



News service MAN Group

Interim report of
February 25, 1999

The MAN Group's results for the first six months of 1998/99:

a rise in turnover and a substantial improvement in earnings

Report on the first half of the 1998/99 financial year,
July 1 - December 31, 1998

The MAN Group set forth its upswing during the first six months of 1998/99 (July 1 - December 31, 1998), notwithstanding the deterioration in economic conditions. The Group's turnover rose by 6%. The value of new orders secured was very nearly that of the previous year's very high level. As of December 31, 1998, the Group had orders on hand worth DM 21.7 billion - an all-time record. The Group's earnings before taxes on income came to DM 390 million, a rise of DM 124 million or 47% over the previous year's figure.

We expect the relatively slow flow of new orders to be maintained during the second half of the financial year. The Group's turnover for the 1998/99 financial year should surpass 1997/98's figure of DM 24.8 billion. We are striving to achieve pre-tax earnings of DM 1 billion for the financial year. This would boost the Group's rate of return on capital employed over 15% for the first time.

Operating conditions

Since autumn, 1998, Germany's upswing has been losing steam. The upswing had previously been largely powered by the country's success in selling its products abroad. The crises being experienced by Asia, Russia and South America have led to a tapering off of the country's exports. Germany's manufacturers of industrial equipment and facilities haven't escaped unscathed from this trend. Demand issuing from North America, the reform-minded countries in central Europe and the EU's member states had remained fairly stable. The above-mentioned crises are, however, now making their presences felt on these markets as well. Demand from within Germany did pick up during the course of 1998. Gratifying though this development was, it did not suffice to fully offset the drop-off in exports. One factor dampening the rise in domestic demand: a number of our customers are increasingly taking a 'wait and see' attitude because of uncertainties as to proposed legislation. By way of contrast, the strong demand for commercial vehicles shown by customers in western Europe has persisted throughout the first half of the 1998/99 financial year.

New orders

During the first six months of 1998/99, the MAN Group secured **new orders** worth DM 11.8 billion, down 1% from the previous year's figure. Orders from customers in Germany came to DM 4.1 billion, at the previous year's level. The volume of orders secured from outside Germany fell 2% to DM 7.7 billion. This drop is especially attributable to our international steel trading operations and our plant and rolling mills technologies area. The volumes of orders secured by these areas were substantially below those for the first half of 1997/98. The MAN Group booked large-sized orders worth DM 1.4 billion, a rise of 13% over the previous year's figure.



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Turnover

The MAN Group's **turnover** rose 6% to DM 10.9 billion. At DM 3.7 billion, the turnover achieved in Germany by the Group also increased 6%. The Group's non-German turnover amounted to DM 7.2 billion, a rise of 5%. The Group's total operating performance came to DM 11.9 billion, up 9%.

Orders on hand

As of December 31, 1998, the Group had **orders on hand** worth DM 21.7 billion, up 2% over December 31, 1997's DM 21.4 billion, and up 4% over the DM 20.9 billion total recorded at the end of the 1997/98 financial year. 73% of the Group's current orders on hand stem from customers located outside Germany.

Personnel

As of December 31, 1998, the MAN Group **employed 67,773 persons**. The figure for December 31, 1997, was 62,411 persons. This rise is largely attributable to the initial consolidation in 1998 of companies into the Group. After this has been factored out, the rise in the Group's workforce comes to 1,283 persons, or 1.9% of the previous total. Prime source of the new positions is our commercial vehicles sector, which is riding an upswing. All of our other sectors have seen their workforce sizes (when put on comparable bases) stay the same, or be slightly reduced.

Investments

During the first half of 1998/99, our **investments** came to DM 456 million, up 13% over the previous year's figure. Of that, DM 404 million was invested in tangible fixed assets, 23% more than in the first half of 1997/98. The focus of this year's capital investments was the commercial vehicles sector. A further DM 52 million were invested in financial assets.

Earnings for the first six months of 1998/99

The MAN Group was able to further increase its profitability during the first half of 1998/99. Nearly all of the Group's large-sized sectors engaged in production operations secured good amounts of new orders and registered good rates of facility utilization. Implemented in previous years had been measures cutting operating costs and inducing turnarounds in potentially profitable sectors. Also undertaken had been the disposing of unprofitable areas of business. All of these measures have had positive effects on the Group's bottom line. Making an especially strong impact have been the turnaround achieved by MAN Roland and the wrapping-up of the remaining activities associated with MAN Gutehoffnungshütte. These two developments have caused the MAN Group's underlying profitability to increase by some DM 300 million over the last year and a half. The MAN Group's earnings from ordinary business activities in the first half of 1998/99 came to DM 390 million, up a substantial DM 124 million or 47% over the previous year's figure. The Group registered a net income of DM 265 million, a rise of DM 80 million or 43%. Its cash flow increased by DM 174 million - or 33% - to DM 703 million during the period.



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The MAN Group in facts and figures

MAN Group	1. half 1998/99		1. half 1997/98	Change in %
	Mill EUR	Mill DM	Mill DM	
New Orders				
Germany	2,089	4,085	4,098	0
Abroad	3,921	7,669	7,788	-2
Total	6,010	11,754	11,886	-1
Turnover				
Germany	1,893	3,703	3,494	+6
Abroad	3,689	7,215	6,841	+5
Total	5,582	10,918	10,335	-1
Orders on hand (as of Dec. 31)	11,099	21,708	21,364	+2
Investments	233	456	402	+13
Cash flow	359	703	529	+33
Income from ordinary activities	199	390	266	+47
Net income	135	265	185	+43
Employees	number as of Dec. 31, 1998		Dec. 31, 1997	
Germany		48,449	46,915	+3
Abroad		19,324	15,496	+25
Total		67,773	62,411	+9

MAN Group: report on its business sectors

New orders	1. half 1998/99		1. half 1997/98	Change in %
	Mill EUR	Mill DM	Mill DM	
Commercial vehicles	2,363	4,621	4,518	+2
Industrial services	1,094	2,140	2,411	-11
Printing systems	914	1,787	1,611	+11
Diesel engines	470	920	825	+12
Industrial systems and facilities	1,221	2,388	2,536	-6
Holding, miscellaneous	99	194	316	-39
intra-Group	-151	-296	-331	-
New orders, MAN Group	6,010	11,754	11,886	-1



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Turnover	1. half 1998/99		1. half 1997/98	Change in %
	Mill EUR	Mill DM	Mill DM	
Commercial vehicles	2,254	4,409	4,042	+9
Industrial services	1,028	2,010	2,626	-23
Printing systems	739	1,445	1,128	+28
Diesel engines	449	879	794	+11
Industrial systems and facilities	1,156	2,261	1,717	+32
Holding, miscellaneous	102	200	322	-38
intra-Group	-146	-286	-294	-
Turnover, MAN Group	5,582	10,918	10,335	+6

Earnings before taxes on income	1. half 1998/99		1. half 1997/98	Change in %
	Mill EUR	Mill DM	Mill DM	
Commercial vehicles	88	172	150	+22
Industrial services	30	59	58	+1
Printing systems	16	31	-35	+66
Diesel engines	17	33	60	-27
Industrial systems and facilities	43	85	64	+21
Holding, miscellaneous, intra-Group	5	10	-31	+40
MAN Group earnings before taxes	199	390	266	+124
Taxes on income	-64	-125	-81	-44
Net income, MAN Group	135	265	185	+80

Commercial vehicles

At DM 4.6 billion, **MAN Nutzfahrzeuge's** new order total rose 2% over the previous year's strong result. Demand for commercial vehicles in western Europe remained strong, with increases being recorded in Germany, France, Great Britain, Italy and Spain - all major markets in terms of volume. The large amount of orders on hand and the good rates of facility utilization prevailing yielded a substantial rise in turnover, which increased 9% to DM 4.4 billion. The company's earnings for the first six months of 1998/99 came to DM 172 million, a climb of 15%.

Industrial services

At DM 2.1 billion, the **industrial services** sector's new orders total was 11% below that of the previous year. This drop was attributable to the fall in the volume of orders (as compared to the previous year) secured by the sector's international steel trading operations, a fall caused by dramatic declines in product prices and by a slump in the amount ordered. The sector's turnover came to DM 2 billion for the first half of 1998/99, down 23%. In addition to the downturn in its steel trading business, this reduction was also attributable to the lower amount of large-sized orders invoiced by the facility construction and contracting division. These trends had, however, no effect on the sector's earnings, which came to DM 59 million, a figure at the previous year's level.



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Printing machines

The **printing machines** sector secured new orders worth DM 1.8 billion during the first six months of 1998/99, up 11%. This rise was predominately ascribable to the expanding of the sector's proprietary distribution and after-sales service operations. This expansion was a result of the sector's having taken over Omnigraph, a Europe-based trading organization, and the distribution companies previously belonging to the VOTRA Group, which are active in China and other markets. The webfed area registered a new order total of DM 0.9 billion, up a substantial 24%. The DM 0.8 billion in orders secured by the sheetfed area allowed it to come close to re-attaining the previous year's high level. The large amounts of demand and of orders on hand combined to yield a 28% rise in turnover, which came to DM 1.4 billion. The sector's earnings for the six month period came to DM 31 million, an improvement of DM 66 million over the first half of 1997/98's loss of DM 35 million.

Diesel engines

The **Diesel engine** sector's new orders and turnover rose 12% and 11% respectively. Each of these figures came to DM 0.9 billion. These increases were largely attributable to the consolidation of S.E.M.T. Pielstick. MAN B&W Diesel AG secured two large-sized orders, boosting its new order total. The orders are for Diesel power plants, and supplies provided by outside parties account for a large portion of each of them. The Denmark-based MAN B&W Diesel A/S's engine production and licensing businesses experienced drops, with these being caused by the weakness persisting in the shipbuilding sectors in Europe and Japan. The Diesel engine sector's earnings were negatively affected by a low rate of facility utilization and by a further intensification in the downward pressure on prices. Earnings declined by DM 27 million to DM 33 million.

Industrial systems and facilities

The new orders secured by the **industrial systems and facilities sector** came to DM 2.4 billion, down 6% over the previous year's figure. Suffering a sharp drop was the amount of orders booked by the plant and rolling mills technologies area, whose business is primarily comprised of large-sized orders. Offsetting this drop were the increases in new orders registered by MAN Technologie and RENK. The other companies comprised in this sector had new order totals at about the previous year's levels. The facility construction industry has long times of order completion. Thanks to this, the industrial systems and facilities sector's drop in new orders has yet to impact upon its turnover. Rather, this figure rose a substantial 32% to DM 2.3 billion. The sector's earnings came to DM 85 million, up DM 21 million.

The sector has implemented and unswervingly pursued a policy of restricting its operations to those belonging to its core areas of activity in the industrial systems and facilities business. The setting forth of this implementation resulted in the disposal of non-essential assets whose total turnover comes to DM 150 million. In the period of review, SMS Aktiengesellschaft and Mannesmann Aktiengesellschaft reached an agreement in principle for the incorporating of the latter's Mannesmann Demag Metallurgie area of business into SMS Schloemann-Siemag Aktiengesellschaft.



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Prospects

The pace of capital investing is slowing down. This is affecting a number of the sectors comprising the economies of both Germany and of other areas. Risks continue to derive from the world economy's current situation. These facts are leading us to forecast that the economy will experience a temporary weakness, which might impact upon our new orders. The MAN Group has a large amount of orders on hand. Based on this, we are sticking to our prediction that the Group will realize a moderate increase in turnover. In 1997/98, the Group's earnings before taxes on income came to DM 809 million. Our objective for this year is the DM 1 billion mark. Achieving it would boost the Group's rate of return on capital employed over 15% for the first time.

MAN Aktiengesellschaft
Executive Board