

Group Management Report

Risk report and outlook

Risk management

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

The MAN Group's risk management activities are an integral part of its corporate management and business processes. Strategic corporate planning, internal reporting, the internal control system, and the compliance system are all core elements of the risk management system. One of the objectives of strategic corporate planning is to promptly identify and assess long-term opportunities and risks so that appropriate structural measures can be taken. The internal reporting system is set up at all levels of the Group to provide up-to-date and relevant information on the status of significant risks and the efficacy of risk mitigation measures, among other things. Building on risk identification activities, the internal control system focuses on monitoring and managing risks in a targeted manner. It therefore acts as an integral part of the risk management system. The task of the compliance system is to assist management in promptly identifying and responding to compliance-related risks. The system is based on compliance officers at the different Group levels, a steering committee to enforce rules, a compliance hotline, and an external ombudsman who employees can contact—anonously if they wish.

Back in 2008, when the drafts of the Bilanzrechtsmodernisierungsgesetz (BilMoG—German Accounting Law Modernization Act) were published, the MAN Group started to structure its existing internal control system and document it uniformly throughout the Group in accordance with COSO. The documentation of the material processes and controls at the MAN Group companies was completed at the end of fiscal 2009. The 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.

The Industrial Governance management system requires decentralized decision-making processes within the MAN Group and an appropriately organized risk management system. Responsibility for setting up and maintaining an appropriate and focused early risk recognition system lies with the MAN Group's Executive Board, which has itself tailored the scope and focus of the risk management system and the internal control system to the Company's specific requirements. Management of each division is responsible for ensuring that all Group companies are integrated into the risk management system and internal control system. A function for the risk management process and the internal control system has been put in place both at Group level and in the divisions. Therefore, in each one of the Group's divisions, there are risk officers with responsibility for risks and controls as well as a coordinator with responsibility for coordinating the continuous development and improvement of the risk management process and the internal control system.

The MAN Group's risk management manual is applicable throughout the Group and contains binding guidelines on identifying, recording, analyzing, assessing, controlling, and monitoring significant risks and opportunities within the Group. The risk policy principles set out in the manual ensure a common understanding of the risk management system across the Group. Cross-functional risk boards have been set up at key Group companies. These are tasked with assessing the risks reported by the functions, identifying additional risks, and introducing and monitoring measures to minimize the risks. Risks 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. Uniformly defined risk fields allow the Group to promptly identify and manage any concentration of risk. In addition to risks, opportunities, material weaknesses in the internal control system, and measures introduced by the companies are identified continuously, and analyzed and evaluated on a quarterly basis by risk boards working together with the Executive Board, the Corporate Audit function, and the Controlling function. Where necessary, further measures to prevent or mitigate risk are decided upon and kept in place so as to continuously develop and improve the existing risk management system and the internal control system.

The internal control system is based on documentation that is uniformly structured throughout the Group covering the controls for the existing process structures and the related risks and any additionally identified business-specific risks. The internal controls focus on limiting risks of material misstatement in the financial reporting, risks arising from noncompliance with regulatory standards or acts of deception, and on minimizing operational/economic risks (e.g., threats to assets as a result of unauthorized operational decisions or obligations entered into without authorization). The guidelines and directives in force within the Group and on the divisions' intranets

provide the basis for the MAN Group's internal control system. The control environment and the cross-process controls that form the framework of an effective and operational internal control system are documented at a central, overall level and regularly assessed to determine whether they are appropriate and functioning effectively. The risk managers on the risk boards report to the Executive Board on the effectiveness of the internal controls and any control weaknesses identified. The control structures are represented in a database solution, thereby supporting the system's uniform documentation throughout the Group. This database shows all the material companies in the MAN Group. The materiality of companies is reviewed annually on the basis of qualitative and quantitative criteria.

The Corporate Audit team regularly monitors the effective functioning of the MAN Group's risk management system as part of its activities, and initiates appropriate measures if necessary. When conducting its risk-oriented review, the Corporate Audit function also takes into account information on risks recorded and examines key risk factors if appropriate. The external auditors audit the ability of the risk early recognition system to identify at an early stage any developments that could endanger the Company's continuing existence. The effectiveness of the internal control system at process level is reviewed at least once a year by suitable internal testers and by means of spot checks performed by the Corporate Audit function. At the regular meetings of its Audit Committee, the Supervisory Board is briefed on the MAN Group's risk position and on material weaknesses in the Group's internal control system. Nevertheless, even if an appropriate and effective system is set up, there can be no absolute guarantee that risks will be identified and controlled.

Accounting-related risk management system and internal control system

As a rule, the risk management system and internal control system also comprise the accounting-related processes as well as all risks and controls in respect of accounting. This relates to all parts of the risk management system and internal control system that could have a material effect on the consolidated financial statements.

The goal of the risk management system in respect of the accounting processes is to identify and assess risks that could run counter to the objective of preparing consolidated financial statements that comply with the relevant rules. Identified risks must be assessed in terms of their effect on the consolidated financial statements, including by using external specialists if necessary. In this context, the internal control system aims to provide sufficient assurance that, despite the risks identified, the consolidated financial statements are prepared in compliance with the relevant rules by implementing corresponding controls.

Both the risk management system and the internal control system extend to all subsidiaries that are significant for the consolidated financial statements, including all the processes relevant for preparing the financial statements. The accounting-related controls focus in particular on the risks of material misstatement in the financial reporting. The materiality of misstatements is assessed on the basis of the likelihood of occurrence and the financial effect on revenue, EBIT, or total assets.

The key elements of risk diversification 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 control principles in the accounting process.

The risks identified and corresponding measures taken are updated in the quarterly reports to the risk board and forwarded to the MAN Group's management. The effectiveness of internal controls in respect of accounting is assessed at least once a year, primarily during the preparation of the financial statements. In addition to the Corporate Audit function, the external auditors assess the accounting-related processes as part of their audit activities.

As part of their audit of the financial statements, the auditors are also obliged to report to the Supervisory Board's Audit Committee on accounting-related risks or control weaknesses and any other material weaknesses in the risk management system and internal control system that they identified during their audit activities.

Opportunities and risks

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

Markets

Economic conditions on the capital and manufactured goods markets continue to be impacted by the effects of the financial crisis. The economic recession has bottomed out for the time being, but the uncertain outlook continues to affect demand for capital goods. Lending banks are exacerbating this trend by severely restricting credit and imposing tighter credit terms. For the MAN Group, this gives rise to the risk that demand will be stifled long-term or even fall further. The forward-looking approach taken over the past three years has led to substantially more flexible costs with which to manage and endure any fall in demand. Nevertheless, margins remain at risk from a sharp and rapid decline in volumes. On the other hand, an ailing economy may mean a drop in prices on procurement markets. Suppliers have also been affected by falling demand and financing problems. The MAN Group is keeping a close watch on suppliers' financial position and is putting alternatives in place. The expansion of the Company's after-sales activities represents an opportunity even in difficult times. Over the medium to long term, and with the current slump in demand behind it, the MAN Group continues to see opportunities for all divisions to achieve profitable growth in the transportation and energy market. The underlying global economic trends will continue, such as sustained economic growth, a greater international division of labor and resulting increase in global transport routes and volumes, capital spending by the oil and gas industry, and a need to innovate due to trends in global climate policy. Through its strategy of significantly strengthening its position in the current and future growth markets of the BRIC countries, the MAN Group is systematically endeavoring to increase its sales potential and thus counter regional economic risks.

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop technologically superior and highly cost-effective products that are of outstanding quality when launched on the market. Abandoning this mission would pose an unjustifiable risk to the Group's market position. However, the rollout of new products involves conceptual and market risks, which are managed through a careful strategic planning process that analyzes trends in the markets and business environment. The resulting product plans are used to manage our extensive research and development activities. For many years now, research and development expenses have been in the region of 3% to 4% of revenue. The launch of Euro 5 emission standard-compliant engines at MAN Nutzfahrzeuge and the introduction at MAN Diesel of the diesel combined cycle technology for stationary power plants, which boosts efficiency by 10% to 15%, clearly show that these risks can be successfully overcome. Products that have already been launched pose quality risks. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs, and lead in the long term to the loss of market share or lower product margins. In extreme cases, product liability and compensation claims may be made. The MAN Group starts to identify and limit these risks right from the product gestation stage. A standardized product gestation process ensures that only properly functioning and reliable product concepts move on to the next stage of development. Suppliers and their products are required to undergo a strict approval process in order to safeguard the Company's high quality standards. After production startup, defined quality assurance measures within the production process ensure that manufacturing defects are promptly identified and eliminated. During use, any defective products are collected, analyzed, and repaired in collaboration with the service operations. Long-term customer contracts give rise to additional risks: Changes in the political or economic conditions in a particular market may result in additional expenditure on major projects. At MAN Nutzfahrzeuge, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly versus expectations at the time the contract was entered into. In the project business, risks arise as a result of guarantees or guarantee obligations. However, these are often covered by third-party guarantees,

or in the case of prepayment guarantees by prepayments received from customers. By carrying out intensive checks before and after extending guarantees, we have always been able to keep defaults to a minimum. The high-growth turnkey business at MAN Diesel, where the company functions as a lead contractor for the delivery of turnkey diesel power plants, entails particular risks in relation to timely and due and proper performance by subcontractors and therefore for MAN Diesel itself. The company combats this risk through appropriate controlling during all phases of the project.

Processes

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

Specific risks arise during major projects, including contracting deficiencies, miscosting, post-contracting changes in economic and technical parameters, and poor performance on the part of the consortium partners' subcontractors. The MAN Group minimizes these risks through comprehensive project and contract controlling. In the growing power plant market, for example, MAN Diesel 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. In addition, major projects are assessed by MAN SE's Controlling and Finance functions and submitted to MAN SE's Executive Board for approval. If any approved contracts deviate significantly from plan, they are tracked by way of a special reporting system for critical contracts.

As in any modern enterprise, the MAN Group's business processes are to a large extent supported by information technology. Besides improving efficiency, this also gives rise to risks. Parts of the infrastructure may fail as a result of accidents, disasters, or technical faults, thereby impairing a wide variety of business processes or bringing them to a complete standstill. There is also the risk of unauthorized access, theft, or the destruction of business information and data. The resulting financial damage and loss of image may affect individual MAN companies or even the entire MAN Group.

By centralizing and outsourcing IT operations, systematically introducing IT service management processes in accordance with ITIL (IT Infrastructure Library (standard for the organization of IT processes)), and increasingly organizing information security in the MAN Group in accordance with the internationally recognized standard ISO 27001, the MAN Group has significantly improved the transparency and reliability of the IT infrastructure. The latest hardware and software technologies ensure optimum support for business processes, and guarantee continuous data availability and protection against unauthorized access. A combination of regular data backups and control mechanisms reduce the risk that business data will be lost completely. Highly capable, state-of-the-art security mechanisms, such as firewall systems certified by the Bundesamt für Sicherheit in der Informationstechnik (BSI—German Federal Office for Information Security), are used to combat potential threats to the reliability of the systems and data, particularly from the Internet. The aim is to optimize the four main requirements of information security, namely availability (assured availability for use), integrity (accuracy, consistency, and completeness of information), confidentiality (protection against unauthorized viewing), and authenticity (proof and incontestability of personal identity), from a technical and organizational perspective and to optimize the related risk aspects.

The internal control system plays a key role. It is focused on ensuring compliance with the relevant regulations across all business processes and thus on helping to protect assets and reduce risks. With regard to financial reporting, the emphasis is on optimizing the process of preparing the financial statements to ensure the complete, timely, and correct processing of all transactions and business processes.

Employees

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

Finances

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

For short-term financing requirements, the MAN Group must have access to sufficient liquidity reserves. Arrangements are based on a detailed financial plan prepared for the MAN Group at three levels. As part of the corporate planning process, the liquidity and financing position is projected over a three-year planning horizon. Quarterly forecasts contain rolling liquidity plans for the next four quarters. These are supplemented by more detailed three-month plans that estimate short-term liquidity requirements.

When investing any liquidity reserves, there is always a risk that investment funds may be lost as a result of a bank becoming insolvent. MAN therefore takes care to invest its liquidity reserves conservatively and to spread risks by distributing investments across several financial institutions. Only reputable, prime-rated financial institutions (investment-grade institutions) are considered.

To manage currency and interest rate risk, MAN uses only marketable instruments, which are used to hedge existing underlying transactions and, to some extent, forecasted revenues. Derivatives and other hedging transactions are usually

entered into via the Group's central finance department and are subject to strict internal controls. If exchange controls prevent the central finance department from entering into transactions, they are instead entered into in the name and for the account of the Group company in question.

Exchange rate movements can affect both prices for goods and services and profit margins. The MAN Group hedges all firm customer contracts, its own purchase orders, and other transactions against currency risks. Hedging is also used for budgeted serial-production revenue and for highly probable customer projects. Despite these measures, there is still a risk that the amount and timing of revenue payments will deviate from budget. Adverse effects may also result from changes in interest rates. The risks associated with such changes are managed by entering into interest rate hedges. This applies in particular to the Group's customer financing arrangements, which are usually entered into at fixed rates of interest. For further information on the use of financial instruments, see note 30 in the "Notes to the Consolidated Financial Statements."

An additional currency risk also relates to the changes exchange rates may cause to customers' purchasing power, which MAN does not hedge. In the short term, a reduction in the value of a currency may result in losses in the sales markets concerned. In the long term, MAN endeavors to offer products and services that are always competitive, irrespective of current exchange rates, by constantly improving its productivity and geographical diversification.

The manufacture of MAN's products requires substantial amounts of raw materials. Price trends on the commodity markets or price escalation clauses in supplier contracts may pose risks to operating profit. These risks are usually managed through long-term supplier contracts or price escalation clauses in customer contracts. If a customer contract does not provide for a price escalation clause, targeted commodity price hedging may be used.

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

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

Counterparty and country risk are reduced through the careful selection of transactions and business partners, as well as through appropriate contractual and payment terms. Any remaining risks are classified according to the debtor's credit standing and largely transferred to banks by way of documentary payments (documentary credits) and guarantees received,

or to insurance companies by way of non-payment insurance. Nevertheless, there are default and credit risks inherent in customer financing, leasing, and banking that cannot be hedged and which can only be limited by carrying out detailed credit checks in advance and through ongoing credit management. Guarantees are furnished centrally by MAN SE so as to ensure a uniform and restrictive policy. Particular importance is attached to formulating and performing the contract so as to minimize the possibility of an unjustified claim.

In order to reduce the 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. The pension plan assets are invested by external investment managers in accordance with conservative investment (prudent investor) policies and giving appropriate consideration to the cash flow structure of the pension obligations. The fair value of the pension plan assets is subject to standard fluctuations, particularly those resulting from changes in interest rates and equity prices. In this context, interest rate-related changes are partly compensated by an offsetting change in the present value of the pension obligations. Biometric risks, primarily life expectancy or permanent disability or death during active employment, must also be taken into account when measuring pension obligations. For active employees in Germany, the trend of a regular increase in life expectancy was reflected by switching from annuities to capital payments. In the UK, all defined benefit pension plans have been closed to new members in recent years.

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 so as to initiate appropriate measures. For information on developments in the investigations by the public prosecution authorities, please refer to the sections entitled "Rapid clarification of bribery allegations" and "Compliance system," as well as note 26 in the "Notes to the Consolidated Financial Statements."

Risk management is an ongoing and continuous activity on the part of the Company, and of course something that is undergoing constant development. For MAN, this means continuing the optimization of its risk management and internal control systems in 2010 and adapting them to changing conditions. Given the continued uncertainty on the financial and manufactured goods markets, activities will focus on financial and market risk management.

Rapid clarification of bribery allegations

As part of a preliminary investigation (case no. 570 Js 43151/08) against MAN SE, MAN Nutzfahrzeuge AG, MAN Turbo AG, and several current and former employees, the Munich Public Prosecution Office (I) searched offices of MAN SE and MAN Nutzfahrzeuge AG in Munich, and branch offices of MAN Truck & Bus Deutschland GmbH and MAN Turbo AG on May 5, 2009, on suspicion of bribery and other criminal offenses. Seven private residences of employees and recipients of payments were also searched.

The public prosecution authorities suspected that hidden commissions in the total amount of approximately €1 million were paid in Germany, and several million euros abroad, in connection with the sale of commercial vehicles between 2002 and 2005. The foreign payments are alleged to have been paid as commissions and consultants' fees in other countries, to domiciliary companies, or to shell corporations. The Munich Public Prosecution Office (I) subsequently extended its investigations to include transactions occurring up to and including 2009. It was announced on July 8, 2009 that the Munich Public Prosecution Office (I) had also commenced investi-

gations against responsible managers of MAN Ferrostaal AG (now Ferrostaal AG) on suspicion of bribery, breach of trust, and tax evasion, although the precise scope of the allegations made against this former subsidiary were not made known. The tax investigation department of the Munich Tax Office (I) notified the Company on July 21, 2009, that it had also instituted criminal investigation proceedings for tax fraud against persons unknown for the years 2002 and 2003 in connection with the investigations by the public prosecution authorities that are ongoing at MAN Turbo.

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

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

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

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

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

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

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

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

Compliance system

The Company's Code of Conduct includes a clear commitment to free and fair competition. This binding Code together with clear regulations that have been continuously developed in recent years apply to all MAN employees. They prohibit MAN Group employees from offering benefits of any kind with the aim of obtaining unfair advantages or orders for MAN or other persons. Under MAN's compliance management system, a steering committee and dedicated compliance officers at each MAN company are tasked with enforcing these rules. In recent years, the Company has systematically tightened its rules on the approval of lawful commissions so as to ensure transparency. These rules include the dual control principle, a ban on cash payments, and a code of ethics for sales staff.

Back in July 2009, MAN launched a 5-point program to better combat corruption. After evaluating the outcome of the investigations against MAN Group companies, MAN will expand on this by outlining additional measures:

1. Passing of information to the German public prosecution authorities

MAN will inform the German public prosecution authorities in the event of any serious cases of suspicion and cooperate closely with the investigating authorities to clarify matters.

2. Ongoing strengthening of the compliance organization

As of January 1, 2010, MAN SE will set up a new compliance function and establish clear responsibilities. At an organizational level, the function will report directly to the CEO of MAN SE.

All employees in the relevant functions (Sales, Purchasing, Marketing, etc.) will receive clear guidelines on conduct in further practical training sessions. Internal documentation will continue to be developed.

3. Internal audit function

The internal audit function will support the compliance organization in uncovering misconduct and recruit additional staff for this purpose. A compliance IT system will be used to filter transactions for suspicious payments.

4. Review of organizational structure of and processes in sales

Referral commissions were abolished immediately after the allegations of improper conduct became known. The incentive-based salary system for sales employees at MAN Nutzfahrzeuge was restructured. In future, each consultant will undergo a due diligence check.

5. Dialog with anti-corruption experts at non-governmental organizations (NGOs)

MAN is in talks with various anti-corruption organizations with a view to meeting international demands for a robust compliance organization and fighting corruption on joint projects.

The Supervisory and Executive Boards consider compliance and corporate culture to be extremely important. Compliance is and will remain one of the key responsibilities of all managers and employees and thus an integral part of MAN's corporate culture. The aim is to strengthen a long-term culture and infrastructure that will ensure compliance with all laws and guidelines.

Events after the reporting period

Klaus Stahlmann was appointed to MAN SE's Executive Board effective January 1, 2010.

The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised at the beginning of 2010. For further information on the sale of Ferrostaal, see "Acquisitions and divestments" and the "Notes to the Consolidated Financial Statements."

Outlook

Global economic trend

The economic recession has bottomed out for the time being. Both consumer behavior and the economic stimulus packages introduced by governments now point to a more positive economic trend for individual sectors of the economy. However, transportation and energy—key sectors for MAN—continue to suffer from the drop in industrial output, the decline in global trade, and lower appetite for investment. Due to existing overcapacity, order intake remains low.

Current forecasts for 2010 predict that the overall economic situation in the euro zone will stabilize at a low level; IHS Global Insight expects slight GDP growth of 0.9% in 2010. The most recent growth forecast for the German economy was 1.6%. However, sustained growth cannot be expected in Germany in 2010. In particular, the expiry of economic stimulus programs and increasing unemployment are having a negative effect. The recovery from the crisis is expected to be slow and weak. Credit will remain in short supply for the time being and unemployment will rise. In subsequent years, the crisis will continue to impact economic growth in Europe. A further slight recovery in the markets is anticipated in 2011, provided that the negative effects described above do not worsen.

Following the sharp downturn, industrial production should recover slowly over a period of several years. While capital spending is forecast to grow in the Asia, Americas, and Australia regions in 2010, investment will continue to fall slightly in Europe and the Middle East—the regions with the strongest revenue. MAN Diesel expects its order intake to stabilize at a low level in 2010, but is forecasting a continued decline in revenue. Nor is any significant improvement in the market situation anticipated at MAN Turbo, which also expects its revenue to decrease. Business at MAN Nutzfahrzeuge is forecast to remain at the current level. If the market environment in South America remains as positive as in 2009, MAN Latin America will continue to be a stable earnings driver. The measures introduced in all areas with a view to enhancing efficiency and cutting costs are having a positive impact and will strengthen the Group structure long-term. MAN's forecasts for 2011 are based on a slight recovery in the markets, which will have a corresponding effect on our business.

The MAN Group is constantly monitoring ongoing economic developments and will take additional measures without delay should this become necessary in the event of a deterioration in the economic situation.

Returns and operating profit

Despite the difficult market environment, the MAN Group continues to target a return on sales of 8.5% on average over the economic cycle. In 2010, MAN Diesel and MAN Turbo are expected to generate a lower return on sales than in 2009 due to the continued economic downturn. However, their high order backlog should enable them to achieve their target returns in 2010 and 2011. At MAN Nutzfahrzeuge, return on sales is forecast to be slightly higher year-on-year due to economic developments and the measures introduced to adjust capacity. We expect MAN Latin America's return on sales to be stable. We anticipate that this trend will continue in 2011, assuming that the markets continue to recover as predicted.