

Report of the Supervisory Board



*Rolf Eckrodt, Chairman of the
Supervisory Board of Tognum AG*

During the 2009 financial year just ended, the Supervisory Board of Tognum AG once again carried out with great diligence the tasks incumbent upon it by law and under the terms of the articles of association and the bylaw. We regularly advised the Executive Board concerning the management of the company, and supervised the conduct of its affairs. The Executive Board complied fully with its reporting obligations with respect to the Supervisory Board. The topics discussed by the Supervisory Board with the Executive Board included business policy, strategic issues relating to corporate planning, including financial, investment and personnel planning, the business situation of the company and the Group, the risk situation, risk management and compliance. In addition, the Executive Board reported regularly, both verbally and in writing, promptly and comprehensively on all transactions of material significance to the company. We were directly involved in all decisions at an early stage and gave our approval – if required and, in our view, in the company's interest – after comprehensive deliberation and examination. Outside the meetings, as Chairman of the Supervisory Board, I regularly discussed matters relating to strategy and planning with the Executive Board, in addition to current business developments. Particularly in view of the financial and economic crisis, the Supervisory Board maintained regular contact with the Executive Board to ensure that it was informed of current business developments and significant business transactions at an early stage and to take whatever action was considered necessary without delay.

KEY FOCUS OF DELIBERATIONS IN PLENARY SESSIONS. In the 2009 financial year, the Supervisory Board held a total of five meetings. All members of the Supervisory Board were either present at the meetings or had been excused. No member of the Supervisory Board attended less than half of the meetings. In all cases, votes were received in absentia for members who were not present at the meetings. Topics addressed at all Supervisory Board meetings included the business development of the business units, the implementation of the corporate strategy, risk management, the list of activities designed to counter the effects of the financial and economic crisis, the developments in the sales process of the Rotorion Group, our new engine Series 1600, and the detailed reports received on the work carried out in the committees from each of the committee chairmen.

During the accounts meeting on **24 March 2009**, after thorough examination and on the basis of preliminary discussions, preliminary examinations and deliberations by the Audit Committee, the Supervisory Board approved the annual and group financial statements of Tognum AG as of 31 December 2008. The auditors were present at the accounts meeting. We also deliberated and agreed on the draft resolutions to be submitted to the 2009 Annual General Meeting. Other issues dealt with included the adoption of rules of procedure for the Audit Committee, the assumption of office of Dr. Ulrich Dohle as the Executive Board Member for the segment Technology & Operations, and the extension of Christof von Branconi's employment contract until 28 February 2013. The Executive Board also provided us with information on the new segment reporting scheme, which is compulsory from financial year 2009 as a result of IFRS 8 (International Financial Reporting Standard 8).

The meeting held on **11 May 2009** focused on the report for the first quarter, the product strategy for the Series 2000 and 4000 engines, and the strategic development of the distribution network in the USA. In addition – following initial preparation in the Executive Committee – the Supervisory Board carried out an efficiency review in accordance with the recommendations of the German Corporate Governance Code and discussed other ways of consistently increasing the effectiveness of its work. The next regular efficiency review will follow in the 2010 financial year.

On **10 August 2009**, the Executive Board first reported on business developments in the second quarter and then we took an in-depth look at the prospects for the 2010 financial year. In addition, the Executive Board presented a draft of the planned materials management centre in Kluftern and we were informed of the plans to set up a possible new production site in the USA. We also dealt with the remuneration of the Executive Board members, particularly in view of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), which was passed in June 2009.

In the Supervisory Boards meeting held on **9 November 2009**, we studied the report for the third quarter, the strategy of MTU Onsite Energy's systems business the relocation of manufacturing facilities within the USA, and the extension of "Long-Term Incentive Concept for the Group's senior executives" for 2010. Beyond that, we deliberated and discussed the current changes in the German Corporate Governance Code and published the new version of the declaration of compliance 2009.

In the final Supervisory Board meeting of the year held on **4 December 2009**, we focused on current progress in the implementation of strategy for the MTU Onsite Energy Fuel Cell division. The business plan for the coming 2010 financial year submitted by the Executive Board was approved.

WORK IN THE COMMITTEES. To be in a position to perform its duties effectively, the Supervisory Board has set up a total of four committees (the Executive Committee, the Mediation Committee, the Audit Committee and the Nominations Committee). The committees prepare specific topics for discussion in the plenary sessions and Supervisory Board resolutions. For specific issues, the Supervisory Board has delegated decision-making authority to the committees. A presentation of the individual committees and their members is included from page 174 of this annual report.

EXECUTIVE COMMITTEE. The Executive Committee held seven meetings in 2009 and two additional workshops. It dealt in-depth with the new Act on the Appropriateness of Management Board Remuneration (VorstAG) and, in relation to this, discussed the existing remuneration system and amount of remuneration paid to the Executive Board. Other topics included the extension of Christof von Branconi's contract until 28 February 2013 and the Supervisory Board's efficiency review. The Executive Committee also prepared the decision of the Supervisory Board on the declaration of compliance with the German Corporate Governance Code, in accordance with Article 161 AktG (German Stock Corporation Act).

AUDIT COMMITTEE. The Audit Committee held six meetings in 2009. Its work focused on the examination of the annual and group financial statements, including discussion of the management reports, an audit review of the half-year financial report and the quarterly financial reports for the 2009 financial year. Accounting and risk management, plus cooperation with the auditors were also discussed in detail. The Audit Committee also dealt with the preparation of the Supervisory Board's proposal to the Annual General Meeting for the choice of auditors for the 2009 financial year (Price-waterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart) and obtained their declaration of independence. The Chairman of the Supervisory Board subsequently issued them a mandate to conduct the audit for the 2009 financial year. Together with the auditors, the Audit Committee also specified the key auditing focus for the examination of the annual and group financial statements for the 2009 financial year. Together with the Chief Financial Officer, it discussed the budget and investment plan in detail and scenario analysis against the background of the financial and economic crisis. Other issues addressed by the meetings included the implementation of the provisions of the Act to Modernise Accounting Law (BilMoG) and its effects on the company. In this context, the committee discussed the quarterly updated risk report in depth and studied the information obtained from current auditing. The committee also deliberated on the organisation and implementation of the Group's compliance tools and prepared rules of procedure for the Audit Committee.

NOMINATIONS COMMITTEE. A meeting of the Nominations Committee was not necessary in the year under review.

MEDIATION COMMITTEE. Meetings of the Mediation Committee in accordance with Article 27 (3) MitbestG (Co-Determination Act) were not necessary in the financial year just ended.

CHANGES ON THE SUPERVISORY BOARD AND EXECUTIVE BOARD. The Annual General Meeting of 9 June 2009 appointed Dr. Edgar Krökel and Andreas Renschler as members of the Supervisory Board representing the shareholders and Dr. Albert Xaver Kirchmann as a substitute member. Dr. Edgar Krökel and Andreas Renschler had previously been appointed to the Supervisory Board as members representing the shareholders following a resolution adopted by the Ulm district court on 8 July 2008.

The following change took place on the Executive Board of the company: Dr. Gerd-Michael Wolters retired from the Executive Board on 30 April 2009. His successor, Dr. Ulrich Dohle, took up office on 1 May 2009 and is responsible for the segment Technology & Operations.

CORPORATE GOVERNANCE. In November 2009, together with the Executive Board, we submitted an updated declaration of compliance in accordance with Article 161 AktG, which is published on pages 67-68 of this annual report and on the company's website. We report on corporate governance together with the Executive Board in the Corporate Governance Report on pages 59-68.

In the period under review, no conflicts of interest occurred in connection with Executive Board or Supervisory Board members to be disclosed immediately to the Supervisory Board and of which the Annual General Meeting is to be informed. However, purely as a precautionary measure, the two Supervisory Board members – Dr. Edgar Krökel and Andreas Renschler – who are both concurrently employed by our major shareholder Daimler AG did not take part in the discussion and passing of resolutions on specific items of the agenda, and voluntarily agreed not to be given the associated documents and minutes. These were related to business transactions that in some cases affected strategic issues and M&A matters.

ANNUAL AND GROUP FINANCIAL STATEMENTS 2009. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, who were appointed as auditors by the Annual General Meeting, audited the annual and group financial statements as at 31 December 2009, including the associated combined management report for the 2009 financial year, and subsequently issued an unqualified audit certificate.

The preliminary financial statements and the Executive Board's proposal for the appropriation of profits, plus the audit reports prepared by the auditors were presented to the Audit Committee and the Supervisory Board in good time. The Audit Committee discussed and examined the documents in the presence of the auditors on 5 March 2010 and prepared the Supervisory Board's resolution on the approval of the annual financial statements and the acceptance of the group financial statements. The auditors reported on the key results of their audit and remained available to the Audit Committee for further information.

The Supervisory Board also examined the annual and group financial statements, the combined management report, the audit reports prepared by the auditors, and the Executive Board's proposal for the appropriation of the net profit. After completing its own examination and hearing the auditors' report, the Supervisory Board had no objections to the annual and group financial statements prepared by the Executive Board and accepted the results of the audit presented by the auditors. It subsequently accepted the annual and group financial statements on 8 March 2010. The annual financial statements of Tognum AG were thus approved. After weighing up the relevant aspects, the Supervisory Board also agreed to the recommendation of the Executive Board for the appropriation of the net profit.

We would like to express our sincere thanks and appreciation to the members of the Executive Board, all company employees in Germany and abroad, as well as the employee representatives of all companies within the Group for their continuing dedication, their high personal commitment, and their excellent performance throughout a difficult 2009 financial year! The Supervisory Board would especially like to thank Dr. Gerd-Michael Wolters for 30 years of devoted service to the Group.

Friedrichshafen, 10 March 2010

For the Supervisory Board

A handwritten signature in blue ink, appearing to read 'R. Eckrodt', written in a cursive style.

Rolf Eckrodt

Chairman of the Supervisory Board