



News service MAN Group

Interim Report January 1 – June 30, 2001

Interim report of
August 22, 2001

MAN: on course to return to strong profitability after 2001's drop in earnings

The economic environment in which the MAN Group operates worsened during the first six months of 2001. The MAN Group secured new orders worth EUR 8.2 billion (during the first six months of 2000: EUR 9.0 billion). The timing of invoicing caused Group sales to come to a mere EUR 7.3 billion (EUR 8.3 billion). This caused its gross operating results to decline by EUR 214 million to EUR 1,294 million. The gross operating margin fell slightly, going from 18.2% to 17.7%. The earnings before interest and taxes (EBIT) amounted to EUR 245 million (EUR 504 million), with earnings before taxes on income (EBT) coming to EUR 155 million (EUR 440 million). The declines revealed by the comparing of the results achieved in the first halves of 2001 and 2000 are of limited use to those evaluating the business done by MAN during the period under review, and to those forecasting the Group's further development. That is because June 30, 2000 marked the end of the fourth quarter of financial year 1999/2000. This quarter traditionally accounts for a large portion of the sales and earnings recorded in Germany's industrial sector in the financial year. The Group has since rescheduled its financial year to run from January 1 to December 31. Also booked in this quarter were the one-time earnings resulting from the Group's disposal of its holdings in ELLIOTT.

We expect to register in 2001 as a whole new orders and sales of EUR 16.5 billion and between EUR 16 billion and EUR 16.5 billion respectively, compared to the EUR 15.6 billion (new orders) and EUR 14.6 billion (sales) recorded in 1999/2000, our last twelve-month financial year. We expect our Industrial Services, Printing Systems and Financial Services divisions to register large-size increases in earnings. We are also forecasting that our Diesel Engines division will obtain a slightly higher level of earnings. Encumbrances will ensue from the fall in profits registered by the SMS group, and from the situation facing our Commercial Vehicles division. Its substantial drop in profit will result from the slumps affecting its markets, from the ongoing incurring of supplemental costs arising from the changeover to new lines of vehicles, and from the losses unexpectedly racked up by ERF, our British-based subsidiary.

Group earnings came to EUR 668 million in 1999/2000. This all-time corporate high resulted from the Group's ordinary business operations and from the one-time revenues accruing from ELLIOTT. We cannot exclude the prospect of the MAN Group's recording a one third drop in operating earnings in 2001 – with this excluding one-time earnings. Programs designed to improve positions on markets and to cut costs are now being implemented throughout the Group. As matters now look, these will yield a substantial increase in earnings in 2002. By 2003, the Group will be once more attaining the high rates of return it has targeted for itself.



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Consolidated overview of the MAN Group EUR million	2001 Jan. – June	2000 Jan. – June	Change in %
New orders	8 208	8 991	- 9
Germany	2 233	2 134	+ 5
Foreign	5 975	6 857	- 13
Sales	7 331	8 291	- 12
Germany	2 010	2 209	- 9
Foreign	5 321	6 082	- 13
Orders on hand*	11 929	10 962	+ 9
Employees* (number)	77 966	76 604	+ 2
Germany	51 055	50 611	+ 1
Foreign	26 911	25 993	+ 4
Capital expenditure	710	791	- 10
of which in tangible and intangible fixed assets	295	298	- 1
of which in assets leased out	370	242	+ 53
Depreciation on fixed assets	337	288	+ 17
Research and development	307	272	+ 13
Earnings before interest and taxes / EBIT	245	504	- 51
Net interest payable	(90)	(64)	+ 41
Earnings before interests and taxes on income	155	440	- 65
Income taxes	(50)	(160)	- 69
Net income for the period	105	280	- 63
Earnings per share in EUR	0.64	1.65	- 61

* Figure on closing date of 30 June 2001 compared with 31 December 2000

Business in the first half of 2001

The **world economy** continued to weaken in the second quarter of 2001, with demand remaining low especially in the United States. A range of uncertainties are making it difficult to forecast where the economy is headed. The rates of GDP growth predicted for 2001 were once more cut during the last few months.

During the first six months of 2001, the **MAN Group secured new orders** worth EUR 8,208 million, down 9% over the figure for the comparable period in the previous year. The fall stemmed from a 13% drop in the orders booked from outside Germany, with five percentage points of the drop emanating from the USA and Turkey alone. A further seven percentage points arose from the fall in the amount of large-sized orders secured. Orders received from Germany-based customers rose 5%.

At EUR 7,331 million, Group **sales** were down 12% over the first half of 2000. Comprised in the latter figure were the unusually large amount of sales – EUR 5.1 billion – invoiced in the second quarter of 2000 (April – June), which brought financial year 1999/2000 to an end.



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The size of the figure was attributable to the completion and invoicing in the second quarter of 2000 of long-term orders by several group divisions. A further factor boosting sales was the large number of deliveries made by the commercial vehicles division. The Group's sales came to a EUR 4.0 billion in the second quarter of 2001. Though satisfactory, that was, however, 28% less than the amount recorded in the second quarter of the previous year.

The Group's **orders on hand** staged a further rise in the first half of 2001. As of June 30, 2001, the figure came to EUR 11,929 million, up 9% over December 31, 2000's total.

As of June 30, 2001, the MAN Group employed 77,966 **persons**, up 1,362 or 1.8% from December 31, 2000's total. Changes in the line-up of companies consolidated in the Group caused the workforce size to increase by 1,201 persons. Factor out the effect of these changes and the workforce increased by 161 persons, a rise of 0.2%. At the end of February, 2001, the Group's workforce size peaked at 78,564 persons. By the end of June, that number had fallen by 598 persons or 0.8%. The number of temps declined during the above period by 890 persons – or 29.5% – to 2,125 as of June 30, 2001.

Investments, acquisitions, shares repurchases

At EUR 710 million, the Group's **investments** were down 10% from the EUR 791 million expended during the first half of 2000. The latter figure included the large amount spent to acquire capital stakes. The Group's expenditures in the first half of 2001 for tangible fixed assets came to EUR 295 million, down 1%. The Commercial Vehicles division continued to account for the bulk of these expenditures. The Group's investments in leased-out products rose 53%, to EUR 370 million. The Group invested a total of EUR 307 million in research and development, up 13% over the comparable figure for 2000.

On June 20, 2001, the EU's anti-trust authorities approved the Group's **acquisition** of the bus manufacturing operations of the Stuttgart-based Gottlob Auwärter GmbH & Co. KG. The completion of the takeover has made MAN the third largest manufacturer of buses in Europe, with revenues of EUR 1.3 billion a year. The Group's lines of touring and travel coaches and of scheduled service buses are sold under the NEOPLAN and MAN trademarks. The consolidation of the NEOPLAN group into the Group's accounts was commenced on July 1, 2001.

The **repurchasing of proprietary preference shares** was concluded in August 2001. The program resulted in the purchasing – through an expenditure of some EUR 163 million – of 7.16 million of such shares. This was equivalent to 16.3% of the total preference shares outstanding, and to 4.6% of MAN AG's total stock. The preference shares repurchased will be kept in the corporate portfolio, for the time being. The conclusion of the purchasing program left MAN AG with 147,040,000 shares outstanding. The ratio of ordinary to preference shares comes to 3 to 1.

Earnings

The MAN Group recorded an **EBIT** of EUR 245 million for the first six months of 2001. That was down EUR 259 million from the EUR 504 million registered during the first six months of 2000. The latter figure's extraordinary large size stemmed from the fact that the second quarter of 2000 was the end of financial year 1999/2000.



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The resulting spate of end-of-the-year invoicings swelled the sales and hence gross earnings figure. The lack of this special effect joined with a 0.5% decline in gross margins in causing a EUR 214 million drop in the earnings recorded during the first half of 2001. Also causing the decline in EBIT was the lack of the one-time earnings resulting from the sale of the Group's 50% stake in ELLIOTT. The Group's **EBT** went from EUR 440 million to EUR 155 million. This drop of EUR 285 million partially resulted from the increase in the amount of interest paid due to the rise in the amount of financing as well as interest rates.

The **income taxes** paid fell from EUR 160 million to EUR 50 million. **Consolidated net income** went from EUR 280 million to EUR 105 million. After allowing for income accruing to outside interests and for the lower number of shares outstanding, the **earnings per share** figure for the first six months of 2001 came to EUR 0.64 (EUR 1.65).

Overview: Development of the divisions

New orders EUR million	2001	2000	Change in %
	Jan. – June	Jan. – June	
Commercial Vehicles	3 346	3 495	- 4
Industrial Services	1 423	1 792	- 21
Printing Systems	1 171	1 123	+ 4
Diesel Engines	784	687	+ 14
Industrial Equipment & Facilities	1 629	1 977	- 18
Financial Services	231	134	+ 72
Other / Consolidated	(376)	(217)	-
New orders MAN Group	8 208	8 991	- 9

Sales EUR million	2001	2000	Change in %
	Jan. – June	Jan. – June	
Commercial Vehicles	3 242	3 221	+ 1
Industrial Services	1 149	1 424	- 19
Printing Systems	967	1 052	- 8
Diesel Engines	633	621	+ 2
Industrial Equipment & Facilities	1 515	2 033	- 25
Financial Services	202	134	+ 51
Other / Consolidated	(377)	(194)	-
Sales MAN Group	7 331	8 291	- 12



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Earnings before interest and taxes (EBIT) EUR million	2001 Jan. – June	2000 Jan. – June	Change in EUR million
Commercial Vehicles	67	193	- 126
Industrial Services	39	39	-
Printing Systems	35	66	- 31
Diesel Engines	31	48	- 17
Industrial Equipment & Facilities	32	104	- 72
Financial Services	53	30	+ 23
MAN AG / Other	(12)	24	- 36
EBIT MAN Group	245	504	- 259

Earnings before taxes on income EUR million	2001 Jan. – June	2000 Jan. – June	Change in EUR million
Commercial Vehicles	6	148	- 142
Industrial Services	44	41	+ 3
Printing Systems	32	60	- 28
Diesel Engines	23	44	- 21
Industrial Equipment & Facilities	37	109	- 72
Financial Services	19	8	+ 11
MAN AG / Other	(6)	30	- 36
Earnings before taxes on income MAN Group	155	440	- 285

Results of the MAN Group's operating divisions

A decline in demand on its key markets caused the **Commercial Vehicles** division's new orders to fall a moderate 4%, to EUR 3,346 million. The division's Germany-based business declined sharply. A sharp drop in the amount of new orders emanating from Turkey was offset by the further rises registered by the division in its key markets in western Europe, keeping the division's total non-German orders at the previous year's level. At EUR 3,242 million, sales were up 1%. At 16.7%, the division's share of Europe's market for trucks of 6 tons or more was further up 0.8% in the first half of 2001.

The division's EBIT came to EUR 67 million (first half of 2000: EUR 193 million); its EBT to EUR 6 million (EUR 148 million). Adequately-sized provision has been made for the restructuring measures previewed on July 30, 2001, including a reduction in workforce size. The division's substantial drop in operating profits stemmed from the intensification of competition among truck producers, from an – as yet – unsatisfactory level of productivity (caused by the maintaining of operations producing both old and new lines of trucks), and from the low amounts of earnings recorded by the bus production department. The division's earnings for the first six months of 2001 were also encumbered by the unexpected losses recorded by ERF, a British company acquired in March, 2000. They resulted in



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encumbrances of EUR 29 million on the division's EBIT and EUR 36 million on its EBT. Financial damages resulting from the irregularities comprised in ERF's balance sheets and involving the period until December 31, 2000 have been balanced by reserves in the accounts of the six months ending on June 30, 2001. The ERF transaction is now being examined by two teams of certified public accounts: the Hamburg-based BDO Deutsche Warentreuhand AG and BDO Stoy Hayward, London. It will also be the object of litigation.

At EUR 1,423 million, the **Industrial Services** division's new orders were down 21% from those secured during the first half of 2000, whose total had been swelled by the booking during the second quarter of a great amount of large-sized orders in anticipation of the end of the financial year. This year's relative drop-off in such items has been accompanied by a maintaining of 2000's level of orders for standard business items. The above end-of-the-year effect was also behind the 19% fall – to EUR 1,149 million – in sales. At EUR 39 million, the division's EBIT was unchanged. Its EBT rose EUR 3 million, to EUR 44 million.

The **Printing Systems** division set forth its strong rise in new orders. The figures for 2000 contained the orders emanating from the year's installment of drupa, the trade fair taking place every four years. This fact notwithstanding, the division's new orders total rose 4% – to EUR 1,171 million – in 2001. The division's sales declined 8% to EUR 967 million. This drop was also caused by 2000's end-of-the-financial-year effect, which was also responsible for the fall in the division's EBIT at EUR 35 million (first half of 2000: EUR 66 million) and in its EBT at EUR 32 million (EUR 60 million).

The 14% rise in new orders – to EUR 784 million – recorded by our **Diesel Engines** division is attributable to its acquisition of MAN B&W Diesel Great Britain Ltd. The latter had been consolidated into corporate accounts on a pro rata basis in 2000. Sales rose 2%, to EUR 633 million. Factor out the effects of the above acquisition, and sales declined. The division's EBIT came to EUR 31 million (first half of 2000: EUR 48 million); its EBT to EUR 23 million (EUR 44 million). These drops in profitability were caused by the lower levels of facility utilization prevailing in the departments producing four-stroke engines.

At EUR 1,629 million, the new orders total recorded by the **Industrial Equipment and Facilities** division was down 18% from the first six months of 2000's figure. The decline was attributable to a drop in the volume of large-sized orders booked, and to a weakening of standard-type business. At EUR 1,515 million, the division's sales were down a substantial 25% over those registered during the comparable period in 2000, during which a number of the division's companies completed and invoiced long-term orders. The division's EBIT came to EUR 32 million (first half of 2000: EUR 104 million); its EBT, to EUR 37 million (EUR 109 million). More than half of the drop in gross earnings (mentioned above) recorded by the MAN Group as a whole in the first half of 2001 stemmed from this division.

The **Financial Services** division registered a further rise in business, with its new orders increasing 72% to EUR 231 million, its sales increasing 51% to EUR 202 million and its EBT coming to EUR 19 million (from EUR 8 million).



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Outlook

We expect the MAN Group to record in 2001 new orders and sales coming to some EUR 16.5 billion and between EUR 16 billion and EUR 16.5 billion respectively. These would represent rises – partially attributable to acquisitions – over the EUR 15.6 billion (new orders) and EUR 14.6 billion (sales) registered in 1999/2000, our last twelve-month financial year. Our Commercial Vehicles, Industrial Services, Printing Systems and Diesel Engines are set to realize double-digit increases in sales. These rises will stem from the growth of ongoing operations and from the acquisitions made. Current forecasts foresee the Industrial Equipment and Facilities division turning in a single-digit increase.

The **Group's divisions** are forecast to show in 2001 a divergence in **earnings** achieved.

- The Commercial Vehicles division's drop in earnings should bottom out in the first half of 2001. The third quarter is traditionally a time when many staff members go on vacation. This factor will cause the division's levels of output and sales to remain low during the quarter, encumbering earnings in the process. We expect the fourth quarter to bring rises in output, unit sales and revenues (vis-à-vis those recorded in the third quarter). The measures taken to reduce costs will also increasingly make their presence felt during the financial year's final three months. The losses registered by ERF have yet to be factored into corporate forecasts. Notwithstanding this fact, we expect the division to record an EBT of somewhere between EUR 40 million – EUR 60 million.
- The Industrial Services division will continue to grow. We expect it to achieve a substantial rise in earnings vis-à-vis those recorded in 1999/2000.
- We also expect the Printing Systems division to parlay its good level of business into a strong increase in earnings.
- The Diesel Engines division is forecast to notch a further increase in earnings. The department producing four-stroke engines will not realize the increase originally projected. The department manufacturing two-stroke engines will exceed the earnings targeted for it.
- In the Industrial Equipment and Facilities divisions, the SMS group is undertaking restructuring measures. The orders it is processing are proving low-yield. These factors will cause the group to experience a substantial drop in earnings, as reported above. The other companies forming part of the division should, viewed as a whole, record profits nearly attaining the strong level achieved in 1999/2000.
- MAN Financial Services will continue to increase its volume of business. Its earnings will rise strongly.

As previously previewed, the **MAN Group** as a whole is expected to experience a drop in EBT greater than the 10% – as compared to 1999/2000's strong EUR 668 million – originally forecast. Based on the predictions made for the Group's individual divisions (reported above), it is not possible to exclude the prospect of the MAN Group's recording a one third drop in operating earnings in 2001.



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Future developments

July 1, 2001 marked the completion of the changing of the guard in MAN Nutzfahrzeuge's executive board. This new-look board has already implemented a large number of measures. They are designed to increase the company's operating margins and productivity, and to reduce its costs. Included in these measures has been the setting up of new profit centers in the company's facilities and outlets. Other measures will cause the number of persons working for the division to decline by 4,000 (equivalent to 11% of the workforce's previous size) by June 30, 2002. MAN Nutzfahrzeuge's earnings should stage a substantial rise in FY 2002. This increase is to be followed, in 2003, by a return to the levels of profitability attained in 1999/2000. A similar program is now also being pursued by the SMS group. It, too, will lead to an increase in productivity and to a reduction in costs. Also set to be restructured is the Diesel Engine division's department producing four-stroke engines. The Group's other divisions are also implementing programs designed to enhance their ability to compete for business. Most of these divisions are already meeting or surpassing in 2001 the goal of a 15% rate of return on capital employed.

The measures now being implemented and the developments currently perceivable on world markets are joining to lead us to predict that the MAN Group's earnings will substantially rise in 2002. We are striving to attain, by 2003, the high level of return on capital achieved in 1999/2000.

MAN Group Consolidated income statement January – June 2001 EUR million	2001 Jan. – June	2000 Jan. – June
Net sales	7 331	8 291
Cost of sales	(6 037)	(6 783)
Gross margin	1 294	1 508
Selling expenses	(517)	(511)
General administrative expenses	(314)	(291)
Other operating income	190	280
Other operating expenses	(408)	(490)
Income from investments	-	8
Earnings before interest and taxes / EBIT	245	504
Net interest payable	(90)	(64)
Earnings before taxes on income / EBT	155	440
Income taxes	(50)	(160)
Net income for the period	105	280



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April – June 2001 EUR million	2001 April – June	2000 April – June
Net sales	3 979	5 092
Cost of Sales	(3 326)	(4 211)
Gross margin	653	881
Selling expenses	(265)	(273)
General administrative expenses	(156)	(151)
Other operating income	86	175
Other operating expenses	(211)	(283)
Income from Investments	-	9
Earnings before interest and taxes / EBIT	107	358
Net interest payable	(43)	(31)
Earnings before taxes on income / EBT	64	327
Income taxes	(18)	(119)
Net income for the period	46	208

General principles

The interim financial statements have been prepared according to IAS 34 and are based on the accounting and valuation methods used for the previous consolidated financial statements as of 31 December 2000. IAS 39, »Accounting and Valuation of Financial Instruments«, has been applied for the first time. The interim financial statements have not been audited.

The comparable figures for the periods January to June 2000 and April to June 2000 are based on the second half resp. fourth quarter of the 1999/2000 financial year (prior to changing to the calendar year).



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MAN Group: Consolidated balance sheet as of 30 June 2001		
Assets		
EUR million	30.6.2001	31.12.2000
Intangible assets	375	353
Tangible assets	2 331	2 293
Assets leased out	1 097	878
Financial assets	194	182
Fixed assets	3 997	3 706
Inventories	5 193	4 531
Prepayments received	(3 071)	(2 560)
Trade receivables	3 671	3 632
Other receivables and current assets	553	479
Short-term securities	1 062	990
Cash and cash equivalents	526	620
Current assets	7 934	7 692
Deferred tax assets	286	312
Prepaid expenses and deferred charges	62	58
	12 279	11 768
Equity & liabilities		
EUR million	30.6.2001	31.12.2000
Equity of MAN AG stockholders	2 532	2 662
Minority interests	307	301
Equity	2 839	2 963
Pension accruals	1 959	1 925
Tax accruals, deferred tax liabilities	523	631
Other accruals	1 820	1 816
Accruals	4 302	4 372
Financial liabilities	2 454	1 775
Trade payables	1 689	1 770
Other liabilities	912	818
Liabilities	5 055	4 363
Deferred income	83	70
	12 279	11 768



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MAN Group: Consolidated cash flow statement January – June 2001		
EUR million	2001 Jan. – June	2000 Jan. – June
Cash and cash equivalents at beginning of year	620	538
Net income for the period	105	280
Non-cash expenses and income	367	337
Cash flow	472	617
Changes in working capital	(327)	(142)
Net cash inflow from operating activities	145	475
Capital expenditure	(710)	(791)
Disposal of assets	113	180
Net cash outflow from investment activities	(597)	(611)
Dividends paid	(82)	(6)
Redemption of own shares	(156)	-
Net change in financial liabilities and short-term securities	568	(21)
Net cash inflow / outflow from financing activities	330	(27)
Net change in cash and cash equivalents	(122)	(163)
Other changes in cash and cash equivalents	28	82
Cash and cash equivalents at end of the period	526	457

MAN Group: Consolidated statement of changes in equity January – June 2001			
EUR million	Equity of MAN AG stockholders	Minority interests	Total
Balance at 31. December 1999	2 382	268	2 650
Dividends paid for the previous year	-	(6)	(6)
Net income for the period	255	25	280
Currency translation effects	10	7	17
All other changes	6	6	12
Balance at 30. June 2000	2 653	300	2 953
Balance at 31. December 2000	2 662	301	2 963
Dividends paid for the previous year	(74)	(8)	(82)
Net income for the period	96	9	105
Redemption of own shares	(156)	-	(156)
Currency translation effects	13	3	16
All other changes	(9)	2	(7)
Balance at 30. June 2001	2 532	307	2 839

MAN Aktiengesellschaft
The Executive Board