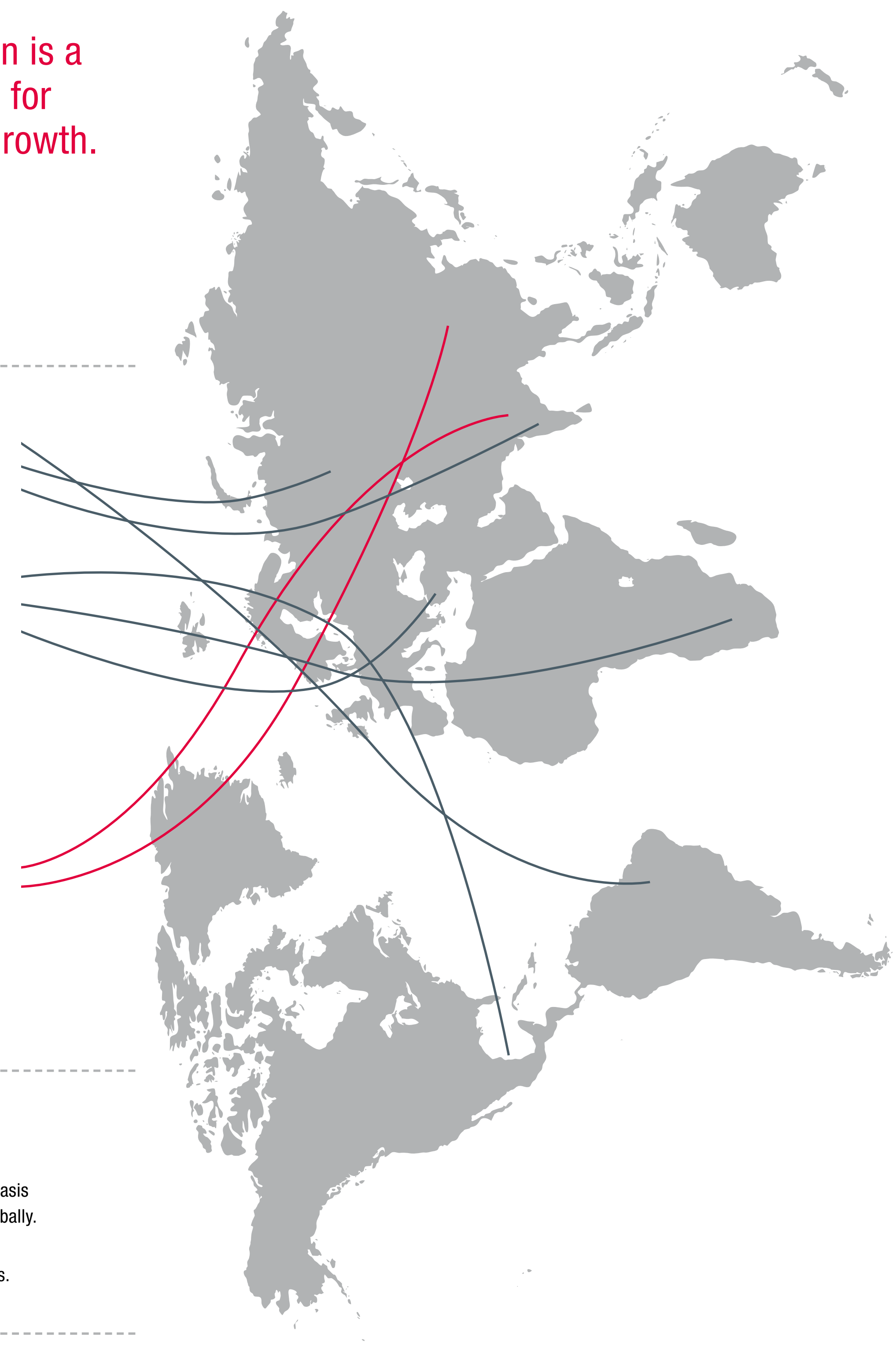
Growth markets

Commercial Vehicles

Brazil (production site)
Russia (production site from 2012)
India (production site)
China
Argentina
Chile
Mexico (production site)
South Africa (production site)
Turkey (production site)
Indonesia

Power Engineering

Brazil
Russia
India (production site)
China (production site, licensee)
South Korea (licensee)
Japan (licensee)
Turkey
South Africa



- We are present in the largest growth markets worldwide.
- Our European technology is the basis for products that can be used globally.
- We adapt to local customer needs.

We are innovative.

Technology leadership is one of the keys to success for MAN. We have been writing innovation history for more than 250 years. Our ability to constantly pioneer and evolve has made us a front-runner in the transportation and energy industry. We develop solutions for our customers that are tailored to their markets and their needs.

Engineering the Future – since 1758.

Financial Report →

We are innovative.

Technology leadership is one of the keys to success for MAN. We have been writing innovation history for more than 250 years. Our ability to constantly pioneer and evolve has made us a front-runner in the transportation and energy industry. We develop solutions for our customers that are tailored to their markets and their needs.

The MAN Group invests in its future, keeping expenditure for developing innovative products of high customer value and for improving production at a consistently high level. 4% of revenue in 2011 was invested in research and development.

Our development progress in 2011:

Transportation efficiency

→ The TGX EfficientLine truck was designed to reduce the total cost of ownership, right down to the smallest detail. Because this also means that the truck is as kind to the environment as possible, it was named Green Truck 2011 by specialist German publications VerkehrsRundschau and TRUCKER.

→ The NEOPLAN Skyliner has been the star of the double-decker coaches for 40 years. The latest version presented in 2011 does more than just provide the luxury interior that customers expect – it also combines efficient engine technology and cost-effective driving with low CO_2 emissions thanks to sophisticated aerodynamics.

→ A new marine engine model with an ultra-long stroke from MAN Diesel & Turbo suits the "slow steaming" of many ship owners perfectly: for some years now, they have been saving fuel in sea transportation by slowing their vessels down. This means new propulsion needs, which are met by the ultra-long stroke of the two-stroke model.

Ecological expertise

→ A new city bus from MAN Latin America can largely be run on natural gas, or alternatively on diesel. A prototype has drastically reduced emissions.

→ The MAN TGL Hybrid showcased at the 2010 International Commercial Vehicles Motor Show (IAA) proved itself in action: Together with a wholesaler, MAN Truck & Bus in Munich is collecting valuable data for further optimization from two distribution trucks. In 2011, MAN Truck & Bus also consolidated all its R&D activities in the field of hybrid technology in a newly created Center of Competence.

→ With an output of 6 megawatts, MAN Diesel & Turbo's new gas turbine can power a small town of 13,000 households – while being small enough to fit into a double garage. This makes it ideal for the eco-friendly decentralized power generation of the future.

80%
is the reduction in fine particulate emissions that MAN Latin America's diesel/gas city bus can offer.

50%
is the efficiency that MAN's commercial vehicle engines now reach.

80%
is the used energy captured through cogeneration in power generation, making particularly efficient use of the fuel employed.

Eberhard Hipp drives innovation from Munich as Head of Research at MAN Truck & Bus.
Find out more → www.man.eu/technology

We are cooperative.

Joining forces with strong partners makes us even more powerful. Working closely within the Group and with our partners, we swap information and transfer knowledge. Alliances have always been a successful route for MAN to securing market access and technological leadership in the long term.


시운전중

We are cooperative.

Joining forces with strong partners makes us even more powerful. Working closely within the Group and with our partners, we swap information and transfer knowledge. Alliances have always been a successful route for MAN to securing market access and technological leadership in the long term.

Financial Report →

Technical requirements

are constantly rising due to legal regulations, safety systems, or alternative drives.

Shorter development cycles

are one of the consequences as conditions and demands change with ever greater speed.

Fiercer competition

can primarily be seen in fast-growing emerging economies and is at its fiercest in Asia.

Leveraging partnerships and alliances to move ahead together has long been a matter of course for MAN. Three examples:

Licenses.
Manufacturers of large marine engines have been using MAN's development know-how for more than 100 years to build engines in the immediate vicinity of shipyards – always keeping pace with the latest technological advances. Rudolf Diesel himself built on the basis of this business model. And today 44 licensees, most of which are in Asia, benefit from it – as does MAN of course.

Investments.
The enormous Chinese market promises growth but is difficult for a European company to tap into. In 2009, MAN acquired 25% plus one share in the Chinese commercial vehicle manufacturer Sinotruk for this reason and has since been working with the long-standing company on two levels: providing capital and transferring technology and management. April 2011 saw the new joint SITRAK truck brand for emerging economies in Asia and Africa unveiled.

Alliances.
One of the outcomes of cooperating with Krone, a North German manufacturer of agricultural machinery, was the world's strongest forage harvester, which is currently taking the North American market by storm – profit-boosting for Krone, profile-enhancing for MAN. We are involved in more agricultural machinery projects and since the external engine business for MAN Truck & Bus is being cultivated as a growth segment, we are partnering up in other areas of the market too, which include the yacht building, workboat, marine, rail vehicle, and power generation industries.

We combine know-how and bundle resources with strong partners in order to leverage the potential offered by globalization and technological change.

Klaus Engberg manages MAN Diesel & Turbo's licensing business for two-stroke engines from Copenhagen.
Find out more → www.man.eu/licensees

We are strong.

We have seldom been as strong as we are now. We have leading technologies, good market positions, and international alliances. MAN is a well-established and valuable brand representing a technologically-leading and forward-looking company. MAN stands for the ultimate in commercial vehicle and mechanical engineering.

Engineering the Future – since 1758.

Financial Report →

We are strong.

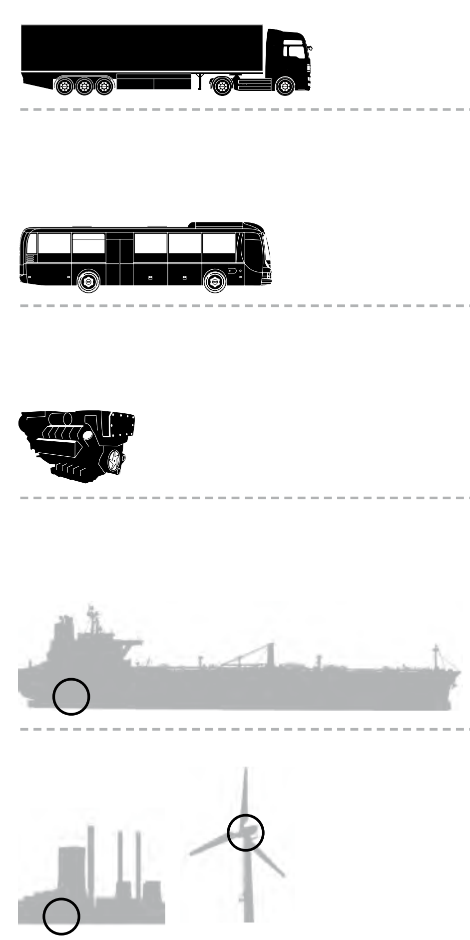
We have seldom been as strong as we are now. We have leading technologies, good market positions, and international alliances. MAN is a well-established and valuable brand representing a technologically-leading and forward-looking company. MAN stands for the ultimate in commercial vehicle and mechanical engineering.

Lily Zhang | **oversees MAN's communication for the Asia-Pacific region from Beijing as PR Manager.**
Find out more → www.man.eu/man_group

MAN is a reliable partner. Corporate responsibility is a part of this, and we see it as an investment in the future. We integrate our corporate responsibility strategy into all business processes, communicate with our stakeholders, develop sustainable transportation and energy concepts, manage suppliers, and train our employees in addition to furthering their professional development.

Strong driving force behind further growth

As a player in the transportation and energy industries, we have a particular responsibility to advance progress and conserve the environment. This serves as a guide for our future plans:



Commercial Vehicles

- Internationalization (focus on BRIC)
- Multi-brand strategy: MAN, NEOPLAN, VW Caminhões e Ônibus, SITRAK, MAN CLA

MAN | NEOPLAN | Caminhões Ônibus | SITRAK

- Development of a global truck portfolio, including a new light range
- Bus product portfolio including a chassis for global use
- Focus on transportation efficiency, in particular on hybrid technology
- Cooperation with Volkswagen and Scania

Power Engineering

- Global product portfolio
- Internationalization (focus on BRIC)
- Focusing on the power plant business through turnkey solutions
- Brand differentiation through the after-sales business
- Ramp up of series production for wind park gearboxes

We are

Our Vision

The best people, customer orientation, as well as superior technology and services will make us number one in commercial vehicles and power engineering.

Financial Report →

Our corporate strategy aims to create sustainable value

- → Focus on transportation and energy
- → Customer orientation
- → After-sales activities
- → Profitable international growth
- → Technology leadership

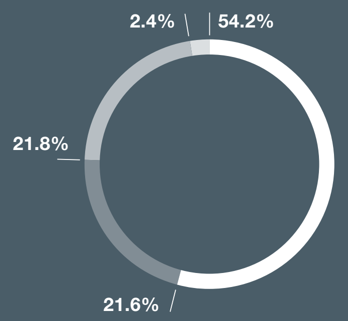
MAN at a Glance

Group key figures (IFRSs)

€ million	2011	2010	Change in %
Order intake	**17,145**	**15,072**	**14**
Germany	3,646	3,489	4
Other countries	13,499	11,583	17
Revenue	**16,472**	**14,675**	**12**
Germany	3,515	3,058	15
Other countries	12,957	11,617	12
Order backlog[1]	**6,640**	**7,025**	**– 5**
Headcount[1,2]	**52,542**	**47,669**	**10**
Income statement			**Change in € million**
Operating profit	1,483	1,035	448
Earnings before tax (EBT)	1,122	1,125	–3
Net income	247	722	– 475
ROS (%)	9.0	7.1	1.9 pts.
ROCE (%)	24.4	17.4	7.0 pts.
Balance sheet			
Total assets	18,670	17,431	1,239
Total equity	5,590	5,990	–400
Equity ratio (%)	29.9	34.4	–4.5 pts.
Net financial debt	–2,212	–1,778	–434
Cash and cash equivalents	957	1,057	–100
Cash flow			
Net cash provided by operating activities	518	1,427	–909
Net cash used in investing activities	–637	–374	–263
Free cash flow	–119	1,053	–1,172
Shares			**Change in €**
Earnings per share from continuing operations in €	4.62	5.30	–0.68
Dividend per share in €[3]	2.30	2.00	0.30

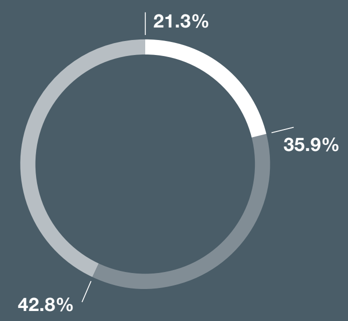
[1] As of December 31, 2011 vs. December 31, 2010.
[2] Including subcontracted employees.
[3] 2011: proposed dividend.

Revenue distribution by segment



- MAN Truck & Bus
- MAN Latin America
- MAN Diesel & Turbo
- Renk

Revenue distribution by region

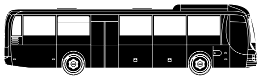
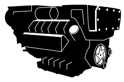


- Germany
- Rest of Europe
- Rest of World

The MAN Group

Business areas

Commercial Vehicles

Divisions

MAN Truck & Bus

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

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

€ million	2011	2010
Order intake	9,514	8,023
Revenue	8,984	7,446
Operating profit	565	158
Headcount (as of Dec. 31)*	34,239	31,284
ROS (%)	6.3	2.1

* Including subcontracted employees.

More on Page 68

MAN Latin America

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

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

€ million	2011	2010
Order intake	3,579	3,140
Revenue	3,579	3,140
Operating profit	400	370
Headcount (as of Dec. 31)*	1,915	1,736
ROS (%)	11.2	11.8

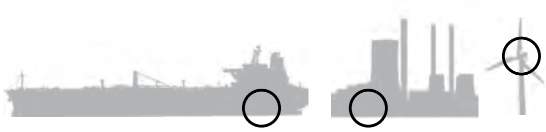
* Including subcontracted employees.

More on Page 72

Equity-method investments

Sinotruk 25% + 1 share
Scania 17.4% voting rights

Power Engineering



MAN Diesel & Turbo

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

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

€ million	2011	2010
Order intake	3,692	3,475
Revenue	3,610	3,766
Operating profit	460	439
Headcount (as of Dec. 31)*	14,039	12,455
ROS (%)	12.7	11.7

* Including subcontracted employees.

More on Page 76

Renk (76%)

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

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

€ million	2011	2010
Order intake	456	525
Revenue	389	403
Operating profit	53	52
Headcount (as of Dec. 31)*	2,013	1,882
ROS (%)	13.6	12.9

* Including subcontracted employees.

More on Page 82

01/
To Our Shareholders
Letter to Our Shareholders

"The cooperation with the VW Group will boost MAN's growth trajectory."

Dr. Georg Pachta-Reyhofen
Chief Executive Officer of MAN SE

Dear Shareholders,

2011 was a very good year for the MAN Group. We successfully continued our international growth strategy. Growth in the Commercial Vehicles business area was especially strong, while the results generated by the Power Engineering business area also remained at a high level. Although ongoing uncertainty on the financial markets in particular led to weakening momentum in the course of the year, the trend remained positive, leading to strong earnings in 2011.

Volkswagen AG was formally confirmed as MAN's majority shareholder following the closing on November 9, 2011. As a result, Volkswagen holds 55.90% of MAN SE's voting rights and 53.71% of its share capital. MAN will be an additional major pillar contributing to the VW Group's success. At the same time, the cooperation with the VW Group will boost MAN's growth trajectory and further expand our position as one of the world's leading transport-related engineering groups. This will sustainably increase MAN's value, benefiting all shareholders.

Thanks to its quality, reliability, and cost-effectiveness, our Company today stands for leading-edge technologies, international cooperation, customer orientation, and strong market positions. This can also be seen in our key figures for 2011. MAN generated record revenue of €16.5 billion, 12% more than in the previous year.

The increase was largely due to the Commercial Vehicles business area, which climbed 19% to €12.6 billion. The MAN Truck & Bus division, which includes the European commercial vehicles business, improved significantly (+21%), while MAN Latin America continued its success story with a 14% increase. At €4.0 billion, revenue in the Power Engineering business area was down slightly on the prior-year figure of €4.2 billion. Of this amount, €3.6 billion was attributable to MAN Diesel & Turbo and €0.4 billion to Renk.

"MAN today stands for leading-edge technologies, international cooperation, customer orientation, and strong market positions."

Orders generated by the MAN Group in 2011 amounted to €17.1 billion, up 14%. This is due above all to the Commercial Vehicles business area, which saw an increase of 17%. Order intake in the Power Engineering business area amounted to €4.1 billion, up slightly on the previous year (€4.0 billion), which was dominated by a major order. The Turbomachinery strategic business unit put in a particularly strong performance here, lifting its order intake by 27% to €1.4 billion.

Operating profit rose 43% to €1.5 billion in fiscal 2011. Commercial Vehicles contributed €965 million of this figure, up an impressive 83%. MAN's Power Engineering business area generated an operating profit of €513 million, a rise of 4% year-on-year. Overall, the MAN Group's return on sales amounted to 9.0%.

The number of employees rose in the course of the year by 10% to approximately 52,500. This reflects the higher production levels in the Commercial Vehicles business area and additional human resources in research and development. Our investments here are strengthening our core competencies and laying the foundations for outstanding technical solutions.

In the Commercial Vehicles business area, the main focus will continue to be on ensuring passenger and goods transportation is as efficient and hence as resource-friendly as possible. MAN has laid the groundwork for this with hybrid solutions for city buses and delivery trucks. We are also working on optimized aerodynamic designs, which in the aggregate can lead to substantial fuel and CO_2 savings. In addition, our external engines business is becoming increasingly important. Our goal in this area is to leverage our expertise and our strong brand to open up additional prospects.

The transportation and energy markets also offer major opportunities in the Power Engineering business area. MAN has already achieved key milestones along the route to meeting the new Tier III emissions standard for marine diesel engines that will come into force in 2016. A prototype of a two-stroke engine successfully passed initial tests last year. The gas engine that we also unveiled in 2011 generates significantly lower CO_2, nitrogen oxide, and sulfur oxide emissions and hence meets the Tier III emissions standards that will be binding from 2016. This opens up other interesting markets for us. The change in energy policy in Germany and other

European countries offers us additional opportunities, since MAN can supply competitive core components such as diesel engines, gas turbines, and steam turbines for almost all alternatives to nuclear power. One technological milestone in 2011 was the order for the world's first subsea compressors for gas production on the sea floor.

Our business in 2011 again focused on Europe and the BRIC states, where we are specifically expanding our activities. Once again, MAN Latin America was the market leader in Brazil in 2011 for trucks weighing more than 5 tons. We will launch MAN-branded trucks with more than 400 horsepower there in 2012, as well as increase our investments in manufacturing and research and development in the coming years. We are also building on our strong position as the leading western importer of heavy trucks to leverage our opportunities in the Russian market. In India, MAN Truck & Bus acquired the joint venture with Force Motors in full in order to expand the business on its own. Thanks to our equity interest in Sinotruk, one of the largest truck manufacturers in China, we are already benefiting from the latter's high production volumes and are working together on the new Sitrak truck series. In addition, we extended our facilities for turbomachinery, turbochargers, and slide bearings in China.

Our international alliances are continuing their successful development. We aim to achieve the same results in our cooperation within the VW Group. Together, we will be able to better leverage our potential, generate substantial synergies in areas such as procurement, development, and manufacturing, and further extend our market lead in the fields of commercial vehicles, engines, and drive/propulsion technology.

This means that our medium-term prospects are highly promising. However, MAN is also flexible enough to effectively cushion potential phases of market weakness. We expect economic growth to slow in 2012. In the Commercial Vehicles business area, we are therefore forecasting that our European commercial vehicles business will be on the same level as 2011, while unit sales in Brazil will decline. Overall, revenue in the Commercial Vehicles business area will therefore decrease slightly by up to 5%. In the Power Engineering business area, we expect revenue to grow by 5% in 2012, bolstered by the increase in order intake in 2011. Across the MAN Group as a whole, these contrasting trends will lead to a slight drop in revenue and, in turn, to a decline in operating profit. The return on sales is likely to decrease slightly, but will remain around the average long-term target of 8.5%. We will definitely not rest on our laurels following this strong performance in fiscal 2011, but will actively exploit additional opportunities to sustainably increase earnings.

Dr. Georg Pachta-Reyhofen
Chief Executive Officer of MAN SE

Report of the Supervisory Board

Dear Shareholders,

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

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

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

The Supervisory Board held seven regular meetings and one constituent meeting in fiscal 2011. Average attendance at Supervisory Board meetings was 96%. All members were present at more than half of the meetings.
In one case, resolutions were adopted in writing.

Key areas of committee work in the year under review

The Supervisory Board established two committees – the **Presiding Committee** and the **Audit Committee** – on which shareholders and employees are represented equally, with three representatives in each case, as well as the **Nomination Committee,** which consists solely of shareholder representatives.

The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks have been transferred to committees.
The **Nomination Committee** is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.
Rupert Stadler is Chairman of the Audit Committee, while the Presiding Committee is always chaired by the Chairman of the Supervisory Board. At the Supervisory Board meetings, Mr. Stadler and I provided regular reports on the work of the committees.
A list of the members of the committees as of the end of 2011 is provided on **page 176.**

The **Presiding Committee** met a total of six times in 2011.
It dealt in particular with all the key issues to be discussed at the following Supervisory Board meetings and prepared Supervisory Board resolutions.

The **Nomination Committee** met once to perform the duties entrusted to it in connection with the elections to the Supervisory Board.

The **Audit Committee** held a total of seven meetings in the year under review.
It dealt in detail with financial reporting issues, the annual financial statements of MAN SE and the MAN Group, and the audit reports submitted by the auditors, PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich (PwC).
The Committee regularly discussed the quarterly financial reports with the Executive Board prior to their issue.
PwC reviewed the MAN Group's interim financial statements as of June 30, 2011. This did not lead to any objections. The Committee discussed the findings of the review with the auditors in detail.

The Committee also addressed the engagement of the auditors (PwC) to audit the annual financial statements for 2011, 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 (the Code).

In 2011, the Audit Committee again addressed the audit plan for MAN's Corporate Audit function and its implementation status, risk management and the MAN Group's risk position, and the continued optimization of the Group's internal control system.
The Audit Committee regularly discussed business developments in the MAN Group, the status of corporate planning, financing issues, and commercial matters relating to upcoming Supervisory Board resolutions on major transactions.
Equally, the Audit Committee regularly received reports on, and discussed, the status of the Ferrostaal transaction.
Once again, compliance was another focus of the Audit Committee's work in the past year. Among other things, the Committee supported the measures to further improve the compliance system within the MAN Group. MAN's Chief Compliance Officer also reported in person to the Committee.

Issues addressed by the full Supervisory Board

Topics discussed regularly by the full Supervisory Board included trends with respect to orders, revenue, earnings, and employment within the MAN Group, as well as key strategic projects such as investments and divestments.

We also continuously addressed compliance issues in detail. MAN's Chief Compliance Officer reported on compliance topics in person on a number of occasions at our meetings, including on the expansion of the compliance organization and the further optimization of the compliance system within the MAN Group, as well as on the status of compliance investigations and the results of completed investigations.

We also regularly reviewed the status of the Ferrostaal transaction. In 2009, International Petroleum Investment Company, Abu Dhabi (IPIC), acquired 70% of the shares in Ferrostaal AG from MAN and granted MAN a put option on the remaining 30% of the shares. MAN exercised this put option at the beginning of 2010. However, IPIC refused to complete the transaction, referring to the investigations at Ferrostaal (which have now been completed) by the German public prosecution authorities relating to suspected instances of corruption, and filed an arbitration action against MAN; in turn, MAN filed a counterclaim in 2011. The dispute with IPIC was resolved amicably at the end of the year under review (see below).

The following information relates to the Supervisory Board meetings held in 2011:

In our meeting on **February 22, 2011,** we approved Klaus Stahlmann's resignation from the Executive Board (see below) and addressed the details relating to the termination of his contract of service.
We also examined a number of strategic topics at MAN Truck & Bus AG. Among other things, we approved the construction of a CKD production facility in St. Petersburg/Russia and the restructuring of sales operations in France, Belgium, and the Netherlands.

Key issues discussed at our meeting on **March 18, 2011,** were the annual financial statements for 2010 and a number of topics relating to our 2011 Annual General Meeting.

On **May 12, 2011,** the Supervisory Board discussed its proposals to the Annual General Meeting for the election of shareholder representatives, based on the recommendations made by the Nomination Committee.
We adopted a resolution on one of the proposed candidates in writing.
Another issue discussed in the meeting on May 12 was the notification by Volkswagen Aktiengesellschaft ("VW") of its acquisition of control dated May 9, 2011, according to which VW had increased its share of the common shares of MAN SE to more than 30%, and the resulting obligation on the part of VW to make a mandatory offer to all external shareholders of MAN SE to acquire the remaining shares ("mandatory offer").
The Supervisory Board resolved to obtain the advice of an investment bank with respect to assessing the appropriateness of the consideration.
Barclays Capital, the investment bank, was engaged to issue an opinion immediately following publication of the mandatory offer by VW as to whether the consideration offered to MAN SE shareholders was appropriate from a financial point of view.
In a further meeting on **June 7, 2011,** we appointed Dr. René Umlauft as a deputy member of MAN SE's Executive Board effective September 1, 2011 (see below).
VW's mandatory offer, which was published on May 31, 2011, and the opinion on it produced by Barclays Capital, were the subject of in-depth discussions in the Supervisory Board. The Supervisory Board resolved on June 7 to issue its reasoned statement on VW's mandatory offer in accordance with section 27 of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG — German Securities Acquisition and Takeover Act) to the shareholders.

Mr. Berkenhagen, Mr. Stadler, and I abstained from the vote in view of potential conflicts of interest due to our equity interest in the offeror/positions on the governing bodies of Volkswagen Group companies. I also handed over the chairmanship of the meeting for this agenda item.

Like the Executive Board, the Supervisory Board was unable to recommend the acceptance of the mandatory offer in view of the financial analyses submitted and the stock exchange prices for MAN's shares at the time.

A further regular meeting of the full Supervisory Board was held immediately before the Annual General Meeting on **June 27, 2011.**
The Supervisory Board had initially recommended electing Prof. Dr. Jochem Heizmann, Hans Dieter Pötsch, and Prof. Dr. Martin Winterkorn, among other people, to the Supervisory Board as shareholder representatives.
In the meeting, I informed the members of the Supervisory Board that the abovementioned gentlemen had informed me before the meeting that they would not be standing for election on June 27 due to reservations on the part of the European Commission relating to VW's acquisition of control. In addition, I informed the Board that MAN SE's shareholder Volkswagen AG planned to propose the election of Mr. Ulf Berkenhagen, Dr. Thomas Kremer, and Dr. Matthias Bruse at the Annual General Meeting.
Furthermore, we discussed the status of the mandatory offer by VW, among other things, in our meeting on June 27.

We held a constituent meeting following the Annual General Meeting on **June 27.** The Supervisory Board again elected me as its Chairman, Thomas Otto as its First Deputy Chairman, and Prof. Dr. Ekkehard D. Schulz as an additional Deputy Chairman.
In addition, the elections for the Presiding Committee and the Audit Committee were held.

On **October 7, 2011,** the Executive Board reported among other things on key strategic issues relating to the MAN Group and the MAN divisions.
We approved the acquisition of FORCE Motors Ltd.'s 50% stake in the joint venture MAN FORCE Trucks Private Limited/India; following completion of the transaction, MAN Truck & Bus AG is the sole owner of the Indian company.
Furthermore, we authorized the Executive Board of MAN SE to approve the signing of a control agreement between MAN Truck & Bus AG and EURO-Leasing GmbH at an annual general meeting of MAN Truck & Bus AG.
Finally, the Supervisory Board resolved to engage PwC to audit MAN SE's annual financial statements for 2011 and risk early recognition system.

On **December 7, 2011,** we examined the details of the final and amicable conclusion to the dispute with IPIC regarding the Ferrostaal transaction, among other things. We approved the acquisition of 70% of the shares of Ferrostaal AG from IPIC Holdings GmbH & Co. KG and the subsequent sale of 100% of the shares of Ferrostaal AG to MPC Industries GmbH and Immo Norse AG.
In addition, we reviewed the MAN Group's corporate planning for the years 2012 to 2014 and risk management and strategy issues, among other things.

Corporate governance and Declaration of Conformity

The Declaration of Conformity with the German Corporate Governance Code issued by the Executive Board and the Supervisory Board in December 2010 in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) contained a temporary restriction. This related to the recommendation contained in section 5.4.5 of the Code and was due to the fact that Prof. Dr. Ekkehard D. Schulz, Chairman of the Executive Board of ThyssenKrupp AG, served on the supervisory boards of three other listed companies as well as one unlisted company with comparable requirements. This restriction ceased to apply when Prof. Dr. Schulz left the Executive Board of ThyssenKrupp AG on January 21, 2011.
A supplement to the December Declaration of Conformity was published in May 2011 with respect to the original plan that Prof. Dr. Heizmann, Mr. Pötsch, and Prof. Dr. Winterkorn should stand for election to the MAN Supervisory Board while at the same time being members of the Board of Directors of Scania AB.

However, once the candidates withdrew and consequently were not elected to the MAN Supervisory Board, this supplement ceased to apply. The Company published a notice to this effect in July 2011.

In December 2011, the Executive Board and Supervisory Board issued the most recent annual Declaration of Conformity in accordance with section 161 of the AktG. According to it, MAN SE complied with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with its Declaration of Conformity of December 2010 as well as the supplement to this Declaration of May 2011 and the notice regarding the supplement of July 2011, and will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on May 26, 2010.

No conflicts of interest involving members of the Supervisory Board within the meaning of section 5.5 of the German Corporate Governance Code were notified in the year under review.
I already reported above on the approach to the vote in the Supervisory Board on VW's mandatory offer adopted by Mr. Stadler, Mr. Berkenhagen, and myself. No decisions were required to be taken with respect to the issue of cooperation between MAN and Scania.

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

Audit of the 2011 annual and consolidated financial statements and dependent company report

In accordance with our proposal, the Annual General Meeting elected PwC as the auditors for fiscal 2011 on June 27, 2011. The Supervisory Board issued the concrete audit engagement letter to PwC in line with the Audit Committee's recommendations and specified the areas of emphasis of the audit.

The auditors issued unqualified audit opinions on the annual financial statements of MAN SE and the consolidated financial statements for the MAN Group, plus the relevant management reports.
In addition, the auditors assessed the internal control system and the risk management system and concluded that the Executive Board had taken the measures required by section 91(2) of the AktG to identify at an early stage risks that could endanger the Company's continuing existence.

Following the entry into force of the last completion condition on November 3, 2011, and completion of the mandatory offer on November 9, 2011, VW AG holds a total of 55.90% of the voting rights and 53.71% of the share capital of MAN SE.

No control agreement has been signed. As a result, the Executive Board prepared a report on relationships with affiliated companies (dependent company report) in accordance with section 9 (1) letter c (ii) of the SE Verordnung (SE VO – SE Regulation) and section 312 of the AktG for the period from November 3 to December 31, 2011. The auditors audited the dependent company report and issued the following audit opinion:
"On completion of our review and assessment in accordance with professional standards, we confirm that

1. the actual disclosures are accurate,
2. the consideration paid by the Company for the transactions listed in the report was not inappropriately high or any disadvantages were compensated,
3. there are no circumstances that would indicate a materially different assessment of the measures listed in the report to that given by the Executive Board."

The Supervisory Board concurred with the results of the audit of the dependent company report by the auditors.

The members of the Audit Committee and the members of the Supervisory Board received the documents relating to the annual financial statements and the dependent company report, and the audit reports prepared by the auditors, in good time for the meetings of these committees on February 10, 2012, and February 13, 2012, respectively.

The auditors reported in detail in both meetings on the key findings of their audits and were available to provide additional information.

Based on the audit reports by the auditors and its discussion with them as well as its own findings, the Audit Committee prepared the documents for our own examination of the consolidated financial statements, the annual financial statements of MAN SE, the management reports for MAN SE and for the Group, and the dependent company report and reported on them in our meeting on February 13, 2012. After this, it recommended that we approve the annual financial statements.

We examined these documents in depth in the knowledge of, and taking into account, the report by the Audit Committee and the auditors' report, and in our discussions with these. We came to the conclusion that the assessments by the Executive Board of the position of the Company and the Group presented in the management reports correspond to those of the Supervisory Board. We therefore concurred with the results of the audit by the auditors in our meeting on February 13, 2012, and approved the annual financial statements prepared by the Executive Board and the consolidated financial statements. The annual financial statements are thus adopted.
Our examination of the dependent company report led to the conclusion that there are no objections to be raised to the declaration by the Executive Board at the end of the dependent company report. We examined the Executive Board's proposal on the appropriation of the net profit with particular reference to the interests of the Company and its shareholders, and concurred with the recommendation.

Changes to the Composition of the Supervisory Board and the Executive Board

Dr. Heiner Hasford resigned from the Supervisory Board with effect from the end of June 15, 2011.
Dr. Thomas Kremer, who had been elected as the alternate member for all shareholder representatives on the Supervisory Board, joined the Supervisory Board with effect from June 16, 2011, until the end of the 2011 Annual General Meeting.

The term of office of the entire first Supervisory Board of MAN SE, which was appointed in 2009 following the change in legal form from an AG to an SE, ended upon the close of the Annual General Meeting on June 27, 2011.

By way of a resolution by the MAN SE Works Council dated October 21, 2010, Marek Berdychowski, Detlef Dirks, Jürgen Dorn, Gerhard Kreutzer, Wilfrid Loos, and Erich Schwarz were appointed to the Supervisory Board as internal employee representatives, and Jürgen Kerner and Thomas Otto were appointed as union employee representatives.

The Annual General Meeting elected Angelika Pohlenz and Michael Behrendt, Ulf Berkenhagen, Dr. Matthias Bruse, Dr. Thomas Kremer, Prof. Dr. Ekkehard D. Schulz, Rupert Stadler, and myself to the Supervisory Board as shareholder representatives.

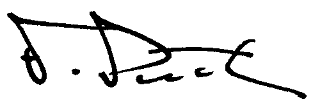
We would like to thank the Supervisory Board members who stepped down as of the end of the Annual General Meeting – Prof. Renate Köcher, Nicola Lopopolo, and Dr. Rudolf Ruprecht – and Dr. Heiner Hasford, who had already resigned from the Supervisory Board, for their years of constructive work on the Supervisory Board in the interests of the Company and its employees.
The term of office of the current Supervisory Board of MAN SE expires at the end of the Annual General Meeting in 2016.

Klaus Stahlmann resigned from the Executive Board effective February 21, 2011. The Supervisory Board agreed to this. Mr. Stahlmann also resigned from the Executive Board of MAN Diesel & Turbo SE effective February 21.
On June 7, 2011, the Supervisory Board appointed Dr. René Umlauft as a deputy member of MAN SE's Executive Board effective September 1, 2011. In addition, Dr. Umlauft became a member of MAN Diesel & Turbo SE's Executive Board and its *Arbeitsdirektor* (member responsible for employee relations) as well as the company's Chief Executive Officer, effective September 1.

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

On behalf of the Supervisory Board:

Munich, February 13, 2012



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

Management Board

Dr. Georg Pachta-Reyhofen, Chief Executive Officer

Born in 1955, he studied mechanical engineering at Vienna University of Technology. After obtaining a doctorate in technical sciences in 1986, he joined the MAN Group. In 1996, he became Technical Director at MAN A.S., Ankara (now MAN Türkiye), becoming a member of the Executive Board in 1998. From 1999 he was the Head of Engine Development at MAN Truck & Bus AG and from July 2001 a member of the MAN Truck & Bus Group's Executive Board with responsibility for its technical and purchasing activities. On July 1, 2006, he was appointed to MAN SE's Executive Board and at the same time was appointed Chairman of MAN Diesel SE's Executive Board. He has been the Chief Executive Officer of both MAN SE and MAN Truck & Bus AG since January 1, 2010.

Frank H. Lutz, Chief Financial Officer

Born in 1968, he studied business administration and economics at the University of St. Gallen. He joined Goldman, Sachs & Co. in 1995, working in London, New York, and Frankfurt as an analyst, as well as in investment banking and M&A. From 2005, he held various management functions at Deutsche Bank AG (Head of Industrials Germany and Chief of Staff Corporate Advisory Group Germany). He joined the Group in 2006, managing the Finance function at MAN SE as Senior Vice President, and has been the Chief Financial Officer of MAN SE since December 11, 2009.

Jörg Schwitalla, Chief Human Resources Officer

Born in 1961, he studied business administration and then spent over ten years working for tire manufacturer Michelin in various personnel and production functions. He was Senior Vice President of Human Resources in the CompAir/Invensys Group for two years. This was followed by seven years with automotive components supplier Valeo in personnel and management functions, ultimately as Vice President of Human Resources in Paris. He has been working for the MAN Group since October 2006, becoming the MAN Group's Senior Vice President of Human Resources in 2009. He has been Chief Human Resources Officer and a member of the MAN SE Executive Board since May 19, 2009.

Dr. René Umlauft, Deputy Member of the Executive Board

Born in 1964, he studied mechanical engineering and factory planning at the Technical University of Dresden. He joined Siemens AG's Energy Production Division in 1991. From 1996 onward, he was initially Deputy Manager and then Manager of the gas turbines service centre. In 2000, he took over as Head of Global Order Management, becoming Head of the Turbosets business unit and the Products sector in the Power Generation unit in 2002. In 2008, he was appointed Chief Executive Officer of the Siemens Renewable Energy division. He has been Chief Executive Officer at MAN Diesel & Turbo SE since September 1, 2011, as well as a Deputy Member of the Executive Board of MAN SE.

Antonio Roberto Cortes,
President of MAN Latin America

Born in 1955, he studied economics and finance at Mackenzie University, the Instituto Mauá de Tecnologia (Brazil), and Insead (France). 1979 marked his entry into the automotive industry. In 1986, he participated in the creation of Autolatina and, from 1989 to 1990, he worked as a Business Strategy Executive at Ford in Detroit. He joined Volkswagen in 1994 in the position of Corporate Controller of Volkswagen in South America, and was responsible for the Treasury Department of Volkswagen do Brasil from 1999 onwards. In June 2000, he took over responsibility at Volkswagen Commercial Vehicles and Trucks and Buses for operations in South America. In December 2002, Mr. Cortes became Executive Vice President of Volkswagen Commercial Vehicles and Chief Executive Officer of Volkswagen Trucks and Buses; in February 2007, he was appointed President of Volkswagen Trucks and Buses. Antonio Roberto Cortes has been President of MAN Latin America since 2009.

MAN's Management Board is composed of the members of the Executive Board and the President of MAN Latin America.

From left to right: Frank H. Lutz / Antonio Roberto Cortes / Dr. René Umlauft / Dr. Georg Pachta-Reyhofen / Jörg Schwitalla


MAN

Corporate Governance

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

Corporate governance is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Association and internal regulations, and by internationally and nationally recognized standards of good and responsible governance. The German Corporate Governance Code (the Code) represents the statutory provisions for the governance of German stock corporations that apply to MAN and provides recommendations and suggestions for applying corporate governance at MAN in accordance with recognized standards.

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

Corporate Governance at MAN*

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

* Also the Corporate Governance Report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code as amended on May 26, 2010.

Declaration of Conformity

In December 2011, the Executive and Supervisory Boards issued the following Declaration of Conformity:

"MAN SE complied with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with its Declaration of Conformity of December 2010, as well as its supplement to this Declaration of May 2011, and the Notice regarding the Supplement of July 2011 respectively, and will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on May 26, 2010."

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

We comment on the key recommendations and suggestions contained in the Code in more detail in the following.

Promoting transparency and shareholders' rights

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

Annual General Meeting

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

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

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

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

Executive Board and Supervisory Board

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

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

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

The Supervisory Board has an oversight and advisory role. Important transactions require the Supervisory Board's approval.

MAN SE's Supervisory Board features equal representation, comprising eight shareholder representatives elected by the Annual General Meeting and eight employee representatives appointed during negotiations with the Special Negotiating Body. The term of office of the first Supervisory Board of MAN SE expired at the end of the Annual General Meeting on June 27, 2011. The new Supervisory Board held its constituent meeting directly following the Annual General Meeting on June 27, 2011. Its shareholder representatives were elected by the Annual General Meeting on June 27, 2011, and its employee representatives were appointed by way of a resolution by the MAN SE Works Council on October 21, 2010, in accordance with the provisions of the agreement with the Special Negotiating Body. Please refer to the "Report of the Supervisory Board" and "Notes to the Consolidated Financial Statements" for further information on the composition of the Supervisory Board of MAN SE, its committees and duties, and its cooperation with the Executive Board.

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

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

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

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

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

- reserving at least two Supervisory Board positions – one of which on the shareholder side – for persons who especially embody the criterion of internationality;
- reserving at least two Supervisory Board positions on the shareholder side for persons who neither exercise an advisory, directorship, or similar function at customers, suppliers, lenders, or other business partners of the MAN Group, nor have a business or personal relationship with MAN SE or its Executive Board that gives rise to a conflict of interest;
- reserving at least two Supervisory Board positions for women, at least one of which is on the shareholder side.

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

The Declaration of Conformity with the German Corporate Governance Code issued by the Executive Board and the Supervisory Board in December 2010 contained one temporary restriction. This related to the recommendation under section 5.4.5 of the Code and was due to the fact that Prof. Dr. Ekkehard D. Schulz, Chairman of the Executive Board of ThyssenKrupp AG, served on the supervisory board of three other listed companies as well as one non-listed company with comparable requirements. This restriction ceased to apply when Prof. Dr. Schulz left the Executive Board of ThyssenKrupp AG on January 21, 2011.

MAN also complied with the Code's recommendation that no more than two former members of the Executive Board be members of the Supervisory Board; there are currently no former members 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. MAN complied with the age limit set by the Supervisory Board for members of the Executive Board, which stipulates retirement from office at the age of 62 with the option for an extension up to a maximum age of 65 years. It also took into consideration the standard age limit of 70 set for members of the Supervisory Board. Only the Chairman of the Supervisory Board and an additional Supervisory Board member have exceeded 70 years of age.

The Supervisory Board approved the secondary activities of Executive Board members within the scope of section 4.3.5 of the Code only to the extent that these involved management activities at Group companies and serving on other companies' supervisory boards.

The Company has taken out D&O (directors' and officers' liability insurance) coverage. This insurance was adjusted to reflect the requirements of the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) dated July 31, 2009, and of the German Corporate Governance Code.

Compliance/risk management

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

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

- Another Group-wide compliance risk assessment was conducted in the reporting period. The aim of this was to identify potential compliance risks affecting objective business models in the Group. The results of the compliance risk assessment are used to determine measures to prevent compliance risks, among other things. A risk assessment relating to data protection was also conducted to identify focus areas for the global data protection program.

- To supplement the policies developed in the previous year, the Compliance function developed three additional compliance policies: a policy on compliance with antitrust regulations, a policy on handling personal data, and a policy on case management and compliance investigations. In addition, MAN has issued a Code of Conduct for suppliers and business partners that contains minimum ethical standards that MAN's suppliers and business partners undertake to observe.

- The Compliance function continues to operate the Compliance Helpdesk, which all employees can contact with compliance-relevant questions. The Compliance Helpdesk answered over 1,400 employee questions in the reporting period.

- The Compliance function held compliance awareness training around the world in the form of classroom sessions for all employees who may be exposed to compliance risks in their day-to-day work. The training sessions focus on providing basic knowledge on anticorruption and infringements of antitrust law. The Compliance function also conducted special antitrust law training sessions for employees who come into close contact with competitors and antitrust issues, as well as special half-day training sessions to familiarize data protection coordinators with the Group's data protection policy.

- The Business Partner Approval Tool developed in 2010 was rolled out globally. The policy on engaging business partners requires it to be used to check the integrity of a business partner.

- To ensure that purchasing and payment processes at MAN comply with the policies, and that compliance risks in these areas are identified at an early stage, MAN started introducing an electronic monitoring system during the reporting period that supplements the controls imposed by the internal control system. This system is designed to detect any compliance risks and policy violations in the MAN Group's purchasing and payment processes at an early stage.

- To prevent MAN being exposed to compliance risks from the acquisition or disposal of equity investments, MAN implemented a process in 2011 that involves the Compliance function in any M&A projects in the MAN Group from the start.

- The Speak up! whistleblower portal introduced during the reporting period serves to identify and prevent material risks to MAN. It accepts and analyzes tip-offs relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses), antitrust law, and data protection.

- Compliance violations are not tolerated at MAN. Reports of possible violations are investigated in detail, dealt with, and punished according to the penalties permitted under labor law.

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

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

Directors' dealings (reportable securities transactions)

Section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – German Federal Financial Supervisory Authority). No transactions were reported in fiscal 2011. Any disclosures are published on the website at the following address: → www.man.eu/MAN/en/Investor_Relations/Corporate_Governance/Meldepflichtige_Wertpapiergeschaefte/.

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

Financial reporting

The year-end consolidated financial statements of the MAN Group are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of MAN SE are prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). The financial statements are examined and approved by the Supervisory Board. All deadlines for the publication of financial statements and interim reports were met during the reporting period. In accordance with the 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.

Audits

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

Remuneration report for fiscal year 2011*

Executive Board remuneration in 2011

Resolutions to stipulate the total remuneration of individual Executive Board members are prepared by the Presiding Committee of MAN SE's Supervisory Board. The full Supervisory Board then stipulates the total remuneration in accordance with legal requirements. The full Supervisory Board also regularly discusses the structure of the Executive Board remuneration system based on the Presiding Committee's proposals. This system is regularly reviewed and adjusted as needed in accordance with the recommendation in the German Corporate Governance Code (section 4.2.2). The Supervisory Board adopted resolutions on the current remuneration system at its meeting on February 12, 2010, and in writing on the measurement of the bonus in June 2010.

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

Remuneration structure and components

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

A) Fixed remuneration

The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive noncash benefits that primarily comprise the provision of a company car, drivers for business trips, and the payment of insurance premiums.

The fixed remuneration is reviewed on a regular basis and adjusted where necessary, taking into account general salary trends and the area of responsibility of the individual Executive Board member.

* The Remuneration Report is part of the Group Management Report in accordance with section 315 of the HGB.

B) Variable remuneration

The performance-related variable remuneration (bonus) is based on two performance components of equal weighting.

Performance component one

Performance component one is defined as the delta to the cost of capital, or the difference between return on capital employed (ROCE) and the weighted average cost of capital (WACC).

The average delta to the cost of capital of the current and the following fiscal years is measured against the target range set in advance by the Supervisory Board.

If the lowest value in the target range is not met, this represents a target achievement of 0%. The highest value in the target range corresponds to the maximum target achievement of 200%. Target achievement between the lowest and highest values of the target range is calculated on a straight-line basis.

Three-quarters of the fixed annual salary is awarded for a target achievement of 100%. The maximum possible bonus for this performance component is capped at one-and-a-half times the fixed annual salary for a target achievement of 200%. A retroactive bonus is paid if target achievement in the following year exceeds that of the current fiscal year, thus improving the average value, provided that this does not exceed the upper limit for a target achievement of 200%. Similarly, if target achievement is lower in the following year, the bonus for the following year is reduced accordingly.

The current target range for the delta to the cost of capital is –5% to +5%. Target achievement of 0% to 200% is represented as a straight line between these base points. A delta of 5.0% or more therefore yields one-and-a-half times the fixed annual salary and an ROCE equal to the cost of capital yields three-quarters of the fixed annual salary.

Performance component two

The second performance component measures the return on equity (before tax) of the current fiscal year against a predetermined target. The degree to which the target has been achieved is calculated in the same way as for performance component one.

The current target range is a return on equity of between 4% and 20%. Target achievement from 0% to 200% is represented as a straight line between these base points. The maximum possible bonus for this component – one-and-a-half times the fixed annual salary – is awarded for a return on equity of 20% or more. A return on equity of 12% yields three-quarters of the fixed annual salary.

Half of the bonus from this component is paid out as a variable stock bonus. Once tax has been deducted, the stock bonus is used to acquire MAN SE common shares, which are subject to a four-year vesting period.

The total bonus from both components is therefore limited to three times the fixed annual salary and is only paid out if the MAN Group generates a return on sales (ROS) of more than 2%.

Figures for fiscal year 2011

Targets and target achievement for bonuses in 2011 were as follows:

Performance component	100 % of target	200 % of target (CAP)	Actual value 2011	Target achievement	Bonus
1* (ROCE – WACC)	0%	5%	14.4%	200% (CAP)	1.5 fixed annual salary
2 Return on equity	12%	20%	11.3%	91.25%	0.68 fixed annual salary

* This component is based on an average of the relevant and the following fiscal year. It is therefore an advance payment that may have to be paid back.

Supplementary information on the bonus for fiscal 2010: Performance component one is based on an average of the relevant and the following fiscal year. The calculation of this component using the actual figures for 2010 and 2011 now available means that there is no need to recalculate this component.

C) The MAN Stock Program

A cash payment of 50% of the fixed annual salary is granted as an additional remuneration component for the purpose of acquiring MAN SE common shares. Once tax has been deducted, this amount is used to acquire MAN SE common shares, which are subject to a four-year vesting period.

The obligation to invest significant portions of remuneration for at least four years under the MAN Stock Program or the variable stock bonus in MAN SE common shares means that a considerable portion of the total long-term remuneration available to the Executive Board is directly dependent on the performance of MAN SE's common shares.

D) Occupational pension system

The Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, or "capital account plan," with the value of benefits dependent upon the performance of certain fund indices.

Every year, MAN SE contributes an amount equal to 20% of eligible remuneration, or the sum of the contractually agreed fixed remuneration and variable remuneration. Executive Board members may elect to make contributions out of their gross salary.

Contributions and the returns thereon are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as employees get older (life-cycle concept).

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 a minimum of €2 million.

Executive Board members' remuneration in 2011

The remuneration awarded to active members of the Executive Board for their services in fiscal 2011 totaled €7,322 thousand plus €895 thousand for pensions (previous year: €10,549 thousand plus €656 thousand for pensions). Please see **note (35)** in the "Notes to the Consolidated Financial Statements" for details of the Executive Board members' individual remuneration, broken down into fixed, performance-related, and long-term incentive components.

Additionally, a total of €2,930 thousand (previous year: €7,142 thousand) in severance payments was made in fiscal 2011 to members who left the Executive Board in fiscal 2009 or fiscal 2011. Appropriate provisions were recognized for these payments in fiscal 2009 or fiscal 2011 respectively. These payments are also described in detail in the above-mentioned note in the "Notes to the Consolidated Financial Statements."

Special contract provisions

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

If a contract is terminated at the instigation of an Executive Board member (a member may do so, without having to cite 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 stipulated by the Annual General Meeting and governed by Article 12 of the Articles of Association. It is based on the tasks and responsibilities of the Supervisory Board members as well as on the Group's economic performance.

The annual remuneration comprises the following components:

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

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

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

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

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

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

Approval for the remuneration of the first Supervisory Board of MAN SE was sought as a precautionary measure at the 2011 Annual General Meeting when the Supervisory Board's first term of office ended as defined by the Articles of Association.

Supervisory Board members' remuneration in 2011

The remuneration payable to the members of the Supervisory Board in 2011 totaled €2,220 thousand (previous year: €2,183 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €73 thousand (previous year: €68 thousand) for serving on supervisory boards at Group companies in fiscal 2011. Please see **note (36)** in the "Notes to the Consolidated Financial Statements" for a breakdown of the individual remuneration of the Supervisory Board members in 2011.

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, 2011, do not receive any remuneration.

MAN Shares

MAN shares had a difficult year on the stock markets in 2011. The stock market environment on the whole was dominated by a massive intensification of the European debt crisis.

Key indicators for MAN common shares

	2011	2010
Earnings per share in €[1]	4.62	5.30
Cash dividend per share in €[2]	2.30	2.00
Market capitalization (as of Dec. 31)[3] in € million	9,978	12,898
Closing price in €	68.70	88.99
High in €	98.72	96.44
Low in €	52.51	47.99
Dividend yield[4] in %	3.3	2.2
Total return[5] in %	–21.1	64.0
Number in thousands[6]	140,974	140,974
Dax yield in %	–14.7	16.1
Euro Stoxx yield in %	–15.2	2.7

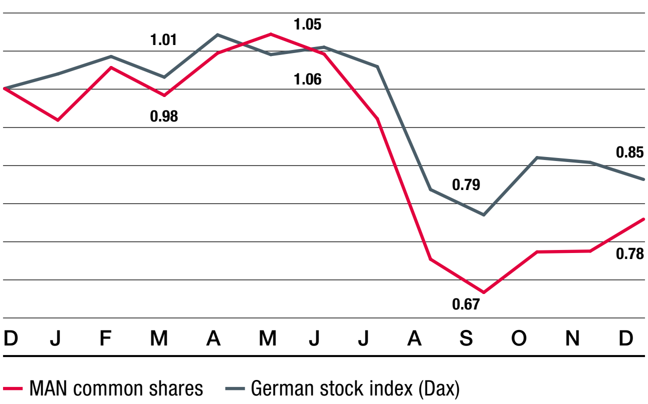
[1] Earnings per share excluding nonrecurring items and the effects from purchase price allocations: €5.78.
[2] 2011: proposed dividend.
[3] Basis: 140,974,350 common shares and 6,065,650 preferred shares.
[4] Cash dividend based on the closing price on December 31.
[5] Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held.
[6] Only common shares.

Source: Bloomberg

Performance of MAN shares

MAN common shares were unable to escape the globally negative stock market trend and lost a good fifth of their value in fiscal 2011. MAN shares moved in line with other cyclical capital goods manufacturers whose share prices react particularly sensitively to economic fluctuations.

MAN common shares vs. Dax December 2010 to December 2011



Indexed values, December 31, 2010 = 1.00

Source: Bloomberg

Difficult year on the stock markets

2011 was dominated by uncertainty and volatility on the global stock markets, particularly in the second half of the year. Global stock markets came under considerable pressure after rating agency Standard & Poor's downgraded the United States, the European debt crisis intensified massively, and fears grew of default by sovereign states in southern European countries. Investors withdrew large amounts of liquidity from the markets. Increasing anxiety as to implications of the debt crisis for the real economy and related growing fears of a recession further unsettled investors.

In this uncertain market environment, the German benchmark index, the Dax, fell considerably over the year as a whole. The Dax closed the year at 5,898 points – a decrease of around 15% in 2011.

During the period from January to December 2011, the price of MAN common shares fell by €20.29 or just under 23% to €68.70 on December 31, 2011, from a closing price of €88.99 on December 31, 2010. The German benchmark index, the Dax, dropped by about 15% in the same period and closed at 5,898 points at the end of the year.

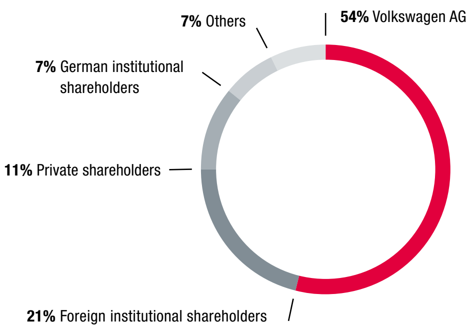
Volkswagen is majority shareholder of MAN

Volkswagen AG's acquisition of a majority stake in MAN SE has been completed. On November 9, 2011, those shares that MAN SE shareholders tendered to Volkswagen AG as part of the May 31, 2011, offer were transferred to the new majority shareholder. Volkswagen now holds a total of 55.90% of MAN's voting rights and 53.71% of its share capital. The free float for MAN's common shares is now 44.10%.

Investor base still international

Apart from its largest single shareholder, Volkswagen AG, MAN SE still has an international investor base. Holders of MAN SE common and preferred shares are identified in the course of regular shareholder analyses. The most recent survey, in winter 2011, was able to identify more than 94% of the holders and revealed that about 21% of the share capital is held by foreign institutional investors. As in previous years, our international investors are predominantly based in the United Kingdom and the United States.

Shareholder structure*



* Basis: 140,974,350 common shares and 6,065,650 preferred shares; as of December 2011.
Source: IPREO

MAN's market capitalization

MAN's index-related market capitalization fell due to weaker share performance in fiscal 2011, declining from about €13 billion to just under €10 billion. According to Deutsche Börse's indexing system, in which only the free float of a company's most liquid share class is considered when calculating market capitalization (in the case of MAN common shares, this corresponds to a free float of 44.10% following the majority takeover by Volkswagen AG), MAN finished 30th in the Dax index on December 31, 2011, after ranking 19th the previous year.

At almost €17 billion, the trading volume of MAN common shares was higher in the past fiscal year than in 2010 (€16 billion). MAN finished 19th in the Dax index, as in the previous year.

Dividend

Once again, the MAN Group would like to enable its shareholders to participate in the Company's success by distributing an appropriate share of its profits for 2011, bearing in mind the economic environment. The dividend for this year will therefore be higher than that for 2010. The amount distributed is not fixed; the MAN Group generally aims for 30% to 60% of net income. The Executive Board and Supervisory Board are proposing to pay a dividend of €2.30 for fiscal 2011 to this year's Annual General Meeting. Based on the closing price of MAN common shares as of December 31, 2011, (€68.70), this corresponds to a dividend yield of 3.3%.

In-depth, trust-based dialog with the capital markets

Constant and transparent communication with all capital market participants will remain very important to MAN even after the majority takeover by Volkswagen AG. In fiscal 2011, Management and the Investor Relations team informed analysts and investors about business developments and the MAN Group's strategic focus during numerous personal conversations, roadshows, and conferences. Transparency, early information for all of our shareholders, and reliability will continue to be the basis of our Investor Relations activities in 2012.

Investor Relations activities

The MAN Capital Market Day held mid-October in Augsburg was the highlight of this year's in-depth communication with the capital markets. More than 60 analysts and investors were briefed about the MAN Group's activities, products, and divisions, and interacted directly with the Management Board. The stronger emphasis on MAN's Power Engineering business area was the focus of the event. Analysts and investors were able to experience the birth of a marine diesel engine in the foundry and get to know MAN Diesel & Turbo's full product range on factory tours.

MAN Country Book

The purpose of MAN's Investor Relations work is to provide all shareholders and the interested public with comprehensive and timely information about the most recent developments. The Investor Relations team published the "MAN Country Book Commercial Vehicles" in fiscal 2011 as a comprehensive information tool. It provides an overview of economic indicators, the transportation volume in selected countries, plus information about market growth and market shares for trucks and buses. The book also presents information on emissions regulations and key market drivers.

The new MAN Country Book at:

→ www.man.eu/MAN/en/Investor_Relations/Finanzberichte_und_Praesentationen/Country_Book/

Analyst recommendations

Some 25 financial analysts regularly publish studies on MAN. At the end of 2011, 65% of the analysts issued a buy recommendation for MAN shares. A hold recommendation was issued by 26% of the analysts and a sell recommendation was issued by only 9%. Analysts estimated that MAN shares had an average target price of €77 on December 31, 2011.

Basic information about MAN shares

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

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

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

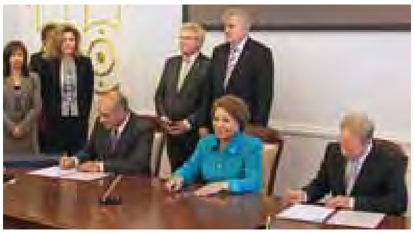
MAN shares are listed in other prominent stock market indices, including the HDax, CDax, DivDax, Euro Stoxx®, Stoxx® Europe 600, and Euro Stoxx® TMI Industrial.

More information about MAN's shares and its Investor Relations activities is available at → **www.man.eu/investors,** or via e-mail by contacting **investor.relations@man.eu.** You can of course also contact us by telephone on **+49. 89. 36098-334.**

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

Overview of the Fiscal Year

MAN Diesel & Turbo's plant in Changzhou, China.



Signing the contract for a new truck plant in St. Petersburg.

The new SITRAK brand symbolized by three stylized Ginkgo leaves.

1st quarter

January 25, 2011

MAN Diesel & Turbo opens new emission testing system in Augsburg

Future measures to reduce emissions in ship and power plant engines are tested using this system.

February 25, 2011

Fleet operators vote MAN the winner at Image Award 2011

Germany's truck hauliers and fleet operators vote MAN as their top brand.

March 21, 2011

Annual press conference: MAN continues to grow

Dr. Georg Pachta-Reyhofen, Chief Executive Officer of MAN, reports a return to previous strength: profits doubled in the operating business.

2nd quarter

April 1, 2011

EURO-Leasing becomes a wholly owned subsidiary of MAN Truck & Bus

MAN Rental expands its commercial vehicle rental business.

April 14, 2011

MAN announces own truck production facilities in Russia

A memorandum of understanding is signed with the Governor of the City of St. Petersburg, Valentina Matviyenko.

April 18, 2011

MAN supports SOS Children's Village in Japan

The children's village offers a home to children and families touched by the earthquake and the impact of the tsunami.

April 19, 2011

MAN and Sinotruk unveil new truck brand SITRAK

at the Auto Shanghai 2011 motor show.

May 18, 2011

MAN Diesel & Turbo expands plant in China

Activities in the Power Engineering business area in Changzhou are combined.

May 25, 2011

MAN examines irregularities in the course of the handover of four-stroke marine diesel engines

MAN SE's Executive Board launches an investigation to examine reports that it was possible to externally manipulate the technically calculated fuel consumption figures on test beds from MAN Diesel & Turbo.

May 31, 2011

Volkswagen AG submits mandatory offer to MAN shareholders

having previously increased its share of MAN SE's common shares to 30.47%.

Under one Group roof now: The Chairmen of the Works Councils, the CEOs, and the Supervisory Board Chairman of MAN and VW.

In practice tests since 2011: The MAN TGL hybrid.

The FC Bayern Munich Basketball team welcomes new partner MAN.

3rd quarter

July 11, 2011

MAN advocates sustainable mobility

At the VDA (German Association of the Automotive Industry) commercial vehicle symposium, Dr. Pachta-Reyhofen, Chief Executive Officer of MAN, stresses that it is vital to network electromobility and public transportation.

July 13, 2011

New competence center for hybrid drives established in Munich

July 22, 2011

Volksbus the first to house MAN engines and feature Euro V technology

The Brazilian government orders 3,000 school buses from MAN Latin America.

September 1, 2011

Dr. René Umlauft becomes the new Chief Executive Officer of MAN Diesel & Turbo

4th quarter

October 14, 2011

MAN Diesel & Turbo opens day care center in Augsburg

76 spaces for children enable employment in a family friendly environment.

October 21, 2011

MAN Latin America announces record investments

MAN Latin America will invest more than €400 million between 2012 and 2016 in further production capacities as well as research and development.

November 9, 2011

Volkswagen is majority shareholder of MAN

Volkswagen AG's majority takeover of MAN SE is complete: Volkswagen now holds 55.90% of MAN's voting rights and 53.71% of its share capital.

November 21, 2011

MAN Truck & Bus increases involvement in India

An agreement is concluded to transfer the previous MAN FORCE TRUCKS Pvt. Ltd. joint venture to MAN Truck & Bus.

November 28, 2011

Ferrostaal becomes part of the MPC Group

MAN reaches an agreement with Abu Dhabi-based majority shareholder International Petroleum Investment Company (IPIC).

December 5, 2011

New site opens in "Parkstadt-Schwabing"

MAN moves into new premises in northern Munich, creating space for a significantly larger workforce.

December 31, 2011

MAN-Rheinmetall joint venture enters second phase

The MAN production site in Vienna is integrated into the joint venture with Rheinmetall (Rheinmetall MAN Military Vehicles). In turn, Rheinmetall contributes its sites in Kassel and Ede (Netherlands).

Highlights 2011

€17.1 billion
Order intake up 14%

€16.5 billion
Record revenue, 12% growth

€1,483 million
Operating profit up 43%

9.0%
Return on sales records significant improvement, back above target return

€–119 million
Negative free cash flow due to growth; net financial debt increases to €2.2 billion

€2.30
15% increase on proposed dividend per share

02/ Group Management Report

The MAN Group's Business Activities and Strategy

Sustainable value creation by focusing on transportation and energy, profitable international growth, customer orientation, after-sales activities, and technology leadership

The MAN Group

The MAN Group's focus on transportation and energy makes it one of Europe's leading commercial vehicle and mechanical engineering players. The Group aims to grow profitably around the world in both of its business areas, Commercial Vehicles and Power Engineering, and to increase the value of the Company. Customer orientation, the ongoing expansion of after-sales services, and technology leadership are key to achieving these goals.

MAN companies rank in the top three in their respective markets. The Group operates through four divisions – MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk – with a workforce of around 52,500 employees across 150 countries. The MAN Group is headed by MAN SE, which is the Group's Corporate Center. In 2011, the MAN Group generated revenue of €16.5 billion and operating profit of €1,483 million. Its return on sales increased from 7.1% in the previous year to 9.0%.

Overview of the business areas

Commercial Vehicles business area
MAN Truck & Bus is one of Europe's leading manufacturers of commercial vehicles, with production facilities in four European countries, South Africa, and India. Its products range from trucks with a gross vehicle weight of 7.5 to 44 t for all uses, special-purpose vehicles with a gross train weight of up to 250 t, through buses and coaches, to combustion ignition and spark-ignited engines for on- and off-road uses. MAN Finance International GmbH, Munich, and the national companies allocated to it (MAN Finance), offer financing solutions, in particular leases and rentals, to commercial vehicle customers. These activities are supported by an international sales and service network. MAN Truck & Bus sold 77,643 trucks, 5,775 buses, and 10,871 engines in 2011. Revenue amounted to €9.0 billion, and its operating profit was €565 million.

MAN Latin America is Brazil's largest truck manufacturer and the country's market leader for trucks with a permissible gross vehicle weight of more than 5 t. MAN Latin America produces trucks and buses in Resende, Brazil, and Querétaro, Mexico. Its vehicles are primarily sold in Latin America and Africa. It delivered 72,102 trucks and buses in full-year 2011. MAN Latin America has a nationwide sales and service network in Brazil and its neighboring countries. MAN Latin America staff work together in close partnership with suppliers at the Resende plant, which has a modular production system. Revenue amounted to €3.6 billion in 2011 and operating profit was €400 million. The number of employees totaled 7,049 (of whom 1,915 are employed directly by MAN Latin America).

Since 2009, MAN SE has held an interest of 25% plus one share in Sinotruk Ltd., Hong Kong/China, as a strategic investor and signed a long-term strategic partnership agreement with Sinotruk. The partnership combines the progressive technology and expertise offered by MAN with Sinotruk's existing production facilities, local knowledge, and extensive sales network in China. As part of the agreement, MAN is licensing to Sinotruk its TGA truck technology, including engines, vehicle chassis, and axles as the basis for producing a new heavy truck series. Sinotruk and MAN presented their joint truck brand, SITRAK, at the "Auto Shanghai 2011" show in April. The new brand is scheduled to go on sale in 2013.

Power Engineering business area

MAN Diesel & Turbo is one of the world's leading developers and manufacturers of large-bore diesel engines, turbo compressors, industrial turbines, and chemical reactor systems. The company commands a strong market position both in the development of two-stroke diesel engines for propulsion systems in large ships and in the manufacture of four-stroke diesel engines built into smaller vessels, auxiliary engines, and engines for electricity generation at power plants. MAN Diesel & Turbo also offers turnkey power plants. While the two-stroke engines are built by licensees, MAN Diesel & Turbo manufactures four-stroke engines at its sites in Germany and France. The company also offers a complete range of turbomachinery for various industries such as oil and gas, refineries, and chemicals, as well as for the production of industrial gases and electricity. Its product range is supported by a comprehensive after-sales business. MAN Diesel & Turbo generated revenue of €3.6 billion in 2011 and its operating profit was €460 million.

Renk is a listed subsidiary of MAN SE and a global manufacturer of special gear units, propulsion components, and testing systems. MAN holds 76% of the company's capital. Renk is a global market leader for tracked vehicle transmissions and electric machine bearings. It also has a leading market position in marine and industrial gear units. Renk's product portfolio comprises vehicle transmissions, drive elements (slide bearings and couplings), special-purpose propulsion systems (industrial and marine gear units), and broad-use propulsion systems (industrial and marine gear units, couplings). In addition, the company manufactures testing systems that are used in development, production, and quality assurance primarily in the automotive, rail, and aviation industries. Renk's revenue amounted to €0.4 billion in 2011 and its operating profit was €53 million.

The MAN Group's strategy and strengths

Strategic focus

MAN's clear, strategic focus on the transportation and energy segments, as well as its commitment to profitable international growth, pave the way for sustainable value creation. By focusing its business activities on customer orientation, after sales, and technology leadership, the Group lays the foundations for a successful and future-proof global portfolio.

Volkswagen is a strong majority shareholder and supports our strategy. Once leveraged, growth and synergy potential created together with the Volkswagen Group – particularly in the areas of procurement, production, and research and development – can be harnessed to further increase the MAN Group's competitive advantage.

Sustainable value creation

MAN is committed to sustainable corporate governance that entails comprehensive and strategic management of all economic, environmental, and social demands placed on the Company. We identify future developments at an early stage to anchor these in our sustainable, profitable corporate strategy. Meeting ecological and economic requirements through cutting-edge innovation is the key to implementing a successful product policy. MAN is also committed to responsible human resources management and compliance (see "Corporate Responsibility" for further information).

Focus on transportation and energy

In recent years, MAN has successfully specialized in the transportation and energy market segments. The transportation and energy industries play a key role in the development of emerging economies. MAN combines its expertise and competitive edge to meet customers' requirements – in particular to reduce emissions and fuel consumption – with tailored solutions.

MAN is a leading provider in the international commercial vehicles industry. The Commercial Vehicles business area comprising both MAN Truck & Bus and MAN Latin America is guided by a common strategy, as are MAN's equity interests. This strategy determines the direction, management, and development of the brand within the Commercial Vehicles business area. The focus of the strategy is to further internationalize the brand as part of a stringent multibrand policy, under which MAN is actively developing a global truck and bus portfolio with a view to transportation efficiency.

The MAN Group's second business area, Power Engineering, comprises MAN Diesel & Turbo and MAN's majority interest in Renk. MAN Diesel & Turbo is one of the world's leading providers of large-bore diesel engines and turbomachinery for marine and stationary applications. The company continues to expand its global product portfolio with a particular focus on dual fuel and gas applications. Renk is a globally recognized manufacturer of high-quality special gear units. One example of growth potential in this area is the series production of gear units for wind turbine systems.

Profitable international growth

Over the past few years, MAN has strategically expanded its international presence. This minimizes the risks associated with the economic fluctuation of individual markets and regions, for instance. Demand will remain high in emerging economies over the coming years, providing further growth impetus for MAN. However, Europe will remain MAN's core market and offers a healthy balance between growth and profitability.

At the same time, MAN's first priority will continue to be driving forward the BRIC strategy. MAN Latin America leads the commercial vehicle market in Brazil, offering products tailored to emerging economies at the upper end of the budget market. MAN Latin America's bid for leadership across the whole of Latin America is underlined by new products and increased capacity. MAN is investing in a production facility with an annual capacity of around 6,000 vehicles at its St. Petersburg site in Russia. In India, MAN Truck & Bus signed an agreement to fully acquire the joint venture with FORCE Motors Limited, Akurdi/India (FORCE). The production and sale of the MAN CLA in the Indian market will now be driven solely by MAN. The first fruits of our partnership with Sinotruk in China were presented at the "Auto Shanghai 2011" show: The new joint brand, SITRAK, is specifically and systematically tailored to the budget segment and will primarily serve the Chinese market, and later other rapidly growing, emerging economies in Asia, Africa, the Middle East, and the CIS region.

The Power Engineering business area is already highly internationalized. The successful implementation of the BRIC strategy will also depend on both the increased localization of components and the expansion of value creation at a local level. China is already MAN Diesel & Turbo's largest market in terms of sales worldwide. Almost all of the products in the company's portfolio have substantial sales potential in China. MAN Diesel & Turbo is systematically expanding its plant in Changzhou, China. Large-bore diesel turbochargers are now manufactured alongside its existing turbomachinery production. Renk also started assembling slide bearings at the same location to be able to supply customers direct from China. This means that we can offer our customers products and services tailored to their needs from a single source. In addition, our tradition of close cooperation with licensees creates a solid basis for long-term partnerships. MAN Diesel & Turbo is the world's leading licenser for two- and four-stroke engines in China, South Korea, and Japan, among other countries.

Customer orientation

The MAN Group's business activities are centered on the products and services that meet the needs of our customers and markets, and which find the balance between quality, reliability, and cost-effectiveness to the benefit of our customers.

MAN Truck & Bus regularly surveys customer expectations and uses this feedback to develop concrete commitments. These are mirrored in ten customer pledges. In addition, MAN's Consistently Efficient program is instrumental to its ongoing work to improve transportation efficiency. In this context, MAN offers a comprehensive concept to reduce vehicle operating costs. The MAN TeleMatics system is an integral part of this and provides the data required to optimize fleet management and logistics. These functions will be available throughout the EU in time for the 2012 IAA Commercial Vehicles Show in Hanover.

MAN Latin America's keen focus on customer needs, combined with expertise in emerging economies, has seen it rise to the top of customer, dealer, and after-sales satisfaction rankings. Demand for an expanded product range will be met with the launch of the MAN brand in Brazil. MAN is set to become one of the most popular brands in Brazil and Latin America alongside VW Caminhões e Ônibus.

MAN Diesel & Turbo caters to individual customer requirements down to the very last detail, starting in the pre-project phase. Once the tailored product has been developed, customers receive comprehensive support over its entire life cycle. In the power plant sector, for example, MAN Diesel & Turbo employees can operate and maintain customers' plants. The customer's own employees can also be trained and provided with targeted support. This long-term commitment reflects MAN's dedication to adding value for its customers.

After-sales activities

After-sales concepts tailored to customer needs are a key element of MAN's strategy and ensure reliability, availability, and efficiency throughout the entire product life cycle.

In addition to recruiting additional staff for after-sales activities, we are continually developing new products and improving existing offerings. In the Commercial Vehicles business area, we target used vehicle operators with exchange parts – reconditioned MAN parts that operators can purchase at a lower price than new parts, but that are covered by the same warranty. MAN also offers new types of service agreements. Customers can purchase different levels of service at a fixed price, enabling them to improve cost management. As part of our internationalization strategy, changes were made to parts logistics to ensure the availability of spare parts around the world. Regional requirements are now also taken into account in the quality and coverage of our global workshop network. We developed and implemented sales and after-sales agreements and standards for workshops and dealers offering different forms of service, according to market requirements.

MAN Latin America is increasing after-sales potential with the launch of new products – the MAN TGX/TGS and the localization of the MAN D08 engine in Brazil.

MAN Diesel & Turbo customers worldwide receive after-sales services under the MAN PrimeServ brand. Our tailored after-sales products are one of the key factors that differentiate us from the competition. MAN offers technical upgrades and retrofit packages, with which diesel engines can be converted to gas to meet stricter emissions regulations, for example. Our growing product universe around the world is supported by the ongoing expansion of our local service locations.

Technology leadership

MAN responds to the global challenges of protecting our environment and reducing fuel consumption and emissions by offering innovative solutions.

Commercial vehicles with alternative drive technologies for sustainable, cost-efficient mobility are already in use today. Examples include the MAN Lion's City Hybrid, a series vehicle in daily public transportation service across Europe, and two hybrid distribution trucks, which are currently being trialed in Munich. Other sustainable mobility concepts such as the TGX EfficientLine are also translating to market success.

MAN Diesel & Turbo drives innovation in all of its product groups, in particular technologies for cleaner and more efficient marine transportation and more environmentally friendly electricity generation. With the Emission 2020 project, the company is laying the foundation for the development of new marine engine technologies. The requirements set out in the EU Energy 2020 strategy relating to the development of new energy technologies provide further growth potential for other products in MAN Diesel & Turbo's portfolio. A 50 MW steam turbine generator began operation in 2011 as part of the Andasol 3 solar thermal power plant in Andalusia, Spain. Steam turbines, which efficiently combine heat and power to generate thermal energy and electricity from waste, also meet these requirements. At the heart of the first subsea gas processing installation in the world are special compressors from MAN Diesel & Turbo.

See “Research and Development” for further information.

Divestments

On March 25, 2009, MAN transferred 70% of the shares of Ferrostaal AG, Essen, (Ferrostaal) to International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC). The price for 100% of the shares of Ferrostaal was approximately €700 million and was contingent on the option agreed by MAN and IPIC on the purchase and sale of the remaining shares. The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised by MAN at the beginning of January 2010. The purchaser refused to complete the transaction, referring among other things to the ongoing investigations by the German public prosecution authorities at Ferrostaal. In this context, a nonappealable administrative fine of €140 million has now been imposed on Ferrostaal. A further administrative fine of approximately €10 million is expected to be imposed on one of the Ferrostaal group's companies; according to the information available to MAN, additional related court proceedings against Ferrostaal in Germany are to be discontinued with no further payments by Ferrostaal.

In addition, IPIC notified MAN at the end of September 2010 that it had filed an arbitration action to unwind the Ferrostaal transaction, and additionally for compensation for damages incurred. MAN filed its defense in the arbitration action at the beginning of June 2011. In addition to defending the arbitration action, MAN has filed a counterclaim for acceptance and payment of the remaining 30% interest in Ferrostaal as part of the arbitration action.

In addition, Ferrostaal has restated its annual financial statements for the years 1999/2000 to 2008 and is using this – in conjunction with the profit transfer agreements in force at the time – to assert claims against MAN amounting to approximately €100 million plus interest. MAN believes that the restated annual financial statements are void and filed an action at the end of May 2011 to determine that they are void.

MAN and IPIC agreed a settlement in November 2011. MAN will buy back 70% of the shares of Ferrostaal for €350 million, which will settle all claims between the parties in connection with the Ferrostaal transaction (IPIC settlement). At the same time, MAN and MPC Industries GmbH, Hamburg (MPC), have agreed to sell all shares in Ferrostaal to MPC and a coinvestor (MPC purchase).

However, the above-mentioned arbitration proceedings will continue until the IPIC settlement is implemented. This is subject to clearance by the antitrust authorities. The MPC purchase is conditional on the IPIC settlement being implemented.

The MPC purchase stipulates that MAN will pay to Ferrostaal an amount equal to the aforementioned compensation claims by Ferrostaal, which MAN believes are unjustified. MPC will pay the same amount to MAN as a fixed purchase price and will give an assurance that Ferrostaal will withdraw the action relating to the annual financial statements. In addition, MPC will pay a further purchase price component to MAN, if applicable, which will be contingent upon the outcome of certain Ferrostaal projects.

See the “Notes to the Consolidated Financial Statements” for further information.

Business Developments and Results of Operations in 2011

MAN Group on track for profitable growth with strong increases in order intake and revenue, as well as significant improvement in earnings

Economic environment

As a whole, fiscal 2011 was dominated by the ongoing recovery of the global economy. However, growth in global economic output weakened considerably over the course of the year. According to its winter report, the *Institut für Weltwirtschaft* (IfW – Institute for the World Economy) at the University of Kiel only anticipates global growth of 3.8% for 2011, down on its forecast of 5.1% in the previous year.

The decline of growth rates in the global economy is attributable to the debt crisis in the euro zone and temporary factors such as the Fukushima nuclear catastrophe, as well as the sharp increase in commodity prices in the first half of the year. Output growth slowed considerably and the business climate deteriorated in the advanced economies in particular. The emerging economies also reported a notable decline in growth rates, with exports slowing as a result of developments in the advanced economies. In addition, monetary and fiscal policy was often deliberately aimed at avoiding overheating and price increases.

Following a strong start to 2011, economic growth slowed markedly in the euro zone. This was mainly attributable to the high level of uncertainty surrounding the resolution of the debt crisis and increasingly restrictive fiscal policies resulting from the need for consolidation. Investment lost momentum in light of the clear deterioration of the business climate. However, there were considerable differences between the economies of individual countries. While the IfW is expecting Germany to increase its real gross domestic product by 2.9% in 2011 (as against 3.7% in the previous year), only marginal economic growth is forecast for Southern Europe, with GDP in Greece and Portugal even falling. Outside of the euro zone, Poland, Sweden, Latvia, and Lithuania continued to enjoy very robust economic health, while growth slowed to 0.8% in the United Kingdom.

After a weak start, the U.S. economy regained some speed as the year progressed. The IfW anticipates a 1.7% increase in gross domestic product in 2011 as against 3.0% in the previous year.

Latin America recorded a strong decline in economic growth rates over the course of the year. Exports were negatively affected by the slowdown of the global economy and the appreciation of local currencies. However, macroeconomic fundamentals remained very favorable and domestic demand was extremely robust. In Brazil – a key market for MAN – the IfW only expects a 3.5% increase in gross domestic product, down on its forecast of 7.5% in the previous year.

With expected growth of 8.1%, Asia continued to be the largest growth driver in the world, although the pace of expansion slowed here as well in comparison with the previous year (9.8%). In China, exports in particular declined while investment and private consumption remained dynamic, yielding growth of 9.5%. At 6.7%, India's growth declined significantly, strongly influenced by restrictive monetary and fiscal policies. The IfW expects the remaining East Asian emerging economies to record growth of 4.8% in 2011.

MAN on profitable growth path

Fiscal 2011 was a very successful year for the MAN Group. The Group continued to be on a profitable growth path, recording double-digit growth rates in both order intake, which rose by 14%, and revenue, which increased by 12%. Operating profit grew by a stronger 43% to €1.5 billion. At 9.0%, the return on sales was well above the prior-year figure (7.1%) and again exceeded our average long-term target of 8.5%.

Order situation

The MAN Group recorded significant growth in both order intake and revenue in 2011. The positive performance of the MAN Group in 2011 was boosted by the continued recovery of the global economy, despite the slowing of economic drivers over the course of the year. The global commercial vehicles industry in particular continued to see double-digit growth rates following the massive increase in 2010. MAN Latin America reported record revenue for the second year in a row. The Power Engineering business area recorded a positive order intake, again exceeding revenue for the period.

Significant increase in order intake

The MAN Group's order intake amounted to €17.1 billion in fiscal 2011, which represents a significant increase on the previous year (€15.1 billion) and a return close to the levels seen in our record year, 2007. Order intake for commercial vehicles rose by 17% to €13.1 billion (previous year: €11.2 billion). At €4.1 billion (previous year: €4.0 billion), the Power Engineering business area was up slightly on the previous year, although 2010 had been boosted by a major order. This was driven by the Turbomachinery strategic business unit at MAN Diesel & Turbo, which increased its order intake by more than 25% to €1.4 billion (previous year: €1.1 billion).

At €0.7 billion, major orders received by the MAN Group in fiscal 2011 were only slightly below the prior-year figure (previous year: €0.9 billion).

The upturn in order intake was driven primarily by international business. International orders rose by 17% to €13.5 billion as against the high prior-year level. Domestic orders were up by 4% to €3.6 billion. At 79%, the proportion of international orders was slightly above the previous year (77%).

Orders in Europe increased by 17% compared with the previous year. Order intake in Europe was driven by Germany (€3.6 billion), as well as Russia, the United Kingdom, and France, each with €0.8 billion.

Order intake grew by 83% in Russia, and France recorded a 39% increase. The share of the MAN Group's total order intake accounted for by Europe rose by two percentage points to 58% in 2011. Europe therefore remains the Group's most important region, followed by the Americas at 24% and Asia at 13%.

At €4.1 billion, order intake in the Americas was up slightly on the previous year (€4.0 billion). As in 2010, Brazil accounted for 81% of this amount, or €3.3 billion (previous year: €3.2 billion). MAN Latin America contributed €3.2 billion to the share attributable to Brazil, increasing the Company's order intake in the country by 13% in 2011. Orders in Asia also grew by 13% to €2.2 billion. MAN Diesel & Turbo recorded an order intake of €1.6 billion in Asia, of which 38% in China and 24% in South Korea.

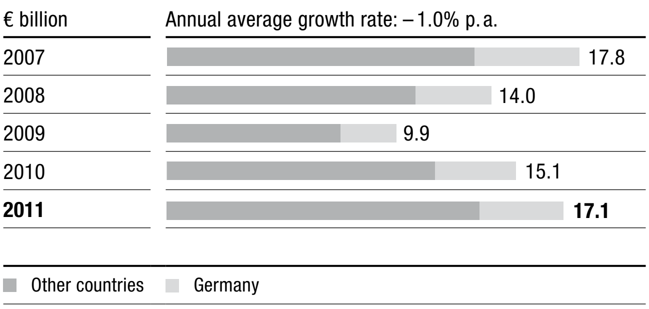
Order intake by business area

€ million	2011	%	2010	%
Commercial Vehicles	13,093	76	11,163	74
Power Engineering	4,148	24	4,000	26
Others/Consolidation	– 96	–	– 91	–
MAN Group	**17,145**	**100**	**15,072**	**100**

Order intake by region

€ million	2011	%	2010	%
Federal Republic of Germany	3,646	21	3,489	23
Other EU countries	4,374	26	3,829	25
Other European countries	1,920	11	1,181	8
Asia	2,164	13	1,908	13
Americas	4,119	24	4,003	27
Africa	754	4	591	4
Australia and Oceania	168	1	71	0
MAN Group	**17,145**	**100**	**15,072**	**100**

Five-year order intake trend

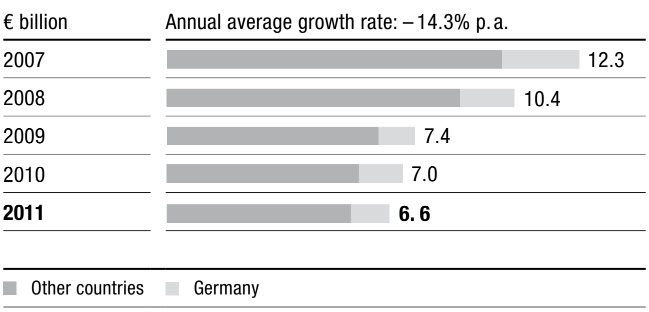


Like-for-like data for all years, excluding discontinued operations.

Stable order backlog

The MAN Group's year-end order backlog amounted to €6.6 billion, approximately €0.4 billion less than in the previous year. This decrease is due to the transfer of military commercial vehicle activities to the joint venture with Rheinmetall, among other things. The order backlog in the Commercial Vehicles business area totaled €2.2 billion at the end of the year. At €4.4 billion, the Power Engineering business area recorded a slight increase in its order backlog as against the previous year. This means that the Power Engineering business area's order backlog in fiscal 2011 remains higher than its annual revenue, and spans approximately a year.

Five-year order backlog trend



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

Record revenue, 12% growth

The MAN Group generated record revenue of €16.5 billion in fiscal 2011, exceeding even the boom year of 2008 by approximately €1.6 billion. Revenue rose continuously throughout fiscal 2011 with the exception of the traditionally weaker third quarter. Overall, this represents a 12% increase year-on-year in fiscal 2011 for the MAN Group. The Commercial Vehicles business area recorded a 19% increase in annual revenue to €12.6 billion (previous year: €10.6 billion). MAN Latin America, which closed the strongest fiscal year in its history with revenue of €3.6 billion (previous year: €3.1 billion), made a significant contribution. Strong order intake led to full-year revenue growth of 21% to €9.0 billion at MAN Truck & Bus. The highest-volume segment – heavy trucks – recorded an increase of 25%. The Power Engineering business area generated revenue of €4.0 billion in 2011 and was therefore down on the prior-year level of €4.2 billion. MAN Diesel & Turbo contributed revenue of €3.6 billion (previous year: €3.8 billion). The decrease compared with the prior year is mainly attributable to the Power Plants strategic business unit, which recorded €190 million less revenue for billing reasons. The Engines & Marine Systems und Turbomachinery strategic business units recorded stable business volumes. Renk generated revenue of €0.4 billion.

The MAN Group's domestic revenue rose by 15% year-on-year to €3.5 billion. Approximately 84% of domestic revenue was again accounted for by MAN Truck & Bus, which generated 33% of its revenue in Germany. The Power Engineering business area is much more internationally oriented and generated 86% of its revenue outside Germany.

Compared with the previous year, international revenue in the entire MAN Group rose by 12% in 2011 to €13.0 billion. The proportion of total revenue generated outside Germany was therefore on a level with the previous year, at 79%.

Revenue in the European markets rose by 19% in 2011 to €9.4 billion, while the proportion of total revenue generated in Europe amounted to 57% (previous year: 54%). The share attributable to the Americas amounted to 25% or €4.1 billion in 2011. €3.5 billion or 86% of this was attributable to MAN Latin America, which generated 91% of its revenue in the Brazilian market. The MAN Group's revenue in Brazil increased by 7% year-on-year. In Asia, the MAN Group's revenue rose slightly to approximately €2.2 billion. €0.6 billion of this relates to China, mainly attributable to MAN Diesel & Turbo. Asia generated 13% of the MAN Group's total revenue.

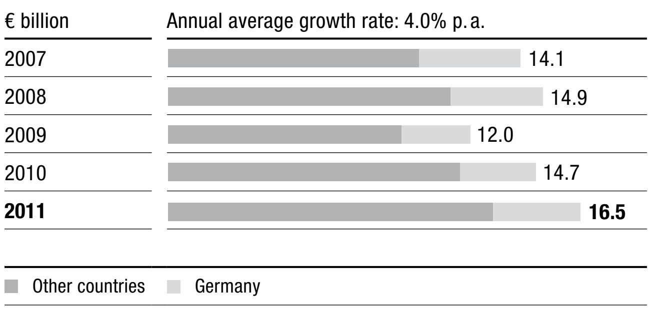
Revenue by business area

€ million	2011	%	2010	%
Commercial Vehicles	12,563	76	10,586	72
Power Engineering	3,999	24	4,169	28
Others/Consolidation	– 90	–	– 80	–
MAN Group	**16,472**	**100**	**14,675**	**100**

Revenue by region

€ million	2011	%	2010	%
Federal Republic of Germany	3,515	21	3,058	21
Other EU countries	4,164	25	3,777	26
Other European countries	1,744	11	1,092	7
Asia	2,166	13	2,106	14
Americas	4,115	25	3,906	27
Africa	625	4	618	4
Australia and Oceania	143	1	118	1
MAN Group	**16,472**	**100**	**14,675**	**100**

Five-year revenue trend



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

Operating profit

The MAN Group recorded profitable growth in fiscal 2011, further lifting its operating profit by 43% to €1,483 million (€1,035 million). This significant year-on-year improvement was attributable almost exclusively to the Commercial Vehicles business area. After doubling operating profit in 2010, the Commercial Vehicles business area increased its earnings by a further 83% in 2011.

The Commercial Vehicles business area recorded an operating profit of €965 million in fiscal 2011. MAN Latin America contributed €400 million (previous year: €370 million) to this total, recording further year-on-year earnings growth. MAN Truck & Bus recorded considerable improvement in its operating profit to €565 million (€158 million). Financial services made a break-even contribution to this total, following a loss of €49 million in the previous year.

The Power Engineering business area recorded an overall moderate rise in operating profit to €513 million. MAN Diesel & Turbo's operating profit increased by €21 million to €460 million. At €53 million, the earnings contribution by Renk was slightly above the prior-year figure.

In addition to MAN SE and its Shared Services companies, the figure for Others/Consolidation includes MAN's share of the net income/loss of equity investments held directly by MAN SE, as well as the consolidation adjustments between the MAN Group's divisions. At €5 million in fiscal 2011, the operating profit/loss for Others/Consolidation was down on the previous year's figure, primarily because of higher costs at MAN SE.

The MAN Group generated a return on sales of 9.0% in fiscal 2011, following 7.1% in the previous year. The MAN Group's profitability was thus once again higher than the long-term target average of 8.5%.

Operating profit by business area

€ million	2011	2010
Commercial Vehicles	965	528
Power Engineering	513	491
Others/Consolidation	5	16
MAN Group	**1,483**	**1,035**

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

Five-year operating profit trend

€ million	Annual average growth rate: – 1.1% p. a.
2007	1,551
2008	1,729
2009	504
2010	1,035
2011	**1,483**

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

Income statement

€ million	2011	%	2010	%
Revenue	16,472	100.0	14,675	100.0
Cost of goods sold and services rendered	– 12,791	– 77.7	– 11,400	– 77.7
Gross margin	3,681	22.3	3,275	22.3
Other operating income [3]	511	3.1	516	3.5
Selling expenses [1]	– 1,075	– 6.5	– 997	– 6.8
General and administrative expenses [1]	– 853	– 5.2	– 740	– 5.0
Other operating expenses [3]	– 907	– 5.5	– 1,142	– 7.8
Income from investments [1,2]	126	0.8	123	0.8
Operating profit	1,483	9.0	1,035	7.1

[1] Amount after reclassification of €– 109 million of selling expenses/general and administrative expenses and income/loss from investments (previous year: €– 109 million of selling expenses/general and administrative expenses and income/loss from investments) to earnings effects from purchase price allocations.
[2] Amount after reclassification of €157 million of loss from investments (previous year: €357 million of income from investments) to gains/losses from nonrecurring items.
[3] Amount after reclassification of €39 million to gains/losses from nonrecurring items.

Revenue rose by 12% year-on-year in 2011; the cost of goods sold and services rendered increased at the same rate. As a result, the gross margin rose considerably by €406 million to 22.3%, on a level with profitability in the previous year. Selling expenses grew more slowly by 8% as against the prior-year period to €1,075 million. General and administrative expenses recorded a 15% increase to €853 million due to projects and higher personnel expenses.

At €511 million, other operating income was on a level with the prior year. Other operating expenses declined to €907 million, considerably lower than the previous year's figure of €1,142 million. This decline is attributable to lower project-specific provisions in the Power Plants strategic business unit, among other things. Income from investments remained almost unchanged as against the previous year.

Reconciliation to net income

€ million	2011	2010
Operating profit	**1,483**	**1,035**
Earnings effects from purchase price allocations	– 109	– 109
Gains/losses from nonrecurring items	– 118	357
Net interest expense	– 134	– 158
Earnings before tax (EBT)	**1,122**	**1,125**
Income taxes	– 434	– 338
Loss from discontinued operations, net of tax	– 441	– 65
Net income	**247**	**722**
Earnings per share from continuing operations in €	4.62	5.30
Dividend per share in € *	2.30	2.00

* 2011: proposed dividend.

The MAN Group's earnings before tax amounted to €1,122 million in 2011, on a level with the previous year (€1,125 million).

This figure includes the earnings effects from the purchase price allocation performed as part of the acquisition of MAN Latin America in 2009, which amount to €–99 million, and from the interest in Sinotruk acquired at the end of 2009, amounting to €–10 million. To enhance long-term comparability, the effects from purchase price allocations are not included in operating profit.

Losses from nonrecurring items, which are also not included in operating profit, amounted to a total of €118 million in fiscal 2011.

A total of €–182 million relates to two measurement effects for the investment in Scania. This investment has no longer been accounted for using the equity method since January 5, 2011, but as a financial investment. The reclassification resulted in a gain of €495 million in the first quarter of 2011. This was offset by a €677 million loss from the fair value measurement of the shares in the fourth quarter of 2011.

Provisions amounting to €65 million were recognized for possible on-board retrofit solutions and expenses for specialists engaged in connection with the investigation into potential irregularities in the course of the handover of four-stroke marine diesel engines by MAN Diesel & Turbo.

The transfer of assets to the joint venture with Rheinmetall resulted in a nonrecurring earnings effect of €111 million. A further €25 million relates to reversals of impairment losses on equity-accounted investments. In addition, pro rata cost commitments of €7 million were entered into for the establishment of a job creation company at manroland.

In addition to interest on bank balances and bank liabilities, net interest expense of €134 million includes net interest on pensions. The €24 million improvement in net interest expense was mainly due to higher interest income compared with the previous year.

The MAN Group's tax expense increased by €96 million to €434 million. The tax rate was thus 38.6% (30.0%). The increase is primarily attributable to prior-period taxes and carrying amounts of financial investments that are not recognized for tax purposes, in particular the investment in Scania.

The loss from discontinued operations mainly relates to the agreements signed with IPIC and MPC in connection with the disposal of Ferrostaal, resulting in a loss of €434 million. The remeasurement of potential obligations from the disposal of manroland in 2006 had a negative impact of €7 million.

At €247 million, the MAN Group's net income was €475 million below the prior-year figure of €722 million. Earnings per share from continuing operations declined by €0.68 to €4.62 (previous year: €5.30). Adjusted for gains/losses from nonrecurring items and excluding purchase price allocations, earnings per share improved from €3.38 to €5.78.

Against this background, the Executive and Supervisory Boards of MAN SE will propose a dividend of €2.30 per share carrying dividend rights to the Annual General Meeting (previous year: €2.00).

Financial control system and value management

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

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

In addition to ROS, delta to the cost of capital (ROCE – WACC) is used in the MAN Group as a component of performance-related remuneration for managers. It corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

The members of MAN SE's Executive Board receive a performance-related annual bonus. Target achievement is benchmarked by reference to ROE and delta to the cost of capital. For Executive Board members, an average figure over two years is used to determine the achievement of targets based on the delta to the cost of capital factor. 50% of the bonus under the ROE factor is paid in shares.

Target returns

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

Operating profit

The earnings measure for calculating ROS and thus for assessing and managing the performance of a division is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). When calculating operating profit, an adjustment is made for earnings effects from purchase price allocations and, in individual cases, nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. In 2011, MAN recorded losses from nonrecurring items totaling €118 million, which are reflected in EBIT, but not in operating profit. In the previous year, the Group reported gains from nonrecurring items amounting to €357 million.

ROS

%	2011	2010
Commercial Vehicles	7.7	5.0
Power Engineering	12.8	11.8
MAN Group	**9.0**	**7.1**

The MAN Group increased its return on sales from 7.1% to 9.0% in 2011, leveraging the positive effects of the economic recovery on the global markets. MAN Truck & Bus recorded an ROS of 6.3%, while the figure for MAN Latin America was 11.2%. MAN Diesel & Turbo achieved a return on sales of 12.7% and Renk 13.6%.

ROCE

€ million	2011	2010
Equity	**5,590**	**5,990**
Pension obligations	378	226
Financial liabilities	3,170	2,849
	9,138	**9,065**
Business volume not funded by equity of MAN Finance	– 2,539	– 2,075
Marketable securities and cash and cash equivalents	– 958	– 1,071
Capital employed by the MAN Group at December 31	**5,641**	**5,919**
Annual average capital employed by the MAN Group	**6,071**	**5,933**
Operating profit	**1,483**	**1,035**
ROCE (%)	**24.4**	**17.4**

The return on capital employed (ROCE) is the ratio of operating profit to annual average capital employed.

The MAN Group's capital employed is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less marketable securities, cash and cash equivalents, and the financing business (leasing) not covered by the equity of MAN Finance.

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

The MAN Group's ROCE improved from 17.4% in the previous year to 24.4%.

WACC

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

MAN uses WACC together with other control parameters as a basis for setting ROCE requirements. The cost of capital for fiscal 2011 is 10.0%. The "delta to the cost of capital" measure is calculated as the difference between ROCE and WACC and was 14.4% in 2011.

ROE

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

€ million	2011	2010
MAN Group equity on December 31	5,590	5,990
Annual average MAN Group equity	6,037	5,453
Earnings before tax (EBT) *	681	1,060
ROE (%)	**11.3**	**19.4**

* Earnings before tax additionally including earnings effects of discontinued operations.

The MAN Group's ROE declined from 19.4% to 11.3% in fiscal 2011. In the earnings measure for calculating ROE, the significant improvement in operating profit was more than offset by losses from nonrecurring items and discontinued operations.

Financial Position

Negative free cash flow due to growth; net capital employed and capital expenditure increase as earnings improve

Principles and objectives of financial management

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

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

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

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

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

Cash flow

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

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

Net cash used in investing activities amounted to €637 million compared with €374 million in the previous year. Additional information on investing activities is contained in the section entitled "Capital Expenditures."

The MAN Group generated negative free cash flow of €119 million in the past fiscal year. The Industrial Business recorded positive free cash flow of €333 million, compared with €1,114 million in the previous year.

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

	MAN Group		Industrial Business		Financial Services	
€ million	2011	2010	2011	2010	2011	2010
Net liquidity/net financial debt at beginning of period	**–1,778**	**–2,634**	**80**	**–822**	**–1,858**	**–1,812**
Cash earnings	1,094	815	1,090	861	4	–46
Change in net capital employed in continuing operations	–576	612	–126	641	–450	–29
Net cash provided by/used in operating activities	**518**	**1,427**	**964**	**1,502**	**–446**	**–75**
Net cash flows from investing activities of continuing operations	–637	–371	–631	–385	–6	14
Net cash flows from investing activities of discontinued operations	–	–3	–	–3	–	–
Net cash provided by/used in investing activities	**–637**	**–374**	**–631**	**–388**	**–6**	**14**
Free cash flow	**–119**	**1,053**	**333**	**1,114**	**–452**	**–61**
Cash flow from net liquidity/net financial debt financing activities	**–297**	**–40**	**–347**	**–71**	**50**	**31**
Net change in net liquidity/net financial debt	**–416**	**1,013**	**–14**	**1,043**	**–402**	**–30**
Other changes in net liquidity/net financial debt	–18	–157	–24	–141	6	–16
Net liquidity/net financial debt at end of period	**–2,212**	**–1,778**	**42**	**80**	**–2,254**	**–1,858**

Cash earnings in the MAN Group increased by over one-third to €1,094 million due to earnings-related factors. The Industrial Business generated cash earnings of €1,090 million, after €861 million in the previous year. The MAN Group's net capital employed increased by €576 million in line with the strong business growth. The substantial €692 million increase in inventories and the €542 million increase in receivables due to higher volumes were only partly offset by higher prepayments and liabilities. This is reflected in the lower, but still significantly positive cash flows from operating activities of €964 million in the Industrial Business and €518 million in the MAN Group as a whole.

Free cash flow by business area

€ million	2011	2010
Commercial Vehicles	–339	552
Power Engineering	270	763
Others/Consolidation	–50	–262
MAN Group	**–119**	**1,053**

Free cash flow in the Commercial Vehicles business area totaled €–339 million. €159 million of this was attributable to the operating commercial vehicles business at MAN Truck & Bus, while the strong expansion in financing driven by sales growth negatively impacted cash flow by €452 million. Due to the conscious decision to increase inventory levels in the run-up to the switch to Euro V emission standard in Brazil, MAN Latin America negatively impacted the business area's free cash flow by €46 million despite its strong result.

Free cash flow in the Power Engineering business area amounted to €270 million (€763 million). The year-on-year decline is attributable primarily to the growth-driven increase in net capital employed and to expenditures for which project-specific provisions had already been recognized in the previous year.

The MAN Group's net financial debt increased by €434 million to €2,212 million (€1,778 million). The Industrial Business remained debt-free with net liquidity of €42 million (previous year: €80 million). For Financial Services, net debt from financing its expanding business volume rose to €2,254 million (€1,858 million).

The MAN Group's net financial debt was composed of cash and cash equivalents of €957 million (previous year: €1,057 million) and marketable securities of €1 million (previous year: €14 million), less financial liabilities of €3,170 million (previous year: €2,849 million). The increase was primarily attributable to the growth in sales financing in the Commercial Vehicles business area. Please refer to the "Notes to the Consolidated Financial Statements" for further information on financial liabilities.

MAN Group funding

The MAN Group funded its operating business activities in 2011 to a large extent from free cash flow. In addition to bilateral lines with financial institutions, a variable-rate syndicated credit line commitment by a syndicate of 23 banks in the amount of €1.5 billion is available for debt funding until December 2015. This line was agreed in December 2010 and replaces the previous syndicated credit line that ran until December 2011. As was the case with the preceding facility, the syndicated credit line has never been drawn down and is thus available as a liquidity reserve.

Another component of the MAN Group's funding is its access to the capital markets. In 2009, MAN SE launched an EMTN program with a volume of up to €5 billion, of which €1.5 billion has currently been utilized through the issue in 2009 of a bond in two tranches expiring in 2013 and 2016 and bearing a fixed interest rate of 5.375% and 7.25% respectively.

A €200 million promissory note loan issued in 2009 was partially repaid in 2010. The fixed-interest component of the promissory note loan in the amount of €49 million and an interest rate of 5.056% expiring in 2012 continues to exist. In addition, the Group has issued a promissory note loan in the amount of €30 million expiring in 2019 (amortizing), which bears a fixed interest rate of 6.76%.

The MAN Group also uses asset-backed financing arrangements, in particular to finance its Financial Services business.

In May 2011, Standard & Poor's lifted its outlook for MAN's BBB+ long-term rating from "stable" to "positive," confirming this again in July 2011, and then lifted its rating to A– with a stable outlook in December 2011. The A3 rating with a stable outlook awarded by Moody's was confirmed in September 2011.

The following table shows MAN's current credit ratings:

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

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

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

Under the agreed syndicated credit line amounting to €1.5 billion, each syndicate member can demand immediate repayment of its portion if one or more natural or legal persons either individually or collectively obtain control of MAN SE or acquire the majority of voting rights in MAN SE. The acquisition by Volkswagen AG of a majority stake in MAN SE on November 9, 2011, was excluded from this condition.

The promissory note loans issued in the amount of €79 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE. The arranging banks notified the creditors about Volkswagen AG's acquisition of a majority stake in MAN SE. No creditor has yet exercised its call right.

Repayment of the €1.5 billion bond can be demanded if one or more persons acting in concert acquire more than 50% of the voting rights in MAN SE and, as a result, the Company's rating is downgraded to noninvestment grade within 120 days. Since the acquisition of a majority stake by Volkswagen AG, MAN SE's credit rating has improved and continues to be a good investment grade.

Asset and capital structure

€ million	MAN Group 2011	MAN Group 2010	Industrial Business 2011	Industrial Business 2010	Financial Services 2011	Financial Services 2010
Property, plant, and equipment, and intangible assets	3,974	3,978	3,966	3,974	8	4
Investments	2,089	2,136	2,087	2,131	2	5
Assets leased out	2,303	1,755	1,366	1,111	937	644
Income taxes	1,195	1,292	1,161	1,264	34	28
Inventories	3,513	2,852	3,443	2,785	70	67
Trade receivables	2,331	1,982	2,258	1,936	73	46
Financial services receivables	1,485	1,333	–	–	1,485	1,333
Assets held for sale	–	139	–	139	–	–
Other noncurrent and current assets	822	893	768	859	54	34
Cash and cash equivalents	958	1,071	938	1,031	20	40
Total assets	**18,670**	**17,431**	**15,987**	**15,230**	**2,683**	**2,201**
Total equity	5,590	5,990	5,446	5,864	144	126
Pension obligations	378	226	377	225	1	1
Financial liabilities	3,170	2,849	2,059	1,993	1,111	856
Intragroup financing	–	–	–1,163	–1,042	1,163	1,042
Provisions	2,194	2,118	2,190	2,114	4	4
Prepayments received	823	762	820	759	3	3
Income taxes	1,347	1,383	1,294	1,351	53	32
Trade payables	2,324	1,981	2,186	1,882	138	99
Other noncurrent and current liabilities	2,844	2,122	2,778	2,084	66	38
Total equity and liabilities	**18,670**	**17,431**	**15,987**	**15,230**	**2,683**	**2,201**

Industrial Business

At €3,966 million, property, plant, and equipment, and intangible assets were almost at a level with December 31, 2010 (€3,974 million). Measures taken in 2011 continued to focus on replacement and maintenance investments. Investments were also made to improve productivity and quality, as well as to expand capacity at various sites due to growth. The net reduction in investments primarily reflects the lower fair value of the investment in Scania at the end of December 2011 compared with the carrying amount as of December 31, 2010. The investment in Scania was accounted for using the equity method until the beginning of January 2011. See the "Notes to the Consolidated Financial Statements" for further information.

Assets leased out rose to €1,366 million as of December 31, 2011. The €255 million increase as against the previous year is attributable to the initial consolidation of two companies, as well as growth in the volume of sales with a buyback obligation at MAN Truck & Bus.

The substantial increase in inventories from €2,785 million as of December 31, 2010, to €3,443 million at the end of 2011 as a result of higher business volumes relates to both the Commercial Vehicles and Power Engineering business areas. Trade receivables also increased by €322 million over the course of the year due to volume-related factors. Trade payables rose by €304 million compared with the previous year as a result of increased output. By contrast, the increase in prepayments received was moderate, at €61 million.

Other noncurrent and current liabilities grew to €2,778 million as of December 31, 2011, compared with €2,084 million in the previous year. This change as against 2010 mainly includes the obligations entered into at the end of November 2011 in connection with the sale of Ferrostaal, as well as the concurrent settlement of the litigation with IPIC.

Equity in the Industrial Business declined by €418 million as against December 31, 2010. This development is primarily attributable to the agreements signed with IPIC and MPC in connection with the disposal of Ferrostaal, which sharply increased the loss from discontinued operations, as well as actuarial losses on pensions, and negative currency translation differences. Lower equity and almost unchanged intangible assets, property, plant, and equipment, and investments led to a slight drop in the ratio of equity to noncurrent assets by six percentage points (from 96% to 90%). The equity ratio of the Industrial Business amounted to 34.1% (previous year: 38.5%). The MAN Group's overall equity-to-assets ratio was 92% (98%), and its equity ratio was 29.9% (34.4%).

Financial Services

Total assets for the Financial Services business increased from €2.2 billion to €2.7 billion due to higher unit sales and the resulting expansion of the financing business. €1,111 million (previous year: €856 million) was refinanced externally, and €1,163 million (previous year: €1,042 million) was financed internally within the Group.

Unrecognized assets

As part of the Group's off-balance sheet financing instruments, MAN uses receivables programs to refinance the Financial Services business in particular. For further information, see "MAN Group funding" and the "Notes to the Consolidated Financial Statements."

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

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

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

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

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

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

Composition of share capital, classes of shares

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

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

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

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

Restrictions affecting voting rights or the transfer of shares

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

Shareholdings exceeding 10% of the voting rights

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

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

Volkswagen Aktiengesellschaft notified MAN SE on May 11, 2011, 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 30% on May 9, 2011, and amounted to 30.47% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us on May 11/12, 2011, in accordance with section 21 (1) of the WpHG that Volkswagen Aktiengesellschaft's 30.47% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. Volkswagen Aktiengesellschaft additionally notified MAN SE on November 14, 2011, 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 50% on November 9, 2011, and amounted to 55.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us on November 14/15, 2011, in accordance with section 21 (1) of the WpHG that Volkswagen AG's 55.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. Finally, in 2010, we received notifications in accordance with section 21 (1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) exceeded the threshold of 3%.

We have not been notified of, nor are we aware of, further existing direct or indirect interests in the capital of MAN SE that exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of any changes in the above-mentioned interests.

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

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

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

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

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

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

Authorized Capital 2010

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

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

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

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation (antidilution provision); and/or

(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of these authorizations count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations in issue at the time of utilization in accordance with this provision shall also count towards the above-mentioned 10% limit; and/or

(iii) to settle any fractions needed to round the share capital; and/or

(iv) to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/ or of Group companies in respect of a proportion of Authorized Capital 2010 of up to €4,000,000. It may also be stipulated that the contribution to be paid must be covered in accordance with section 204 (3) of the AktG.

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

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

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

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

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

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

(i) to the extent that the issue price of the bond is not materially lower than its theoretical market value calculated by recognized financial techniques. In addition, the disapplication of preemptive rights within the meaning of section 86 (3) sentence 4 of the AktG only applies to bonds with rights to shares with a notional interest in the share capital that does not in the aggregate exceed 10% of the share capital. Shares issued, sold, or issuable by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization;

(ii) to the extent that this is necessary to settle fractions that result from the subscription ratio;

(iii) to grant the bondholders with existing conversion rights/options on, or obligations to convert bonds to, shares of the Company, preemptive rights to the extent to which they would be entitled if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation, in order to prevent dilution of the economic value of these rights.

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

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

Share repurchase

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

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

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

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

(i) if the purchased common shares are sold at a price that is not materially lower than the quoted market price; and/or

(ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies or assets of companies; and/or

(iii) to the extent that they are used to settle options or conversion rights or conversion obligations established by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to settle conversion rights or options, or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations in issue at the time of utilization in accordance with this provision shall also count towards this limit; and/or

(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

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

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

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

Research and Development

Innovation is one key to remaining competitive over the long term. This is why MAN invests over 4% of its annual revenue in R&D

As one of the world's leading manufacturers of commercial vehicles, diesel engines, and turbomachinery, MAN takes an active responsibility towards providing sustainable and efficient mobility solutions today and in the future. Numerous external studies show that the volume of transportation and traffic will continue to increase significantly worldwide. At the same time, the increasing scarcity of raw materials will make transporting people and goods considerably more expensive. The challenge facing the transportation industry is to reduce energy consumption per ton of goods transported and to develop drive systems that increasingly run on non-fossil and renewable fuels in the future. MAN is continually investing in expanding development capacities to meet these challenges, to drive development forward with innovation, and to cement its position as the technological leader in the field of commercial vehicles, industrial engines, and turbomachinery.

Reducing emissions

All new commercial vehicles registered in Europe from January 1, 2014, must comply with the Euro VI emission standard. The progressive tightening of emission standards places great demands on manufacturers, who must reconcile the competing goals of reducing fuel consumption and lowering harmful emissions. To meet the Euro VI emission standard, the upper limit for exhaust gas particles must be cut by 98.6% compared with the Euro 0 emission standard introduced in 1990; nitrogen oxides must be reduced by 97.2%.

The two technologies necessary for the Euro VI emission standard – exhaust gas recirculation and selective catalytic reduction – have been successfully used at MAN in series production of commercial vehicles for several years now. These core technologies must be combined for the first time to meet the Euro VI emission standard. MAN presented the first Euro VI city buses at the 2011 Busworld expo in Kortrijk and will unveil the corresponding truck engines at the IAA Commercial Vehicles Show 2012 in Hanover. Customers will thus benefit from particularly eco-friendly vehicles across our entire range of products. By purchasing a Euro VI vehicle, customers are contributing to sustainable goods transportation and particularly environmentally friendly passenger transportation.

Reducing consumption

Above and beyond the Euro VI emission standard, the main challenge in developing commercial vehicles is improving efficiency, i.e. reducing fuel consumption per ton of goods transported. Around 2.6 kilos of CO_2 are produced for every liter of fossil diesel fuel burned. Hence, there is a straight-line relationship between reducing fuel consumption and lowering CO_2 emissions.

MAN is developing unique strategies for reducing fuel consumption for its entire product portfolio. MAN's forward-looking Concept S study, which has attracted a lot of attention, includes proposals to optimize the aerodynamics of the long-distance vehicles of the future. The MAN Concept S's aerodynamic design alone allows it to consume up to 25% less fuel – when combined with an appropriately modified trailer – than a conventional 40-ton semitrailer tractor. This represents an equal reduction in CO_2 emissions. However, its implementation would require amending certain registration rules within the EU.

MAN has already successfully launched the MAN TGX EfficientLine for today's customers. The MAN TGX EfficientLine combines optimized air resistance and payload to create a commercially viable vehicle that meets current demands of long-distance transportation. In practice, the potential saving of up to three liters of diesel per 100 km translates into up to 10% less energy consumption per ton transported.

There is further optimization potential in individual transportation segments, e.g., using telematics systems to optimize fleet logistics, or electronic driver assist systems and car-to-car communication to optimize the flow of traffic.

In comparison to other powertrain types, MAN's state-of-the-art diesel engines continue to be the most cost-effective solution for many applications. MAN systematically optimizes all the key details of the engine, gearbox, and axles, as well as the vehicle's aerodynamics.

Alternative drive concepts

MAN's focus in the Commercial Vehicles business is on hybrid solutions as the core technology for all segments, from city buses to delivery vehicles and long-distance trucks. Hybrid technology plays a fundamental role in further increasing efficiency and conserving resources, and will pave the way to e-mobility. MAN is one of the pioneers of hybrid drives for commercial vehicles – its engineers have been working on different technologies to save fuel and with it, CO_2 emissions, by recovering braking energy since the 1970s. Its intelligent hybrid energy management system controls the flow of energy between the diesel and electric engines, battery, drive axle, and auxiliary units. MAN underlined the growing importance of this area by bringing all of its R&D activities in hybrid technology under one roof at a new competence center with increased staffing levels in 2011. From research to series development, the center concentrates on hybrid activities in different product segments.

The MAN Lion's City Hybrid is an example of how this hybrid strategy can be successfully implemented. It has been on the market as a series vehicle since 2010 and has been successfully launched as a public service bus in various European cities. The MAN Lion's City Hybrid uses up to 30% less fuel and produces correspondingly less CO_2 than conventional diesel-powered city buses. In the delivery transportation segment, customers have been testing the TGL hybrid in the field since August 2011 and providing important empirical feedback for optimizing hybrid drives in delivery transportation. In the medium to long term, MAN anticipates that the widespread use of hybrid vehicles for urban delivery applications will deliver fuel savings of up to 15%.

Alternative fuels

The growing scarcity of resources and resulting price increases will provide momentum for the use of alternative fuels. Natural gas is already an established alternative to diesel fuel – in many countries, natural gas costs considerably less than diesel. Natural gas-powered city buses are a reliable and cost-effective example of state-of-the-art public transportation. They are the most effective response to inner-city air pollution yet and can reduce dependence on oil.

MAN is the market leader in CNG (compressed natural gas) buses. These buses are almost carbon neutral when operated with biogas. Biogas, which is produced by the fermentation of organic materials such as green waste, food waste, and slurry, is upgraded to natural gas standard after undergoing a special process. It can then be burned cleanly and without any problems in standard natural gas engines. In general, natural gas burns cleaner than other fossil fuels with lower raw emissions of the pollutants carbon monoxide (–50%), hydrocarbons (–80%), nitrogen oxide (–70%), and particles (up to –99%, in each case compared with diesel engines without a particulate filter). MAN's natural gas buses have benefited from this fact for several years now and fall well below the EU's strictest current emission standard (EEV or enhanced environmentally friendly vehicle) without any costly exhaust gas aftertreatment.

Large-bore diesel engines and turbomachinery

Reducing emissions is also a key driver in the products manufactured by the Power Engineering business area. MAN Diesel & Turbo celebrated the topping out of a new emission test center in Augsburg in January. Different methods to reduce emissions such as catalytic converter technology, exhaust gas recirculation, and particulate filters will be tested at the new center to meet the challenges of the future. The results of the different tests will flow directly back to the development department where they will be translated into optimized technologies.

All of the latest MAN Diesel & Turbo engines meet current emissions requirements, however, limits will again be lowered significantly in the future. IMO Tier III, the next level of emission standards for marine transportation worldwide as laid down by the International Maritime Organization (IMO), comes into force as early as January 2016. This means that nitrogen oxide emissions in coastal waters must be cut by 80% as against 2010.

In the two-stroke engine segment, MAN Diesel & Turbo's second generation engine exhaust gas recirculation technology makes it the first provider in the world to already meet the IMO Tier III emission standard, which will not become effective until 2016.

MAN Diesel & Turbo is scheduled to launch a new 10 MW gas engine in the near future. A 6 MW gas turbine that was designed from the ground up has also been unveiled, offering outstanding efficiency for its class of well over 30%. Central considerations in the development of the two systems were climate-friendly and cost-effective operation, as well as reliability – key purchasing criteria for industrial and municipal energy providers.

MAN invests a significant proportion of its revenue each year in R&D to secure its competitive advantage over the long term. In 2011, capital expenditure in this area was €740 million, or 4.5% of revenue. €565 million, or 76% of Group-wide R&D expenditures, was internally funded. Over the past five years, the MAN Group's R&D expenditures have risen by an average of 14.3% per year.

Funds for order-specific R&D activities and for publicly subsidized projects amounted to €175 million. Around 47% of internal funds were invested in basic research and the development of new products.

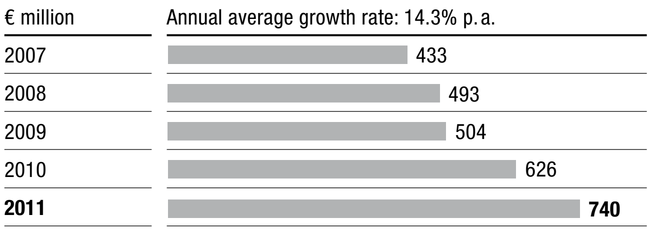
4,443 people were employed in research and development in 2011 compared with 3,944 in the previous year.

€ million	2011	2010
R&D expenditures	**740**	**626**
R&D expenditures of the manufacturing areas (% of revenue)	4.5	4.3
Internally funded R&D	565	469
R&D employees (annual average)	4,443	3,944

R&D expenditures by business area

€ million	2011	2010
Commercial Vehicles	403	328
Power Engineering	345	313
Consolidation	– 8	– 15
MAN Group	**740**	**626**

Five-year R&D expenditures trend



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

Capital Expenditures

Just over 70% increase in capital expenditures to safeguard the future and growth of the MAN Group

Capital expenditures for the MAN Group totaled €671 million in fiscal 2011, compared with €396 million in the previous year. The proportion of other capital expenditures made outside Germany was 29% or €183 million.

Investments in the Commercial Vehicles business area amounted to €567 million in 2011, a significant increase on the prior-year figure (€283 million). MAN Truck & Bus made the necessary replacement and maintenance investments and invested in enhancing productivity and quality, as well as in developing new products (e.g., engines that comply with the Euro VI emission standard). Investments were made in a new production facility in St. Petersburg and the enlargement of the logistics center in Salzgitter, as well as the expansion of the sales and service network, among others, to leverage growth potential. MAN Truck & Bus also acquired the remaining shares of EURO-Leasing GmbH in the second quarter of 2011. MAN Latin America's capital expenditures were driven by the changeover to the Euro V emission standard, and the technical integration of products and components with MAN Truck & Bus. Investments were also made in the Resende production site to expand capacity and leverage potential synergies with MAN Truck & Bus.

Investments in the Power Engineering business area amounted to €117 million in 2011 as against €108 million in the previous year. MAN Diesel & Turbo made necessary replacement and maintenance investments and invested in increasing the efficiency and expanding the capacity of its production sites, as well as in its after-sales network. One of the most important projects in fiscal 2011 was investing to meet future emission standards in the Engines & Marine Systems strategic business unit. In addition, the second expansion phase at the Changzhou production facilities in China started operation in May 2011. Manufacturing capacity for components for several MAN Diesel & Turbo and Renk activities were expanded or merged. Renk's expenditure on replacement items and rationalization measures focused on cutting-edge technologies for manufacturing vehicle transmissions and special gear units. Investments were also made to expand the Augsburg high-bay warehouse. Processing capacity for special gear units was expanded to include core components of offshore wind power gear units, enabling these to be produced in series.

Capital expenditures

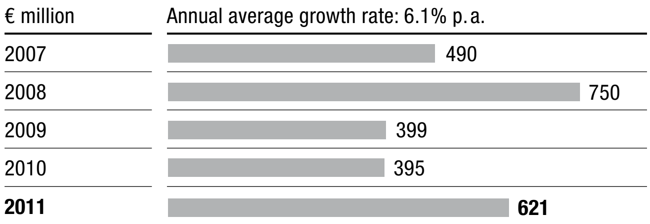
€ million	2011	2010
Property, plant, and equipment, and investment property	355	235
Intangible assets	246	156
Investments	70	5
Total	**671**	**396**
of which: acquisition of additional interest in EURO-Leasing GmbH	50	–
of which: acquisition of Sinotruk	–	1
of which: other capital expenditures	621	395
of which: Germany	438	264
of which: other countries	183	131
Depreciation, amortization, and impairment*	353	368
Capital expenditure ratio in %	176	107

* Excluding earnings effects from purchase price allocations (2011: €99 million, 2010: €99 million) and excluding write-downs of investments of €677 million.

Capital expenditures by business area

€ million	2011	2010
Commercial Vehicles	567	283
Power Engineering	117	108
Others/Consolidation	– 13	5
MAN Group	**671**	**396**

Five-year capital expenditure trend*



Like-for-like data for all years, excluding discontinued operations.
* 2007 to 2009 excluding acquisition of Scania shares, 2009 and 2010 excluding acquisition of MAN Latin America and Sinotruk, 2011 excluding acquisition of additional interest in EURO-Leasing.

Procurement

Enhanced purchasing management ensures optimized procurement

Cost of materials by business area

€ million	2011	2010
Commercial Vehicles	7,674	6,329
Power Engineering	1,722	1,853
Others/Consolidation	– 82	– 87
MAN Group	**9,314**	**8,095**

Cost of materials by business area

in % of revenue	2011	2010
Commercial Vehicles	61	60
Power Engineering	43	44
Others/Consolidation	–	–
MAN Group	**57**	**55**

At around €9.3 billion (previous year: €8.1 billion), the MAN Group's procurement volume is approximately 57% of revenue in 2011. Commodity prices initially continued to rise in 2011, resulting in higher material costs. In the coming fiscal year, they will ease due to the sideways and downward movements in commodity prices in the second half of the year. Increasingly, the MAN Group is using derivative hedging strategies for commodities.

In the course of the reporting period, activities in cooperation with Volkswagen and Scania were initiated to the extent permitted under antitrust law, enabling initial savings to be made. Working groups and topics have already been defined under the new arrangement so that further successes can be achieved.

The MAN Group's products are leaders in their field and as such guarantee the success of their brands. They are characterized in particular by their reliability, cost-effectiveness, and innovative design, as well as by technical expertise, high quality, and cost awareness. Such excellence cannot be achieved without first-class partners in the supplier industry. Selecting and continuously monitoring suppliers is extremely important to maintain this high standard and to counter the general insolvency risk that continues to exist in the supplier industry, a factor that is relevant for the MAN Group. To safeguard supplies and reduce the losses that result from insolvencies, the Purchasing function takes a proactive approach to risk management, including expanding dual sourcing in a targeted manner.

In the MAN Group, production materials are generally procured by the specialized purchasing departments of each division. This allows the specific requirements of the different business models of the Commercial Vehicles and Power Engineering business areas to be optimally taken into account. Non-production-related requirements are procured centrally by class of goods by a Group-wide Purchasing function. This generates further synergies for the individual product groups through bundling effects and market expertise.

MAN Truck & Bus further strengthened the Forward Sourcing and Global Sourcing & Cooperations functions in 2011 in preparation for the challenges posed by current and future market developments. Forward Sourcing takes early action to optimize material costs in the product gestation process and is responsible for ensuring that product startup is on schedule and to a high standard of quality. By expanding and using procurement sources around the world (global sourcing), purchasing activities support the Company's long-term global growth targets and help ensure that it remains competitive by international standards.

Purchasing expertise was expanded through the introduction of category-specific responsibilities in construction, assembly, and tank farms through to plant commissioning, among other things, in order to provide optimal support in the construction of turnkey plants around the world in MAN Diesel & Turbo's Power Plants strategic business unit. The demand for environmentally friendly exhaust gas purification systems for large-bore diesel engines in the Engines & Marine Systems and Power Plants strategic business units also requires a sharp key focus in purchasing activities. Following comprehensive market studies, MAN Diesel & Turbo entered into long-term partnerships with suppliers based on cooperation agreements so as to offer forward-looking, sustainable technologies on the market.

In addition to the Group-wide Purchasing Policy for employees introduced in 2010, MAN also expects suppliers to act responsibly and to agree to abide by the basic principles set out in the MAN Code of Conduct for suppliers. These principles relate to social responsibility, transparent business relationships, fair market conduct, and the protection of data, business secrets, and business assets.

Employees

Successful 2011 employee survey; measures developed to further improve internal communication and cooperation

Employees at December 31 *

	2011	2010
Germany	30,187	27,354
Other countries	22,355	20,315
Total	**52,542**	**47,669**
Other countries in %	43	43

Employees by business area at December 31 *

	2011	2010
Commercial Vehicles	36,154	33,020
Power Engineering	16,052	14,337
Other	336	312
MAN Group	**52,542**	**47,669**

* Including subcontracted employees.

Headcount

As of December 31, 2011, the MAN Group employed 52,542 people including subcontracted employees. This represents an increase of 4,873 or 10% as against December 31, 2010.

Our non-German companies, whose headcount grew by 10% to 22,355, account for 43% of our employees, as in the previous year. In Germany, the Group's workforce totaled 30,187 at the end of the year, up 2,833 year-on-year. The MAN Group had 2,364 subcontracted employees on December 31, 2011. This represents an increase of 388 or 20% as against the previous year (1,976).

The Group's permanent staff rose from 45,693 in the previous year to 50,178 on December 31, 2011. At 2,581, the number of employees with fixed-term contracts as of December 31, 2011, was up 27% on the previous year (2,035).

Employee survey

MAN conducted the first Group-wide survey of its 49,000 employees in May 2011. The questionnaire was translated into 23 languages and distributed in 34 countries. At 80%, the return rate was encouragingly high. Thanks to the high participation rate, the results of the survey are very conclusive and represent a good starting point for identifying the Company's strengths and potential for improvement.

The results of the survey were analyzed at different levels – for the entire MAN Group, the subgroups, and for individual functions and departments. Every manager received a report with the results for their team, provided at least five people in their team took part in the survey. The overall result for the MAN Group was published on the intranet and communicated to all employees.

Across the Group, the most positive responses were given to questions on the following topics: clarity of expectations placed on employees (79%), respect between employees and direct supervisors (77%), teamwork (75%), and identification with MAN as an employer (66%). MAN's Management Board has discussed the results and identified improvements. All MAN employees and managers will implement the measures identified together to continue to improve communication and cooperation in the Company.

Leadership culture

Employee commitment and performance is key to the success of a company – and the foundation for this is the MAN Group's corporate and leadership culture, which is clearly oriented towards MAN's corporate values and vision.

MAN's leadership culture focuses on four specific leadership qualities: competence, transparency, commitment, and behavior. Managerial staff represent and provide an example of these qualities in accordance with the cultural norms of their environment. The MAN leadership culture gives all employees and managerial staff around the world clear guidance on how they should behave, what they can expect from colleagues, and how the MAN Group is represented to the outside world. The goal is to create a trusting corporate culture – the basis for excellent performance by each employee and therefore for MAN's success.

These four management qualities have been anchored in annual employee appraisals for MAN managers since 2010. The extent to which these are implemented is reviewed on an ongoing basis.

Management training

The continued success of the MAN Group as a leader in transport-related engineering relies on having exemplary, highly qualified managers. Development programs at the MAN Executive Academy and international business schools provide the ideal basis for our employees to further develop their specialist and leadership skills. Fostering talent in a targeted manner also enables the Company to fill most management positions from its own ranks.

MAN as an attractive employer

The "Personalities Wanted" employer branding campaign positions MAN as an attractive employer internationally in order to continue to recruit qualified employees in the future. The Company has been supporting the top students in technical and commercial fields at prestigious universities such as the Munich Technical University and RWTH Aachen for decades. In addition to scholarships, MAN offers these students an insight into working life through lecture series and project work. Several thousand students complete internships or research projects at MAN every year. The MAN Graduate Program gives high-achieving graduates a detailed insight into the Company's different areas of business to optimally prepare them for the future challenges of working at MAN. Over 1,000 young people started a vocational traineeship at MAN in 2011.

Occupational pension system

Retirement provision that goes beyond the statutory pension systems often plays a very important role in securing living standards following retirement. For some time now, the MAN Group has contributed to its employees' retirement provision by granting pension commitments and similar benefits that are structured to country-specific and market requirements.

Once their active working life finishes, employees in Germany receive benefits provided by a modern and attractive occupational pension system that constitute a key element of MAN's remuneration policy. These benefits offer a reliable additional income on retirement and also protect employees against the risk of permanent disability or death during their active employment. Employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation – which is employer-subsidized for staff subject to collective bargaining agreements. Further deferred compensation options were added in fiscal 2011, allowing a high degree of flexibility in the personal provision model.

The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement. The risk of the investments is gradually reduced as employees get older (life-cycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters.

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

Corporate Responsibility

Clear medium-term targets and concrete measures to support strategic corporate goals; climate strategy adopted

Corporate responsibility (CR) is an integral part of the MAN Group's strategy and corporate culture. As part of its CR program, the Company has set goals for 2015 in its fields of action – integration, the environment, the economy, and people – and has identified measures to achieve these goals. In this way, the CR strategy underlines the strategic goals of the MAN Group.

Results in fields of action

Integration: Integrating CR into its divisions' strategies and operating processes, vocational training and continuous professional development, as well as human resources and organizational development, allows the MAN Group to increase its competitive advantage. This is supported by a systematic stakeholder dialog and open communication.

In its first CR Report, which was released in 2010, the MAN Group provided stakeholders with information on the progress of the implementation of the CR strategy, as well as nonfinancial performance indicators. The Company prepared this report in accordance with the internationally recognized Global Reporting Initiative (GRI) guidelines and achieved an application level of B+. Sections of the CR Report and selected nonfinancial performance indicators were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The MAN Group conducted its second international, web-based stakeholder survey in 2011 to integrate the expectations of stakeholders into the strategy. From the approximately 500 stakeholders selected to participate, around 40% completed the survey. As in the previous year, respondents believed that the greatest challenges facing the Company are conserving resources (73%) and climate change (61%).

For the first time, MAN also conducted a Group-wide survey of its 49,000 employees on various topics – including leadership, diversity, ethics, values, and the Company's responsibilities. Around 80% completed the survey.

To steer the integration of CR in operating processes, the MAN Group has recorded and published an annual list of the number of sites covered by management systems in quality, environment, workplace safety, and occupational health since 2010. The Company aims to have all European and BRIC sites certified according to the international ISO 14001 environmental management standard by 2015.

Environment: Climate change is one of the biggest global challenges facing the government, economy, and society – and MAN as well. The transportation sector accounts for around 15% of CO_2 emissions worldwide and this will increase to 22% by the year 2020. MAN upholds this responsibility and has developed a Group-wide climate protection strategy, which was approved by the Executive Board of MAN SE in mid-2011. It is part of the CR strategy and follows the aims of the corporate strategy.

MAN is in a position to make an important contribution to climate protection at its sites and through its products. The Group's target, as defined in its climate strategy, is to achieve a 25% reduction in CO_2 emissions by 2020 (base year: 2008). The MAN Group measures and reports its progress in a transparent manner using nonfinancial performance indicators such as direct and indirect emissions. These climate goals are also integrated into the Group-wide process used to define goals for managers.

The Group has developed core initiatives to achieve its climate goals. Implementation of these climate goals began in 2011. Up to over 90% of emissions are attributable to the usage phase of products. The Company therefore achieves the greatest reduction in CO_2 emissions by manufacturing low-consumption, efficient products. Reducing these CO_2 emissions by 20% or more is one of the biggest tasks MAN has set itself in a balancing act between regulation and international competition. This development goal is also motivated by the advantage that less emissions in the usage phase also lower the total cost of ownership, and that resource efficiency is increasingly becoming a purchase criteria for MAN customers. Products that consume less energy in the usage phase represent a competitive advantage.

Two MAN TGX EfficientLine semitrailer tractors demonstrated lower resource consumption than comparable trucks on MAN Truck & Bus's Consistently Efficient tour in 2011. The 10,000 kilometer journey through 20 European cities showed that a particularly efficient truck can already save around three liters of diesel per 100 kilometers. Given the distances travelled by long-haul trucks every year – an average of 150,000 kilometers – these three liters of fuel represent savings of up to 47 tons of CO_2 over the four-year life of a vehicle. Trade journals "VerkehrsRundschau" and "TRUCKER" awarded the "Green Truck 2011" to the MAN TGX 18 400 for this achievement.

In the summer of 2011, MAN Latin America introduced a new, environmentally friendly city bus, which can be run on diesel or natural gas. This bus is equipped with a Euro V engine and features a special dual injection system that can reduce fine particulate emissions by 80% and CO_2 emissions by 20%.

MAN Diesel & Turbo is already prepared for the stricter limits that will apply to ship engines in the future: The first two-stroke engine in the world to meet the International Maritime Organization's Tier III limits, which come into force in 2016, was built in 2011. Among other things, the new engine reduces nitrogen emissions by 80% as against the year 2000.

Economy: The Company's sustainability performance is regularly reviewed by different rating agencies. These independent assessments guide investors and analysts in their investment decisions. One key sustainability rating is the Dow Jones Sustainability Indexes (DJSI). The MAN Group improved its DJSI score from 48 points in the previous year to 64 points and was admitted to the DJSI World Enlarged Index. This ranks MAN among the top 20% of the 2,500 largest companies listed on the Dow Jones Global Total Stock Market Index.

MAN sustainability ratings

Rating agency	Index	Rating
Sustainable Asset Management (SAM)	Dow Jones Sustainability Indexes	64 out of 100 points
Carbon Disclosure Project (CDP)	Carbon Disclosure Leadership Index (CDLI)	73 out of 100 points, listed for the second year in a row
oekom research	–	Prime C +
Sustainalytics	–	15th out of 82

People: The MAN Group has developed a talent management program and made promoting diversity a key focus in order to position the Company as an attractive employer internationally, and to recruit and retain the best employees and managers. MAN has also entered into cooperations with various universities. These activities strengthen MAN as an employer brand.

Employee structure

	2011	2010
Total	**52,542**	**47,669**
of which: female	6,846	5,943
of which: male	45,696	41,726
of which: subcontracted employees	2,364	1,976
of which: part-time employees	787	709
of which: fixed-term employees	2,581	2,035

Age structure 2011

Total*	< 30	31 – 40	41 – 50	51 – 60	> 60
50,178	10,811	14,490	14,201	9,455	1,221

* MAN Group employees only, i. e., not including subcontracted employees.

Together with the other companies in the German stock index (Dax 30), MAN signed a declaration reasserting its goal to significantly increase the percentage of women in managerial positions in October 2011. This also involves increasing transparency with regard to the current status of the advancement of women, the extent to which goals have been achieved, and the measures that have been planned and implemented. According to guidelines introduced in November 2010, companies must take diversity into account and, in particular, aim for appropriate consideration of women when filling management positions. As of December 31, 2011, 7.3% of MAN's managers were female, compared with 6.1% in 2010. Mentoring and coaching programs designed specially for women aim to help raise this figure to 12% by 2014 – the percentage of women in the total workforce.

Alongside flexible working models, childcare is also an important factor in reconciling work and family life. Since 2011, employees at MAN Diesel & Turbo's Augsburg site have had access to a service similar to the "MAN Löwenkinder" kindergarten at the Munich site. The MAN daycare facility offers childcare spaces for 76 children.

MAN Group employees should be given the opportunity to actively contribute to the Company's charitable work. The MAN Group introduced an employee volunteering program in 2011 together with its long-standing partner, SOS Children's Villages. The initiative was backed by Jörg Schwitalla, Chief Human Resources Officer at MAN SE, and Jürgen Dorn, Chairman of the Group Works Council of MAN SE. The initiative kicked off with promotions at the SOS Vocational Training Center in Nuremberg. In consultation with their supervisors, employees can use half a day of their working time to take part. By the end of the year, MAN employees had completed around 100 hours of volunteer service since the initiative began in November 2011.


SKYLINER

The Divisions in Detail

MAN Truck & Bus

- **Order intake and revenue increase by double-digit percentages**
- **Operating profit more than triples**

MAN Truck & Bus maintained its strong performance of the previous year in fiscal 2011. Double-digit increases in order intake and revenue enabled it to more than triple operating profit year-on-year.

At €9.5 billion, order intake in fiscal 2011 was 19% above the prior-year level (€8.0 billion). Revenue rose by 21% from €7.4 billion in the previous year to €9.0 billion. Significantly higher unit sales saw operating profit increase by €407 million to €565 million compared with the previous year (€158 million).

MAN Truck & Bus

€ million	2011	2010
Order intake	9,514	8,023
of which: Trucks	8,234	6,865
of which: Buses	1,280	1,158
Order intake (units)	84,449	67,393
of which: Trucks	78,635	61,934
of which: Buses	5,814	5,459
Revenue	8,984	7,446
of which: Trucks	7,743	6,279
of which: Buses	1,241	1,167
Vehicle sales (units)	83,418	60,649
of which: Trucks	77,643	55,166
of which: Buses	5,775	5,483
Production (units)	85,107	59,716
of which: Trucks	78,727	54,656
of which: Buses	6,380	5,060
Headcount[1]	34,239	31,284
Operating profit[2]	565	158
of which: Trucks	535	191
of which: Buses	29	18
of which: Financial Services	1	–49
ROS (%)	6.3	2.1

[1] Including subcontracted employees as of December 31.
[2] Including €–2 million from consolidation adjustments between Financial Services and Trucks/Buses in 2010.

Economic environment

The European commercial vehicles market continued to recover in 2011. The market volume in the segment for trucks over 6 t increased from 235,000 units in 2010 to around 306,000 units (+30%). MAN Truck & Bus was able to lift its market share in this segment from 16.8% in the previous year to 17.9%. At 28,500 units, the European bus market remained almost on a level with the previous year (28,000). Here, MAN Truck & Bus was able to increase its market share from 13.3% to 13.8%. The sharpest growth was achieved in the intercity bus segment.

Business developments

The Trucks business lifted its order intake from €6.9 billion in the previous year to €8.2 billion. The number of trucks ordered was up by 27% from 61,934 to 78,635 units. This growth was driven in particular by order intake for heavy trucks, which increased by 31%. MAN Truck & Bus delivered 77,643 trucks and 5,775 buses, recording a 38% rise compared with the previous year (55,166 trucks, 5,483 buses). Revenue rose by €1.5 billion to €9.0 billion, with revenue from the Trucks business climbing by 23% to €7.7 billion and the Buses business recording a 6% increase in revenue to €1.2 billion.

Operating profit

Due to higher unit sales and the resulting improvement in capacity utilization, operating profit increased by €407 million to €565 million. Return on sales climbed sharply from 2.1% in the previous year to 6.3%.

Operating profit in the Trucks business increased by €344 million to €535 million, with the return on sales rising sharply from 3.0% to 6.9%. In addition to the overall increase in the number of vehicles sold and the resulting improvement in capacity utilization, the higher proportion of heavy trucks was also a key earnings driver. The Buses business lifted its operating profit from €18 million in the previous year to €29 million. Besides higher unit sales, the improvement in earnings is attributable to the changed product mix resulting especially from a larger proportion of coaches. Financial Services generated an operating profit of €1 million in fiscal 2011, €50 million above the prior-year loss of €49 million. Both the portfolio and the operating interest margin increased. In addition, risk provisions declined, particularly in Italy, Russia, and Spain.

Employees

As of December 31, 2011, MAN Truck & Bus had a workforce of 34,239 (previous year: 31,284). In line with the company's future strategic focus, additional staff were recruited primarily in the areas of research and product development, global purchasing, service and after sales, and quality management. 20,492 staff were employed in Germany (previous year: 18,616) and 13,747 outside Germany (previous year: 12,668). The company had 2,174 vocational trainees as of December 31, 2011 (previous year: 2,178). The proportion of vocational trainees was 6.1%.

Research and development

Research and development expenditures amounted to €309 million in the period under review (previous year: €262 million), or 3.4% of revenue (previous year: 3.5%). An average of 2,088 staff (previous year: 1,827) were employed by the company's research and development departments worldwide during the year.

In 2011, MAN Truck & Bus established a competence center for hybrid drives, in which it combines all its activities in the field of hybrid technology, from research through to development for series production in various product segments. In all commercial vehicle segments, from city buses to long-haul trucks, hybrid technology will play a key role in improving efficiency and conserving resources, smoothing the way for e-mobility.

To showcase the Research and Development function's achievements in reducing vehicle energy costs, MAN Truck & Bus staged the Consistently Efficient Tour 2011. For almost six months, a number of vehicles were tested across Europe, successfully demonstrating the low fuel consumption and CO_2 emissions of the TGX EfficientLine.

Together with partners, MAN Truck & Bus launched the EBSF (European Bus System of the Future) project. As part of this European research project, an innovative MAN Lion's City articulated bus was trialed in Budapest. The aim is to gain further knowledge to assist in the future design of efficient, eco-friendly, and attractive urban bus systems.

The NEOPLAN Skyliner was premiered internationally at the Busworld Kortrijk expo. MAN also showcased the MAN Lion's City as the first city bus manufacturer to meet the Euro VI emission standard.

The Research and Development function received numerous awards in recognition of its successful work. The Lion's City Hybrid received the international Design Award for its "intelligent" vehicle design and the red dot design award for high design quality. In Spain, the same bus was voted Bus of the Year due to its considerable potential to cut fuel consumption and CO_2 emissions and its suitability for everyday use. In addition, the MAN TGX was named Green Truck 2011 in recognition of its low fuel consumption and CO_2 emissions.

Capital expenditures

Having doubled to €454 million (previous year: €207 million), capital expenditures made a significant contribution to the development of new products, the continuous improvement of quality and efficiency in production, and the expansion and strengthening of the global sales and service network.

Almost half of the capital expenditure is attributable to capitalized development costs for new products for trucks (€147 million including for the Euro VI emission standard), buses (€28 million), and external engines (€5 million).

At the Munich plant, MAN Truck & Bus constructed a new building, creating further space for research and development. It also invested in the expansion of test bed capacity and in the expansion of robotic painting in cab production.

In St. Petersburg, MAN Truck & Bus is currently setting up a new commercial vehicle production plant, thereby paving the way to continue participating in the dynamic market growth in Russia and other countries of the CIS. In the medium term, it plans to have production capacity for around 6,000 trucks a year. As a local manufacturer with the resulting proximity to markets and customers, MAN Truck & Bus is placed to cater to the rising demand for high-quality commercial vehicles.

An extensive modernization program was launched for the NEOPLAN plant in Plauen. Once the program has been completed (probably in 2013), Plauen will be one of the most modern bus plants in Europe.

At the Nuremberg engine plant, a new sequencing center improved just-in-sequence delivery on the engine production line.

Other major investment focuses were the global expansion and renewal of the sales and service network and measures to improve global spare parts logistics, in particular the construction of a new logistics center in Salzgitter.

MAN Truck & Bus expanded its position in the national and international commercial vehicle rental business with the full acquisition of EURO-Leasing. MAN Truck & Bus now offers a complete range of short- to long-term rental products, including tractors, trailers, and special-purpose vehicles.

As of December 31, 2011, MAN and the Rheinmetall Group combined their production capacities for wheeled military vehicles in Rheinmetall MAN Military Vehicles GmbH, Munich, which was established in 2010. Development and sales activities were the first areas to be consolidated. MAN Truck & Bus holds a 49% stake in the company.

Outlook

The outlook for the global commercial vehicles market has clouded in recent months due to the decline in economic growth rates and uncertainty on the financial markets. Following the dynamic growth in 2011, momentum is likely to weaken in 2012, meaning that demand for commercial vehicles in Europe will be roughly on a level with the previous year. Europe remains MAN Truck & Bus's core market. At the same time, MAN continues to pursue its international growth strategy, which is focused mainly on the BRIC countries.

Going forward, there will continue to be considerable differences between the BRIC countries and the European market environment in terms of market requirements, demand preferences, and general price acceptance. While innovation, equipment, and costs per kilometer driven will remain the key success factors for high-margin business in the European market, the market in the BRIC countries continues to be directed very much by the vehicle price. MAN Truck & Bus serves these regions with appropriately tailored products and concepts.

In China, MAN Truck & Bus and Sinotruk presented the SITRAK, the first product under the new joint truck brand. The SITRAK will serve China and other growth markets in Asia, Africa, the Middle East, and the CIS. Sales are scheduled to start in 2013. By 2018, the aim is to reach annual unit sales of some 200,000 units, of which around 160,000 are set to be recorded in the Chinese market. MAN will also participate in sales in China through the interest in Sinotruk.

At the end of 2011, MAN Truck & Bus signed a contractual agreement with FORCE regarding the acquisition of FORCE's 50% interest in the MAN FORCE TRUCKS Pvt. Ltd. joint venture. MAN Truck & Bus previously increased its interest in the company from 30% to 50% in 2008. By buying the shares of FORCE, MAN Truck & Bus assumes sole responsibility for the production and sale of the MAN CLA in and outside of India. This long-term strategic investment by MAN Truck & Bus underscores the immense importance of the Indian market in the context of its BRIC strategy.

MAN Truck & Bus is continuing to expand the external engines business, a strategic business area with considerable growth potential, and develops and produces common rail diesel engines, which are used in MAN trucks and buses. Other manufacturers also use MAN engines, installing them in commercial vehicles, construction and agricultural machinery, track vehicles, and yachts. In October 2011, for example, MAN announced the delivery of 2,188 engines to Russian bus manufacturer LIAZ, a subsidiary of Russia's largest automotive group, GAZ Group.

The Management of MAN Truck & Bus expects revenue in 2012 to be on a level with the previous year. The return on sales will decrease slightly. MAN Truck & Bus will continue to work on sustainably increasing earnings quality in a challenging market environment.

MAN Latin America

- **Revenue and operating profit at record level**
- **Market lead reinforced**

MAN Latin America generated record revenue of €3.6 billion in 2011 and at the same time the highest operating profit in its history. The expansion of production capacity enabled the company to benefit from the strong market growth in Brazil.

MAN Latin America

€ million	2011	2010
Order intake	3,579	3,140
Order intake (units)	72,102	65,630
Revenue	3,579	3,140
Vehicle sales (units)	72,102	65,630
Production (units)	83,201	68,026
Headcount *	1,915	1,736
Operating profit	400	370
ROS (%)	11.2	11.8

* Including subcontracted employees as of December 31.

Economic environment

The Brazilian economy exhibited strong growth in the first half of the year. However, this slowed in the second half of the year. The Brazilian government implemented a variety of stimulus measures to ensure continuous development in all key market segments, and in particular in the automotive and infrastructure sectors. For example, the incentives included tax cuts and subsidized finance for capital goods spending.

Against this backdrop, new registrations in Brazil rose to a total of 171,248 trucks over 5 t (+10%) and 34,642 buses (+22%) in 2011. Exports in the recovering truck and bus markets totaled 40,630 vehicles (+11%) and were driven in particular by high demand for trucks (+23%). Bus exports, on the other hand, declined by 9%.

Business developments

MAN Latin America was able to sell 52,002 trucks (previous year: 48,608) in the growing Brazilian market, thereby maintaining its position as the country's market leader for trucks over 5 t for the ninth successive year with a 29.7% share of new registrations. The company also performed well in the Brazilian bus market, selling 10,573 bus chassis (previous year: 8,691). MAN Latin America increased its market share by over five percentage points to 32.2%, confirming its number two position in the local bus market.

In the export markets, MAN Latin America sold 9,527 trucks and bus chassis, securing its leading position in the truck export business for the third successive year with a share of 28.1%. In the bus chassis segment, it increased its share of exports to 13.1%.

Sales totaling 72,102 commercial vehicles in 2011 made it the best fiscal year in the company's history. A new production record was also set with 69,258 trucks and 13,943 buses.

Operating profit

Operating profit reached a new all-time high of €400 million (previous year: €370 million). This represents a return on sales of 11.2% in 2011. The slight decline in return on sales as against the previous year (11.8%) reflects the stronger competition in the Brazilian commercial vehicles market.

Employees

At the end of 2011, MAN Latin America had a total workforce of 1,915. In addition, 5,134 employees are on the payroll of the company's partners or service providers as part of the "Consórcio Modular" production system.

Capital expenditures, research and development

Two features of MAN Latin America's "Consórcio Modular" business model, in which the partner companies are also suppliers and investors, are its low level of capital employed and low capital expenditure requirement. The company invested 3.2% of revenue, which was spent primarily in research and development (R&D), extending the product range, and expanding capacity in Resende.

Research and development expenditures in the year under review amounted to €93 million or 2.6% of revenue. An average of 457 staff employed directly by the company (including subcontracted employees) and 195 employees of partners or service providers worked in R&D.

R&D activities focused on reducing emissions (Euro V emission standard) and on synergy projects with MAN Truck & Bus, such as localizing the D08 engine and the MAN TGX and TGS truck, as well as the joint low-floor bus platform. At the same time, MAN engineers developed energy- and environmentally-efficient solutions in the area of alternative fuels (e.g., biodiesel from sugar cane) and hybrid solutions such as diesel/natural gas D08 engines for city buses and hydraulic auxiliary acceleration systems. By recovering kinetic braking energy, the latter can reduce both fuel consumption and noise emissions during stop-and-go driving (e.g., in the waste industry).

The new bus development unit established in mid-2010 enabled a number of customer-specific technical modifications to be introduced and existing series to be enhanced, particularly in the engine and gears segment. These developments made an important contribution towards MAN Latin America's ability to increase its market share.

Outlook

Brazil is MAN Latin America's largest and most important market. The Brazilian government has decided on various measures to stabilize the economy. These include investments in infrastructure and the extension of tax breaks for truck purchases until December 31, 2012. At the same time, existing taxes on imported vehicles have been increased. Several support programs, including "Caminho da Escola," for which MAN Latin America sold 2,935 school buses in 2011, and "Prócaminhoneiro" to modernize the truck fleet through subsidized financing options, have already been extended. The Brazilian government is thus continuing the economic policy pursued to date.

Various stimulating factors, such as the 2014 Soccer World Cup, the 2016 Olympic Games, and the tapping of newly discovered mineral resources will lead to increased demand for trucks and buses in the coming years. Growth is also likely to be driven by the considerable need to renew Brazil's aging fleet of transportation vehicles, which have an average age of over 16 years.

New business opportunities will emerge both from the launch of the MAN TGX/TGS series for the super-heavy truck segment, where MAN Latin America did not previously have a presence, and from the integration of MAN D08 engines into the existing offering. Both measures will contribute to the further expansion of the after-sales business, which has already grown strongly in recent years.

MAN Latin America is increasing its activities primarily in emerging economies and developing countries with the aim of maintaining the rate of growth in exports at the high level of the last two years.

Due to the introduction of the Euro V emission standard in Brazil and the associated additional costs for customers, the local market is likely to see a sharp fall in demand of 15%, particularly in the first half of 2012. Price increases due to technical factors are not expected to cushion additional costs and the drop in volumes. In addition, there is some uncertainty stemming from the global economic trend and the potential impact of the debt crisis in Europe.

Based on these assumptions, the Management of MAN Latin America expects a slight decline in revenue in 2012. It continues to target a return on sales of roughly 10%. These forecasts assume no significant change in exchange rates.

MAN Diesel & Turbo

- **Order intake up 6%**
- **Operating profit rises despite slight decline in revenue**
- **Strong return on sales increases further**

MAN Diesel & Turbo's order intake amounted to €3.7 billion, exceeding the prior-year figure of €3.5 billion by 6%. By contrast, revenue declined slightly (4%) as against the previous year to €3.6 billion. This reflected the major projects billed in fiscal year 2010, as well as the low order intake in the new construction business in the wake of the financial crisis. In some cases, this did not affect revenue until 2011 owing to long project throughput times. Nevertheless, operating profit increased from €439 to €460 million, as a result of which the return on sales rose to 12.7% (previous year: 11.7%). The order backlog stabilized at around €3.8 billion.

MAN Diesel & Turbo

€ million	2011	2010
Order intake[1]	3,692	3,475
of which: Engines & Marine Systems	1,605	1,525
of which: Power Plants	640	812
of which: Turbomachinery	1,447	1,138
Revenue[1]	3,610	3,766
of which: Engines & Marine Systems	1,670	1,576
of which: Power Plants	647	839
of which: Turbomachinery	1,293	1,351
Headcount[2]	14,039	12,455
Operating profit	460	439
of which: Engines & Marine Systems	359	333
of which: Power Plants	–22	–60
of which: Turbomachinery	123	166
ROS (%)	12.7	11.7

[1] Including consolidation adjustments between the Engines & Marine Systems, Power Plants, and Turbomachinery strategic business units.
[2] Including subcontracted employees as of December 31.

Economic environment

A very positive economic environment at the beginning of 2011 was followed by a noticeable global economic downturn in the further course of the year. This increased the pressure on the shipping industry. As new transportation capacity continued to come onto the market, fleet utilization declined with the result that competition among ship owners intensified and freight rates fell. In response to this and the negative effects of rising fuel prices, costs were cut by employing slow steaming, i.e., reducing speed to minimize fuel consumption, and temporarily mothballing individual ships. Nevertheless, orders for cargo ships, particularly container ships, initially remained at a high level in the first half of 2011. However, order activity dropped sharply in the second half of the year. As a result of the considerable pressure on prices for new constructions, the industry concentrated on building special ships as far as possible. Driven by the high oil price and the expectation that the price of oil would remain at a high level for the foreseeable future, an unusually high number of orders were placed for ships in the offshore exploration segment (drillships and vessels used to anchor and supply drilling rigs) and for tankers to transport liquefied natural gas (LNG).

In 2011, further strong growth in energy demand, particularly in emerging markets and developing countries, led once again to a high and stable market volume for diesel engine and gas-turbine power plants, which offer short delivery times and a high degree of flexibility. Furthermore, the trend towards natural gas-fired power plants has been borne out. There was also strong demand in the developed economies, particularly for these types of power plant, which are becoming more and more attractive with the increasing availability of natural gas and its growing price advantage over other fuels. Another advantage of natural gas-fired power plants is that they have lower emissions and are clean-burning.

Diesel engine and gas-turbine power plants can quickly be adapted to different load requirements, making them particularly suited for use as a back-up solution for wind turbine and solar energy systems. Combining these technologies to create a hybrid power plant balances out fluctuations in renewable energy production and ensures a constant supply of low-emission power with low fuel costs.

Demand for compressors and turbines was very strong from the beginning of the year onwards and, despite the economic downturn, remained at a high level until year-end. As a result of increasing consumption due to population growth and the rapidly expanding middle class in emerging economies, there is a considerable need for capital spending, for example in the primary and fertilizer industries, the oil and gas industry, and in industrial gases. MAN Diesel & Turbo's turbomachinery is used in all of these areas. This trend is particularly visible in Asia. In Europe, the trend towards decentralized energy generation made a positive contribution to market performance.

Business developments

Measured in units, global demand for merchant ships declined by 40% compared with 2010. More orders were placed for relatively high-performance container ships, resulting in an order intake at MAN Diesel & Turbo of more than 12 gigawatts (GW) for two-stroke engines. Although the order backlog declined again as delivery rates increased, the forward order book in the two-stroke license business still amounts to more than two years.

Order intake for four-stroke medium-speed diesels used as propulsion engines and for powering onboard equipment held steady year-on-year. A total of 1,811 original and licensed engines with a combined output of 3,311 megawatts (MW) were sold. In the offshore sector, our licensees won six new orders for drillships comprising a total of 36 engines. The sale of 16 engines for four offshore anchor handling tugs in Singapore is also worthy of mention. In addition, the company booked a major order for eight dual fuel engines for the construction of two LNG tankers. New orders for special applications such as dredgers and other offshore vessels were also won.

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

At €1,605 million, total order intake in the Engines & Marine Systems strategic business unit was slightly up on the previous year (€1,525 million). At €1,670 million, revenue also exceeded the prior-year figure (€1,576 million).

Order intake for four-stroke engines used in diesel power plants remained firm. Together with its licensee partners, MAN Diesel & Turbo sold a total of 246 engines with a combined output of 1,502 MW. In addition to a series of conventional diesel power plants in emerging markets and developing countries, additional orders were booked for dual fuel engines, including a further order for a powership – a marine vessel on which a power plant is installed – for a Turkish customer. Powerships can be used to help temporarily meet local demand from the harbor while a power plant is being built on land, for example. Order intake in the Power Plants strategic business unit totaled €640 million, which did not match the prior-year figure (€812 million); this had been lifted by a major order from Brazil worth €294 million. At €647 million, revenue was significantly below the prior-year figure (€839 million) for billing reasons.

The Turbomachinery strategic business unit recorded another sharp increase in order intake from chemical and fertilizer plants, as well as in the oil and gas industry segment. One key major order was placed for five mega-sized machine lines for the primary industries in China. In addition, MAN Diesel & Turbo booked the largest order for screw compressors in its history, comprising 32 machines. The newly developed 6 MW gas turbine was tested in a reference project. MAN Diesel & Turbo also received a major order in the oil and gas business, for the first compressor trains in the world to be used under water. Business was dominated by further orders from the gas production, storage, and processing segment, as well as for air separation equipment and generator steam turbines.

At €1,447 million, the Turbomachinery strategic business unit's order intake was up 27% on the previous year (€1,138 million). Revenue amounted to €1,293 million, down 4% on the 2010 figure (€1,351 million).

The after-sales business saw above-average growth in both order intake and revenue in all application areas.

Operating profit

Despite a slight decline in revenue, MAN Diesel & Turbo again recorded a significant increase in profitability. Operating profit amounted to €460 million in the period under review, surpassing the prior-year figure (€439 million) by 5%. Return on sales increased from 11.7% in the previous year to 12.7%. The earnings generated by the Engines & Marine Systems strategic business unit improved year-on-year to €359 million (previous year: €333 million) due to higher volumes. The Power Plants strategic business unit recorded a €22 million loss (previous year: €–60 million) due in particular to project-specific provisions recognized in Q1/2011. However, a positive result was generated in the second half of 2011. Profit in the Turbomachinery strategic business unit declined from €166 million in 2010 to €123 million. In addition to declining revenue, this was mainly impacted by the lower margin for new construction orders completed during the economic crisis as a result of fierce competitive pressure.

Employees

As of December 31, 2011, MAN Diesel & Turbo employed 14,039 people including subcontracted employees (previous year: 12,455). This year-on-year increase is mainly attributable to an increase in staff in the sales, production, and development functions.

Capital expenditures

Capital expenditures in 2011 increased by 9% compared with the previous year.

Investments in diesel engine production focused on equipment for pipe and injection production, as well as test beds. Among other things, an emission test center in Augsburg started operation in 2011. Investments in the general infrastructure related primarily to occupational and plant safety (e.g., gas safety and fire protection) as well as the construction of a company kindergarten.

MAN Diesel & Turbo invested in machinery and equipment at the turbomachinery production and test sites in Oberhausen and Zurich in order to maintain the plant and machinery in an up-to-date and efficient state. The focus here was on expenditure on testing facilities for developing new products and enhancing existing ones. In May, the second section of the extension was brought on stream at the Changzhou production site in China to expand and combine manufacturing capacity for components in several of MAN Diesel & Turbo's business areas.

New service centers were set up in Poland, the Dominican Republic, and the United Arab Emirates in order to increase MAN Diesel & Turbo's global presence.

Research and development

In 2011, MAN Diesel & Turbo continued the R&D initiatives of previous years. It made targeted investments in products and technologies so that, in the future, it can continue offering customers optimum products that meet growing environmental compatibility, cost-effectiveness, and reliability requirements.

In the period under review, MAN Diesel & Turbo chalked up a significant achievement in the large-bore diesel engine segment in relation to the Tier III emission limits set by the IMO. A MAN licensee built the world's first two-stroke engine that already meets the emission standard applicable from 2016. Further new technologies to cut emissions are being developed and tested at the new emissions test center in Augsburg, as well as in cooperation with prominent industrial partners. Important milestones were also reached in developing dual fuel engines (two-stroke engines) as well as gas engines, which are becoming increasingly important for the future. A new 10 MW gas engine is scheduled to be launched in the near future.

MAN Diesel & Turbo presented the first twin-turbo large-bore diesel engine with an output of up to 21,600 kW. This engine is the most efficient on the market and is thus specially tailored to the requirements of power plant customers.

The multi-year development phase for the new generation of gas turbines developed from scratch was completed successfully at the beginning of 2011. A first buyer has already been acquired for the prototype in the shape of a long-standing customer.

At the same time, MAN Diesel & Turbo enhanced its portfolio of steam turbines, further extending the performance range it offers. Its efforts here were aimed mainly at achieving a continuous improvement in efficiency, particularly with a view to environmentally aware energy generation.

In the after-sales business for turbomachinery, modernizing enhancements, modifications, and product improvements were systematically driven forward for machinery and for measurement and control devices. Retrofits enable existing plants and engines from MAN Diesel & Turbo to be adapted to the latest standards in light of stricter environmental and safety requirements.

Outlook

After a difficult year in 2011, the global shipbuilding industry will continue to recover slightly in niche segments such as offshore vessels, but will remain at a much lower level overall than in the boom years of 2005 to 2008. Overcapacity and low freight rates will continue to dominate the market in the container ship and bulk freighter segments. High fuel costs and curbs in lending will also continue to put pressure on the maritime industry. Customers are passing freight rate pressures and ongoing operating costs on to the shipbuilding industry. By contrast, investment in the exploitation of deep-sea oil and gas fields and in the related transportation technologies will remain high.

In emerging economies and developing countries, population and economic growth as well as the emergence of a high-spending middle class will continue to ensure a continuous rise in demand for products that MAN Diesel & Turbo plays a key role in manufacturing thanks to its offering for the processing industry. The growth in these countries is pushing up demand for energy, and new capacity for electricity provision needs to be developed. Demand for new power plants in the OECD countries will be driven primarily by the replacement of existing capacity and the flexibility of the electricity market. Transforming energy and meeting defined climate protection goals will require greater use of alternative energies. For MAN Diesel & Turbo, technologies such as solar power, energy generation from biomass, waste incineration, and waste heat recovery in particular play a key role in this context and are expected to be a source of stimulus. The importance of natural gas or LNG (liquefied natural gas) will tend to increase further in both shipping and stationary applications. The coal liquefaction segment offers further opportunities for air separation equipment in China.

MAN Diesel & Turbo is aiming for a slight increase in order intake and revenue in fiscal 2012. The order backlog will match that in the past fiscal year. Profit and return on sales will also further improve slightly in the coming year.

Renk

- **Healthy order intake, prior-year figure lifted by major order**
- **Stable operating profit, improved ROS**

Renk

€ million	2011	2010
Order intake	456	525
Revenue	389	403
Headcount*	2,013	1,882
Operating profit	53	52
ROS (%)	13.6	12.9

* Including subcontracted employees as of December 31.

Economic environment

The debt crisis in Europe has not yet had a negative impact on growth in the German mechanical engineering sector. At Renk, this encouraging economic environment during the period under review was reflected in a positive trend in order intake in most business areas. In fiscal 2011, Renk profited in particular from the increasing global demand for propulsion components in the growing renewable energy sector, as well as for other gear applications in the energy industry.

Business developments

The decline in order intake is attributable to the major gear unit order for the PUMA infantry fighting vehicle awarded to the Vehicle Transmissions business in the previous year. The other businesses achieved growth rates of 20% and more in 2011. Adjusted for last year's major order, Renk lifted order intake by 15% in 2011. At €389 million, revenue declined slightly in the period under review as against the previous year. This was due primarily to the long throughput times typical for large-scale gear unit construction. The high volume of orders on hand will only translate into corresponding revenue starting in 2012.

Thanks to its broad, international market development activities, the Vehicle Transmissions business signed the development contract for another European infantry fighting vehicle. Contract negotiations usually take several years in the international military business. The prospects of implementing a number of larger projects improved. As the service business performed well, the company was able to maintain its market lead in the segment for medium and heavy tracked vehicle transmissions. In the Vehicle Transmissions' test bed segment, the proportion of orders acquired in China for track vehicle, helicopter, and wind power gear unit test beds increased.

The Slide Bearings business cemented its market position in 2011. With distribution centers in Brazil, India, and, since summer 2011, in China as well, there are structures in place that sustainably increase Renk's competitiveness in these high-growth regions.

A sharp rise in orders for complex navy gear units and turbo gear units for energy generation improved the situation of the Special Gear Units business. The markets for industrial gear units continue to be marked by fierce competitive pressure.

The Standard Gear Units business in particular benefited from rising demand for environmentally friendly energy generation and distribution. For example, the situation with regard to orders for commercial vessel gear units recorded a significant improvement as a result of high orders for LNG (liquefied natural gas) tanker gear units from East Asia. In addition, further orders were placed for 5 MW offshore wind power gear units. As a result, the Standard Gear Units business also returned to full employment.

The positive business trend was likewise reflected in the order backlog, which increased from €522 million in the previous year to €586 million.

Operating profit

Although revenue declined, operating profit was on a level with the previous year at a healthy €53 million. Return on sales increased to 13.6% (previous year: 12.9%). Profit was lifted by the significantly higher capacity utilization rate and lower provisions compared with the previous year.

Employees

The Renk Group employed 2,013 people on December 31, 2011 (including subcontracted employees; previous year: 1,882). The increase in headcount as a result of the healthy order situation was primarily attributable to Renk AG's three German sites.

Capital expenditures

At €24 million, capital expenditures were in line with the prior-year figure (€23 million). Capital spending focused on the Augsburg site, where as well as extending the central storage facility, investments were made mainly in the mechanical production of vehicle transmissions and special gear units. In the Vehicle Transmissions business, Renk continued to shift the focus to end-to-end processing systems. In the Special Gear Units business, processing capacity was increased for core components in offshore wind power gear units so as to enable the series production of wind power gear units.

Research and development

A new display and monitoring system was designed for the Renk vehicle transmissions program for extended use for service and development purposes. This enables both transmission and engine data to be recorded and evaluated during usage.

In the Slide Bearings business, additional calculation methods were developed for lubricated slide bearings for heavy loads to ensure that slow-running applications are configured for reliable operation, as required in heavy electrical machinery and wind turbine systems, for example.

In the Special Gear Units business, development work on stationary applications concentrated on the design of the world's largest split torque gear unit. This gear unit is intended for installation in the wind power gear unit test bed used by RENK Test System GmbH for research purposes. The efforts begun to concentrate the offshore wind power gear unit business at the Rheine site were accompanied by development activities that primarily served quality assurance and the expansion of the offshore gear unit product range.

Outlook

In 2012, Management expects largely favorable conditions in the market segments relevant to Renk. This is conditional on the debt crisis in Europe not spreading to these market segments.

Taking into account possible export orders for tracked vehicle transmissions, Management expects order intake to be above the €500 million mark. Revenue will rise well above €400 million again, driven primarily by high demand for offshore wind gear units as well as for gear unit and slide bearing applications in the energy industry. The large backlogs of orders for large-scale gear units will also be increasingly reflected in revenue.

Operating profit will increase correspondingly in 2012. Management anticipates that Renk's return on sales will remain clearly in double digits.

Others/Consolidation

€ million	2011	2010
Headcount*	336	312
of which: MAN Shared Services	70	93
of which: MAN SE	266	219
Operating profit/loss	5	16
of which: MAN SE and MAN Shared Services	– 99	– 83
of which: investment in Scania AB (dividend)	59	–
of which: investment in Scania AB (equity method)	–	99
of which: investment in Sinotruk Ltd. (equity method)	45	29
of which: investment in manroland AG (equity method)	–	– 13
of which: consolidation	0	– 16

* Including subcontracted employees as of December 31.

“Others/Consolidation” comprises MAN SE and its Shared Services companies, the investments held directly by MAN SE, and the consolidation adjustments between the MAN Group’s companies.

In 2011, the operating loss for the Corporate Center and its Shared Services companies amounted to €99 million (previous year: operating loss of €83 million). The deterioration as against the prior-year period was due primarily to increased expenses for human resources, projects, and legal advice.

Since January 5, 2011, the investment in Scania AB has no longer been accounted for using the equity method, but as a financial investment, as a result of which the operating loss for 2011 included a dividend of €59 million from this investment. In addition, the profit of Sinotruk Ltd., which is accounted for using the equity method, amounted cumulatively to €45 million. Since Q3/2010, MAN’s share of the operating profit/loss of manroland is no longer included in MAN SE’s results, as the value of the carrying amount of the equity investment following the equity adjustment is €0.

The year-on-year improvement in the operating profit/loss from consolidation is largely due to a decrease in the elimination of intercompany profits.

Financial statements of MAN SE

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

Results of operations

€ million	2011	2010
Net investment income	702	276
Other earnings before taxes	– 150	361
Earnings before tax (EBT)	**552**	**637**
Income taxes	– 180	– 116
Net income for the fiscal year	**372**	**521**
Retained profits brought forward	2	0
Transfer to (-)/withdrawal from (+) revenue reserves	–	– 225
Net retained profits	**374**	**296**

MAN SE's earnings before tax fell by €85 million in the reporting period to €552 million. This is mainly due to the nonrecurring gain on the merger of MAN B&W Diesel Beteiligungs GmbH and MAN Maschinen und Anlagenbau GmbH with MAN SE recognized in the previous year. This was offset by the improvement in net income from investments. Other earnings include general and administrative expenses, net interest income, and other income and expenses. The income tax expense of €180 million comprises €17 million in taxes for the reporting period (previous year: €1 million) and €163 million in prior-period taxes (previous year: €115 million).

Including the retained profits brought forward of €2 million, the net retained profits amounted to €374 million. At the Annual General Meeting, MAN SE's Executive and Supervisory Boards will propose utilizing the net retained profits of €374 million (previous year: €296 million) to distribute a dividend of €2.30 per share carrying dividend rights (previous year: €2.00) and to carry forward the remainder to new account.

Net assets and financial position

€ million	2011	2010
Fixed assets	5,652	5,651
Current assets	2,575	2,374
Total assets	**8,227**	**8,025**
Equity	2,389	2,311
Financial liabilities	4,931	4,886
Other liabilities and provisions	907	828
Total equity and liabilities	**8,227**	**8,025**

Fixed assets relate primarily to shares in affiliated companies.

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

Additional information

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

The principles governing the remuneration system for members of the Executive and Supervisory Boards are explained in the remuneration report, which forms part of the Management Report in accordance with section 315 of the HGB. The remuneration of the members of the Executive and Supervisory Boards is reported individually in the sections entitled "Remuneration of the Executive Board" and "Remuneration of the Supervisory Board" in the "Notes to the Consolidated Financial Statements." As of December 31, 2011, MAN SE employed 266 people including subcontracted employees (previous year: 219).

Dependent Company Report

In accordance with section 312 of the *Aktiengesetz* (AktG – German Stock Corporation Act), the Executive Board of MAN SE has issued a dependent company report on relationships with affiliated companies. On November 9, 2011, Volkswagen Aktiengesellschaft acquired the shares tendered to it as a result of the mandatory offer, which gave it a majority of voting rights in MAN SE. However, for the purposes of the preparation of the dependent company report, the Executive Board assumes that dependence was established on November 3, 2011, with the entry into force of the last completion conditions of Volkswagen Aktiengesellschaft's mandatory offer dated May 31, 2011. The reporting period thus spans the time from which MAN SE became dependent to the end of the fiscal year, and hence the period from November 3, 2011, to December 31, 2011.

The Executive Board submitted the following declaration at the end of the report:

"We declare that, based on the circumstances known to us at the time the transactions were executed or measures were undertaken or omitted, MAN SE received appropriate consideration for every transaction and measure listed in the report on relationships with affiliated companies, and has not been disadvantaged by the implementation or omission of any measure."

Risk Report

Risk management activities are an integral part of corporate management and business processes. In 2012, they will focus on economic, market, and product risk

Company-wide risk management system

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

The MAN Group's risk management system is an integral part of its corporate management and business processes. The core elements of the system are corporate planning, including the quarterly review process, opportunity and risk management (risk management), the internal control system, and the compliance system.

One of the objectives of corporate planning is to identify and assess opportunities and risks at an early stage so that appropriate measures can be taken. The risk management system is configured at all levels of the Group to quickly provide up-to-date and relevant information on the status of significant opportunities and risks and the efficacy of the measures taken. The internal control system focuses on monitoring and managing risks in a targeted manner, particularly those with regard to the efficacy of business processes, the reliability of the financial reporting, and legal compliance. The MAN compliance system supports compliance with all laws, internal policies, and codes of conduct applicable to the Company. The focus here is on anticorruption efforts, antitrust law, and data protection. Detailed information on the compliance system can be found in the section entitled "Compliance."

Organization of the risk management and internal control system

Overall responsibility for setting up and maintaining an appropriate and focused risk early recognition system lies with MAN SE's Executive Board, which has defined the scope and focus of the risk management and internal control system based on the Company's specific requirements. In this context, the Industrial Governance management system provides for decentralized operational decision-making processes within the MAN Group. Consequently, Management of each division is responsible for ensuring that all Group companies are integrated into the risk management and internal control system. The Group policy for opportunity and risk management and the internal control system (Group policy) provides the framework for a common understanding of the risk management and internal control system throughout the Group and contains guidelines on organizational structure, processes, and reporting.

Organizational structure

The organizational structure of the risk management and internal control system is based on the MAN Group's Management hierarchy. Therefore, roles and committees have been put in place both at Group level and in the divisions. In the MAN Group's material divisions and companies, there are coordinators for the risk management and internal control system. These ensure that the processes set out in the Group policy are implemented. They also play a part in the continuous development and improvement of the risk management system. At both division and Group level, cross-functional risk boards have been set up to act as central supervisory, management, and oversight bodies for the risk management and internal control system. During risk board discussions, they assess the risk position and decide on measures to manage risk and rectify control weaknesses.

Standard risk management process

The standard risk management process comprises identification, analysis, assessment, management, monitoring, and communication phases. In this context, risks are classified as either short-term, i. e., up to one year, or as long-term, i. e., up to five years. They are assessed in terms of their probability of occurrence and impact on a gross and net basis, with the net assessment factoring in any measures that mitigate the risk in question. The projected operating profit of the relevant organizational unit is used to evaluate the materiality of such a net assessment. Risk managers in the divisions define and implement risk mitigation measures and review their efficacy. Uniformly defined risk fields allow the Group to promptly identify and actively manage any concentration of risk. In addition to risks, opportunities are also continuously identified.

Reporting

The risk position, material control weaknesses, and measures to manage risk and rectify control weaknesses are reported in the risk boards to the divisional executive boards and the Executive Board of MAN SE on a quarterly basis. At the meetings of its Audit Committee, the Supervisory Board is regularly briefed on the MAN Group's risk position and on material weaknesses in the Group's internal control system.

Accounting-related risk management and internal control system

As a rule, the risk management system and the internal control system that forms an integral part of it also comprise the accounting-related processes as well as all risks and controls in respect of accounting. This relates to all parts that could have a material effect on the consolidated financial statements. As part of the risk management activities, identified risks are assessed in terms of their effect on the consolidated financial statements and appropriate measures are taken.

The internal controls focus on limiting risks of material misstatement in the financial reporting and risks arising from noncompliance with regulatory standards or acts of deception as well as on minimizing operational/economic risks (e. g., threats to assets as a result of unauthorized operational decisions or obligations entered into without authorization). Accounting-related controls must provide sufficient assurance that the Group accounting process is reliable and complies with IFRSs, the *Handelsgesetzbuch* (HGB – German Commercial Code), and other accounting-related rules and laws.

The MAN Group has structured its existing internal control system and documented it uniformly throughout the Group in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to allow it to systematically assess the effectiveness of its internal controls. The documentation covers all standard business processes, including the processes relevant for preparing the financial statements together with the necessary controls, as well as controls relating to any identified business-specific risks. The scope of the documentation is determined by those companies that are significant for the consolidated financial statements or exposed to increased risk due to qualitative characteristics. It is reviewed annually on the basis of defined criteria.

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

The effectiveness of accounting-related internal controls is assessed at least once a year, primarily during the preparation of the financial statements. Identified control weaknesses and agreed measures to rectify them are covered in the quarterly report in the risk board. In addition to the Corporate Audit function, the external auditors assess the accounting-related processes as part of their audit activities.

The control environment and the cross-process controls that form the framework of an effective and operational internal control system are documented centrally at division level and assessed annually to determine whether they are appropriate and functioning effectively.

The internal control system is regularly reviewed with regard to the completeness, appropriate design, and effectiveness of the existing controls with the aim of ensuring compliance at all levels of the MAN Group with existing regulations aimed at reducing process-related and organizational risks.

Opportunities and risks

The MAN Group classifies significant opportunities and risks that may have a considerable impact on its net assets, financial position, and results of operations into five risk fields: markets, products, processes, employees, and finances.

Markets

In the medium to long term, the MAN Group sees opportunities for all divisions to achieve profitable growth in the transportation and energy markets. The underlying global economic trends will continue, such as sustained economic growth, a greater international division of labor and resulting increase in global transportation routes and volumes, growing demand for energy, the increasing requirement for capital spending by the oil and gas industry, and a need for innovativeness due to trends in global climate policy. Through its strategy of significantly strengthening its position in the current and future growth markets of the BRIC countries, the MAN Group is increasing its sales potential and thus countering regional economic risks. In China, for example, MAN is able to participate in the strong growth in heavy trucks through its partnership with Sinotruk. In Brazil, it is benefiting from the country's economic growth by virtue of its position as market leader for trucks over 5 t. By increasing its activities in India, MAN is underscoring the immense importance of the Indian market in the context of its BRIC strategy.

Although the underlying global growth trend is expected to be positive, in the current environment of continuing uncertainty there are downside risks to global economic performance. In the short term, these may affect the markets relevant for the MAN Group in the form of a decline in demand or cancellations of existing orders, for example.

Flexible production concepts and cost flexibility through temporary work, flextime accounts, and the option of short-time working enable MAN to counter economic risks. Protectionist efforts in individual countries and changes to competitive conditions may also have an adverse effect on projected growth in the markets to which the MAN Group sells. MAN continuously monitors and assesses the economic, political, legal, and social environment so that the resulting opportunities and risks can be promptly incorporated into corporate decisions. Further information can be found in the "Outlook."

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop and launch technologically superior and highly cost-effective products that are of outstanding quality. Abandoning this mission would pose an unjustifiable risk to our market position. The rollout of new products involves both conceptual and market risks, which MAN manages through a careful strategic planning process based on an analysis of trends in the market and business environment. The resulting product plans are used to manage our extensive research and development activities. Annual research and development expenditures amount to over 4% of Group revenue. The launch of efficient dual fuel engines for power plants at MAN Diesel & Turbo and the TGX EfficientLine vehicles at MAN Truck & Bus, which are systematically designed to maximize fuel savings, clearly show that these risks can be overcome.

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

Investigations into potential irregularities in the course of the handover of large-bore diesel engines are still ongoing. The timing of the completion of the investigations, as well as their findings, cannot currently be gauged with any certainty. Expenses arising above and beyond recognized provisions, and financial risks from official proceedings or claims under civil law cannot be ruled out. Further information can be found in **notes (8)** and **(28)** in the "Notes to the Consolidated Financial Statements."

The MAN Group's international presence and large number of products and services create a diversified economic base that offsets the risks of dependence on key customers or individual products and markets, as well as risks arising from breaches of patents, or the unauthorized disclosure of Company-specific expertise.

Long-term customer contracts give rise to additional risks. For example, changes in the political or economic conditions in a particular market may result in additional expenditure on major projects. At MAN Truck & Bus, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly versus expectations at the time the contract was entered into. In cases where guarantees or guarantee obligations form an integral part of the customer contracts, there is a risk that an unjustified claim will be made. This risk is combated by formulating contracts carefully.

Processes

The MAN Group considers the continual optimization of its development, purchasing, production, sales, and administration processes to be an ongoing task. For example, it operates a preventive and continuous supplier monitoring system to identify potential delivery delays or supplier defaults at an early stage and to mitigate the effects. The Purchasing function is increasingly pursuing a dual sourcing strategy to reduce dependence on individual suppliers. It also works vigorously and systematically to improve underlying processes with an eye towards optimizing working capital employed.

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

The MAN Group's business processes are intensively supported and in some cases enabled 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 business processes or bringing them to a complete standstill. There is also the risk of unauthorized access, theft, or the destruction or other misuse of business data and information.

The resulting financial damage and loss of image may affect individual MAN companies or even the entire MAN Group. In order to ensure the availability, integrity, confidentiality, and authenticity of information so as to mitigate and prevent risk, MAN uses a combination of the latest hardware and software technologies, effective IT organizational mechanisms, and a continuously enhanced IT-related internal control system. The centralization and outsourcing of IT tasks and the systematic introduction of IT service management processes in accordance with the ITIL (IT Infrastructure Library) standard for the organization of IT processes help ensure that business processes are efficiently supported. By organizing information security in accordance with the internationally recognized standard ISO 27001, the MAN Group has improved the transparency and reliability of the IT processes and IT infrastructure significantly.

The internal control system plays a key role in all business processes, including the accounting process. It is focused on ensuring compliance with the relevant regulations and helping to reduce risks and thus protect assets.

Investigations by antitrust authorities into suspected possible antitrust violations in the commercial vehicles business at MAN Truck & Bus, as well as in the engines business at MAN Truck & Bus und MAN Diesel & Turbo, are still ongoing. The timing of the completion of the investigations, as well as their findings, cannot currently be gauged with any certainty. Financial risks arising from official proceedings cannot be ruled out. Further information about possible antitrust violations can be found in **note (28)** in the “Notes to the Consolidated Financial Statements.”

Employees
The highly qualified specialists and managerial staff who set technological standards with MAN products and manage the business effectively and efficiently are a critical factor in the MAN Group’s success. The opportunities for the MAN Group lie in the skills, international focus, and innovativeness of the employees who develop continuously improved and forward-looking products, services, and processes. The risks include not being able to promptly fill key positions to meet future requirements. In strategically important areas, targeted HR development systems are used to identify and groom highly qualified employees with management potential. Through a variety of global HR marketing activities, we have been able to recruit and retain outstanding specialists and managers. Participating in rankings helps position the MAN Group as an attractive employer generally and as a top employer in Germany and Brazil and thus gain access to the specialists and managers it requires worldwide, while systematic succession planning supports it in its efforts to fill management positions from within its own ranks. As part of its internationalization strategy, MAN will continue to concentrate on attracting and recruiting internationally experienced managers both within and across national borders, and on improving the intercultural skills of its specialists and managerial staff.

Finances
Because of its business activities and international nature, the MAN Group is considerably exposed to market, liquidity, and credit risk. It manages these risks using a Group-wide financial risk management system.

Market risk comprises currency, interest rate, and commodity price risk. The international nature of the MAN Group’s business activities entails a significant volume of cash flows in a variety of currencies. If MAN companies carry out transactions in a currency other than their functional currency, they are exposed to currency risk, which can affect both prices for goods and services and profit margins. The MAN Group therefore largely hedges currency risk arising from contracts, receivables, and liabilities, and partly hedges currency risk arising from forecast transactions. As part of its financial management activities, the MAN Group holds interest rate-sensitive assets and liabilities that entail risks arising from changes in interest rates. The goal of interest rate risk management is to largely reduce these risks through the use of derivative financial instruments. 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 entail commodity price risks that cannot always be passed on to customers and as a result, can impact negatively on product margins. These risks are managed through long-term supplier contracts and targeted commodity price hedging.

Liquidity risk describes the risk that the MAN Group will have difficulty in meeting obligations associated with financial liabilities. To ensure liquidity, cash inflows and outflows are continuously monitored and managed, primarily by a centralized cash management function. In addition, changes in the MAN Group's liquidity are monitored using a detailed financial plan.

Because of its business activities, the MAN Group is exposed to credit risk, for example where financing is provided for commercial vehicles. This is the risk that a party to a contract will fail to meet its contractual obligations as a result of its own financial situation or the political environment, thereby causing a financial loss for the MAN Group. This country and counterparty risk is reduced through the careful selection of transactions and business partners, through appropriate contractual and payment terms, and through guarantees and documentary credits. In addition, a central cash management function invests cash funds by spreading them across several prime-rated financial institutions.

MAN is exposed to a risk of impairment affecting profit or loss if there are indications that equity-method investments or financial investments carried at cost are impaired. There is also a risk of impairment associated with financial investments that are recognized as available-for-sale financial assets.

Further information on market, liquidity, and credit risk management can be found in **note (32)** in the "Notes to the Consolidated Financial Statements." In order to reduce the financial risks inherent in defined benefit pension plans, and as a result of legal regulations abroad, the MAN Group's defined benefit obligations are largely funded through pension plan assets that are ring-fenced from its business assets. For detailed information on pensions, please refer to **note (25)** in the "Notes to the Consolidated Financial Statements."

Executive Board's assessment of the Group's risk position

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

Risk management is an ongoing and continuous activity on the part of the Company, and of course something that is undergoing constant enhancement. For MAN, this means continuing to optimize its risk management and internal control system going forward and adapting it to changing conditions. Given the partly uncertain economic trend, activities in 2012 will continue to focus on market and product risk management.

Litigation/legal proceedings

Please see "Divestments" and the "Notes to the Consolidated Financial Statements" for information relating to litigation/legal proceedings.

Compliance

In the reporting period, MAN continuously updated and implemented the compliance program launched in July 2009 to address the issues of combating corruption, antitrust law, and data protection.

Compliance organization

MAN further expanded the new Compliance function established in 2010. The function is managed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer of MAN SE and additionally to the Audit Committee of the Supervisory Board. The Compliance function currently comprises 43 staff. 26 employees work in the Corporate Compliance Office that is based at MAN SE and is responsible for designing and enhancing MAN's compliance system as well as for Group-wide compliance issues. 17 staff provide compliance advice in the subgroups. Each subgroup therefore has a compliance officer, who is supported by compliance managers in various business units or sales regions. The compliance officers at the subgroups report directly to MAN SE's Chief Compliance Officer, and the compliance managers in turn report directly to the responsible compliance officer. In addition to providing an in-depth advisory function, the compliance staff at the subgroups are responsible for implementing the centrally defined compliance measures in the respective business units or sales regions worldwide.

The Compliance Board (previously: Compliance Steering Committee) met a total of four times in the period under review. At these meetings, the Chief Compliance Officer informed MAN SE's full Executive Board and the heads of other functions on the progress of the development of the Compliance organization and the introduction of new compliance measures, and agreed additional steps. At the subgroups, the compliance officers and managers regularly provided comparable reports to the executive boards and management of the relevant entity at meetings of the compliance review boards.

Finally, "compliance champions" were identified and appointed in the period under review. These compliance champions are not full-time compliance employees, but MAN managers who have assumed special responsibility for compliance issues. They support the Compliance organization, for example by ensuring the compliance measures are also implemented at Group companies that do not have their own local compliance managers in place. All compliance champions worldwide were invited to an all-day kick-off workshop in Munich in October 2011, during which the Compliance organization trained the compliance champions and prepared them for their new responsibilities.

In addition to the four data protection officers employed in Germany, data protection coordinators were also appointed at more than 70 foreign companies to provide local support to those companies in their activities to comply with data protection rules. This ensures that personal data is afforded worldwide protection.

Compliance risk assessment

In the fourth quarter of 2011, the Compliance function conducted its second Group-wide compliance risk assessment, the results of which will be available in the first quarter of 2012. The goal was to identify potential compliance risks affecting the business models of the various business units or sales regions. The risk assessment covered all subgroups and took account of the number and size of the individual Group companies, their business models, customer, sales, and purchasing structures, the corruption perceptions index published by Transparency International for the target markets, as well as the local competitive structure. The results of the compliance risk assessment, which was conducted interactively together with the relevant business units and sales regions, will be used to determine the structure and scale of the Compliance organization, the compliance program tailored to MAN's requirements, and other measures to prevent compliance risks. Additionally, a risk assessment addressing the issue of data protection was conducted for the first time in the period under review in order to identify key areas for the global data protection program.

Code of Conduct and compliance policies

To supplement the Code of Conduct, the policy on handling gifts, hospitality, and invitations to events, the policy on engaging business partners, and the policy on donations and sponsorship activities – all of which were developed in 2010 – the Compliance function developed three additional policies: a policy on compliance with antitrust regulations, a policy on handling personal data, and a policy on case management and compliance investigations.

The policy on compliance with antitrust regulations specifically contains rules on dealing with competitors and illustrates the legal framework that must be taken into account if a company has a dominant market position.

The policy on handling personal data is designed to ensure compliance with applicable data protection regulations and to maintain a uniform high level of protection for personal data worldwide.

The policy on case management and compliance investigations policy ensures that indications of compliance violations are dealt with, systematically investigated, and remedied without delay by an appropriate function in the Group.

Finally, MAN has issued a Code of Conduct for Suppliers and Business Partners that contains minimum ethical standards that MAN's suppliers and business partners undertake to observe.

Compliance training

The Compliance function held on-site training sessions on compliance issues for over 5,470 staff worldwide in the reporting period. The training consists firstly of compliance awareness training sessions lasting several hours in which employees who are potentially exposed to compliance risks are introduced to MAN's Compliance organization and taught the fundamentals of combating corruption, antitrust law, and data protection.

Second, there are a number of special antitrust law training sessions, each lasting several hours, in which employees who come into closer contact with competitors and antitrust issues are taught about the new antitrust policy and familiarized with case studies dealing with the issues addressed by the new policy.

Additionally, half-day training sessions on the policy on handling personal data were conducted for the newly appointed data protection coordinators.

The compliance awareness and the special training sessions will be held in other areas of the Company in 2012 and the issues addressed in them will be expanded.

Compliance Helpdesk

The Compliance Helpdesk introduced in February 2010 answered 1,405 compliance-related questions by phone or e-mail during the reporting period.

Business Partner Approval Tool

The Business Partner Approval Tool developed in 2010 was rolled out globally in 2011. The policy on engaging business partners requires it to be used to check the integrity of a business partner. A total of 1,258 employees were trained to use this tool and 1,509 business partners were checked.

Continuous Controls Monitoring (CCM)

To ensure that purchasing and payment processes at MAN comply with the policies, and that compliance risks in these areas are identified at an early stage, MAN started introducing an electronic monitoring system during the reporting period that supplements the controls imposed by the internal control system. If specific process test items do not correspond to the procedures described in the MAN Group's central policies governing purchasing, accounting, and payments, the CCM system generates an automatic alarm that is processed with technical support using predefined workflows. The CCM system thus ensures that any compliance risks and policy violations in the MAN Group's purchasing and payment processes are detected at an early stage.

Mergers & acquisitions (M&A)

To prevent MAN being exposed to compliance risks from the acquisition or disposal of equity investments, MAN implemented a process during the reporting period that involves the Compliance function in any M&A projects in the MAN Group from the start. The Compliance function has laid down specific requirements for the due diligence review of the companies affected to ensure that any compliance risks are identified at an early stage.

Reporting compliance violations

A unit in the Compliance function investigates reports of compliance violations, if necessary with the support of the Internal Audit function or the departments concerned. Any violations are remedied without delay and punished according to the penalties permitted under labor law. In individual cases, the responsible government investigating authority is also informed about the violation. The findings from the clarification of compliance violations are used to continuously improve the compliance system.

The Speak up! whistleblower portal introduced during the reporting period also serves to detect compliance risks. MAN uses this portal to offer employees and third parties a facility for providing information about serious compliance violations confidentially, worldwide, and round the clock. It accepts information relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses), antitrust law, and data protection. Information provided via the Speak up! portal is forwarded to the Corporate Compliance Office, where it is handled in confidence. Of course, all employees can also approach other contacts in the Company, such as supervisors, the HR department, or the Compliance organization, if they have information about compliance violations.

Public commitment to compliance

MAN is also committed to compliance outside the Group. MAN has been a member of Transparency International, a nongovernmental organization dedicated to fighting corruption, since September 2010. MAN also joined the United Nations Global Compact initiative in December 2010, whose ten principles set international standards for companies and organizations in the areas of human rights, labor, environment, and anticorruption. The Compliance function also engages regularly in dialog with industry experts and academic researchers on current compliance issues in order to promote public debate and progress in the field of compliance.

Outlook

Muted economic outlook and uncertainties surrounding the resolution of the debt crisis in Europe; revenue set to decline slightly; flexibility will safeguard return on sales in line with the long-term target average

Muted global growth prospects

From where it stands, the MAN Group's Management anticipates that global economic growth will continue to slow slightly in 2012, resulting in a dampening effect in MAN's key markets. This will overshadow underlying long-term growth trends in the transportation and energy markets.

The economic slowdown already visible in 2011 will continue in 2012. According to its latest winter report, the IfW is forecasting global GDP growth of only 3.4% for 2012, down from 3.8% in 2011.

This trend is primarily influenced by the advanced economies and, in particular, the euro zone. After growth of 1.5% in 2011, the IfW expects GDP in the euro zone to decline slightly by 0.1%. The uncertainty surrounding the resolution of the debt crisis is expected to lead to a decline in macroeconomic output, particularly at the start of the year. Moderate growth of 1.2% is again expected in the euro zone in 2013, assuming the debt crisis does not continue to escalate in the euro zone countries.

Within Europe, several southern European countries will record negative growth rates in 2012, while only marginal growth is anticipated in Central Europe. The IfW expects growth to decline to only 0.5% in Germany. The EU accession states are very vulnerable to economic risks in the euro zone because of their integration into supply chains. The IfW therefore expects muted economic growth of only 1.8% in these countries in 2012. They will then regain speed in 2013 in line with economic developments in Western Europe.

In the United States, structural weaknesses such as the high levels of household debt and overcapacity in the property market will continue to prevent any significant increase in economic growth in 2012 and 2013. Although the IfW expects inflation and unemployment rates to gradually decrease in the U.S. economy, it is only forecasting growth rates of 2% for the next two years.

The global economy will continue to be driven by the BRIC countries, Latin America, and East Asian emerging economies. It is expected that these countries will be negatively affected by the weaker growth in advanced economies in 2012, owing to the close links between the goods and financial markets. At the same time, many of these countries have extremely solid macroeconomic fundamentals and are in a position to implement monetary and fiscal policy measures. Policymakers will try to maintain a balance between strong growth without overheating and acceptable inflation rates. Overall, the IfW is only forecasting a slight decline in growth rates in this group of countries for 2012 as against 2011.

Economic growth in Latin America will continue to be primarily driven by private consumption, fueled by increases in real incomes. This will be offset by a more restrictive monetary policy to curb inflationary trends, as well as any slowdown in industrialized countries' demand for raw materials. The IfW therefore expects Latin America's upwards economic trajectory to continue over the coming two years with growth rates of between 4% and 5%. Growth is expected to increase slightly again in Brazil to 5% in 2012 and 5.5% in 2013.

Although slower, growth will remain high in China and India at 8% and 7%, respectively, despite measures necessary to combat inflation and the appreciation of the Chinese currency. Backed by high oil prices and expansionary fiscal policies, the Russian economy is in a position to maintain annual growth rates of 4%. The IfW anticipates annual growth rates of around 5% in the Southeast Asian economies in 2012 and 2013.

The European commercial vehicles market grew significantly by over 29% in 2011 despite the already slowing global economy. Based on this high level, and reflecting worsening economic expectations, MAN currently expects the market to stabilize at the prior-year level in 2012.

Russia continues to exhibit strong demand for trucks, buoyed by the development of the energy sector and fiscal measures. MAN is therefore expanding its presence in Russia with a production facility in St. Petersburg. The other countries of the CIS are forecast to record slight market growth.

China will remain by far the world's largest heavy truck market, despite the fact that the market volume is currently experiencing a slight decline and is likely to remain roughly at the same level over the coming years. This is attributable to the discontinuation of government purchase incentives and the more efficient use of existing vehicle fleets. MAN is also present in China through its long-term strategic partnership with and equity interest in Sinotruk Ltd., Hong Kong/ China. The new joint brand, SITRAK, is scheduled to go on sale in 2013.

Over the coming years, growth in the Indian commercial vehicles market will be dominated by the heavy trucks segment. This growth is driven by rising industrial output, infrastructure expansion, and the need to renew vehicle fleets as a result of tightened government regulations. The agreement on the takeover of the previous MAN FORCE TRUCKS Pvt. Ltd. joint venture underlines the importance of the Indian market as part of MAN's BRIC strategy.

Brazil remains the growth driver in Latin America. Its sustained economic growth, despite a slight decline, generates market potential for trucks and buses. This is amplified by aging vehicle fleets, infrastructure expansion, and investments in the run-up to the 2014 Soccer World Cup and the 2016 Olympic Games. However, demand is expected to drop off in the first half of 2012 following the changeover to the Euro V emission standard. Overall, this will cause the market to decline as against 2011.

MAN expects varying regional market trends in the bus sector. Strong demographic growth, the continual rise of urban populations, and increasing willingness to travel are driving demand for city buses and coaches, particularly in emerging economies and developing countries. In contrast, only slight growth is expected in Europe despite ongoing modernization programs and the liberalization of public transportation. Against the background of necessary budget consolidation, expected cuts in government spending over the medium term will curb growth in Europe.

The continued growth of emerging economies and developing countries will drive the markets for applications in the processing industry and energy generation in 2012 and 2013. The long-term trend towards higher energy consumption will continue to lead to investment in oil and gas extraction. In developed economies, demand will increase for solutions that support the change in energy policy through the use of alternative sources.

This will also create market opportunities for MAN in the Power Engineering business area over the coming two years, in particular for innovative products, as well as service packages and measures to improve the efficiency of existing plants.

In the shipbuilding industry, the container ship and bulk freighter markets are expected to decline as the weakening of the global economy causes trade volumes to stagnate, and the delivery of new ships further increases transportation capacity. Overcapacity has led to intensified competition between shipping companies and falling freight rates. As a result, the industry is increasingly concentrating on the construction of special ships, such as for the offshore sector or LNG tankers. MAN expects the slight recovery of the niche markets to continue in 2012. Overall, the industry will remain at a significantly lower level than in the boom years of 2005 to 2008.

Executive Board's revenue and earnings expectations

The MAN Group's Management is expecting economic growth to slow in 2012. There is also significant uncertainty regarding the economic environment, particularly in light of the debt crisis in Europe. Assuming that governments are able to stabilize the financial markets and prevent the crisis from spreading to the real economy, MAN SE's Executive Board expects the following:

In the Commercial Vehicles business area, MAN expects the European commercial vehicles business in 2012 to be on a level with the previous year. Sales will decline in Brazil following the changeover to the Euro V emission standard. Revenue in the Commercial Vehicles business area will therefore decrease slightly by up to 5%. Return on sales will be below the prior-year level due to the drop in the high-margin Latin American business and increasing competition in stagnating markets. MAN is aiming for a return on sales of around 7%.

Revenue in the Power Engineering business area is expected to grow by 5% in 2012, bolstered by the increase in order intake in 2011. The return on sales will remain clearly in double digits, even improving slightly as against 2011.

Across the MAN Group as a whole, revenue is currently expected to fall slightly, which will lead to a drop in operating profit. This is owing to the greater importance of the Commercial Vehicles business area. Return on sales will decline slightly and will roughly correspond to the long-term target average of 8.5%.

Performance in 2013 will be highly dependent on the extent to which the economy will slow in 2012 and whether the uncertainties on the financial markets can be allayed. The MAN Group will continue to grow profitably in 2013, assuming the global economy and the euro zone in particular regain speed and continue to grow. Revenue in the Commercial Vehicles business area is expected to grow by more than 5%, driven by new growth in the European and Brazilian commercial vehicles markets. The target return on sales is set to exceed 7%. The Power Engineering business area will see revenue growth of around 5%, primarily from the turbomachinery, power plant applications, and wind power gear units businesses. The return on sales will remain stable at the current high level. For the MAN Group, the Executive Board is anticipating revenue growth of over 5% and a return on sales once again in excess of the long-term target average of 8.5%.

In its market assessment and resulting decisions, the Executive Board is aware that the current uncertain environment poses downside risks that could significantly influence projected growth and profitability. Management is constantly monitoring ongoing economic developments and will take measures without delay – in particular to scale production capacity – should this become necessary in the event of a deterioration in the economic situation.

Long-term growth strategy

The MAN Group will continue to pursue its profitable growth strategy with a focus on transportation and energy. A key part of this strategy is international growth. MAN is systematically expanding its presence around the globe, particularly in the BRIC countries, as well as the emerging economies in East Asia and South America, which also offer attractive growth potential for MAN. A second focus is the expansion of after-sales operations in all business areas. Technology leadership is a key success factor for MAN. MAN develops products and solutions that meet the needs of customers and markets. Its focus is on reducing fuel consumption and emissions, as well as generating energy that is efficient, reliable, and environmentally friendly.

Increased flexibility creates room to move

MAN has been systematically working to increase its flexibility since the economic downturn in 2008. This allows MAN to better react to a drop in business or take advantage of market opportunities as they arise. The prime focus here is on efforts to increase the flexibility of the Group's cost structures, as well as geographical diversification. MAN can counter a drop in demand through flexible production concepts, by reducing the number of subcontracted or temporary employees, or using flextime accounts and short-time working. In line with MAN's international growth strategy, purchasing activities will continue to focus on global procurement markets and increasing flexibility by expanding dual sourcing. A preventive risk management system is used to continuously monitor supplier relationships and lays the foundation for successful and efficient procurement. Improvements to the processes for managing net working capital and the diversification of refinancing sources have created additional scope for action.

Cooperation with Volkswagen and Scania

The intensified cooperation between MAN, Volkswagen, and Scania opens up significant potential synergies and will positively influence the growth of the MAN Group. Over the medium-term, the companies involved can achieve synergies totaling at least €200 million annually, a large amount of which are in procurement. Close cooperation in manufacturing, as well as in research and development, offers substantial further potential over the long term. The MAN Group will play an active role in leveraging these synergies. The first project groups have been established and have started working on this.

Continuation of internal synergy projects

MAN defined a range of synergy projects over the past two years and continues to systematically drive these forward. The Commercial Vehicles business area is working on successfully covering emerging markets with specific products that use technologies already available within the Group. In the Power Engineering business area, the energy generation market can be more rigorously developed by offering packages of products from the entire range. To leverage purchasing synergies and ensure the sustainability of successful purchasing strategies, non-production-related requirements are procured centrally by a Group-wide Purchasing function.

Capital expenditures, research, and development

The MAN Group will continue to make significant capital expenditures in 2012 in order to safeguard the long-term success of the Group. In addition to necessary expenditure on replacement items, MAN will make targeted investments in the modernization of its production facilities and the continued expansion of its service and sales network across all divisions. Management will use portfolio measures if the opportunity arises.

Research and development is of elementary importance to the MAN Group because the Company can only meet customer and legal requirements by developing leading technological solutions. Our R&D activities are rigorously aimed at providing customers with a competitive advantage. As a result, they continue to focus on enhancing MAN's commercial vehicle and diesel engines in terms of their performance, consumption, and emission standards; further developing its truck and bus models; and improving the product range in the Power Engineering business area, in particular by making our plants and systems more efficient. We will also continue to focus on products related to alternative energies such as wind power. In 2012 and 2013, the MAN Group will step up its R&D activities and therefore increase research and development expenditures as against 2011 – both in absolute terms and in relation to revenue – with the goal of maintaining and expanding its technological position through R&D.

Cash flow

In view of the economic situation, cash management will be a particular focus. Measures to reduce inventories and receivables by improving processes will be defined and monitored on an ongoing basis as part of the Group-wide working capital optimization program. The MAN Group's financing structure aims to achieve an economically sensible mix of operating cash flow and external finance. MAN will keep a close eye on the capital markets in 2012 and, where appropriate, take measures to safeguard its financial capacity to act at any time if an opportunity arises. Current financing conditions, the ongoing European debt crisis, and the tranche of the MAN corporate bond issued in 2009 that matures in 2013 must also be taken into account. We will continue to conduct local financing arrangements in emerging market countries and asset-backed financing arrangements to refinance the financial services business.

The MAN Group's net financial debt will increase significantly in 2012, driven by the ongoing expansion of sales financing and by the payments under the agreements entered into with IPIC and MPC regarding the disposal of Ferrostaal, as well as the acquisition in full of the joint venture with FORCE. In any phase where revenue temporarily declines slightly, MAN will also continue to invest in products and structures that will drive long-term growth.

Once again, the MAN Group would like to enable its shareholders to participate in the Company's success by distributing an appropriate share of its profits for 2011, bearing in mind the economic environment. The dividend of €2.30 per share for 2011 will therefore be higher than in 2010 (€2.00 per share). The amount distributed is not fixed; the Group generally aims for 30% to 60% of net income.

Employees

The number of employees in the MAN Group (including subcontracted employees) will increase slightly in the coming year, provided economic factors do not make capacity adjustments necessary.

Uncertainties in the outlook

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

Events after the reporting period

No events occurred after the reporting period that are material for the MAN Group and that could lead to a reassessment of the Company.

03/ Consolidated Financial Statements

MAN Consolidated Income Statement

		MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
€ million	Note	2011	2010	2011	2010	2011	2010
Revenue		16,472	14,675	16,472	14,675	–	–
Cost of goods sold and services rendered		–12,791	–11,400	–12,791	–11,400	–	–
Gross margin		**3,681**	**3,275**	**3,681**	**3,275**	**–**	**–**
Other operating income	[7]	622	516	445	332	177	184
Selling expenses		–1,173	–1,095	–1,161	–1,084	–12	–11
General and administrative expenses		–854	–741	–829	–714	–25	–27
Other operating expenses	[8]	–979	–1,142	–843	–948	–136	–194
Share of net income/loss of equity-method investments	[17]	39	112	42	113	–3	–1
Reversals of impairment losses on equity-method investments	[17]	25	357	25	357	–	–
Net income from reclassification as financial investments		495	–	495	–	–	–
Income/loss from financial investments		–600	1	–600	1	–	–
Earnings before interest and taxes (EBIT)		**1,256**	**1,283**	**1,255**	**1,332**	**1**	**–49**
Interest income	[9]	69	59	69	58	–	1
Interest expense	[9]	–203	–217	–203	–216	0	–1
Earnings before tax (EBT)		**1,122**	**1,125**	**1,121**	**1,174**	**1**	**–49**
Income taxes	[10]	–434	–338	–414	–342	–20	4
Loss from discontinued operations, net of tax	[6]	–441	–65	–441	–65	–	–
Net income/loss		**247**	**722**	**266**	**767**	**–19**	**–45**
Net income attributable to noncontrolling interests		9	9	9	9	–	–
Net income/loss attributable to shareholders of MAN SE		**238**	**713**	**257**	**758**	**–19**	**–45**
Diluted/basic earnings per share from continuing operations in €	[11]	**4.62**	**5.30**				
Diluted/basic earnings per share from continuing and discontinued operations in €	[11]	**1.62**	**4.85**				

MAN Consolidated Reconciliation of Comprehensive Income for the Period

€ million	Note	2011	2010
Net income		**247**	**722**
Currency translation differences		– 137	257
Change in fair values of derivatives	[31/32]	– 39	– 54
Actuarial losses attributable to pensions	[25]	– 148	– 50
Actuarial gains/losses attributable to provisions for termination benefits		– 6	2
Other comprehensive income for the period from equity-method investments	[17]	– 17	– 6
Deferred taxes		43	39
Other comprehensive income for the period		**– 304**	**188**
Total comprehensive income for the period		**– 57**	**910**
of which attributable to noncontrolling interests		8	9
of which attributable to shareholders of MAN SE		**– 65**	**901**

See also note (23) for additional information on equity.

MAN Consolidated Balance Sheet

Assets

€ million	Note	MAN Group 12/31/2011	MAN Group 12/31/2010	Industrial Business (unaudited additional information) 12/31/2011	Industrial Business (unaudited additional information) 12/31/2010	Financial Services (unaudited additional information) 12/31/2011	Financial Services (unaudited additional information) 12/31/2010
Intangible assets	[14]	1,883	1,914	1,876	1,912	7	2
Property, plant, and equipment	[15]	2,091	2,064	2,090	2,062	1	2
Equity-method investments	[17]	838	2,085	836	2,080	2	5
Financial investments	[16]	1,251	51	1,251	51	–	–
Assets leased out	[18]	2,303	1,755	1,366	1,111	937	644
Noncurrent financial services receivables	[19]	953	838	–	–	953	838
Deferred tax assets	[10]	1,078	1,159	1,045	1,132	33	27
Other noncurrent assets	[22]	226	180	198	174	28	6
Noncurrent assets		**10,623**	**10,046**	**8,662**	**8,522**	**1,961**	**1,524**
Inventories	[20]	3,513	2,852	3,443	2,785	70	67
Trade receivables	[21]	2,331	1,982	2,258	1,936	73	46
Current financial services receivables	[19]	532	495	–	–	532	495
Current income tax receivables		117	133	116	132	1	1
Assets held for sale	[6]	–	139	–	139	–	–
Other current assets	[22]	596	713	570	685	26	28
Marketable securities		1	14	1	14	–	–
Cash and cash equivalents		957	1,057	937	1,017	20	40
Current assets		**8,047**	**7,385**	**7,325**	**6,708**	**722**	**677**
		18,670	**17,431**	**15,987**	**15,230**	**2,683**	**2,201**

Liabilities

€ million	Note	MAN Group 12/31/2011	MAN Group 12/31/2010	Industrial Business (unaudited additional information) 12/31/2011	Industrial Business (unaudited additional information) 12/31/2010	Financial Services (unaudited additional information) 12/31/2011	Financial Services (unaudited additional information) 12/31/2010
Subscribed capital		376	376	–	–	–	–
Capital reserves		795	795	–	–	–	–
Retained earnings		4,428	4,483	–	–	–	–
Accumulated other comprehensive income		–71	280	–	–	–	–
Equity attributable to shareholders of MAN SE		**5,528**	**5,934**	**5,384**	**5,808**	**144**	**126**
Noncontrolling interests		62	56	62	56	–	0
Total equity	[23]	**5,590**	**5,990**	**5,446**	**5,864**	**144**	**126**
Noncurrent financial liabilities	[24]	1,976	1,973	1,712	1,828	264	145
Pension obligations	[25]	378	226	377	225	1	1
Deferred tax liabilities	[10]	724	849	672	817	52	32
Other noncurrent provisions	[26]	709	653	709	653	0	0
Other noncurrent liabilities	[27]	951	722	951	722	0	0
Noncurrent liabilities and provisions		**4,738**	**4,423**	**4,421**	**4,245**	**317**	**178**
Current financial liabilities	[24]	1,194	876	347	165	847	711
Intragroup financing		–	–	–1,163	–1,042	1,163	1,042
Trade payables		2,324	1,981	2,186	1,882	138	99
Prepayments received		823	762	820	759	3	3
Current income tax payables		623	534	622	534	1	0
Other current provisions	[26]	1,485	1,465	1,481	1,461	4	4
Other current liabilities	[27]	1,893	1,400	1,827	1,362	66	38
Current liabilities and provisions		**8,342**	**7,018**	**6,120**	**5,121**	**2,222**	**1,897**
		18,670	**17,431**	**15,987**	**15,230**	**2,683**	**2,201**

MAN Consolidated Statement of Cash Flows

€ million	MAN Group 2011	MAN Group 2010	Industrial Business (unaudited additional information) 2011	Industrial Business (unaudited additional information) 2010	Financial Services (unaudited additional information) 2011	Financial Services (unaudited additional information) 2010
Earnings before tax	1,122	1,125	1,121	1,174	1	– 49
Current income taxes	– 439	– 336	– 438	– 335	– 1	– 1
Depreciation, amortization, and impairment of noncurrent assets (other than assets leased out)*	1,129	467	1,128	464	1	3
Change in pension obligations	– 7	15	– 7	15	0	0
Share of net income/loss of equity-method investments	– 39	– 112	– 42	– 113	3	1
Dividends received from equity-method investments	11	15	11	15	–	–
Net income from reclassification as financial investments	– 495	–	– 495	–	–	–
Reversals of impairment losses on equity-method investments	– 25	– 357	– 25	– 357	–	–
Other noncash income and expense	– 163	– 2	– 163	– 2	–	–
Cash earnings	**1,094**	**815**	**1,090**	**861**	**4**	**– 46**
Change in inventories	– 692	254	– 634	273	– 58	– 19
Change in prepayments received	61	– 184	62	– 181	– 1	– 3
Change in trade and financial services receivables	– 542	43	– 390	14	– 152	29
Change in trade payables	374	492	335	442	39	50
Change in assets leased out	– 359	– 121	– 92	– 15	– 267	– 106
Change in customer payments for assets leased out	113	– 14	113	– 14	–	–
Change in tax assets and liabilities	101	22	101	22	0	0
Change in other provisions	253	182	253	182	0	0
Change in other assets	– 88	– 19	– 67	– 24	– 21	5
Change in other liabilities	212	– 36	201	– 51	11	15
Elimination of gains/losses from asset disposals	– 9	– 7	– 9	– 7	–	–
Other changes in working capital	0	0	1	0	– 1	0
Net cash provided by/used in operating activities	**518**	**1,427**	**964**	**1,502**	**– 446**	**– 75**
Payments to acquire property, plant, and equipment, investment property, and intangible assets	– 601	– 391	– 595	– 390	– 6	– 1
Payments to acquire investees	– 18	– 4	– 18	– 4	–	–
Payments to acquire subsidiaries, net of cash acquired	– 52	– 1	– 52	– 1	–	–
Proceeds from asset disposals	34	25	34	10	0	15
Proceeds from disposal of business activities, net of cash disposed	–	– 3	–	– 3	–	–
Net cash provided by/used in investing activities	**– 637**	**– 374**	**– 631**	**– 388**	**– 6**	**14**
Free cash flow from operating and investing activities	**– 119**	**1,053**	**333**	**1,114**	**– 452**	**– 61**
Intragroup dividend distributions	–	–	– 50	– 31	50	31
Dividend payments	– 297	– 40	– 297	– 40	–	–
Change in marketable securities	12	130	12	130	–	–
Repayment of bonds and promissory note loans	–	– 411	–	– 171	–	– 240
Borrowings	–	21	–	21	–	–
Repayment of borrowings and syndicated loans	–	– 131	–	– 131	–	–
Change in other financial liabilities	343	– 129	82	– 177	261	48
Change in intragroup financing	–	–	– 121	– 214	121	214
Net cash provided by/used in financing activities	**58**	**– 560**	**– 374**	**– 613**	**432**	**53**
Net change in cash and cash equivalents	**– 61**	**493**	**– 41**	**501**	**– 20**	**– 8**
Cash and cash equivalents at beginning of period	**1,057**	**502**	**1,017**	**455**	**40**	**47**
Change in cash and cash equivalents due to changes in consolidated Group structure	– 5	12	– 5	12	–	–
Effect of exchange rate changes on cash and cash equivalents	– 34	50	– 34	49	0	1
Cash and cash equivalents at end of period	**957**	**1,057**	**937**	**1,017**	**20**	**40**

* Intangible assets, property, plant, and equipment, and investments.

Net cash flows from operating activities of continuing operations include interest received of €83 million (previous year: €59 million), interest paid of €221 million (previous year: €252 million), income taxes paid of €294 million (previous year: €311 million), and dividends of €70 million (previous year: €15 million) received from investees.

MAN Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Equity attributable to shareholders of MAN	Noncontrolling interests	Total
Balance at December 31, 2009	**376**	**795**	**3,816**	**92**	**5,079**	**50**	**5,129**
Net income	–	–	713	–	713	9	722
Other comprehensive income	–	–	–	188	188	0	188
Total comprehensive income	–	–	713	188	901	9	910
Dividend payment	–	–	– 37	–	– 37	– 3	– 40
Other changes	–	–	– 9	–	– 9	0	– 9
Balance at December 31, 2010	**376**	**795**	**4,483**	**280**	**5,934**	**56**	**5,990**
Net income	–	–	238	–	238	9	247
Other comprehensive income	–	–	–	– 303	– 303	– 1	– 304
Total comprehensive income	–	–	238	– 303	– 65	8	– 57
Dividend payment	–	–	– 294	–	– 294	– 3	– 297
Other changes	–	–	1	– 48	– 47	1	– 46
Balance at December 31, 2011	**376**	**795**	**4,428**	**– 71**	**5,528**	**62**	**5,590**

See also **note (23)** for additional information on equity.

MAN Notes to the Consolidated Financial Statements

Basis of preparation

1 General principles

MAN SE (referred to in the following as MAN or MAN SE) is a listed corporation headquartered in Munich. With its four divisions of MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk, the MAN Group is one of Europe's leading engineering players, generating annual revenue of €16.5 billion (previous year: €14.7 billion) and employing a worldwide workforce of approximately 52,500 employees, including around 2,400 subcontracted employees (previous year: approximately 47,700 employees, including around 2,000 subcontracted employees).

In compliance with section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code), the accompanying consolidated financial statements of MAN SE for the fiscal year January 1 to December 31, 2011, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union. The Executive Board prepared these consolidated financial statements on January 31, 2012, and resolved to authorize them for submission to the Supervisory Board.

MAN SE is a subsidiary of Volkswagen AG, Wolfsburg, which holds a 53.7% interest in MAN SE's capital. MAN SE is included in Volkswagen AG's consolidated financial statements, which will be published in the online German gazette *elektronischer Bundesanzeiger*.

To enable a better insight into the MAN Group's net assets, financial position, and results of operations, the consolidated financial statements have been supplemented by a breakdown of figures into the Industrial Business and Financial Services. The Industrial Business comprises all companies of the MAN Group with the exception of MAN Finance International GmbH, Munich, and the national companies assigned to it (MAN Finance). In the MAN Group, MAN Finance primarily operates the sales financing business for MAN Truck & Bus and is presented under the "Financial Services" heading. To simplify presentation, the elimination of intragroup transactions between the Industrial Business and Financial Services is presented within the Industrial Business.

The classification into Industrial Business and Financial Services merely represents additional information and is therefore unaudited.

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

2 Consolidation and measurement of investees

a) Investees

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

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

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

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

b) Basis of consolidation

Consolidated subsidiaries

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

Number of companies consolidated

	Germany	Abroad	Total
Consolidated as of Dec. 31, 2010	**31**	**89**	**120**
Initially consolidated in fiscal 2011	3	13	16
Deconsolidated in fiscal 2011	2	4	6
Consolidated as of Dec. 31, 2011	**32**	**98**	**130**

There were no significant acquisitions of subsidiaries in fiscal 2011. Initial consolidation related in particular to newly formed companies and to existing companies that have now started operating.

A list of the MAN Group's shareholdings in accordance with section 313 (2) of the HGB is provided on **page 170 et seq.**

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

Business combinations

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

c) Equity-method investments

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

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

d) Financial investments

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

e) Currency translation

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

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

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

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

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

	Closing rate		Average rate	
	12/31/ 2011	12/31/ 2010	2011	2010
US dollar	1.2939	1.3362	1.4018	1.3250
UK pound sterling	0.8353	0.8608	0.8723	0.8572
Danish krone	7.4342	7.4535	7.4504	7.4473
Swiss franc	1.2156	1.2504	1.2333	1.3797
Swedish krona	8.9120	8.9655	9.0092	9.5462
Polish zloty	4.4580	3.9750	4.1179	4.0103
Russian ruble	41.7650	40.8200	40.9993	40.3190
Brazilian real	2.4159	2.2177	2.3297	2.3357
Chinese yuan renminbi	8.1588	8.8220	9.0577	8.9699
Indian rupee	68.7130	59.7580	65.1794	60.5615
Japanese yen	100.2000	108.6500	111.6729	116.2804
South African rand	10.4830	8.8625	10.0760	9.7329

3 Accounting policies

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

a) Revenue recognition

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

Construction contracts are recognized using the percentage of completion method; details are contained in the explanations on construction contracts in **note (21).**

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

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

b) Operating expenses and income

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

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

c) Intangible assets

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

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

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

d) Property, plant, and equipment

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

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

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

e) Investment property

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

f) Leases, assets leased out

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

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

g) Impairment losses

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

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

h) Inventories

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

i) Construction contracts

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

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

j) Nonderivative financial instruments

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

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

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

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

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

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

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

k) Derivatives

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

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

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

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

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

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

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

See **note (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.

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

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

m) Pension obligations

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

Pension provisions are reduced by the fair value of plan assets used to cover benefit obligations; for information on measurement, see **note (25)**. If plan assets exceed the defined benefit obligation, the excess is only recognized in other assets to the extent that it results in a refund from the plan or the reduction of future contributions.

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

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

n) Other provisions

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

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

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

o) Noncurrent assets held for sale and discontinued operations

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

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

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

p) Financial statement presentation

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

q) Prior-period information

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

r) Estimates and management's judgment

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

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

The goodwill impairment tests to be performed at least once a year require an estimation of future cash flows and their discounting, among other factors. Such cash flows are based on forecasts contained in financial plans approved by management. Other material assumptions relate to the weighted average cost of capital and to tax rates. Equally, if intangible assets, items of property, plant, and equipment, equity-method investments, financial investments carried at cost, or assets leased out are tested for impairment, the measurement of the recoverable amount of the assets entails estimates by management. Any reversals of impairment losses in subsequent periods also require considerable forecasts and estimates. For further information on significant impairment losses and reversals of impairment losses in fiscal 2011 and 2010, see in particular **note (17)**.

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

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

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

Depending on the underlying transaction, the measurement of other provisions and similar obligations may be complex and associated with a considerable degree of estimation uncertainty. Management's assumptions about the timing and amount of settlement are based on historical data, available technical data, estimates of cost trends and potential warranty claims, possible recoverable amounts, and other factors. Other provisions also include provisions for potential expenses from buyback obligations under which the MAN Group guarantees its customers certain buyback values. Depending on the extent to which buyback rights are exercised, and on the development of resale prices, the actual expenses incurred may differ from the carrying amounts of the recognized provisions. At the same time, litigation and other legal proceedings raise complex legal issues and entail numerous difficulties and uncertainties. A provision is recognized for these if it is probable that an obligation has arisen in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably. Assessing whether a present obligation exists at the reporting date as a result of a past event, whether a future outflow of resources is probable, and whether the obligation can be estimated reliably requires a substantial degree of judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions may lead to a different assessment at a future date. Additional expenses that could have a material effect on MAN's net assets, financial position, and results of operations therefore cannot be entirely ruled out. For further information, see **notes (6)** and **(28)**.

4 Statement of cash flows

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

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

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

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

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

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

5 New and revised accounting pronouncements

a) New accounting pronouncements applied

MAN has applied all accounting pronouncements that are effective as from fiscal 2011.

In November 2009, the IASB adopted amendments to IAS 24, Related Party Disclosures. First, the revised Standard exempts government-related entities from the requirement to disclose transactions with other government-related entities as related party transactions, subject to certain conditions. Second, it revises the definition of a related party, thereby clarifying the intended meaning and removing existing inconsistencies in the previous version of IAS 24. Up to the date of the acquisition of the majority stake by Volkswagen Aktiengesellschaft on November 9, 2011, the revised definition resulted in an increase in the number of the MAN Group's related parties. In addition to Volkswagen Aktiengesellschaft (Volkswagen AG), which exercised significant influence over MAN SE up to November 9, 2011, by virtue of its equity interest, entities controlled and jointly controlled by Volkswagen AG were also related parties from MAN's perspective under the amended Standard. MAN applied the amendments as from January 1, 2011. Due to Volkswagen AG's acquisition of a majority stake in MAN SE on November 9, 2011, these companies are necessarily related parties of MAN. For further information, see **note (34)**.

Under the amendments to IFRS 7 in the course of the 2010 Improvements to International Financial Reporting Standards, the disclosure requirements governing the nature and extent of risks arising from financial instruments have been modified. Among other things, disclosures are now required about the financial effects of collateral and other credit enhancements obtained. Additionally, the requirement to disclose the carrying amounts of financial instruments that would otherwise be past due or impaired whose terms have been renegotiated has been dropped.

In addition, the following standards and interpretations were required to be applied for the first time in the fiscal year. They did not have any material effects on presentation in the consolidated financial statements:

- **IFRS 1:** Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- **IAS 32:** Classification of Rights Issues
- 2010 Improvements to International Financial Reporting Standards – Minor amendments to a number of IFRSs (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 18, IAS 27, IAS 34, IFRIC 13) and resulting consequential amendments
- **IFRIC 14:** Prepayments of a Minimum Funding Requirement
- **IFRIC 19:** Extinguishing Financial Liabilities with Equity Instruments.

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

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

6 Acquisitions and divestments

a) Acquisitions

The put option granted in 2009 for 49.87% of the shares of EURO-Leasing GmbH, Sittensen (EURO-Leasing) was exercised in fiscal year 2011, increasing the interest held by MAN Truck & Bus to 100%. The liability from this increase was included in the purchase price allocation performed in 2010. The company was fully consolidated in fiscal year 2010 without the disclosure of noncontrolling interests.

No other acquisitions were made in fiscal years 2011 and 2010 that are material either individually or collectively.

b) Divestments

On March 25, 2009, MAN transferred 70% of the shares of Ferrostaal AG, Essen, (Ferrostaal) to International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC). The price for 100% of the shares of Ferrostaal was approximately €700 million and was contingent on the option agreed by MAN and IPIC on the purchase and sale of the remaining shares. The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised by MAN at the beginning of January 2010. The purchaser refused to complete the transaction, referring among other things to the ongoing investigations by the German public prosecution authorities at Ferrostaal. In this context, a nonappealable administrative fine of approximately €140 million has now been imposed on Ferrostaal. A further administrative fine of approximately €10 million is expected to be imposed on one of the Ferrostaal Group's companies; according to the information available to MAN, additional related court proceedings against Ferrostaal in Germany are to be discontinued with no further payments by Ferrostaal.

In addition, IPIC notified MAN at the end of September 2010 that it had filed an arbitration action to unwind the Ferrostaal transaction, and additionally for compensation for damages incurred. MAN filed its defense in the arbitration action at the beginning of June 2011. In addition to defending the arbitration action, MAN has filed a counterclaim for acceptance and payment of the remaining 30% interest in Ferrostaal as part of the arbitration action.

In addition, Ferrostaal has restated its annual financial statements for the years 1999/2000 to 2008 and is using this – in conjunction with the profit transfer agreements in force at the time – to assert claims in court against MAN amounting to approximately €100 million plus interest. MAN believes that the restated annual financial statements are void and filed an action at the end of May 2011 to determine that they are void.

MAN and IPIC agreed a settlement in November 2011. MAN will buy back 70% of the shares of Ferrostaal for €350 million; this will settle all claims between the parties in connection with the Ferrostaal transaction (IPIC settlement). At the same time, MAN and MPC Industries GmbH, Hamburg (MPC), have agreed to sell all shares in Ferrostaal to MPC and a coinvestor (MPC purchase).

However, the above-mentioned arbitration proceedings will continue until the IPIC settlement is implemented. This is subject to clearance by the antitrust authorities. The MPC purchase is conditional on the IPIC settlement being implemented.

The MPC purchase stipulates that MAN will pay to Ferrostaal an amount equal to the aforementioned compensation claims by Ferrostaal, which MAN believes are unjustified. MPC will pay the same amount to MAN as a fixed purchase price and will give an assurance that Ferrostaal will withdraw the action relating to the annual financial statements. In addition, MPC will pay a further purchase price component to MAN, if applicable, which will be contingent upon the outcome of certain Ferrostaal projects.

Ferrostaal's profit and loss is presented in the consolidated income statement as "Loss from discontinued operations, net of tax" for all reporting periods. The transaction in March 2009 resulted in a preliminary gain – net of transaction costs – of €105 million, which was reported in "Loss from discontinued operations, net of tax." Following the arbitration action sought by IPIC in connection with the sale of Ferrostaal, the provision for warranties and guarantees was increased in the fourth quarter of 2010 to allow for the maximum contractually possible warranties and guarantees as of December 31, 2010. The additions to the provisions were not tax-effective and the expense was recognized in the amount of €76 million in "Loss from discontinued operations, net of tax." The entire earnings effect from the IPIC settlement and the MPC purchase amounts to €–434 million and was also recognized in "Loss from discontinued operations, net of tax" in the fourth quarter of 2011. This earnings effect is primarily attributable to the impairment loss recognized on the investment in Ferrostaal and to the provision recognized for the obligation incurred in connection with the IPIC settlement. This obligation amounting to €350 million will be presented in "Other current liabilities" until the transaction closes. The consolidated income statement for the periods January 1, 2011, to December 31, 2011, and January 1, 2010, to December 31, 2010, do not contain any other results for Ferrostaal.

Net cash used in investing activities in fiscal 2010 included €–7 million in net cash flows from discontinued operations in connection with the Ferrostaal transaction. This amount was reported in "Proceeds from disposal of business activities, net of cash disposed." The cash flows of discontinued operations in fiscal 2011 do not contain any cash flows relating to the Ferrostaal transaction.

At the beginning of January 2010, MAN Truck & Bus announced that it had signed an agreement with Rheinmetall AG, Dusseldorf (Rheinmetall), on the formation of a joint entity for wheeled military vehicles. MAN and Rheinmetall combined their production capacities for wheeled military vehicles as of December 31, 2011, into Rheinmetall MAN Military Vehicles GmbH, Munich (RMMV), which had been formed in 2010, following the combination of the development and sales activities only in the first step. MAN Truck & Bus has a 49% interest in this company. The preliminary earnings effect of this transaction as of December 31, 2011, amounts to €111 million and was reported as other operating income. This earnings effect results from the contribution of MAN's activities in combination with the simultaneous acquisition of a 49% interest in the activities contributed by Rheinmetall. The 49% interest in the RMMV associate is accounted for using the equity method and is reported as an equity-method investment in the amount of €132 million as of December 31, 2011. The equity method is applied with a three-month delay.

Income statement disclosures

7 Other operating income

€ million	2011	2010
Income from financial services	162	150
Gains from nonrecurring items	111	–
Gains on financial instruments	101	115
Other trade income	34	50
Gains on disposal of property, plant, and equipment, and intangible assets	14	10
Miscellaneous other income	200	191
	622	**516**

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

Gains from nonrecurring items result from the contribution of MAN's activities in connection with the Rheinmetall transaction.

Gains on financial instruments result primarily from the remeasurement of foreign exchange positions and currency and interest rate hedges. To enable a better insight into the results of operations, gains and losses from currency translation are presented as net amounts.

8 Other operating expenses

€ million	2011	2010
Research and development	390	373
Impairment losses on inventories	129	94
Expenses from financial services	90	100
Losses from nonrecurring items	72	–
Legal, audit, and consulting costs	57	70
Losses on financial instruments	52	39
Bad debt allowances on receivables	41	84
Miscellaneous other expenses	148	382
	979	**1,142**

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

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

Losses from nonrecurring items relate firstly to MAN Diesel & Turbo. In connection with the investigation of potential irregularities in the handover of four-stroke marine diesel engines, provisions amounting to €65 million were recognized for possible on-board retrofit solutions and for expenditures for specialists engaged in connection with the investigation. In addition, pro rata cost commitments of €7 million were entered into for the establishment of a job creation company at manroland.

The other expenses primarily include personnel expenses that are not specifically allocated to the functions as well as additions to provisions.

9 Net interest expense

€ million	2011	2010
Interest and similar income	69	59
Interest and similar expenses	–245	–252
Interest component of additions to pension provisions	–89	–89
Return on CTA plan assets	82	76
less: interest expenses reclassified as other operating expenses	49	48
	–134	**–158**

The improvement in net interest expense is due primarily to higher gains on the sale of securities. Interest and similar expenses in fiscal 2011 also include tax interest expenses in the amount of €34 million (previous year: €22 million).

The interest expenses of €49 million reclassified as other operating expenses, which were almost unchanged compared with the previous year, relate to the refinancing of assets leased out by MAN Finance.

10 Income taxes

The reported tax expense is broken down as follows:

€ million	2011	2010
Current income taxes		
Germany	200	128
Other countries	239	208
Deferred taxes		
Germany	–13	–28
Other countries	8	30
	434	**338**

The tax expense expected for fiscal 2011 is based on the application of the German tax rate applicable for the 2011 assessment period of 31.58% (as in the previous year) to earnings before tax. This tax rate includes municipal trade tax (15.75%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2011.

Deferred tax assets in respect of loss carryforwards for corporate income tax and municipal trade tax amounting to €170 million (previous year: €193 million) are currently recognized at German companies. Companies outside Germany have recognized deferred taxes of €31 million (previous year: €33 million) for their local taxes. €243 million (previous year: €213 million) of the recognized deferred taxes relates to companies that recorded tax losses in the reporting period or in the previous year and that are expected to generate future profits exceeding the taxable income resulting from the reversal of taxable temporary differences. No deferred tax assets were recognized as of December 31, 2011, for existing tax loss carryforwards of €121 million (previous year: €83 million) and temporary differences of €55 million (previous year: €36 million) due to the low probability of such deferred tax assets being recoverable. Tax losses of €62 million (previous year: €59 million) for which no deferred tax assets have been recognized can only be carried forward for a limited period. The related expiration dates are between 2012 and 2021.

No deferred taxes were recognized for temporary differences of €7 million (previous year: €3 million) in connection with shares in subsidiaries.

Reconciliation of expected and actual tax expense

€ million	2011	%	2010	%
Earnings before tax	1,122	100.0	1,125	100.0
Expected tax expense	354	31.6	355	31.6
Tax-exempt income	–32	–2.9	–5	–0.4
Differences to foreign tax rates	–49	–4.4	–14	–1.2
Equity-method investments	–12	–1.1	–145	–12.9
Utilization of tax loss carryforwards and temporary differences not recognized in previous years, and reversal of valuation allowances on deferred tax assets	0	0	–2	–0.2
Valuation allowances on deferred tax assets	17	1.5	6	0.5
Prior-period taxes	137	12.2	97	8.6
Nondeductible expenses	9	0.8	46	4.0
Other items	10	0.9	0	0
Actual tax expense	**434**	**38.6**	**338**	**30.0**

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

€ million	Deferred tax assets 12/31/2011	Deferred tax assets 12/31/2010	Deferred tax liabilities 12/31/2011	Deferred tax liabilities 12/31/2010
Intangible assets	2	15	292	219
Property, plant, and equipment	18	26	102	112
Inventories	64	88	74	107
Receivables and other assets	54	93	128	188
Pension obligations	106	77	13	10
Other provisions	372	401	52	58
Other liabilities	259	233	42	152
Tax loss carryforwards	201	226	–	–
Other items	2	–	21	3
	1,078	**1,159**	**724**	**849**

11 Earnings per share

€ million (unless otherwise stated)	2011	2010
Net income attributable to shareholders of MAN SE	238	713
of which: loss from discontinued operations, net of tax	–441	–65
Net income from continuing operations attributable to shareholders of MAN SE	**679**	**778**
Number of shares outstanding (weighted average, million, basic)	147.0	147.0
Number of shares outstanding (weighted average, million, diluted)	147.1	147.0
Earnings per share from continuing operations (diluted/basic) in €	**4.62**	**5.30**

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 2011, as in the previous year.

72,472 MAN SE shares were contingently granted in April 2010 under the stock program for managers, which was launched in 2010. See **note (33)** for further information. The effects of 30,704 shares (previous year: 7,818 shares) are therefore included in the calculation of diluted earnings per share for fiscal 2011. After taking the potential dilutive effect relating to the grant of these shares into consideration, diluted earnings per share correspond to basic earnings per share in the January 1 to December 31, 2011, reporting period.

There were no outstanding options on shares as of December 31, 2011, and December 31, 2010, that dilute earnings per share. Any exercise of MAN SE's contingent capital in future periods will be dilutive.

The loss per share from discontinued operations (diluted/basic) was €3.00 (previous year: loss of €0.45).

12 Other income statement disclosures

Cost of materials

€ million	2011	2010
Cost of raw materials, consumables, and supplies, and of purchased merchandise	8,468	7,076
Cost of purchased services	846	1,019
	9,314	**8,095**

Payments under operating leases

€ million	2011	2010
	137	**124**

Personnel expenses

€ million	2011	2010
Wages and salaries	2,542	2,187
Social security contributions, retirement and other employee benefit expenses	551	462
	3,093	**2,649**

Retirement benefit expenses amounted to €213 million (previous year: €191 million), of which €151 million (previous year: €130 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*

	2011	2010
Commercial Vehicles	34,567	32,077
Power Engineering	14,098	13,504
Other	321	304
	48,986	**45,885**

* Excluding subcontracted employees.

Depreciation and amortization expense

€ million	2011	2010
Intangible assets	153	158
Property, plant, and equipment	295	298
	448	**456**

Impairment losses

€ million	2011	2010
Intangible assets	–	2
Property, plant, and equipment	4	9
Financial investments and equity-method investments*	677	0
	681	**11**

* See **note (16)** for further information.

13 Total remuneration of the auditors

The following table shows the fees charged for the work performed by the auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich (PwC), as well as by companies in the international PwC network:

€ million	2011	2010
Audits	3.1	3.2
Other assurance and valuation services	0.1	0.1
Tax advisory services	0.2	0.4
Incidental costs	0.1	0.1
Reviews of interim financial statements	0.2	0.2
Other services	3.4	1.2
	7.1	**5.2**

The fees charged for work performed by the auditor, PwC, and its affiliated German companies totaled €4.8 million in fiscal 2011 (previous year: €2.6 million). €1.2 million of this amount relates to audits (previous year: €1.2 million), €0.1 million to other assurance and valuation services (previous year: €0 million), €0.1 million to incidental costs (previous year: €0 million), €0.2 million to reviews of interim financial statements (previous year: €0.2 million), and €3.2 million to other services (previous year: €1.2 million).

Balance sheet disclosures

14 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, 2010	917	605	722	2,244
Accumulated amortization and impairment losses	–134	–355	–93	–582
Balance at January 1, 2010	**783**	**250**	**629**	**1,662**
Change in consolidated Group structure/acquisitions	14	–	74	88
Additions	16	140	–	156
Transfers	0	–	–	0
Disposals	–1	0	–	–1
Amortization	–114	–44	–	–158
Impairment losses	–2	–	–	–2
Currency translation differences	90	9	70	169
Balance at December 31, 2010	**786**	**355**	**773**	**1,914**
Gross carrying amount at December 31, 2010	1,034	749	868	2,651
Accumulated amortization and impairment losses	–248	–394	–95	–737
Balance at January 1, 2011	**786**	**355**	**773**	**1,914**
Change in consolidated Group structure/acquisitions	0	–15	–	–15
Additions	31	215	–	246
Transfers	0	–	–	0
Disposals	–1	–	–	–1
Amortization	–113	–40	–	–153
Impairment losses	–	–	–	–
Currency translation differences	–52	–9	–47	–108
Balance at December 31, 2011	**651**	**506**	**726**	**1,883**
Gross carrying amount at December 31, 2011	1,006	944	821	2,771
Accumulated amortization and impairment losses	–355	–438	–95	–888

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization of licenses, software, similar rights, customer relationships, brands, and other assets amounted to €113 million (previous year: €114 million) and is included in the functional expenses, in particular cost of goods sold and services rendered and selling expenses. Amortization of capitalized development costs amounted to €40 million (previous year: €44 million). See **note (8)** for further information.

Capitalized development costs for in-process development projects that are not subject to amortization amounted to €403 million as of December 31, 2011 (previous year: €200 million).

Analysis of goodwill

€ million	12/31/2011	12/31/2010
MAN Truck & Bus	44	44
MAN Latin America	600	647
MAN Diesel & Turbo	82	82
	726	**773**

Goodwill is allocated to the divisions as shown above.

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

The principal planning assumptions are expected market trends in relation to MAN's development, changes in material production and other costs, changes in the after-sales business, and the discount rate. Assumptions are based on general market forecasts, current developments, and past experience. The long-term growth rates reflect business- and country-specific circumstances. The long-term growth rates used in fiscal 2011 and 2010 are a maximum of 2%.

Cash flows are forecasted individually on the basis of revenue and cost projections for each division to which goodwill is allocated. The discount rate applied is MAN's pretax WACC of 10.0% (previous year: 10.0%). The assumptions and estimates used to calculate the cost of capital have been adjusted to reflect the risk exposure for MAN Latin America in particular. This risk adjustment, which relates predominantly to the inclusion of country risks, led to a WACC before taxes of 14.0% (previous year: 14.0%) for MAN Latin America.

Goodwill is impaired if the division's value in use is less than its carrying amount. No impairment of recognized goodwill was identified for fiscal 2011 and 2010.

15 Property, plant, and equipment

€ million	Land and buildings	Production plant and machinery	Other plant, operating and office equipment	Prepayments and construction in progress	Property, plant, and equipment
Gross carrying amount at January 1, 2010	1,725	1,964	999	80	4,768
Accumulated depreciation and impairment losses	–773	–1,162	–723	–	–2,658
Balance at January 1, 2010	**952**	**802**	**276**	**80**	**2,110**
Change in consolidated Group structure/acquisitions	4	–4	0	1	1
Additions	23	74	65	73	235
Transfers	17	42	6	–65	0
Disposals	–7	–4	–7	0	–18
Depreciation	–52	–159	–87	–	–298
Impairment losses	–3	–6	–	–	–9
Currency translation differences	12	21	9	1	43
Balance at December 31, 2010	**946**	**766**	**262**	**90**	**2,064**
Gross carrying amount at December 31, 2010	1,765	2,029	1,038	90	4,922
Accumulated depreciation and impairment losses	–819	–1,263	–776	–	–2,858
Balance at January 1, 2011	**946**	**766**	**262**	**90**	**2,064**
Change in consolidated Group structure/acquisitions	21	–6	0	1	16
Additions	39	96	103	117	355
Transfers	13	41	9	–63	0
Disposals	–5	–6	–13	0	–24
Depreciation	–53	–160	–79	–3	–295
Impairment losses	–4	–	–	–	–4
Currency translation differences	–6	–10	–5	0	–21
Balance at December 31, 2011	**951**	**721**	**277**	**142**	**2,091**
Gross carrying amount at December 31, 2011	1,869	2,092	1,085	145	5,191
Accumulated depreciation and impairment losses	–918	–1,371	–808	–3	–3,100

Depreciation of items of property, plant, and equipment amounted to €295 million (previous year: €298 million) and is included in the functional expenses, in particular cost of goods sold and services rendered.

The items of property, plant, and equipment that are classified as finance leases on the basis of the contract terms relate primarily to machinery and equipment as well as land and buildings with a carrying amount totaling €49 million (previous year: €58 million).

The following table shows the future lease payments due together with their present values.

2011 (€ million)	up to 1 year	1 – 5 years	> 5 years	Total
Lease payments	23	18	2	43
Interest components	2	2	0	4
Present values	21	16	2	39
Minimum lease payments from subleases	13	13	0	26

2010 (€ million)	up to 1 year	1 – 5 years	> 5 years	Total
Lease payments	29	34	3	66
Interest components	2	3	0	5
Present values	27	31	3	61
Minimum lease payments from subleases	18	20	0	38

Investment property

The carrying amount of investment property amounted to €9 million as of December 31, 2011 (previous year: €11 million), compared with a fair value of €39 million (previous year: €42 million).

16 Financial investments

On January 5, 2011, MAN exercised its right to cash settlement in connection with the call option on 1.5% of the equity and 2.8% of the outstanding voting rights of Scania. The transaction led to a cash settlement of €29 million, which MAN received on January 7, 2011. At the same time, MAN lost access to more than 20% of the voting rights of Scania, with the result that, after January 5, 2011, the investment in Scania is no longer accounted for using the equity method in accordance with IAS 28, but as an available-for-sale financial asset in accordance with IAS 39.

The “Net income from reclassification as financial investments” line item in the consolidated income statement includes €495 million relating to the effect of the initial recognition of this investment at fair value.

“Net income from financial investments” contains dividend income from the investment in Scania amounting to €59 million as well as the impairment loss of €677 million recognized on this investment in the fourth quarter of 2011.

17 Equity-method investments

Associates

The most significant equity-method investment as of December 31, 2011, is the Sinotruk associate. The shares in the associate Roland Holding GmbH, Munich, (Roland) and in the MAN FORCE TRUCKS Private Ltd., Akurdi/India, joint venture are also accounted for using the equity method. See **note (6)** for information on the 49% interest in the RMMV associate. The investment in Scania has been accounted for as a financial investment since January 5, 2011.

Sinotruk

MAN’s interest in Sinotruk has been reported as an equity-method investment since October 2009. The consolidated income statement in fiscal 2011 contains MAN’s share of Sinotruk’s net income for the period July 1, 2010, to June 30, 2011, as the equity method is applied in compliance with local capital market requirements with regard to the publication of financial information for the investee. The consolidated income statement in fiscal 2010 contains the pro rata results for the period October 2009 to June 30, 2010. The quoted market value of the 25% investment in Sinotruk as of December 31, 2011, was €298 million (previous year: €532 million).

Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by MAN) is shown in the following table for information purposes. See **note (34)** for further information on Sinotruk.

€ million	2011	2010
Assets[1]	6,405	5,732
Liabilities[1]	4,212	3,453
Revenue[2]	4,314	3,818
Net income[2]	197	176

[1] Fiscal 2011: Amounts shown relate to the reporting period ended June 30, 2011. Fiscal 2010: Amounts shown relate to the reporting period ended June 30, 2010.
[2] Fiscal 2011: Amounts shown relate to the period from July 1, 2010 to June 30, 2011. Fiscal 2010: Amounts shown relate to the period from July 1, 2009 to June 30, 2010.

Roland

The unrecognized losses of Roland amounted to €27 million in fiscal 2011 (previous year: losses of €35 million), and cumulatively to €62 million as of December 31, 2011.

The remeasurement of potential obligations from the sale of 65% of the shares in manroland (formerly MAN Roland Druckmaschinen AG, Offenbach) in 2006 increase the loss from discontinued operations by a further €7 million. Please also see **note (8)** for further information.

The following table contains summarized financial information on the other associates; the disclosures relate in all cases to the full amounts of the investees, and not just to the Group's share:

€ million	2011	2010
Assets	1,332	1,930
Liabilities	1,212	1,664
Revenue*	1,642	2,019
Net income*	–50	–135

* 12 months.

18 Assets leased out

€ million	2011	2010
Gross carrying amount at January 1	2,699	1,976
Accumulated depreciation	–944	–543
Balance at January 1	**1,755**	**1,433**
Change in consolidated Group structure/ acquisitions	204	180
Additions	1,087	833
Disposals	–197	–197
Depreciation	–536	–509
Currency translation differences	–10	15
Balance at December 31	**2,303**	**1,755**
Gross carrying amount at December 31	3,484	2,699
Accumulated depreciation	–1,181	–944

Assets leased out relate to commercial vehicles that are leased to customers on the basis of operating leases or sold to customers with buyback options. The year-on-year increase is attributable to the initial consolidation of two companies and a higher volume of sales with buyback obligations at MAN Truck & Bus.

Future revenue from noncancelable operating leases

€ million	12/31/2011	12/31/2010
Due within one year	470	406
Due between one and five years	739	569
Due after more than five years	40	34
	1,249	**1,009**

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

19 Financial services receivables

€ million	12/31/2011	12/31/2010
Noncurrent financial services receivables	953	838
Current financial services receivables	532	495

Certain volumes of receivables, mainly consisting of financial services receivables, are sold 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 financial services receivables at the end of the reporting period was €19 million (previous year: €49 million). The corresponding liabilities are contained in financial liabilities; see **note (24)**.

Bad debt allowances on financial services receivables changed as follows:

€ million	2011	2010
Balance at January 1	**99**	**76**
Additions	31	56
Utilization	– 3	– 23
Reversals	– 17	– 13
Exchange rate effects and other changes	0	3
Balance at December 31	**110**	**99**

Financial services receivables contain the following finance lease receivables:

€ million	12/31/2011	12/31/2010
Noncurrent finance lease receivables	776	703
Current finance lease receivables	369	347

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	12/31/2011	12/31/2010
Due within one year	481	465
Due between one and five years	869	784
Due after more than five years	23	22
	1,373	**1,271**

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

€ million	12/31/2011	12/31/2010
Due within one year	362	343
Due between one and five years	740	673
Due after more than five years	19	18
	1,121	**1,034**

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

€ million	12/31/2011	12/31/2010
Gross investment in finance leases	1,373	1,271
Discount	– 132	– 133
Bad debt allowances	– 96	– 88
Net investment in finance leases	**1,145**	**1,050**
of which unguaranteed residual value	– 24	– 16
Minimum lease payments	**1,121**	**1,034**

Bad debt allowances on finance lease receivables changed as follows:

€ million	2011	2010
Balance at January 1	**88**	**70**
Additions	27	49
Utilization	– 2	– 23
Reversals	– 17	– 11
Exchange rate effects and other changes	0	3
Balance at December 31	**96**	**88**

20 Inventories

€ million	12/31/2011	12/31/2010
Raw materials, consumables, and supplies	505	470
Work in progress and finished products	2,386	1,823
Merchandise	479	419
Prepayments	143	140
	3,513	**2,852**

Consumption of inventories amounting to €8,468 million (previous year: €7,076 million) is recognized as cost of goods sold and services rendered in the reporting period. Inventories of €1,253 million (previous year: €880 million) were recognized at net realizable value. The impairment loss amounted to €129 million (previous year: €94 million).

21 Trade receivables

€ million	12/31/2011	12/31/2010
Customer receivables	2,022	1,658
PoC receivables	198	138
Receivables from investees	111	186
	2,331	**1,982**

Financial services receivables were reported separately for the first time as of September 30, 2011; see **note (19)**. Financial services receivables of €283 million were reported in customer receivables at year-end 2010. The prior-year figures were adjusted to ensure comparability.

€31 million of the trade receivables (previous year: €37 million) is due between one and five years. The remaining €2,300 million (previous year: €1,945 million) is due in less than one year.

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

€ million	2011	2010
Balance at January 1	**114**	**108**
Additions	25	39
Utilization	– 12	– 13
Reversals	– 12	– 23
Exchange rate effects and other changes	– 2	3
Balance at December 31	**113**	**114**

Certain volumes of receivables are sold, in particular to refinance financial services, depending on the market situation and liquidity requirements, and are therefore reported as financial services receivables. 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 in the trade receivables at the end of the reporting period was €8 million (previous year: €6 million). The corresponding liabilities are contained in financial liabilities; see **note (24)**.

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

€ million	12/31/2011	12/31/2010
Contract costs and proportionate contract profit/loss of construction contracts	1,351	1,429
Exchange rate effects	4	20
PoC receivables, gross	**1,355**	**1,449**
Prepayments received	–1,157	–1,311
	198	**138**

Other prepayments of €358 million (previous year: €463 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €454 million (previous year: €1,139 million). Orders and part-orders billed to customers are reported in customer receivables.

22 Other assets

€ million	12/31/2011	12/31/2010
Other tax receivables	190	93
VAT receivables	128	106
Deferred income	88	75
Derivatives	67	257
Loans and other third-party receivables	35	60
Other noncurrent receivables from investees	32	34
Financing receivables from investees	19	21
Advances, clearing accounts	12	20
Reserve from pension liability insurance	9	10
Miscellaneous other assets	242	217
	822	**893**

Other assets are reported as follows:

€ million	12/31/2011	12/31/2010
Other noncurrent assets	226	180
Other current assets	596	713

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

Other assets amounting to €242 million (previous year: €187 million) are due after more than one year, including €28 million (previous year: €24 million) due after more than five years. The remaining €580 million (previous year: €706 million) is due in less than one year.

23 Equity

a) Share capital, rights to implement capitalization measures

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

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

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

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

Authorized Capital 2010

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

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

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

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation (antidilution provision); and/or

(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations in issue at the time of utilization in accordance with this provision shall also count towards the above-mentioned 10% limit; and/or

(iii) to settle any fractions needed to round the share capital; and/or

(iv) to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/or of Group companies in respect of a proportion of Authorized Capital 2010 of up to €4,000,000. It may also be stipulated that the contribution to be paid must be covered in accordance with section 204 (3) of the AktG.

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

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

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

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

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

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

(i) to the extent that the issue price of the bond is not materially lower than its theoretical market value calculated by recognized financial techniques. In addition, the disapplication of preemptive rights within the meaning of section 86 (3) sentence 4 of the AktG only applies to bonds with rights to shares with a notional interest in the share capital that does not in the aggregate exceed 10% of the share capital. Shares issued, sold, or issuable by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization;
(ii) to the extent that this is necessary to settle fractions that result from the subscription ratio;
(iii) to grant the bondholders with existing conversion rights/options on, or obligations to convert bonds to, shares of the Company, preemptive rights to the extent to which they would be entitled if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation, in order to prevent dilution of the economic value of these rights.

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

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

Share repurchase

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

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

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

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

(i) if the purchased common shares are sold at a price that is not materially lower than the quoted market price; and/or
(ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies or assets of companies; and/or
(iii) to the extent that they are used to settle options or conversion rights or conversion obligations established by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to settle conversion rights and options or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this

authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or

(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

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

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

As described in **note (24)**, MAN SE has entered into various material agreements that are subject to a change of control.

b) Significant shareholdings in MAN SE

Volkswagen Aktiengesellschaft notified MAN SE on May 11, 2011, in accordance with section 21 (1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 30% on May 9, 2011, and amounted to 30.47% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us on May 11/12, 2011, in accordance with section 21 (1) of the WpHG that Volkswagen Aktiengesellschaft's 30.47% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. Volkswagen Aktiengesellschaft further notified MAN SE on November 14, 2011, 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 50% on November 9, 2011, and amounted to 55.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us on November 14/15, 2011, in accordance with section 21 (1) of the WpHG that Volkswagen Aktiengesellschaft's 55.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. Finally, in 2010, we received notifications in accordance with section 21 (1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) exceeded the threshold of 3%.

We have not been notified of, nor are we aware of, further existing direct or indirect interests in the capital of MAN SE that exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of any changes in the above-mentioned interests.

c) Reserves

MAN SE's capital reserves consist of premiums paid for capital increases and the conversion of preferred shares into common shares. The MAN Group's retained earnings contain the retained earnings of MAN SE amounting to €844 million (previous year: €844 million) and the net retained profits of MAN SE amounting to €374 million (previous year: €296 million). They also contain the retained profits and accumulated losses of subsidiaries and differences arising between carrying amounts in the consolidated financial statements and carrying amounts in the local GAAP financial statements.

The Executive and Supervisory Boards of MAN SE will propose to the Annual General Meeting to use the net retained profits of €374 million (previous year: €296 million) to pay a dividend of €2.30 (previous year: €2.00) per share carrying dividend rights and to carry forward the residual amount to new account. The proposed total dividend payout is therefore €338 million (previous year: €294 million).

d) Other comprehensive income

€ million	12/31/2011	of which attributable to discontinued operations	12/31/2010	of which attributable to discontinued operations
Currency translation differences	297	–	484	– 9
Fair value of derivatives	– 28	–	10	–
Actuarial losses attributable to pensions	– 430	–	– 282	–
Actuarial losses attributable to provisions for termination benefits	– 20	–	– 16	–
Other comprehensive income for the period from equity-method investments	– 1	–	16	–
Deferred taxes	111	–	68	–
	– 71	**–**	**280**	**– 9**

Of the deferred taxes of €111 million (previous year: €68 million), €97 million (previous year: €66 million) is attributable to actuarial losses on pensions, €9 million (previous year: €–2 million) is attributable to the measurement of derivatives, and €5 million (previous year: €4 million) is attributable to actuarial losses on provisions for termination benefits.

e) Noncontrolling interests

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

f) Capital management

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

MAN SE uses the modified measure referred to as "delta to the cost of capital" (ROCE – WACC) to measure and manage its business activities and to optimize capital allocation in the Group. It corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

In May 2011, Standard & Poor's lifted its outlook for MAN's BBB+ long-term rating from "stable" to "positive," confirming this again in July 2011, and then lifted its rating to A– with a stable outlook in December 2011. The A3 rating with a stable outlook awarded by Moody's was confirmed in September 2011.

The Group's capital employed for capital management purposes comprises equity, pension obligations, and financial liabilities.

€ million	12/31/2011	12/31/2010
Equity	5,590	5,990
Pension obligations	378	226
Financial liabilities	3,170	2,849
Capital employed	**9,138**	**9,065**

Equity decreased by €400 million or 7% year-on-year in fiscal 2011. This was due in particular to the agreements entered into with IPIC and MPC to sell Ferrostaal, which significantly increased the loss from discontinued operations, net of tax (for further information, see **note (6)**), as well as to the actuarial losses attributable to pensions and the negative currency translation differences. Pension obligations rose by 67% year-on-year because of the increase in actuarial losses attributable primarily to the use of a lower discount rate. Financial liabilities increased by 11%. Overall, this resulted in a €73 million or 1% increase in capital employed in fiscal 2011.

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

24 Financial liabilities

€ million	12/31/2011	12/31/2010
Bonds	1,495	1,494
Bank borrowings and other liabilities	876	721
Structured finance	799	634
	3,170	**2,849**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2011	12/31/2010
Noncurrent financial liabilities		
due after more than one year	1,976	1,973
of which: due after more than five years	21	512
Current financial liabilities		
due within one year	1,194	876

MAN SE placed a €200 million promissory note loan and a €1.5 billion bond in two tranches in 2009 to provide long-term financing for VW Truck & Bus in Brazil in 2009.

Previously, MAN SE had launched an EMTN program so that it could issue securities flexibly and at short notice if required so as to raise funds on the basis of existing master documentation. The EMTN program is regularly renewed and updated to allow MAN SE to act at any time. Following partial repayments of €30 million in 2009 and €121 million in October 2010, the fixed-interest component of the promissory note loan amounting to €49 million with an interest rate of 5.056% and expiring in April 2012 is currently outstanding. In addition, the Group has issued a further promissory note loan in the amount of €30 million expiring in 2019 (amortizing), which bears an interest rate of 6.76%. The two bond tranches issued in 2009 amounting to €1 billion (expiring 2013) and €500 million (expiring 2016) with coupons of 5.375% and 7.25%, respectively, are also outstanding.

The carrying amount of the promissory note loans amounted to €79 million as of December 31, 2011. The carrying amount of the bond tranche expiring on May 20, 2013, amounted to €998 million, and its fair value was €1,048 million. The carrying amount of the bond tranche expiring on May 20, 2016, amounted to €497 million, and its fair value was €589 million.

A €300 million bond issued by MAN Financial Services plc, Swindon/United Kingdom, in 2003 was repaid at maturity in December 2010 following a partial repurchase of €60 million in 2007.

Structured finance includes liabilities of €26 million (previous year: €55 million) relating to sales of receivables. The MAN Group also uses asset-backed financing arrangements, in particular to finance its financial services business. Current financial liabilities include asset-backed financing arrangements in the amount of €658 million (previous year: €411 million) for which the financing of the amortizing portfolio is assured until the end of the term.

Bank borrowings whose interest terms are oriented on the relevant market conditions serve to finance international MAN Group companies, among other things.

The variable-rate €1.5 billion syndicated credit line committed by a syndicate of 23 banks until December 2015 has not been drawn down to date and thus remains available as a liquidity reserve.

Liabilities are not generally collateralized in the MAN Group.

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

Under the existing syndicated credit line amounting to €1.5 billion, each syndicate member can demand immediate repayment of its portion if one or more natural or legal persons either individually or collectively obtain control of MAN SE or acquire the majority of voting rights in MAN SE. The acquisition by Volkswagen AG of a majority stake in MAN SE on November 9, 2011, was excluded from this condition.

The promissory note loans issued in the amount of €79 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE. The arranging banks notified the creditors about Volkswagen AG's acquisition of a majority stake in MAN SE. No creditor has yet exercised its call right.

Repayment of the €1.5 billion bond can be demanded if one or more persons acting in concert acquire more than 50% of the voting rights in MAN SE and, as a result, the Company's rating is downgraded to noninvestment grade within 120 days. Since the acquisition of a majority stake by Volkswagen AG, MAN SE's credit rating has improved and continues to be a good investment grade.

25 Pension obligations

Provisions for pensions are broken down as follows:

Composition of funded status and pension provisions

€ million	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Unfunded defined benefit obligation	14	14	22	46	69
Funded defined benefit obligation	2,009	1,859	1,716	1,695	1,828
Total defined benefit obligation	**2,023**	**1,873**	**1,738**	**1,741**	**1,897**
Fair value of plan assets	–1,645	–1,647	–1,579	–1,652	–1,790
Funded status at December 31	**378**	**226**	**159**	**89**	**107**
Effect of asset ceiling in accordance with IAS 19.58	0	0	1	19	18
Unrecognized plan assets	0	–	–	–	7
Reclassified as liabilities associated with assets held for sale	–	–	–	–34	–
Pension provisions at December 31	**378**	**226**	**160**	**74**	**132**
of which: Germany	296	173	107	39	120
of which: Other countries	82	53	53	35	12

a) Pension plans

The MAN Group offers its German employees occupational pension benefits after they have retired. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death while the beneficiary is actively employed.

Under the MAN Group's current pension plans, the MAN Profit-Sharing and Pension Plan, and the separate pension plan for senior managers, directors, and Executive Board members, all active employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation – which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (life-cycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters.

Former employees, pensioners, or employees with vested benefits who have left the MAN Group have benefit commitments from a variety of old pension plans, most of which are designed to provide lifelong pension payments. Depending on the situation in specific countries, foreign employees receive pension benefits in the form of defined benefit or defined contribution pension plans. Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under defined-benefit funded pension plans. The pension plans in the United Kingdom have been closed to new entrants. In France, Austria, and Poland, there are defined benefit pension plans with a low level of obligations that are funded by provisions.

There are defined contribution pension plans in the United States, the United Kingdom, and certain other countries.

b) Funding

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

As a general rule, the pension assets are endowed at the minimum amount required by national regulations. In Germany, there is no general obligation to make ongoing payments to the pension assets. However, the goal is to ensure endowments equal to the ongoing employer and employee contributions. Expected employer payments for defined benefit plans for 2012 are €59 million for German pension plans and €15 million for pension plans outside Germany.

Plan asset portfolio structure

€ million	Germany 12/31/2011	Germany 12/31/2010	Abroad 12/31/2011	Abroad 12/31/2010	Total 12/31/2011	Total 12/31/2010
Bonds	602	658	218	209	820	867
Equities	184	197	134	146	318	343
Real estate	18	–	34	33	52	33
Other assets	389	363	66	41	455	404
Total plan assets	**1,193**	**1,218**	**452**	**429**	**1,645**	**1,647**

c) Funded status

Change in present value of defined benefit obligation

€ million	Germany 2011	Germany 2010	Abroad 2011	Abroad 2010	Total 2011	Total 2010
Present value of DBO at January 1	1,391	1,304	482	434	1,873	1,738
Change in consolidated Group structure	4	–1	–1	0	3	–1
Current service cost	37	38	13	12	50	50
Interest cost	67	66	22	23	89	89
Past service cost	–	–	–2	0	–2	0
Actuarial losses (+)/gains (–)	63	53	23	–2	86	51
Pension payments	–76	–71	–29	–33	–105	–104
Contributions by beneficiaries	4	2	8	7	12	9
Currency translation differences, other	0	–	17	41	17	41
Present value of DBO at December 31	**1,490**	**1,391**	**533**	**482**	**2,023**	**1,873**

Change in plan assets

€ million	Germany 2011	Germany 2010	Abroad 2011	Abroad 2010	Total 2011	Total 2010
Plan assets at January 1	1,218	1,197	429	382	1,647	1,579
Change in consolidated Group structure	–1	–	–	–	–1	–
Expected return on plan assets	61	55	21	21	82	76
Actuarial losses (–)/gains (+)	–57	–1	–5	2	–62	1
Contributions by employers	30	28	17	13	47	41
Contributions by beneficiaries	4	2	8	7	12	9
Pension payments	–62	–63	–29	–33	–91	–96
Currency translation differences, other	0	–	11	37	11	37
Plan assets at December 31	**1,193**	**1,218**	**452**	**429**	**1,645**	**1,647**

The investment of plan assets to cover future pension obligations resulted in income of €20 million (previous year: €77 million), of which €4 million (previous year: €54 million) was attributable to Germany and €16 million (previous year: €23 million) to other countries.

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

in %	Germany 12/31/2011	Germany 12/31/2010	Abroad* 12/31/2011	Abroad* 12/31/2010
Discount rate	4.6	5.0	4.25	4.62
Pension trend	2.0	2.0	3.13	2.84
Pay trend	2.75	2.75	2.78	2.97
Expected return on plan assets	5.0	4.57	5.18	5.40

* Weighted average rates.

The discount rates reflect the yields at the reporting date on highly rated corporate bonds with matching maturities and denominated in the relevant currencies. The biometric parameters are based on current country-specific mortality tables. For Germany, the 2005 G mortality tables issued by Prof. Klaus Heubeck were adjusted to MAN-specific empirical values. The long-term expected return on plan assets is calculated on the basis of the return assumptions in Germany and other countries corresponding to the portfolio structure.

d) Pension expense

The pension expense is composed of the following items:

€ million	2011	2010
Current service cost	50	50
Past service cost	– 2	0
Interest cost	89	89
Expected return on plan assets	– 82	– 76
	55	**63**

e) Gains and losses eliminated in other comprehensive income

€ million	2011	2010
Actuarial gains (-)/losses (+) at January 1	**285**	**232**
Change in consolidated Group structure	1	–
Change in fiscal year	148	50
Currency translation differences, other	0	3
Actuarial gains (-)/losses (+) at December 31	**434**	**285**

f) Experience adjustments

The experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions calculated and actual changes in those assets and obligations, are as follows:

Differences between expected and actual developments

	2011	2010	2009	2008	2007
as % of present value of DBO	– 1.29	0.64	0.46	0.11	– 0.95
as % of plan assets	– 3.77	0.06	3.29	– 8.72	– 0.84

26 Other provisions

€ million	As of 12/31/2010	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding	As of 12/31/2011
Warranties	751	–16	–235	429	–81	8	856
Outstanding costs	196	12	–85	106	–20	–	209
Other business-related obligations	625	–5	–306	338	–93	–	559
Obligations to employees	231	–22	–57	46	–1	3	200
Miscellaneous other provisions	315	–9	–71	198	–63	–	370
	2,118	**–40**	**–754**	**1,117**	**–258**	**11**	**2,194**

Other provisions are reported in the following balance sheet items:

	12/31/2011		12/31/2010	
€ million	Noncurrent	Current	Noncurrent	Current
Warranties	364	492	298	453
Outstanding costs	49	160	32	164
Other business-related obligations	5	554	5	620
Obligations to employees	187	13	208	23
Miscellaneous other provisions	104	266	110	205
	709	**1,485**	**653**	**1,465**

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

"Other business-related obligations" contain provisions of €65 million that were recognized on the basis of information obtained to date in connection with the investigation of potential irregularities in the handover of four-stroke marine diesel engines at MAN Diesel & Turbo. The provisions were recognized to account for possible on-board retrofit solutions and for expenditures for specialists engaged in connection with the investigation.

The risk provisions recognized in the Power Engineering business area are also reflected in the additions to provisions for warranty risks and in the additions to provisions for miscellaneous other provisions for business risks.

Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations, as well as to statutory termination benefits.

27 Other liabilities

€ million	12/31/2011	12/31/2010
Deferred purchase price payments for assets leased out	1,443	1,138
Employee-related liabilities	440	331
Miscellaneous other tax payables	234	176
Derivatives	98	139
Financing liabilities to investees	61	60
Deferred income	42	44
Miscellaneous other liabilities	526	234
	2,844	**2,122**

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

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

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

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2011	12/31/2010
Other noncurrent liabilities	951	722
Other current liabilities	1,893	1,400

Of the other noncurrent liabilities, €63 million (previous year: €56 million) is due in more than five years.

Other disclosures

28 Litigation/legal proceedings

Based on indications of irregularities in the course of the handover of four-stroke marine diesel engines by MAN Diesel & Turbo SE, MAN SE's Executive Board launched an investigation by MAN SE's Compliance function and external advisers. This investigation is still ongoing. Preliminary findings suggest that it was possible to externally manipulate the technically calculated fuel consumption figures of four-stroke marine diesel engines on test beds operated by MAN Diesel & Turbo SE (formerly: MAN Diesel SE) such that the figures displayed differed from the actual test results. The extent to which the figures were actually manipulated when diesel engines were handed over to customers, as well as the potential financial consequences for the MAN Group, are still being assessed. MAN has notified the Munich Public Prosecution Office (I) of its ongoing investigation. The matter has now been passed to the Public Prosecution Office in Augsburg. MAN is working together with the Public Prosecution Office to clarify the matter. See **notes (8)** and **(26)** for further information on provisions.

From January 18 to 20, 2011, the European Commission conducted a search at MAN Truck & Bus due to a suspected possible antitrust violation in the commercial vehicles business. On April 14, 2011, the South Korean antitrust authorities conducted a search at MAN Truck & Bus (Korea) Limited, Seoul/South Korea. In addition, the European Commission conducted a search at MAN Truck & Bus and at MAN Diesel & Turbo between May 25 and 27, 2011, due to a suspected possible antitrust violation in the engines business. MAN has assured the competition authorities of its comprehensive cooperation in order to thoroughly clarify the allegations.

The UK antitrust authorities (Office of Fair Trading) have launched an investigation into possible price-fixing/antitrust violations at a number of companies active in the UK commercial vehicles market. MAN received a request for information in September 2010 in connection with this investigation. MAN is cooperating with the UK antitrust authorities. The UK antitrust authorities dropped their investigations into individuals in December 2011. The company is still being investigated.

In addition to the issues described above, MAN is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. Although any negative decisions in such cases could have a material effect on the Company's results in a reporting period, MAN does not believe that they could have a material adverse effect on its net assets, financial position, and results of operations. MAN does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, encouraged, or accepted by MAN.

29 Contingent liabilities

€ million	12/31/2011	12/31/2010
Contingent liabilities under guarantees	184	218
Contingent liabilities under buyback guarantees	170	216

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investees, former investees, and other companies. The year-on-year decrease is attributable to the planned reduction of guarantees for legacy transactions due to the expiry of the warranty periods. The maximum total potential contingent liability for Ferrostaal under MAN's obligations from guarantees is €135 million (previous year: €189 million). MAN's guarantees for Ferrostaal are largely covered by indemnities, depending on the origination date of the guarantee. See **note (6)** for further information.

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 €170 million (previous year: €216 million).

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

MAN Finance has proportionate additional payment obligations in the event of losses at an associate.

Purchase commitments for items of property, plant, and equipment amounted to €270 million at the end of the reporting period (previous year: €108 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	12/31/2011	12/31/2010
Investment leases		
Due within one year	30	29
Due between one and five years	46	44
Due after more than five years	5	4
	81	**77**
Rental and lease obligations		
Due within one year	106	108
Due between one and five years	263	243
Due after more than five years	402	308
	771	**659**

Rental and lease obligations contain the sale of leased vehicles and are partly offset by future income from subleases amounting to €8 million (previous year: €20 million).

31 Additional disclosures on financial instruments

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

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications under IFRS 7 as of December 31, 2011.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	1,251	1,251	AfS	1,251	n/a
of which quoted in active markets	1,193	1,193	AfS	1,193	Level 1
of which other financial investments	58	58	AfS	58	n/a
Noncurrent and current financial services receivables	1,485	1,485	n/a	1,487	–
Other noncurrent and current assets	822	242		242	–
Other financial assets	242	242		242	–
Available for sale	3	3	AfS	3	n/a
At fair value through profit or loss	35	35	aFV	35	Level 2
Derivatives in hedging relationships	32	32	n/a	32	Level 2
Other assets	172	172	LaR	172	–
Assets not within the scope of IFRS 7	580	–	n/a	–	–
Trade receivables	2,331	2,331	LaR	2,373	–
Marketable securities	1	1	AfS	1	n/a
Cash and cash equivalents	957	957	LaR	957	–
Liabilities					
Noncurrent and current financial liabilities	3,170	3,170	OL	3,312	–
Other noncurrent and current liabilities	2,844	569		569	–
Other financial liabilities	569	569		569	–
At fair value through profit or loss	65	65	aFV	65	Level 2
Derivatives in hedging relationships	33	33	n/a	33	Level 2
Other liabilities	471	471	OL	471	–
Liabilities not within the scope of IFRS 7	2,275	–	n/a	–	–
Trade payables	2,324	2,324	OL	2,324	–

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable.

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications under IFRS 7 as of December 31, 2010.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	51	51	AfS	51	n/a
Noncurrent and current financial services receivables	1,333	1,333	n/a	1,323	–
Other noncurrent and current assets	893	440		–	–
Other financial assets	440	440		440	–
Available for sale	9	9	AfS	9	n/a
At fair value through profit or loss	160	160	aFV	160	Level 2
Derivatives in hedging relationships	97	97	n/a	97	Level 2
Other assets	174	174	LaR	174	–
Assets not within the scope of IFRS 7	453	–	n/a	–	–
Trade receivables	1,982	1,982	LaR	1,982	–
Marketable securities	14	14	AfS	14	n/a
Cash and cash equivalents	1,057	1,057	LaR	1,057	–
Liabilities					
Noncurrent and current financial liabilities	2,849	2,849	OL	3,013	–
Other noncurrent and current liabilities	2,122	268			–
Other financial liabilities	268	268		268	–
At fair value through profit or loss	110	110	aFV	110	Level 2
Derivatives in hedging relationships	29	29	n/a	29	Level 2
Other liabilities	129	129	OL	129	–
Liabilities not within the scope of IFRS 7	1,854	–	n/a	–	–
Trade payables	1,981	1,981	OL	1,981	–

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable.

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

IAS 39 measurement category

€ million	12/31/2011 Assets	12/31/2011 Liabilities	12/31/2010 Assets	12/31/2010 Liabilities
AfS	1,255	–	74	–
aFV	35	65	160	110
LaR	3,460	–	3,213	–
OL	–	5,965	–	4,959

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

Cash and cash equivalents, trade receivables, other financial assets, trade payables, and other financial liabilities mostly have short remaining maturities. For this reason, their carrying amounts at the end of the reporting periods are approximately the same as their fair values. In addition, an appropriate impairment loss is recognized for trade receivables if there are objective indications of impairment.

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

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

Available-for-sale financial assets include the investment in Scania. This investment has not been accounted for using the equity method since January 5, 2011, but as a financial investment **(see note (16))**. Initial recognition resulted in an earnings effect of €495 million. The investment was written down in December and had a carrying amount of €1,193 million at the end of the reporting period. The remaining portion amounting to €62 million (previous year: €74 million) is attributable to investments and shares measured at cost. These are investments and shares of unlisted entities that were not measured using a discounted cash flow method because the related cash flows could not be reliably measured. No quoted market prices are available for the shares of unlisted entities as no active market exists for these shares. The Company currently has no intention to sell these shares.

Future cash flows are estimated using forward curves for derivative financial instruments without option components, which include currency forwards, commodity futures, and interest rate swaps. The fair value of these instruments corresponds to the discounted cash flows. Options on currency pairs or interest rates are measured on the basis of standard option pricing models, i.e., generalized Black Scholes formulas.

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

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

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

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

In fiscal 2011 and 2010, there were no reclassifications between Level 1 and Level 2 in fair value measurement, and there were no reclassifications into or out of Level 3 in relation to fair value measurement.

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

€ million	2011	2010
Loans and receivables	– 47	– 101
Available-for-sale financial assets	– 601	1
Financial liabilities at cost	– 4	– 2
Financial assets and liabilities at fair value through profit or loss	– 1	104

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

Net gains and losses on available-for-sale financial assets relate primarily to the €677 million impairment loss on the investment in Scania recognized in the fourth quarter of 2011. This is included in net losses for the category; see also **note (16)**.

Net gains and losses on financial liabilities at cost are principally composed of currency translation differences and income from the derecognition of liabilities. They also include impairment losses of €29 million.

Net currency expenses on the items mentioned above amounted to €12 million (previous year: net expense of €26 million).

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

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

€ million	2011	2010
Interest income	275	252
Interest expenses	– 304	– 325

Interest income of €275 million (previous year: €242 million) and interest expenses of €285 million (previous year: €280 million) relate to items that are not measured at fair value through profit or loss. 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

Because of the MAN Group's business activities and international focus, its assets, liabilities, and forecast transactions are exposed to market, credit, and liquidity risk. The MAN Group has in place a Group-wide risk management system to identify, quantify, and mitigate these risks.

MAN Group companies generally hedge their currency, interest rate, and commodity risks through MAN SE's Group Treasury on an arm's length basis using nonderivative and, primarily, derivative financial instruments. In countries whose exchange controls or regulatory provisions do not permit direct hedging by MAN SE – especially Brazil – currency, interest rate, and money market transactions are entered into by MAN SE on behalf of and for the account of the Group company concerned. Financial instruments are accounted for at the trade date.

The Group's risk positions are hedged externally by Group Treasury with banks within defined risk limits. Hedging transactions entered into adequately reflect the risk management requirements applicable to banks and are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's market risks are reported regularly to the Executive and Supervisory Boards. Compliance with the guidelines is reviewed by the Internal Audit function.

a) Currency risk

A currency risk arises for each MAN company if it enters into transactions resulting in future cash flows that are not denominated in that MAN company's functional currency. To mitigate the effects of exchange rate movements, the MAN companies continuously quantify the currency risk and hedge all material risks using currency forwards and currency options on an ongoing basis.

In the MAN Group, all firm customer orders (firm commitments), the Group's own purchases, receivables, and liabilities denominated in foreign currencies are hedged as a matter of principle. Currencies that are highly correlated with the euro, such as the Danish krone, as well as equity investments or equity-equivalent loans, are only hedged in individual instances. We also enter into hedges for forecast foreign currency revenue from the series production business within defined hedging limits that are specific to MAN's business, and (on a case-by-case basis) for highly probable customer projects.

The MAN Group's foreign currency exposure at the end of the reporting period consists primarily of transactions denominated in U.S. dollars, Brazilian reais, and sterling. MAN SE was not exposed to any material currency risk due to the hedging transactions entered into for this exposure.

Cash flow hedges and (in exceptional cases) fair value hedges are used for hedge accounting.

In fiscal 2011, net losses of €17 million (previous year: net losses of €40 million) from cash flow hedges were recognized in other comprehensive income. In the course of the fiscal year, gains of €17 million (previous year: losses of €16 million) were reclassified from other comprehensive income to net income. Losses of €1 million (previous year: losses of €1 million) were transferred from other comprehensive income to other operating expenses because of underlyings that did not reach the volume originally planned. There was no earnings effect in 2011 (previous year: gain of €3 million) from the early discontinuation of cash flow hedges due to the termination of the planned underlying (e.g., because of order cancellations by customers).

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but within the effectiveness range of 80% to 125%, the resulting hedge ineffectiveness is recognized in other operating expenses and other operating income. For the past fiscal year, this related to total gains from hedge ineffectiveness of €563 thousand (previous year: losses of €1,506 thousand).

The maximum remaining term of cash flow hedges of forecast transactions was 44 months at the end of fiscal 2011. 31% (previous year: 34%) of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2012. A further 46% (previous year: 48%) of the forecast transactions are expected to be implemented by the end of 2012.

Losses on hedging instruments used in fair value hedges amounted to €22 million (previous year: losses of €44 million). Gains on the related underlyings amounted to €26 million (previous year: gains of €40 million).

The nonderivative and derivative financial instruments existing at the end of the reporting period were measured in a hypothetical scenario as part of a sensitivity analysis. The effects of a ten percent increase/decrease in a currency per exchange rate were as follows as of December 31, 2011:

€ million	12/31/2011				12/31/2010			
	Other comprehensive income		Net income for the period		Other comprehensive income		Net income for the period	
Exchange rate	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%
Euro/U.S. dollar	16	–16	18	–18	18	–15	18	–18
Brazilian real/U.S. dollar	–30	30	–2	2	5	–5	–2	2
Euro/UK pound sterling	15	–15	3	–3	8	–8	52	–52
Euro/Brazilian real	0	0	–12	12	2	–2	–6	6
Euro/Russian ruble	0	0	–8	8	0	0	–3	3
Euro/Danish krone	0	0	–7	7	0	0	–10	10
Euro/Swiss franc	4	–4	–8	8	–15	15	2	–2
Euro/South African rand	1	–1	4	–4	3	–3	0	0

b) Interest rate risk

The MAN Group is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Most of the assets that are sensitive to interest rate movements result from the financial services activities of MAN Finance. The customer financing transactions of the MAN Finance companies, especially leases, are mainly entered into at fixed rates of interest. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed-rate euro-denominated bond issues. There are also liabilities from asset-back securities, promissory note loans, bank borrowings, and other fixed and variable-rate financial liabilities.

Financial instruments that are sensitive to movements in interest rates are exposed to interest rate risk in the form of fair value risk or 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. Cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements.

The goal of interest rate risk management is to largely eliminate the MAN Group's interest rate risk. Interest rate risk is captured, analyzed, and managed centrally in the MAN Group using sensitivity analyses. Group Treasury enters into hedges to mitigate risk resulting from nonderivative financial instruments and, in certain cases, for highly probable forecast customer transactions. Interest rate swaps and, in specific cases, swaptions, caps, and floors are used for hedging. The volumes and maturities are oriented on the redemption structure of the defined customer portfolios or of the financial liability, and on the target hedging level.

The sensitivity analyses are based on the following assumptions:

In the case of variable-rate nonderivative financial instruments, changes in market rates of interest affect future interest payments and have only a very limited impact on fair values. They are therefore included in the calculation of cash flow risk.

Fixed-rate nonderivative financial instruments measured at amortized cost are not exposed to any interest rate risk. At MAN, these include the bonds issued under the EMTN program and the promissory note loans. The interest rate risk of interest rate derivatives is analyzed and managed based on the measurement of the variable and fixed interest payments.

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

	12/31/2011		12/31/2010	
€ million	+ 100 bp	– 100 bp	+ 100 bp	– 100 bp
Variable-rate nonderivative financial instruments (cash flow risk)	– 3	+ 3	– 3	+ 3
Derivatives (fair value risk)	+ 28	– 28	+ 26	– 26

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

c) Commodity price risk

Changes in commodity prices result in volatility in MAN's costs, resulting in commodity price risks that cannot always be passed on to customers. In addition to fixed-price agreements with suppliers, MAN SE has increasingly entered into cash-settled commodity futures since fiscal 2011 to mitigate these risks.

The commodity risks are regularly captured centrally and hedged externally on the basis of defined risk limits, to the extent that there are liquid markets. Commodity futures had been entered into at the end of the reporting period to hedge commodity price risks relating to nonferrous metals, precious metals, and rubber with a fair value of €–1.5 million.

The maximum remaining term of hedges of forecast transactions was 11 months at the end of fiscal 2011. Hedge accounting is not used at present.

A hypothetical 10% increase/decrease in commodity prices is assumed, in line with the sensitivity analysis of currency risks. The potential effect on net income of the change in the fair value of the commodity futures is €1 million or €–1 million, respectively.

d) Credit risk

The MAN Group is exposed to credit risk because of its business operations and certain financing and leasing activities.

From the MAN Group's perspective, credit risk entails 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 of a deterioration in credit quality. 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 and measure risk provisions:

Liquidity management and investment is handled by the central Cash Management function. This carefully selects the financial institutions and investment forms when investing cash funds, while a limit system ensures diversification. The limits and their utilization are regularly reviewed. The MAN Group's risk management policy stipulates that the majority of liquid funds must be invested with banks with an investment grade rating. To reduce the default risk of financial institutions as counterparties for derivatives, we only enter into derivatives transactions with financial institutions with an investment grade rating.

Country and counterparty risk resulting from business operations is continuously assessed locally. Risks are classified and profiled on this basis. Outstanding balances are also continuously monitored locally. Impairment losses are recognized if default risks arise. Credit risk is mitigated by various forms of protection, which may also be country-specific if appropriate. These include documentary credits, credit insurance, sureties, guarantees, and retention of title, as well as customer prepayments. In the project business, the default risk is minimized by requiring prepayments and obtaining collateral.

The MAN Group recognizes adequate risk provisions for the credit risk resulting from the operating business. This is achieved by continuously monitoring all receivables. Bad debt allowances are recognized if there is objective evidence of default or other breach of contract. Material individual receivables, as well as receivables whose collectibility is in doubt, are measured on an item-by-item basis. In 2011, the payment terms in the contracts governing receivables amounting to €2 million were renegotiated. The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received.

Credit risk from MAN Finance's financing and lease activities is monitored on the basis of the portfolio at risk. Customer credit quality is continuously monitored by assigning customers to a number of risk classes, based on information provided by the MAN Finance companies as well as on data provided by external providers. Nonrecourse factoring of parts of the receivables portfolio additionally limits the maximum credit risk. As a rule, additional collateral is provided by assignment of the financed vehicle as security, as well as by customer prepayments if appropriate.

The MAN Group recognizes adequate risk provisions for the credit risk from financing and leasing activities. If individual contracts are breached, measures are taken to renegotiate the existing contract terms in line with the customer's economic situation or to recover the financed asset. As of December 31, 2011, the payment terms for contracts with an outstanding volume of receivables of €70 million had been renegotiated. Contract terms are renegotiated only if the customer's liquidity problems are deemed by MAN Finance to be no more than temporary. Customer-specific risk provisions are recognized to reflect certain criteria. These provisions cover expected losses due to the uncollectibility of installments, potential realization losses from marketing the financed assets, as well as other expenses expected to be incurred if the contract is terminated prematurely. Measurement of the risk provision reflects the estimated fair value of the financed assets serving as collateral, as well as repayments received and other collateral. In addition, risk provisions are recognized for the relevant MAN Finance company depending on certain indicators. The amount of these provisions is measured in particular on the basis of actual credit losses in the recent past.

The maximum default risk exposure for financial services receivables is reduced by the collateral of €775 million from the ability to realize vehicles covered by finance leases.

Maturity overview of financial assets not individually impaired:

€ million	12/31/2011 Trade receivables	12/31/2011 Financial services receivables	12/31/2011 Other financial assets	12/31/2010 Trade receivables	12/31/2010 Financial services receivables	12/31/2010 Other financial assets
up to 30 days past due	284	13	–	210	7	–
31 – 90 days	126	10	–	114	6	–
91 – 180 days	65	2	–	67	4	–
181 days – 1 year	71	3	–	49	4	–
More than 1 year	58	7	–	32	9	–
Total financial assets past due but not individually impaired	604	35	0	472	30	–
Financial assets neither individually impaired nor past due	1,718	1,160	242	1,544	1,103	440
Carrying amounts of financial assets not individually impaired	**2,322**	**1,195**	**242**	**2,016**	**1,133**	**440**

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

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

e) Liquidity risk

Liquidity risk describes the risk that the MAN Group will have difficulty in meeting its obligations associated with financial liabilities or can only procure liquidity at a higher price.

To counter this risk, cash inflows and outflows and due dates are continuously monitored and managed. Cash requirements are primarily met by our operating business and by external financing arrangements.

Financial management for the operating units is implemented largely centrally using a cash pooling process in which cash funds from both the Group companies and MAN SE are pooled every day. This allows cash surpluses and requirements to be managed in line with the needs of the Group as a whole and the individual Group companies.

For external financing purposes, the opportunities available on the financial market are tracked continuously to ensure the MAN Group's financial flexibility and limit inappropriate refinancing risks. Continuous access to the capital markets is a key element here. To enable this, MAN SE launched an EMTN program with a volume of up to €5 billion in 2009 that is continuously updated. To date, €1.5 billion has been issued by issuing a bond in 2009 with two tranches maturing in 2013 and 2016, respectively. The MAN Group also has a syndicated credit line in the amount of €1.5 billion (previous year: €1.5 billion), expiring in December 2015, that has not been drawn down so far. There are also committed bilateral credit lines with financial institutions in the amount of €1.3 billion (previous year: €1.2 billion), of which €575 million (previous year: €430 million) has been utilized. More detailed information on existing short- and long-term external financing arrangements and further information on material agreements regarding a change of control can be found in **note (24)**.

The liquid funds are mainly used to cover financing requirements for the leasing and sales financing business, as well as to finance working capital and capital expenditures. Management is informed regularly about cash inflows and outflows, as well as sources of finance.

The following table shows how the cash flows relating to liabilities, derivatives, and contingent liabilities affect the MAN Group's liquidity position.

Maturity overview [1]		**12/31/2011**			**12/31/2010**	
€ million	**2012**	**2013 – 2016**	**> 2016**	**2011**	**2012 – 2015**	**> 2016**
Cash outflows from nonderivative financial liabilities [2]	4,151	2,173	26	3,096	1,707	541
of which: financial liabilities	1,362	2,171	22	997	1,700	537
of which: trade payables	2,322	2	0	1,978	3	0
of which: other financial liabilities	467	0	4	121	4	4
Cash outflows from derivatives with a negative fair value [2]	73	29	0	90	41	12
of which: settled gross [4]	37	12	0	61	23	4
of which: settled net	36	17	0	29	18	8
Potential cash flows from contingent liabilities [3]	354	0	0	434	–	–
of which: for contingent liabilities under guarantees	184	0	0	218	–	–
of which: for contingent liabilities under buyback guarantees	170	0	0	216	–	–

[1] The following methodology was applied in calculating the amounts:
– If no contractual maturity has been agreed, the liability refers to the earliest maturity date.
– Variable-rate interest payments reflect the conditions at the end of the reporting period.
– It is assumed that the cash outflows will not occur earlier than shown.
[2] In accordance with IFRS 7, only undiscounted cash flows from contractual interest rate and principal payments are shown.
[3] Contingent liabilities under guarantees relate to guarantees issued for trade obligations. Contingent liabilities under standard industry buyback guarantees exist in respect of financing companies that finance the purchase of the Group's products by third parties. The maximum possible cash outflows are presented. The amounts are assumed to be due in the first year.
[4] In the case of derivatives that are settled gross, not only the cash outflow, but also the cash inflow from the settlement of the derivative are included.

f) Classification of hedging instruments by type of hedge

The following table shows the fair values of hedging instruments. These relate mainly to currency forwards:

€ million	12/31/2011 with a positive fair value	12/31/2011 with a negative fair value	12/31/2010 with a positive fair value	12/31/2010 with a negative fair value
Fair value hedges	15	2	46	2
Cash flow hedges	17	31	51	27
	32	**33**	**97**	**29**

33 Share-based payment

Share-based payment for members of MAN SE's Executive Board and the directors and other beneficiaries of MAN companies is based on the MAN Stock Program (MSP) established in 2005. Under the MSP, the beneficiaries receive taxable cash payments on condition that they use 50% of the payment amount to purchase MAN SE common shares. Purchase and safekeeping of the shares is undertaken centrally by MAN SE on behalf and for the account of the beneficiaries. The MSP participants may freely dispose of the purchased shares after a four-year vesting period (three years for share purchases up to and including 2009). During the vesting period, the shares may not be sold, pledged, or hedged. If the beneficiary retires or leaves the MAN Group for other reasons, the vesting period is reduced to one year from the date the beneficiary leaves the MAN Group.

In addition, starting in fiscal 2010 the members of MAN SE's Executive Board are required to use 25% of their variable remuneration based on ROE (return on equity before tax) to purchase MAN SE common shares (share bonus) under the terms of the MSP; the vesting period for shares purchased in this way is four years.

In fiscal 2011, the beneficiaries received a total of 11,805 (previous year: 18,541) MAN common shares under the MSP 2011 at an average price of €93.35 (previous year: €69.53). Payments for these shares amounted to €1,102 thousand (previous year: €1,289 thousand). The part of the variable remuneration required to be used to purchase MAN common shares amounted to €326 thousand (previous year: €833 thousand). Based on the closing price of €68.70 at December 31, 2011 (previous year: €88.99), this corresponds to 4,748 (previous year: 9,354) MAN common shares. The total expense from the MSP 2011 and the variable remuneration to be used for share purchases under the MSP was €2,600 thousand (previous year: €4,242 thousand). Corresponding provisions were recognized for the share purchases to be made in 2012.

In fiscal 2011, the members of the Executive Board received a total of 4,654 (previous year: 7,987) MAN common shares under the MSP 2011 at an average price of €93.35 (previous year: €69.53). Payments for these shares amounted to €434 thousand (previous year: €555 thousand). The part of the variable remuneration required to be used to purchase MAN common shares for fiscal 2011 amounted to €326 thousand (previous year: €833 thousand). Based on the closing price of €68.70 at December 31, 2011 (previous year: €88.99), this corresponds to 4,748 (previous year: 9,354) MAN common shares. The total expense from the MSP 2011 and the variable remuneration to be used for share purchases under the MSP was €1,522 thousand (previous year: €2,775 thousand).

72,472 MAN SE shares were contingently granted in April 2010 under the stock program for managers (MSP M), which was launched in 2010. The Executive Board of MAN SE contingently grants managers shares of MAN SE on a discretionary basis, which they are eligible to receive at a later date without themselves making a significant additional contribution. The Executive Board of MAN SE decides each year whether to implement the MSP M and thus contingently grant shares of MAN SE. Implementation of the MSP M is usually linked to targets and conditions defined in advance by the Executive Board of MAN SE. At the end of a lock-up period, MAN SE transfers the granted shares of MAN SE to a securities account designated by the beneficiary. The lock-up period for granted shares is four years. In fiscal 2011, the expense from the MSP M was €0.8 million (previous year: €0.8 million).

34 Related party disclosures

In November 2009, the IASB adopted amendments to IAS 24, Related Party Disclosures. First, the revised Standard exempts government-related entities from the requirement to disclose transactions with other government-related entities as related party transactions, subject to certain conditions. Second, it revises the definition of a related party, thereby clarifying the intended meaning and removing existing inconsistencies in the previous version of IAS 24. Up to the date of the acquisition of the majority stake by Volkswagen Aktiengesellschaft on November 9, 2011, the revised definition resulted in an increase in the number of the MAN Group's related parties. In addition to Volkswagen Aktiengesellschaft (Volkswagen AG), which exercised significant influence over MAN SE up to November 9, 2011, by virtue of its equity interest, entities controlled and jointly controlled by Volkswagen AG were also related parties from MAN's perspective under the amended Standard. MAN has applied the amendments since January 1, 2011.

In accordance with the notification pursuant to section 21 (1) sentence 1 of the WpHG received on November 14, 2011, Volkswagen AG holds a 55.9% interest in MAN SE. Due to Volkswagen AG's acquisition of a majority stake in MAN SE on November 9, 2011, this group of companies are necessarily related parties of MAN. For further information, see **note (23)**.

Related parties from MAN's perspective as of December 31, 2011 are:

- Volkswagen AG and its subsidiaries and material equity investments outside the MAN Group,
- Porsche Automobil Holding SE, Stuttgart, and its affiliated companies and related parties (Porsche Stuttgart),
- Other individuals and entities that can be influenced by MAN SE or that can influence MAN SE, such as:
  - the members of the Executive and Supervisory Boards of MAN SE,
  - the members of the Board of Management and Supervisory Board of Volkswagen AG,
  - associates,
  - unconsolidated subsidiaries.

The volume of transactions with Volkswagen AG and Porsche Stuttgart and with other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group is shown in the following overview:

€ million	12/31/2011	12/31/2010
Sales and services to		
Volkswagen AG and Porsche Stuttgart	4	0
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	99	70
Purchases and services received from		
Volkswagen AG and Porsche Stuttgart	41	26
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	5	7
Receivables from		
Volkswagen AG and Porsche Stuttgart	1	0
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	5	2
Liabilities to		
Volkswagen AG and Porsche Stuttgart	36	5
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	6	2

See **note (16)** for information on the exercise of the cash settlement right in connection with the call option on 1.5% of the share capital and 2.8% of Scania's outstanding voting rights acquired from Volkswagen AG in 2008.

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	12/31/2011	12/31/2010
Revenue	197	536
Other income	4	4
Purchased services	287	161
Receivables	60	171
Liabilities	41	35

€6 million (previous year: €43 million) of the Company's revenue relates to income received in connection with the licensing agreement with Sinotruk governing TGA truck technology, including engines, vehicle chassis, and axles. Any intercompany profits arising were eliminated. See **note (17)** for further information.

€2 million (previous year: €43 million) of the Company's revenue relates to deliveries of goods and services from transactions with Ferrostaal. See **note (6)** for further information.

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to **notes (35)** and **(36)** below.

35 Remuneration of the Executive Board

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

€ thousand	2011	2010
Executive Board members in office as of December 31, 2011[1]		
Fixed remuneration	2,204	1,814
Variable cash bonus	3,513	4,371
Variable stock bonus and MSP	1,523	2,101
Pension expense	878	546
Former Executive Board members[2]		
Fixed remuneration	82	541
Variable cash bonus	–	1,111
Variable stock bonus and MSP	–	611
Pension expense	17	110
Total	**8,217**	**11,205**

[1] Dr. Georg Pachta-Reyhofen (Chief Executive Officer), Frank H. Lutz, Jörg Schwitalla, Dr.-Ing. René Umlauft since September 1, 2011.
[2] Klaus Stahlmann until February 21, 2011.

The fixed remuneration in fiscal 2011 includes a nonrecurring payment for Dr.-Ing. René Umlauft amounting to €180 thousand. The variable cash bonus in fiscal 2010 includes a special payment for Dr. Georg Pachta-Reyhofen in the amount of €400 thousand and for Jörg Schwitalla in the amount of €150 thousand.

In addition, severance payments amounting to a total of €21,064 thousand (including €2,541 thousand for pensions) were attributable to the four Executive Board members who left in fiscal 2009. These termination benefits relate to Dipl.-Ing. Håkan Samuelsson (total of €7,323 thousand), Prof. Dr. h.c. Karlheinz Hornung (total of €4,494 thousand), Dipl.-Okonom Anton Weinmann (total of €4,839 thousand), and Dr. jur. Matthias Mitscherlich (€4,408 thousand). In addition, a severance payment in the total amount of €3,310 thousand (including €519 thousand for pensions) was attributable to Klaus Stahlmann, who left the Executive Board in fiscal 2011. €4,408 thousand had already been paid in fiscal 2009 for Dr. jur. Matthias Mitscherlich and €604 thousand for the other three former Executive Board members. €2,930 thousand (previous year: €7,142 thousand) was paid in 2011 in connection with these termination benefits. The payments in 2011 related to Prof. Dr. h.c. Karlheinz Hornung, Dipl.-Ökonom Anton Weinmann, and Klaus Stahlmann (previous year: Dipl.-Ing. Håkan Samuelsson, Prof. Dr. h.c. Karlheinz Hornung, and Dipl.-Ökonom Anton Weinmann).

The present value of pension obligations as of December 31, 2011, to members of the Executive Board in office as of the end of the year amounted to €4,269 thousand (previous year: €3,222 thousand). The total pension expense amounted to €895 thousand in 2011 (previous year: €656 thousand), of which €754 thousand (previous year: €536 thousand) related to current service and €141 thousand (previous year: €120 thousand) to interest. This amount for fiscal 2011 includes both the current service and the interest cost for Klaus Stahlmann on a pro rata basis until the date he left the Executive Board.

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 €3,065 thousand as of December 31, 2011 (previous year: €3,181 thousand). A total of €48,563 thousand (previous year: €47,130 thousand) was recognized as of December 31, 2011 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 176 et seq.**, and more detailed information on the remuneration structure and its components is disclosed on **pages 21 et seq.** of this Annual Report.

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

Executive Board remuneration 2011 (2010)

€ thousand	Fixed remuneration	Variable cash bonus	Variable stock bonus and MSP	Pension expense	Total	No. of shares vested in fiscal year under the MSP
Executive Board members in office as of December 31, 2011						
Dr. Georg Pachta-Reyhofen (Chief Executive Officer)	746 (734)	1,290 (1,955)	590 (855)	343 (312)	**2,969** **(3,856)**	1,872 (2,518)
Frank H. Lutz	549 (529)	958 (1,111)	438 (611)	280 (88)	**2,225** **(2,339)**	1,391 (1,799)
Jörg Schwitalla	553 (551)	958 (1,305)	438 (635)	255 (146)	**2,204** **(2,637)**	1,391 (1,871)
Dr.-Ing. René Umlauft (from September 1, 2011)	356 (–)	307 (–)	57 (–)	– (–)	**720** **(–)**	– (–)
Former Executive Board members						
Klaus Stahlmann (until February 21, 2011)	82 (541)	– (1,111)	– (611)	17 (110)	**99** **(2,373)**	– (1,799)
Total	**2,286** **(2,355)**	**3,513** **(5,482)**	**1,523** **(2,712)**	**895** **(656)**	**8,217** **(11,205)**	**4,654** **(7,987)**

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

36 Remuneration of the Supervisory Board

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

€ thousand	2011	2010
Fixed remuneration	630	630
Variable remuneration	1,260	1,260
Remuneration for committee membership	245	245
Attendance fees	85	48
Total	**2,220**	**2,183**

The members of the Supervisory Board are listed on **pages 174 et seq.** The list includes their memberships of other statutory supervisory boards and comparable supervisory bodies; additional information on the remuneration structure and its components is disclosed on **pages 23 et seq.** of this Annual Report.

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

Supervisory Board remuneration

€ thousand	Period of membership	Fixed remuneration	Variable remuneration	Remu-neration for committee membership	Attendance fees	Total 2011	Total 2010
Name							
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	140	35	0	245	245
Thomas Otto, Deputy Chairman	Full-year	53	105	35	10	203	199
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	105	35	7	200	192
Michael Behrendt	Full-year	35	70	35	7	147	144
Marek Berdychowski	Full-year	35	70	0	4	109	107
Ulf Berkenhagen	Full-year	35	70	0	4	109	80
Dr. Matthias Bruse	June 27, 2011 to Dec. 31, 2011	18	36	0	2	56	0
Detlef Dirks	Full-year	35	70	0	4	109	107
Jürgen Dorn	Full-year	35	70	35	10	150	146
Dr. jur. Heiner Hasford	until June 15, 2011	16	32	0	2	50	107
Jürgen Kerner	Full-year	35	70	0	4	109	107
Prof. Dr. rer. pol. Renate Köcher	until June 27, 2011	17	34	0	2	53	107
Dr. Thomas Kremer	June 16, 2011 to Dec. 31, 2011	18	38	0	2	58	0
Gerhard Kreutzer	Full-year	35	70	35	8	148	146
Wilfrid Loos	June 27, 2011 to Dec. 31, 2011	18	36	0	2	56	0
Nicola Lopopolo	until June 27, 2011	17	34	0	2	53	107
Angelika Pohlenz	June 27, 2011 to Dec. 31, 2011	18	36	0	2	56	0
Dr.-Ing. E.h. Rudolf Rupprecht	until June 27, 2011	17	34	0	2	53	107
Erich Schwarz	Full-year	35	70	0	4	109	107
Rupert Stadler	Full-year	35	70	35	7	147	144
Members who left the Supervisory Board in 2010							31
Total 2011		**630**	**1,260**	**245**	**85**	**2,220**	**–**
Total 2010		**630**	**1,260**	**245**	**48**	**–**	**2,183**

The employee representatives on the Supervisory Board who are employed by MAN also receive their standard employee remuneration.

For their membership of supervisory boards of other companies in the MAN Group, Mr. Dorn received €11 thousand (previous year: €10 thousand), Mr. Kerner received €8 thousand (previous year: €8 thousand), Mr. Kreutzer received €8 thousand (previous year: €8 thousand), Mr. Loos received €3 thousand (previous year: €0 thousand), Mr. Otto received €22 thousand (previous year: €21 thousand), and Mr. Stadler received €21 thousand (previous year: €21 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €22 thousand in the fiscal year (previous year: €35 thousand).

37 Corporate Governance Code

The Executive Board and Supervisory Board of MAN SE issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2011. The joint declaration of conformity by the Executive Board and the Supervisory Board has been published on the MAN Group's website a → www.man.eu.

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

38 Events after the reporting period

No events occurred after the reporting period that are material for the MAN Group and that could lead to a reassessment of the Company.

39 Segment reporting

The activities of the MAN Group are classified into the following reportable segments: MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and the Renk industrial subsidiary. In order to make decisions about the allocation of resources and the assessment of performance, the results of these segments are regularly reviewed by MAN SE's Executive Board in its role as chief operating decision-maker. "Others/Consolidation and Reconciliation" mainly comprises MAN's Corporate Center. Companies with no operating activities and the investments in Scania, Sinotruk, and Roland are allocated to the Corporate Center.

Description of the reportable segments:
MAN Truck & Bus is expanding from its core Western European market into the growth markets of Eastern Europe and Asia.

As the market leader in Brazil, **MAN Latin America** has an extensive sales and service network in the emerging Latin American markets.

MAN Diesel & Turbo is a global leader in large marine diesel engines and stationary engines, as well as having a substantial product range for turbomachinery.

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

MAN's business activities focus on two business areas: Commercial Vehicles, comprising MAN Truck & Bus and MAN Latin America, and Power Engineering, featuring MAN Diesel & Turbo and Renk. MAN is a leading provider in the international commercial vehicles industry and offers customer-focused products and services worldwide. Power Engineering is MAN's second strategic business area and provides a suitable counterbalance to Commercial Vehicles.

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

The earnings measure used to assess the performance of a segment is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). To enhance the long-term assessment of operating activities, effects relating to tangible and intangible assets resulting from business combinations and acquisitions of equity-method investments are eliminated from operating profit. In individual cases, an adjustment is made for nonrecurring items, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Segment assets and liabilities correspond to the total assets and liabilities of the individual business areas. "Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents and marketable securities, less financial liabilities.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, and investees (excluding assets leased out) allocated to the individual divisions. See "Financial control system and value management" in the Group management report for information on the key performance indicator ROS.

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

Segment information reporting period from January 1 to December 31 and as of December 31

	Commercial Vehicles					
	MAN Truck & Bus incl. MAN Finance		MAN Latin America		Commercial Vehicles[2]	
€ million	2011	2010	2011	2010	2011	2010
Segment order intake[1]	**9,514**	**8,023**	**3,579**	**3,140**	**13,093**	**11,163**
of which: Germany	3,167	2,864	–	–	3,167	2,864
of which: Other countries	6,347	5,159	3,579	3,140	9,926	8,299
Intersegment order intake	–63	–61	–12	–6	–75	–67
Group order intake	9,451	7,962	3,567	3,134	13,018	11,096
Segment revenue	**8,984**	**7,446**	**3,579**	**3,140**	**12,563**	**10,586**
of which: Germany	2,960	2,566	–	–	2,960	2,566
of which: Other countries	6,024	4,880	3,579	3,140	9,603	8,020
Intersegment revenue	–55	–53	–12	–6	–67	–59
Group revenue	8,929	7,393	3,567	3,134	12,496	10,527
Order backlog at December 31, 2011, and December 31, 2010	**2,289**	**2,742**	**–**	**–**	**2,289**	**2,742**
Total assets at December 31, 2011, and December 31, 2010	**9,588**	**8,188**	**3,435**	**3,201**	**13,023**	**11,389**
of which: inventories	1,608	1,395	711	316	2,319	1,711
of which: trade and financial services receivables	2,730	2,371	280	238	3,010	2,609
of which: cash and cash equivalents, marketable securities	112	89	316	492	428	581
Segment liabilities at December 31, 2011, and December 31, 2010	**7,159**	**5,706**	**1,826**	**1,456**	**8,985**	**7,162**
of which: trade payables	1,121	964	525	393	1,646	1,357
Operating profit/loss	**565**	**158**	**400**	**370**	**965**	**528**
Earnings effects from purchase price allocations	–	–	–99	–99	–99	–99
Gains/losses from nonrecurring items	111	–	–	–	111	–
Earnings before interest and taxes (EBIT)	**676**	**158**	**301**	**271**	**977**	**429**
Net interest income/expense	–19	–32	–8	–17	–27	–49
Earnings before tax (EBT) of continuing operations	**657**	**126**	**293**	**254**	**950**	**380**
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	**901**	**375**	**426**	**409**	**1,327**	**784**
of which: depreciation and amortization	–221	–216	–125	–138	–346	–354
of which: impairment losses	–4	–1	–	–	–4	–1
of which: reversals of impairment losses on equity-method investments	–	–	–	–	–	–
Net liquidity/net financial debt	**–2,377**	**–1,618**	**39**	**254**	**–2,338**	**–1,364**
Reconciliation to free cash flow	–2,084	–2,041	85	125	–1,999	–1,916
Free cash flow	**–293**	**423**	**–46**	**129**	**–339**	**552**
of which: net cash provided by/used in operating activities	127	622	56	201	183	823
of which: net cash used in investing activities	–420	–199	–102	–72	–522	–271
Capital expenditures	**454**	**207**	**113**	**76**	**567**	**283**
Additional information by segment:						
Headcount including subcontracted employees at December 31, 2011 and December 31, 2010 (no.)	**34,239**	**31,284**	**1,915**	**1,736**	**36,154**	**33,020**
of which: Germany	20,492	18,616	–	–	20,492	18,616
of which: Other countries	13,747	12,668	1,915	1,736	15,662	14,404
Headcount at December 31, 2011, and December 31, 2010 (no.)	**33,297**	**30,460**	**1,915**	**1,736**	**35,212**	**32,196**
ROS (%)	6.3	2.1	11.2	11.8	7.7	5.0

[1] This supplementary information on order intake is reported on a voluntary basis and does not form part of the audited consolidated financial statements.
[2] Gross presentation excluding consolidation effects.
[3] Corporate Center: MAN SE, Shared Services, and holding companies.

Power Engineering						Others/Consolidation and Reconciliation						Group	
MAN Diesel & Turbo		Renk		Power Engineering[2]		Corporate Center[3]		Cons./ Reconcil.		Total			
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
3,692	**3,475**	**456**	**525**	**4,148**	**4,000**	**18**	**42**	**–114**	**–133**	**–96**	**–91**	**17,145**	**15,072**
344	393	150	262	494	655	18	42	–33	–72	–15	–30	3,646	3,489
3,348	3,082	306	263	3,654	3,345	–	–	–81	–61	–81	–61	13,499	11,583
–4	–10	–22	–20	–26	–30	–13	–36	114	133	101	97	–	–
3,688	3,465	434	505	4,122	3,970	5	6	–	–	5	6	17,145	15,072
3,610	**3,766**	**389**	**403**	**3,999**	**4,169**	**18**	**42**	**–108**	**–122**	**–90**	**–80**	**16,472**	**14,675**
425	397	146	120	571	517	18	42	–34	–67	–16	–25	3,515	3,058
3,185	3,369	243	283	3,428	3,652	–	–	–74	–55	–74	–55	12,957	11,617
–3	–10	–24	–17	–27	–27	–14	–36	108	122	94	86	–	–
3,607	3,756	365	386	3,972	4,142	4	6	–	–	4	6	16,472	14,675
3,805	**3,793**	**586**	**522**	**4,391**	**4,315**	**–**	**–**	**–40**	**–32**	**–40**	**–32**	**6,640**	**7,025**
3,534	**3,428**	**488**	**419**	**4,022**	**3,847**	**5,468**	**5,225**	**–3,843**	**–3,030**	**1,625**	**2,195**	**18,670**	**17,431**
1,075	1,038	145	110	1,220	1,148	–	–	–26	–7	–26	–7	3,513	2,852
799	678	83	73	882	751	2	4	–78	–49	–76	–45	3,816	3,315
869	867	98	100	967	967	3,163	2,293	–3,600	–2,770	–437	–477	958	1,071
2,321	**2,241**	**252**	**202**	**2,573**	**2,443**	**5,391**	**4,806**	**–3,869**	**–2,970**	**1,522**	**1,836**	**13,080**	**11,441**
692	611	43	35	735	646	10	19	–67	–41	–57	–22	2,324	1,981
460	**439**	**53**	**52**	**513**	**491**	**5**	**32**	**0**	**–16**	**5**	**16**	**1,483**	**1,035**
–	–	–	–	–	–	–10	–10	–	–	–10	–10	–109	–109
–65	–	–	–	–65	–	–164	357	–	–	–164	357	–118	357
395	**439**	**53**	**52**	**448**	**491**	**–169**	**379**	**0**	**–16**	**–169**	**363**	**1,256**	**1,283**
6	0	1	0	7	0	–114	–109	–	0	–114	–109	–134	–158
401	**439**	**54**	**52**	**455**	**491**	**–283**	**270**	**0**	**–16**	**–283**	**254**	**1,122**	**1,125**
474	**522**	**66**	**65**	**540**	**587**	**493**	**38**	**0**	**–16**	**493**	**22**	**2,360**	**1,393**
–79	–76	–13	–13	–92	–89	–10	–13	–	–	–10	–13	–448	–456
–	–7	–	–	–	–7	–677	–3	–	–	–677	–3	–681	–11
–	–	–	–	–	–	25	357	–	–	25	357	25	357
837	**845**	**103**	**99**	**940**	**944**	**–814**	**–1,358**	**–**	**–**	**–814**	**–1,358**	**–2,212**	**–1,778**
583	141	87	40	670	181	–1,656	–1,237	892	141	–764	–1,096	–2,093	–2,831
254	**704**	**16**	**59**	**270**	**763**	**842**	**–121**	**–892**	**–141**	**–50**	**–262**	**–119**	**1,053**
344	779	40	81	384	860	843	–118	–892	–138	–49	–256	518	1,427
–90	–75	–24	–22	–114	–97	–1	–3	–	–3	–1	–6	–637	–374
93	**85**	**24**	**23**	**117**	**108**	**9**	**5**	**–22**	**0**	**–13**	**5**	**671**	**396**
14,039	**12,455**	**2,013**	**1,882**	**16,052**	**14,337**	**336**	**312**	**–**	**–**	**336**	**312**	**52,542**	**47,669**
7,518	6,709	1,844	1,720	9,362	8,429	333	309	–	–	333	309	30,187	27,354
6,521	5,746	169	162	6,690	5,908	3	3	–	–	3	3	22,355	20,315
12,693	**11,373**	**1,944**	**1,814**	**14,637**	**13,187**	**329**	**310**	**–**	**–**	**329**	**310**	**50,178**	**45,693**
12.7	11.7	13.6	12.9	12.8	11.8	–	–	–	–	–	–	9.0	7.1

Segment information by region reporting period from January 1 to December 31 and as of December 31

€ million	Germany	Rest of Europe	Rest of World*	Total
2011				
Noncurrent assets (excl. financial instruments and deferred taxes) at December 31	3,194	2,539	1,723	**7,456**
Capital expenditures	488	75	108	**671**
Revenue	3,515	5,908	7,049	**16,472**
Headcount at December 31 (no.)	28,589	16,604	4,985	**50,178**
Headcount including subcontracted employees at December 31 (no.)	30,187	17,060	5,295	**52,542**
2010				
Noncurrent assets (excl. financial instruments and deferred taxes) at December 31	3,082	1,811	1,858	**6,751**
Capital expenditures	264	58	74	**396**
Revenue	3,058	4,869	6,748	**14,675**
Headcount at December 31 (no.)	26,046	15,407	4,240	**45,693**
Headcount including subcontracted employees at December 31 (no.)	27,354	15,757	4,558	**47,669**

* Detailed segment information relating to MAN Latin America is contained in the “Segment information” table.

List of shareholdings as of December 31, 2011

Name and domicile of the company	Equity interest
1. Consolidated companies with an exemption under section 264 (3) of the HGB and section 264b of the HGB	
MAN Vermietungs GmbH, Munich, Germany	100.00%
MAN Leasing GmbH & Co. Epsilon KG, Munich, Germany	100.00%
MAN Truck & Bus AG, Munich, Germany	100.00%
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich, Germany	100.00%
MAN Service und Support GmbH, Munich, Germany	100.00%
MAN Logistik GmbH, Salzgitter, Germany	100.00%
NEOPLAN Bus GmbH, Plauen, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal, Germany	100.00%
MAN Diesel & Turbo SE, Augsburg, Germany	100.00%
Rostock Diesel Service GmbH, Rostock, Germany	100.00%
MAN Grundstücksges.mbH & Co. Werk Deggendorf DWE KG, Deggendorf, Germany	100.00%
MAN HR Services GmbH, Munich, Germany	100.00%
MAN Versicherungsvermittlung GmbH, Munich, Germany	100.00%
MAN Roland Beteiligungs GmbH, Munich, Germany	100.00%
MAN Immobilien GmbH, Munich, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal, Germany	100.00%
MAN Ferrostaal Beteiligungs GmbH, Munich, Germany	100.00%
MAN GHH Immobilien GmbH, Oberhausen, Germany	100.00%
MAN Financial Services GmbH, Munich, Germany	100.00%
MAN Finance International GmbH, Munich, Germany	100.00%
MAN Asset Finance GmbH, Munich, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal, Germany	100.00%
EURO-Leasing GmbH, Sittensen, Germany	100.00%
2. Other consolidated companies	
MAN Trucks Sp. z o.o., Niepolomice, Poland	100.00%
MAN Accounting Center Sp. z o.o., Poznan, Poland	100.00%
MAN Verwaltungs-Gesellschaft mbH, Munich, Germany	100.00%
MAN Truck & Bus Vertrieb Österreich AG, Vienna, Austria	100.00%
MAN Bus Sp. z o.o., Tarnowo Podgórne, Poland	100.00%
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100.00%
MAN ERF Ireland Properties Limited, Dublin, Ireland	100.00%
ERF Limited, Middlewich, UK	100.00%
MAN Iberia S.A.U., Coslada (Madrid), Spain	100.00%
Euro-Leasing A/S, Padborg, Denmark	100.00%
EURO-LEASING Sp. z o.o., Szczecin, Poland	100.00%
EURO-Leasing Hellas E.P.E. Thessaloniki, Greece	90.00%
MAN Rental Filial af Euro Leasing A/S, Helsingborg, Sweden	100.00%
Oy Klappstein AB, Helsinki, Finland	100.00%
Klappstein Nutzfahrzeuge Verwaltungs GmbH, Sittensen, Germany	100.00%
Truck Rental Solutions Hungaria Kft., Budapest, Hungary	100.00%
Truck Rental Solutions Cesko, spol.sr.o., Prague, Czech Republic	100.00%
Truck Rental Solutions Slovensko, Spol.sr.o., Dolná Poruba, Slovakia	100.00%
Truck Rental Solutions Austria GmbH, Vienna, Austria	100.00%
MAN Camions & Bus SAS, Evry Cedex, France	100.00%
Neoplan Immobilier SARL, Evry Cedex, France	100.00%
Neoman France Eurl, Noisy-le-Grand, France	100.00%
MAN Last og Bus A/S, Glostrup, Denmark	100.00%
MAN Truck & Bus N.V., Kobbegem (Brussels), Belgium	100.00%
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100.00%
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100.00%
MAN Truck & Bus (S.A.) (Pty.) Ltd., Johannesburg, South Africa	100.00%
MAN Centurion Truck & Bus (Pty) Ltd t/a, Centurion, South Africa	70.00%
MAN Bus & Coach (Pty.) Ltd., Olifantsfontein, South Africa	100.00%

Name and domicile of the company	Equity interest
MAN Nutzfahrzeuge Immobilien GesmbH, Vienna, Austria	100.00%
MAN Hellas Truck & Bus S.A., Peristeri-Athens, Greece	100.00%
MAN Engines & Components Inc., Pompano Beach, U.S.A.	100.00%
MAN Truck & Bus Schweiz AG, Otelfingen, Switzerland	100.00%
MAN Truck & Bus Italia SpA, Verona, Italy	100.00%
MAN Nutzfahrzeuge Österreich AG, Steyr, Austria	100.00%
MAN Truck & Bus Iberia S.A.U., Coslada (Madrid), Spain	100.00%
MAN Truck & Bus UK Limited, Swindon (Wiltshire), UK	100.00%
MAN Last og Buss A/S, Lorenskog, Norway	100.00%
MAN Nutzfahrzeuge Österreich Holding, Steyr, Austria	99.99%
MAN Truck & Bus Czech Republic s. r.o., Cestlice, Czech Republic	100.00%
MAN Truck & Bus Sverige AB, Kungens Kurva, Sweden	100.00%
MAN Gospodarska vozila Slovenija d.o.o., Ljubljana, Slovenia	100.00%
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100.00%
MAN Türkiye A.S., Akyurt Ankara, Turkey	99.99%
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100.00%
MAN Truck & Bus Portugal S.U. Lda., Algés (Lisbon), Portugal	100.00%
IPECAS-Gestao de Imoveis S.A., Algés (Lisbon), Portugal	100.00%
MAN Truck & Bus Middle East and Africa FZE, Dubai, United Arab Emirates	100.00%
MAN Truck & Bus Slovakia, s.r.o., Bratislava, Slovakia	100.00%
MAN Truck and Bus RUS LLC, Moscow, Russian Federation	100.00%
OOO MAN Truck & Bus Production RUS, Saint Petersburg, Russian Federation	100.00%
MAN West-Vlaanderen N.V., Kobbegem (Brussels), Belgium	100.00%
MAN Diesel & Turbo Schweiz AG, Zurich, Switzerland	100.00%
MAN Diesel & Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	100.00%
MAN Diesel & Turbo China Production Co. Ltd., Changzhou, China	100.00%
MAN Diesel & Turbo Australia Pty. Ltd., North Ryde, Australia	100.00%
MAN Diesel & Turbo UK Ltd., Stockport, UK	100.00%
MAN Diesel & Turbo India Ltd., Aurangabad, India	73.44%
MAN Diesel & Turbo Canada Ltd., Oakville, Canada	100.00%
MAN Diesel & Turbo Pakistan (Private) Limited, Lahore, Pakistan	100.00%
MAN Diesel & Turbo Operations Pakistan (Private) Ltd., Lahore, Pakistan	100.00%
MAN Diesel & Turbo Brasil Limitada, Rio de Janeiro, Brazil	100.00%
MAN Diesel & Turbo France SAS, Villepinte, France	100.00%
MAN Diesel & Turbo Singapore Pte. Ltd., Singapore, Singapore	100.00%
MAN Diesel & Turbo Hong Kong Ltd., Hong Kong, China	100.00%
MAN Diesel & Turbo Benelux B.V., Schiedam, Netherlands	100.00%
MAN Diesel & Turbo Benelux N.V., Antwerp, Belgium	100.00%
MAN Diesel & Turbo North America Inc., Woodbridge, U.S.A.	100.00%
MAN Diesel & Turbo Korea Ltd., Pusan, Korea	100.00%
PBS Turbo s.r.o., Velká Bíteš, Czech Republic	100.00%
MAN Diesel & Turbo Middle East (LLC), Dubai, United Arab Emirates	100.00%
MAN Diesel & Turbo Saudi Arabia LLC, Jeddah, Saudi Arabia	100.00%
Société de Mécanique de Précision de l'Aubois, Jouet, France	100.00%
MAN Diesel Shanghai Co. Ltd., Shanghai, China	100.00%
MAN Turbo India Pvt. Ltd., Baroda (Vadodara), India	100.00%
MAN Diesel & Turbo Trading (Shanghai) Co., Ltd., Shanghai, China	100.00%
Renk Aktiengesellschaft, Augsburg, Germany	76.00%
RENK Corporation, Duncan, U.S.A.	100.00%
RENK-MAAG GmbH, Winterthur, Switzerland	100.00%
RENK Test System GmbH, Augsburg, Germany	100.00%
RENK LABECO Test Systems Corporation, Mooresville, U.S.A.	100.00%
RENK France SAS, Saint-Ouen-l'Aumône, France	100.00%
MAN Finance and Holding S.à r.l., Luxembourg, Luxembourg	100.00%
MAN Capital Corporation, New Jersey, U.S.A.	100.00%
MAN Financial Services SpA, Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services SAS, Evry Cedex, France	100.00%
MAN Financial Services España S.L., Coslada (Madrid), Spain	100.00%
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	99.99%

Name and domicile of the company	Equity interest
MAN Financial Services GesmbH, Eugendorf, Austria	100.00%
MAN Financial Services OOO, Moscow, Russian Federation	100.00%
MAN Financial Services Portugal, Unipessoal, Lda, Lisbon, Portugal	100.00%
MAN Credit società finanziaria S.r.l., Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services Poland Sp. z o.o., Nadarzyn, Poland	100.00%
MAN Location & Services S.A.S., Evry Cedex, France	100.00%
Trucknology S.A., Luxembourg, Luxembourg	0.00%[1]
MANTAB Holdings Limited, London, UK	0.00%[1]
MANTAB Funding Limited, London, UK	0.00%[1]
MANTAB Assets Limited, London, UK	0.00%[1]
MANTAB Trucks Limited, London, UK	0.00%[1]
MAN Financial Services plc, Swindon (Wiltshire), UK	100.00%
MAN Truck&Bus Mexico S.A. de C.V., El Marques, Mexico	100.00%
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100.00%
3. Unconsolidated companies (section 296 (2) of the HGB)	
MAN Personal Services GmbH, Dachau, Germany	100.00%
MAN Truck & Bus Asia Pacific Co., Ltd., Bangkok, Thailand	99.99%
MAN Truck and Bus pvt. Ltd., Mumbai, India (inactive)	100.00%
MAN Truck & Bus (M) Sdn. Bhd., Rawang, Malaysia	70.00%
MAN Truck & Bus (Korea) Limited, Seoul, South Korea	100.00%
ERF (Holdings) plc, Swindon, UK (inactive)	100.00%
MAN Truck & Bus Trading (China) Co., Ltd., Beijing, China	100.00%
MAN Truck & Bus Singapore Pte. Ltd., Singapore, Singapore	100.00%
MAN Truck & Bus Kazakhstan LLP, Almaty, Kazakhstan	100.00%
MAN Properties (Pinetown) (Pty.) Ltd., Pinetown, South Africa (inactive)	100.00%
MAN Properties (Midrand) (Pty.) Ltd., Midrand, South Africa (inactive)	100.00%
MAN Properties (Pty.) Ltd., Johannesburg, South Africa (inactive)	100.00%
LKW Komponenten s.r.o., Bánovce nad Bebravou, Slovakia	100.00%
MAN IT Services Österreich GesmbH, Steyr, Austria (inactive)	100.00%
MAN Truck & Bus Licence GmbH, Munich, Germany	100.00%
Railway Mine & Plantation Equipment Ltd., London, UK (inactive)	100.00%
MAN Turbo (UK) Limited, London, UK	100.00%
tcu Turbo Charger GmbH, Augsburg, Germany	100.00%
Aumonta GmbH, Augsburg, Germany	100.00%
MAN Diesel Turbochargers Shanghai Co. Ltd., Shanghai, China	100.00%
Mirrlees Blackstone Ltd., Stockport, UK (inactive)	100.00%
Fifty Two Ltd., Stockport, UK (inactive)	100.00%
Ruston & Hornsby Ltd., Stockport, UK (inactive)	100.00%
Paxman Diesels Ltd., Stockport, UK (inactive)	100.00%
MAN B&W Diesel Services Ltd., Stockport, UK	100.00%
MAN B&W Diesel Electrical Services Ltd., Essex, UK (inactive)	100.00%
Ruston Diesels Ltd., Stockport, UK (inactive)	100.00%
SUNA Projects & Advisory Services Private Limited, Mumbai, India	100.00%
MAN Diesel ve Turbo Satis Servis Limited Sirketi, Istanbul, Turkey	100.00%
MAN Diesel South Africa (Proprietary) Limited, Cape Town, South Africa	100.00%
MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya	100.00%
Metalock Denmark A/S, Copenhagen, Denmark	100.00%
MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland	100.00%
MAN Diesel & Turbo Sverige AB, Gothenburg, Sweden	100.00%
MAN Diesel & Turbo España S.A.U., Madrid, Spain	100.00%
Caribbean Power Application, S.L., Madrid, Spain	100.00%
MAN Diesel & Turbo Italia S.r.l., Genoa, Italy	100.00%
MAN Diesel & Turbo Chile Limitada, Valparaíso, Chile	100.00%
MAN Diesel & Turbo Portugal, Unipessoal, Lda., Setúbal, Portugal	100.00%
MAN Diesel & Turbo Bulgaria EOOD, Varna, Bulgaria	100.00%
MAN Diesel & Turbo Costa Rica Limitada, San Jose, Costa Rica	100.00%
MAN Diesel & Turbo Japan Ltd., Kobe, Japan	100.00%
MAN Diesel & Turbo Norge A/S, Oslo, Norway	100.00%

Name and domicile of the company	Equity interest
MAN Iran Power Sherkate Sahami Khass, Tehran, Iran	96.00%
MAN Diesel & Turbo Hellas Ltd., Piraeus, Greece	100.00%
MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama	100.00%
MAN Diesel & Turbo Russia Ltd., Moscow, Russian Federation	100.00%
MAN Diesel & Turbo Latvia SIA, Riga, Latvia (inactive)	100.00%
Centrales Diesel Export SAS, Villepinte, France	100.00%
MAN Diesel & Turbo Philippines Inc., Manila, Philippines	100.00%
MAN Diesel & Turbo Canarias S.L., Las Palmas (Canary Island), Spain	100.00%
MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala	100.00%
MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar	49.00%
MAN Diesel & Turbo Argentina S.A., Buenos Aires, Argentina	100.00%
PT MAN Diesel & Turbo Indonesia, Jakarta, Indonesia	92.62%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	49.00%
Gulf Turbo Services LLC, Doha, Qatar	55.00%
RENK (UK) Ltd., London, UK (inactive)	100.00%
COFICAL RENK Mancais do Brasil LTDA, Guaramirim, Brazil	98.00%
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55.00%
MAN Grundstücksgesellschaft mbH, Oberhausen, Germany	100.00%
MAN Unterstützungskasse GmbH, Munich, Germany	100.00%
MAN Leasing GmbH & Co. Gamma KG, Munich, Germany	100.00%
MBC Mobile Bridges Corp., Houston, Texas, U.S.A. (inactive)	100.00%
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pöcking, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Objekt Heilbronn KG, Oberhausen, Germany	100.00%
MAN Erste Beteiligungs GmbH, Munich, Germany	100.00%
MAN IT Services GmbH, Munich, Germany	100.00%
4. Other companies	
A. Equity-method investments	
A1. Joint ventures	
MAN FORCE TRUCKS Private Limited, Akurdi, India	50.00%
MAN Financial Services SA (Pty) Ltd, Johannesburg, South Africa	50.00%
Scania-MAN Administration ApS, Frederiksberg, Denmark	50.00%
A2. Associates	
Hörmann Automotive Components GmbH & Co. KG, Gustavsburg, Germany	40.00%
OOO EURO-Leasing RUS, Rjasan, Russian Federation	60.00%
JV MAN AUTO - Uzbekistan Limited Liability Company, Samarkand City, Uzbekistan	49.00%
Rheinmetall MAN Military Vehicles GmbH, Munich, Germany	49.00%
Atlas Power Ltd., Karachi, Pakistan	33.54%
Roland Holding GmbH, Munich, Germany	22.83%[2]
Sinotruk (Hong Kong) Limited, Hong Kong, China	25.00%
Ferrostaal Aktiengesellschaft, Essen, Germany	30.00%[4]
B. Companies carried at cost	
Kosiga GmbH & Co. KG, Pullach i. Isartal, Germany	47.50%
FFK Fahrzeugservice Förtsch GmbH, Kronach, Germany	30.00%
Coburger Nutzfahrzeuge Service GmbH, Coburg, Germany (inactive)	30.00%
Neoplan Ghana Ltd., Kumasi, Ghana	45.00%
Obermeier Trailertechnik GmbH, Egeln-Nord, Germany	24.00%
PosernConnect GmbH, Sittensen, Germany	49.00%
Grundstücksverwaltungsgesellschaft EURO-Leasing GmbH, Matthias Hinners und Helge Richter GbR, Sittensen, Germany	50.00%
Scavino S.r.l., Alba, Italy	30.00%
De Pretto Industrie S.r.l., Schio, Italy	51.00%
MTC Marine Training Center Hamburg GmbH, Hamburg, Germany	24.80%
RENK U.A.E. LLC, Abu Dhabi, United Arab Emirates	49.00%
Scania AB, Södertälje, Sweden	13.35%[3]
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen, Germany	50.00%

[1] Consolidated special purpose entity with an equity interest of 0.00%.
[2] Share of voting rights: 32.82%.
[3] Share of voting rights: 17.37%.
[4] Consolidated before March 31, 2009.

Governing Bodies

Members of the Supervisory Board and their appointments

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., Austria
Porsche Holding GmbH, Austria
Porsche Piëch Holding GmbH, Austria

Thomas Otto*
Ottweiler,
Labor Union Secretary of IG Metall
Deputy Chairman of the Supervisory Board
[1] MAN Diesel & Turbo SE
MAN Truck & Bus AG
MAN Truck & Bus Deutschland GmbH

Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Duisburg,
Former Chief Executive Officer of ThyssenKrupp AG
Deputy Chairman of the Supervisory Board
[1] AXA Konzern AG
Bayer AG
RWE AG

Michael Behrendt
Hamburg,
Chief Executive Officer of Hapag-Lloyd AG
[1] Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH

Marek Berdychowski*
Tarnowo, Podgórne / Poland,
Deputy Chairman of the Metalowcy labor union and member of the Works Council at MAN Bus Sp.z o.o., Tarnowo plant, Podgórne

Ulf Berkenhagen
Wolfsburg,
Member of the Board of Management of AUDI AG
[2] quattro GmbH
[4] AUDI HUNGARIA MOTOR Kft., Hungary (Deputy Chairman)

Dr. Matthias Bruse, LL.M.
Munich,
Lawyer / Partner, P+P Pöllath + Partners
(Member of the Supervisory Board since June 27, 2011)
[1] Klöpfer & Königer GmbH & Co. KG
Surteco SE
Wacker Neuson SE

Detlef Dirks*
Augsburg,
Works Council Chairman of MAN Diesel & Turbo SE, Augsburg plant

Jürgen Dorn*
Munich,
Chairman of the Group Works Council of MAN SE, the SE Works Council, and the General Works Council of MAN Truck & Bus AG
[1] MAN Truck & Bus AG (Deputy Chairman)

Dr. jur. Heiner Hasford
Munich,
Former Executive Board Member of Münchener Rückversicherungs-Gesellschaft AG
(Member of the Supervisory Board until June 15, 2011)
[1] ERGO Versicherungsgruppe AG

Jürgen Kerner*
Frankfurt,
Executive Board Member of IG Metall
[1] Eurocopter Deutschland GmbH
KUKA AG
MAN Diesel & Turbo SE
manroland AG
Premium Aerotec GmbH
Siemens AG

Prof. Dr. rer. pol. Renate Köcher
Constance,
General Manager of the Institut für Demoskopie Allensbach
(Member of the Supervisory Board until June 27, 2011)
[1] Allianz SE
BMW AG
Infineon Technologies AG

Dr. jur. Thomas Kremer
Essen,
Executive Vice President of ThyssenKrupp AG
(Member of the Supervisory Board since June 16, 2011)
[1] Ferrostaal AG
[2] Howaldtswerke-Deutsche Werft GmbH
ThyssenKrupp Elevator AG
ThyssenKrupp Marine Systems AG
ThyssenKrupp Stainless Zweite Beteiligungen AG (Chairman)
[4] ThyssenKrupp Italia S.p.A., Italy

Gerhard Kreutzer*
Oberhausen,
Deputy Chairman of the Group Works Council of MAN SE, as well as the SE Works Council
[1] MAN Diesel & Turbo SE

Wilfrid Loos*
Dortmund,
Chairman of the Works Council and Deputy Chairman of the Supervisory Board of MAN Truck & Bus Deutschland GmbH
(Member of the Supervisory Board since June 27, 2011)
[1] MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

Nicola Lopopolo*
Hanover,
Works Council Chairman of Renk AG, Hanover plant
(Member of the Supervisory Board until June 27, 2011)

Angelika Pohlenz
Wiesbaden,
Secretary General of the International Chamber of Commerce (ICC), Berlin
(Member of the Supervisory Board since June 27, 2011)

Dr.-Ing. E. h. Rudolf Rupprecht
Augsburg,
Former Chief Executive Officer of MAN AG
(Member of the Supervisory Board until June 27, 2011)
[1] Demag Cranes AG
Salzgitter AG

Erich Schwarz*
Steyr / Austria,
Central Works Council Chairman of MAN Truck & Bus Österreich AG and Deputy Chairman of the SE Works Council
[3] MAN Truck & Bus Österreich AG, Austria

Rupert Stadler
Ingolstadt,
Chief Executive Officer of AUDI AG and
Member of the Board of Management of Volkswagen AG
[1] FC Bayern München AG
[2] MAN Truck & Bus AG (Chairman)
[4] Automobili Lamborghini Holding S.p.A., Italy (Chairman)
Italdesign Giugiaro S.p.A., Italy
Porsche Holding GmbH, Austria
VOLKSWAGEN GROUP ITALIA S.P.A., Italy (Chairman)

* Elected by the workforce.
As of January 31, 2012, or date of departure.
[1] Membership of supervisory boards of German companies.
[2] Membership of supervisory boards of German companies, Group appointments.
[3] Membership of comparable German or foreign governing bodies.
[4] Membership of comparable German or foreign governing bodies, Group appointments.

Supervisory Board committees of MAN SE

Presiding Committee

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Jürgen Dorn
Gerhard Kreutzer
Thomas Otto
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Audit Committee

Rupert Stadler (Chairman)
Thomas Otto (Deputy Chairman)
Michael Behrendt
Jürgen Dorn
Gerhard Kreutzer
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Nomination Committee

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch
Michael Behrendt
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Members of the Executive Board and their appointments

Dr. Georg Pachta-Reyhofen

Niederpöcking,
Chief Executive Officer
Chief Executive Officer of MAN Truck & Bus AG
[1] Rheinmetall MAN Military Vehicles GmbH
[2] MAN Diesel & Turbo SE (Chairman)
[3] Sinotruk (Hong Kong) Ltd.
[4] MAN Latin America Indústria e Comércio de Veículos Ltda. (Chairman)

Frank H. Lutz

Munich,
Chief Financial Officer
[1] Ferrostaal AG
manroland AG
[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG (Chairman)
MAN Truck & Bus AG
Renk AG (Chairman)
[3] Börse München
[4] MAN Capital Corporation, USA (Chairman)
MAN Latin America Indústria e Comércio de Veículos Ltda.

Jörg Schwitalla

Besigheim,
Chief Human Resources Officer
[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG
MAN Truck & Bus AG
[3] Sinotruk (Hong Kong) Ltd.
[4] MAN Latin America Indústria e Comércio de Veículos Ltda.

Dipl.-Wirtsch.-Ing. Klaus Stahlmann

Kempen,
Chief Executive Officer of MAN Diesel & Turbo SE (until February 21, 2011)
[1] manroland AG
[2] Renk AG (Deputy Chairman)

Dr.-Ing. René Umlauft

Erlangen,
Deputy Member of the Executive Board
Chief Executive Officer of MAN Diesel & Turbo SE (since September 1, 2011)

Executive and management boards of Group companies

MAN Truck & Bus AG
Munich
Dr. Georg Pachta-Reyhofen, Chief Executive Officer
Jörg Astalosch
(since January 1, 2012)
Karl Gadesmann
(until December 31, 2011)
Dr. Frank Hiller
Dipl.-Ing. Bernd Maierhofer
Dipl.-Ing. Lars Wrebo

MAN Latin America Indústria e Comércio de Veículos Ltda.
São Paulo
Antonio Roberto Cortes, Chairman
Helmut Dieter Hümmerich

MAN Diesel & Turbo SE
Augsburg
Dr.-Ing. René Umlauft, Chief Executive Officer
(since September 1, 2011)
Dipl.-Wirtsch.-Ing. Klaus Stahlmann, Chief Executive Officer
(until February 21, 2011)
Jan Gurander
(until March 31, 2011)
Dr.-Ing. Hans-O. Jeske
Dr. Peter Park
(since April 1, 2011)
Dr.-Ing. Stephan Timmermann

Renk Aktiengesellschaft
Augsburg
Dipl.-Ing. (FH) Florian Hofbauer,
Spokesman of the Executive Board
Ulrich Sauter

As of January 31, 2012, or date of departure.
[1] Membership of supervisory boards of German companies.
[2] Membership of supervisory boards of German companies, Group appointments.
[3] Membership of comparable German or foreign governing bodies.
[4] Membership of comparable German or foreign governing bodies, Group appointments.

Unaudited Additional Information: Overview by Quarter (1/3)

	2011					2010				
€ million	Total 2011	Q4	Q3	Q2	Q1	Total 2010	Q4	Q3	Q2	Q1
Order intake by division										
MAN Truck & Bus	9,514	2,519	2,195	2,304	2,496	8,023	2,351	2,018	1,961	1,693
MAN Latin America	3,579	810	953	958	858	3,140	768	840	816	716
Commercial Vehicles	13,093	3,329	3,148	3,262	3,354	11,163	3,119	2,858	2,777	2,409
MAN Diesel & Turbo	3,692	824	847	1,041	980	3,475	911	797	735	1,032
Renk	456	86	108	137	125	525	86	87	242	110
Power Engineering	4,148	910	955	1,178	1,105	4,000	997	884	977	1,142
Others/Consolidation	– 96	– 31	– 7	– 29	– 29	– 91	– 28	– 26	– 9	– 28
Order intake	**17,145**	**4,208**	**4,096**	**4,411**	**4,430**	**15,072**	**4,088**	**3,716**	**3,745**	**3,523**
Commercial Vehicles order intake (units)	**156,551**	**39,608**	**36,924**	**39,831**	**40,188**	**133,023**	**35,611**	**34,207**	**33,426**	**29,779**
of which: MAN Truck & Bus	84,449	22,639	18,264	20,753	22,793	67,393	20,445	16,731	16,678	13,539
of which: MAN Latin America	72,102	16,969	18,660	19,078	17,395	65,630	15,166	17,476	16,748	16,240
Revenue by division										
of which: MAN Truck & Bus	8,984	2,564	2,158	2,295	1,967	7,446	2,255	1,903	1,834	1,454
of which: MAN Latin America	3,579	810	953	958	858	3,140	768	840	816	716
Commercial Vehicles	12,563	3,374	3,111	3,253	2,825	10,586	3,023	2,743	2,650	2,170
MAN Diesel & Turbo	3,610	1,001	862	916	831	3,766	1,073	935	894	864
Renk	389	124	86	96	83	403	115	100	78	110
Power Engineering	3,999	1,125	948	1,012	914	4,169	1,188	1,035	972	974
Others/Consolidation	– 90	– 27	– 25	– 23	– 15	– 80	– 27	– 21	– 10	– 22
Revenue	**16,472**	**4,472**	**4,034**	**4,242**	**3,724**	**14,675**	**4,184**	**3,757**	**3,612**	**3,122**
Commercial Vehicles unit sales (units)	**155,520**	**40,636**	**39,208**	**40,405**	**35,271**	**126,279**	**35,124**	**33,681**	**31,479**	**25,995**
of which: MAN Truck & Bus	83,418	23,667	20,548	21,327	17,876	60,649	19,958	16,205	14,731	9,755
of which: MAN Latin America	72,102	16,969	18,660	19,078	17,395	65,630	15,166	17,476	16,748	16,240
Order backlog*	**6,640**	**6,640**	**7,477**	**7,642**	**7,551**	**7,025**	**7,025**	**7,371**	**7,706**	**7,720**
Commercial Vehicles production (units)	**168,308**	**40,924**	**43,379**	**44,700**	**39,305**	**127,742**	**34,835**	**34,474**	**33,434**	**24,999**
of which: MAN Truck & Bus	85,107	19,170	20,785	23,810	21,342	59,716	18,327	16,072	16,140	9,177
of which: MAN Latin America	83,201	21,754	22,594	20,890	17,963	68,026	16,508	18,402	17,294	15,822

* As of the reporting date.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited Additional Information: Overview by Quarter (2/3)

	2011					2010				
€ million	Total 2011	Q4	Q3	Q2	Q1	Total 2010	Q4	Q3	Q2	Q1
Operating profit/loss by division										
MAN Truck & Bus	565	174	117	177	97	158	85	59	71	–57
MAN Latin America	400	97	102	102	99	370	112	92	96	70
Commercial Vehicles	965	271	219	279	196	528	197	151	167	13
MAN Diesel & Turbo	460	120	110	120	110	439	107	112	118	102
Renk	53	19	9	13	12	52	10	17	9	16
Power Engineering	513	139	119	133	122	491	117	129	127	118
Others/Consolidation	5	–10	–17	25	7	16	–7	44	–18	–3
Operating profit	**1,483**	**400**	**321**	**437**	**325**	**1,035**	**307**	**324**	**276**	**128**
Earnings effects from purchase price allocations	–109	–24	–28	–25	–32	–109	–26	–35	–25	–23
Losses from nonrecurring items	–118	–613	–	–	495	357	357	–	–	–
Earnings before interest and taxes (EBIT)	**1,256**	**–237**	**293**	**412**	**788**	**1,283**	**638**	**289**	**251**	**105**
Depreciation, amortization, and impairment losses	1,129	791	113	116	109	467	135	110	113	109
Reversals of impairment losses on equity-method investments	–25	–25	–	–	–	–357	–357	–	–	–
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**2,360**	**529**	**406**	**528**	**897**	**1,393**	**416**	**399**	**364**	**214**
Earnings before tax (EBT)	**1,122**	**–301**	**269**	**391**	**763**	**1,125**	**584**	**256**	**216**	**69**
Income taxes	–434	–36	–98	–102	–198	–338	–177	–76	–65	–20
Loss from discontinued operations, net of tax	–441	–441	–	–	–	–65	–65	–	–	–
Net income/loss	**247**	**–778**	**171**	**289**	**565**	**722**	**342**	**180**	**151**	**49**
ROS (%)	**9.0**	**8.9**	**8.0**	**10.3**	**8.7**	**7.1**	**7.3**	**8.6**	**7.7**	**4.1**
MAN Truck & Bus	6.3	6.8	5.4	7.7	4.9	2.1	3.8	3.1	3.9	–3.9
MAN Latin America	11.2	12.0	10.7	10.6	11.5	11.8	14.6	11.0	11.8	9.7
Commercial Vehicles	7.7	8.0	7.0	8.6	6.9	5.0	6.5	5.5	6.3	0.6
MAN Diesel & Turbo	12.7	12.0	12.8	13.1	13.2	11.7	10.0	11.9	13.3	11.8
Renk	13.6	14.9	10.8	13.7	14.2	12.9	8.7	16.9	11.5	14.5
Power Engineering	12.8	12.3	12.6	13.2	13.3	11.8	9.9	12.4	13.1	12.1
Cash earnings	1,094	74	279	469	272	815	182	239	304	90
Net cash provided by operating activities	518	361	13	125	19	1 427	475	242	211	499
Net cash used in investing activities	–637	–259	–141	–171	–66	–374	–176	–77	–79	–42
Free cash flow	**–119**	**102**	**–128**	**–46**	**–47**	**1,053**	**299**	**165**	**132**	**457**
Net financial debt*	**–2,212**	**–2,212**	**–2,324**	**–2,164**	**–1,833**	**–1,778**	**–1,778**	**–2,083**	**–2,252**	**–2,345**

* As of the reporting date.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited Additional Information: Overview by Quarter (3/3)

€ million	Total 2011	Q4	Q3	Q2	Q1	Total 2010	Q4	Q3	Q2	Q1
	2011					2010				
ROCE (%)	**24.4**	**27.8**	**20.9**	**27.7**	**21.4**	**17.4**	**20.7**	**21.6**	**18.6**	**8.7**
ROE (%)[2]	**11.3**	**−52.6**	**17.9**	**24.7**	**49.6**	**19.4**	**36.1**	**18.6**	**16.1**	**5.3**
Headcount[1,3]	**52,542**	**52,542**	**53,284**	**52,255**	**50,215**	**47,669**	**47,669**	**47,787**	**47,559**	**47,750**
of which: subcontracted employees	2,364	2,364	3,003	3,166	3,021	1,976	1,976	2,225	2,099	1,864
Capital markets information										
Earnings per share from continuing operations (in €)	**4.62**	**−2.29**	**1.13**	**1.95**	**3.83**	**5.30**	**2.72**	**1.21**	**1.05**	**0.32**
Earnings/loss per share from continuing operations excl. effects from purchase price allocations and nonrecurring items (in €)	**5.78**	**1.44**	**1.32**	**1.89**	**1.13**	**3.38**	**0.40**	**1.40**	**1.15**	**0.43**
MAN share price[4]										
High	98.72	68.70	95.30	98.72	93.07	96.44	96.44	81.10	72.81	63.45
Low	52.51	52.81	52.51	87.60	78.68	47.99	77.21	65.39	62.35	47.99
Quarter-end	68.70	68.70	58.39	91.96	88.00	88.99	88.99	79.96	67.95	61.98
MAN share performance (%)										
Performance of MAN shares[5]	−22.8	−22.8	−34.4	3.3	−1.1	63.5	63.5	46.9	24.8	13.9
Dax performance[5]	−14.7	−14.7	−20.4	6.7	1.8	16.1	16.1	4.6	0.1	3.3

[1] As of the reporting date.
[2] ROE including earnings effects of discontinued operations.
[3] Including subcontracted employees.
[4] Xetra closing prices, Frankfurt.
[5] Cumulative compared with prior-year closing price.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Responsibility Statement

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

Munich, January 31, 2012

MAN SE

The Executive Board

Dr. Georg Pachta-Reyhofen	**Frank H. Lutz**
Jörg Schwitalla	**Dr.-Ing. René Umlauft**

Auditors' Report

We have audited the consolidated financial statements – comprising the income statement, reconciliation of comprehensive income for the period, balance sheet, statement of cash flows, statement of changes in equity, and the notes – and the group management report prepared by MAN SE, Munich, for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, January 31, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Jan Konerding
Wirtschaftsprüfer

Petra Justenhoven
Wirtschaftsprüferin

Glossary

Capital employed (CE)
The MAN Group's CE is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less marketable securities, cash and cash equivalents, and the financing business (leasing) not covered by the equity of MAN Finance. The divisions' CE is derived from the asset side. For the Industrial Business it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pension provisions, and income taxes. Effects from acquisitions relating to finite-lived tangible and intangible assets are also eliminated when calculating CE. Prepayments received are only deducted if they have already been used in order processing.

Cash earnings
Cash earnings reflect the net cash provided by or used in operating activities. They are the net amount of operating profit, interest, taxes (excl. deferred taxes), depreciation, amortization, impairment losses and reversals of impairment losses, and other noncash income and expense.

Contractual trust arrangement (CTA)
Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

COSO (Committee of Sponsoring Organizations of the Treadway Commission)
Framework for Enterprise Risk Management and Internal Control.

Derivatives / derivative financial instruments
Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

Equity method
Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor has significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

Equity ratio
Indicates the ratio of total equity to total capital.

Equity-to-assets ratio
Indicates the extent to which noncurrent assets (intangible assets, property, plant, and equipment, and investments) are covered by equity.

European Medium Term Notes (EMTN) Program
Framework agreement between companies and traders of notes, which enables companies to issue securities in the European capital market to procure external capital within a very short period of time.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow reflects the funds generated by a company during the fiscal year.

Functional expenses
Functional expenses comprise the cost of goods sold and services rendered, selling expenses, and general and administrative expenses.

International Financial Reporting Standards (IFRSs)
Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

Net liquidity / net financial debt
Net liquidity/net financial debt is a financial control measure comprising cash and cash equivalents and marketable securities, less financial liabilities.

Other comprehensive income (OCI)
OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities and hedges (marking to market) and changes in actuarial gains and losses on pensions, after adjustment for deferred taxes.

Operating profit
Earnings measure for calculating ROS and thus for assessing and measuring the performance of MAN Group divisions. As a rule, it corresponds to earnings before interest and taxes (EBIT). An adjustment is made for earnings effects from purchase price allocation and, in individual cases, for nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Operating profit = EBIT ± Nonrecurring items + Earnings effects of purchase price allocation

Option
Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

Percentage of completion (PoC) method
Revenue and profit recognition method that is based on the stage of completion in accordance with IAS 11. This method is applicable to dedicated construction contracts for which the total revenue, total costs, and stage of completion can be reliably determined. Earnings contributions are recognized in accordance with the stage of completion even if the contract has not yet been completed in full and invoiced to the customer.

Projected unit credit method
Method used to measure pension obligations in accordance with IAS 19 that reflects expected future pay and pension increases in addition to the vested pension rights and entitlements existing at the end of the reporting period.

Rating
Assessment of a company's creditworthiness issued by independent rating agencies on the basis of a thorough analysis. Ratings are expressed by means of rating classes, which are defined differently by individual rating agencies.

ROCE
Return on capital employed. Ratio of operating profit to annual average capital employed.

$$ROCE = \frac{\text{Operating profit}}{CE}$$

ROE
Return on equity. Ratio of earnings before tax to annual average equity.

$$ROE = \frac{\text{Earnings before tax}}{\text{Annual average MAN Group equity}}$$

ROS
Return on sales. Ratio of operating profit to revenue.

$$ROS = \frac{\text{Operating profit}}{\text{Revenue}}$$

Swap
Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Syndicated credit line
Committed credit line granted by a banking syndicate.

WACC
Weighted average cost of capital. For management purposes, the MAN Group's WACC is fixed for the long term at 10% before tax.

Index

Financial Diary

Financial diary (expected dates*)	
Annual General Meeting for fiscal 2011	April 20, 2012
Report on Q1/2012	May 3, 2012
Half-yearly report	July 31, 2012
Report on Q3/2012	October 30, 2012
Report on Q1/2013	May 2, 2013
Half-yearly report	July 31, 2013

* The latest information can be found on MAN's website at
→ www.man.eu/MAN/en/Investor_Relations/

Publication date
February 14, 2012

← Seven-Year Overview

Publication Details

Published by
MAN SE
Corporate Communications
Ungererstr. 69
80805 Munich, Germany
www.man.eu

Investor Relations
Phone: +49. 89. 36098-334
Fax: +49. 89. 36098-68334
investor.relations@man.eu

Corporate Communications
Phone: +49. 89. 36098-111
Fax: +49. 89. 36098-382
presse@man.eu

Layout and design
HGB Hamburger Geschäftsberichte GmbH & Co. KG,
Hamburg, Germany

Photos
MAN SE
Andreas Pohlmann, Munich, Germany

Printed by
Hartung Druck + Medien GmbH,
Hamburg, Germany

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C004323

MAN Group: Seven-Year Overview

€ million	2011	2010	2009	2008	2007	2006	2005
Order intake	**17,145**	**15,072**	**9,860**	**14,033**	**17,818**	**16,567**	**14,338**
of which: Germany	3,646	3,489	2,388	3,306	4,549	4,151	3,373
of which: Other countries	13,499	11,583	7,472	10,727	13,269	12,416	10,965
Order intake by division							
MAN Truck & Bus	9,514	8,023	5,224	9,130	12,684	10,103	9,434
MAN Latin America	3,579	3,140	1,412	–	–	–	–
MAN Diesel & Turbo	3,692	3,475	2,936	4,515	4,825	4,117	3,053
Renk	456	525	294	443	439	417	314
Others/Consolidation	–96	–91	–6	–55	–130	1,930	1,537
Revenue	**16,472**	**14,675**	**12,026**	**14,945**	**14,063**	**13,049**	**11,379**
of which: Germany	3,515	3,058	2,751	3,704	4,073	3,394	3,103
of which: Other countries	12,957	11,617	9,275	11,241	9,990	9,655	8,276
Revenue by division							
MAN Truck & Bus	8,984	7,446	6,395	10,610	10,410	8,685	7,377
MAN Latin America	3,579	3,140	1,412	–	–	–	–
MAN Diesel & Turbo	3,610	3,766	3,796	3,870	3,286	2,709	2,360
Renk	389	403	474	527	430	356	307
Others/Consolidation	–90	–80	–51	–62	–63	1,299	1,335
Order backlog[1]	**6,640**	**7,025**	**7,422**	**10,416**	**12,335**	**11,298**	**8,496**
of which: Germany	1,172	1,264	1,107	1,626	2,331	1,820	1,422
of which: Other countries	5,468	5,761	6,315	8,790	10,004	9,478	7,074
Headcount including subcontracted employees[1]	**52,542**	**47,669**	**47,743**	**51,321**	**50,399**	**53,715**	**51,412**
of which: Companies within Germany	30,187	27,354	26,768	28,753	28,963	31,368	30,275
of which: Companies outside Germany	22,355	20,315	20,975	22,568	21,436	22,347	21,137
Subcontracted employees[1]	**2,364**	**1,976**	**1,643**	**2,197**	**3,519**	**3,425**	**2,251**
Headcount[1]	**50,178**	**45,693**	**46,100**	**49,124**	**46,880**	**50,290**	**49,161**
Annual average headcount	**48,986**	**45,885**	**47,365**	**48,787**	**47,128**	**49,994**	**49,770**
MAN share data							
Common shares (in €)[1]	68.70	88.99	54.44	38.72	113.80	68.46	45.08
Common shares, high (in €)	98.72	96.44	61.23	110.91	123.73	74.00	45.24
Common shares, low (in €)	52.51	47.99	30.31	27.78	68.46	44.36	29.00
Common shares, price/earnings ratio[1,2]	14.9	16.8	–	5.0	15.7	13.6	16.4
Preferred shares (in €)	48.35	58.21	41.00	43.05	108.65	63.35	41.00
Preferred shares, high (in €)	69.94	62.24	49.95	110.00	117.39	69.78	41.00
Preferred shares, low (in €)	37.02	38.02	35.45	32.56	62.69	40.35	25.44
Preferred shares, price/earnings ratio[1,2]	10.5	11.0	–	5.5	14.9	12.5	14.9
Dividend per share (in €)	2.30	2.00	0.25	2.00	3.15	2.00	1.35
Earnings per share (IAS 33) (in €)[2]	4.62	5.30	–2.69	7.76	7.27	5.05	2.75
Cash earnings per share (in €)	7.49	5.46	2.52	10.43	10.52	6.40	5.90
Equity per share (in €)	39.30	37.60	35.50	35.70	30.30	22.90	19.50

Information on comparability:
The Others data includes Industrial Services up to 2006.
[1] Number at December 31.
[2] For continuing operations.

€ million	2011	2010	2009	2008	2007	2006	2005
Noncurrent assets[1]	10,623	10,046	8,661	6,010	6,891	6,998	5,689
Inventories	3,513	2,852	3,037	3,275	3,279	3,032	3,453
Other current assets[1]	3,576	3,462	3,561	7,140	4,471	4,054	3,819
Marketable securities and cash and cash equivalents	958	1,071	636	105	1,520	1,162	1,191
Equity	5,590	5,990	5,129	5,396	5,177	3,779	3,025
Pension obligations	378	226	160	74	132	946	1,499
Noncurrent and current financial liabilities	3,170	2,849	3,270	1,736	1,967	2,108	1,018
Prepayments received	823	762	913	1,099	2,031	1,557	1,740
Other liabilities and provisions	8,709	7,604	6,423	8,225	6,854	6,856	6,870
Total assets/total capital	**18,670**	**17,431**	**15,895**	**16,530**	**16,161**	**15,246**	**14,152**
Revenue	**16,472**	**14,675**	**12,026**	**14,945**	**14,063**	**13,049**	**11,379**
Cost of goods sold and services rendered[2]	–12,791	–11,400	–9,455	–11,243	–10,722	–10,161	–8,943
Gross margin	**3,681**	**3,275**	**2,571**	**3,702**	**3,341**	**2,888**	**2,436**
Other income and expenses[3]	–2,198	–2,240	–2,067	–1,973	–1,790	–1,783	–1,762
Operating profit[4]	**1,483**	**1,035**	**504**	**1,729**	**1,551**	**1,105**	**674**
Earnings effects from purchase price allocations	–109	–109	–62	–	–	–	–
Gains/losses from nonrecurring items	–118	357	–656	–106	183	–	–37
Net interest income/expense	–134	–158	–117	20	–55	–82	–62
Earnings before tax (EBT)	**1,122**	**1,125**	**–331**	**1,643**	**1,679**	**1,023**	**575**
Income taxes	–434	–338	–53	–488	–600	–273	–160
Income/loss from discontinued operations, net of tax	–441	–65	126	92	146	175	57
Net income/loss	**247**	**722**	**–258**	**1,247**	**1,225**	**925**	**472**
Noncontrolling interests	–9	–9	–12	–14	–9	–7	–10
Withdrawals from/transfer to reserves	100	–419	307	–939	–753	–624	–263
Total dividend paid by MAN SE	**338**	**294**	**37**	**294**	**463**	**294**	**199**
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**2,360**	**1,393**	**590**	**1,947**	**2,131**	**1,433**	**972**
Depreciation, amortization, and impairment of noncurrent assets	–1,129	–467	–804	–324	–397	–328	–335
Reversals of impairment losses on equity-method investments	25	357	–	–	–	–	–
Earnings before interest and taxes (EBIT)	**1,256**	**1,283**	**–214**	**1,623**	**1,734**	**1,105**	**637**
Capital expenditures and financing							
Property, plant, and equipment, and intangible assets	601	391	366	603	459	446	376
Investments	70	5	1,937	270	259	1,214	28
Research and development expenditures	740	626	504	493	433	396	385
Cash earnings	1,094	815	396	1,619	1,661	963	876
Net cash provided by operating activities	518	1,427	1,462	137	2,109	777	1,267
Net cash used in investing activities	–637	–374	–2,584	–707	–426	–1,329	–378
Free cash flow	–119	1,053	–1,122	–570	1,683	–552	889
Key performance indicators							
ROS (%)	9.0	7.1	4.2	11.6	11.0	8.5	5.9
ROCE (%)[5]	24.4	17.4	8.8	40.2	31.9	28.0	19.1

Information on comparability:
The data includes Industrial Services up to 2006.
[1] Change in presentation of finance lease receivables from 2009.
[2] 2008 figure after reclassification of €–61 million (2007: €–35 million) of cost of goods sold and services rendered to gains/losses from nonrecurring items.
[3] Including net interest income of Financial Services.
[4] Printing Systems and Steel Trade reported as discontinued operations from 2005 and Industrial Services reported as discontinued operations from 2007.
[5] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made in 2009).

MAN SE 2011 Annual Report

MAN SE
Ungererstr. 69
80805 Munich, Germany
Phone +49. 89. 36098-0
Fax +49. 89. 36098-250
www.man.eu