



# News service MAN Group

Interim report of  
February 29, 2000

## **MAN Group: Pace of growth accelerated**

– Report on the first half of the 1999/2000 financial year  
July 1 - December 31, 1999 –

**With all of its key indicators turning in substantial rises, the MAN Group picked up the pace of its growth in the second quarter of 1999/2000. In the first six months (July 1 - December 31) of the running financial year the MAN Group registered earnings before taxes on income of DM 446 million, up 10 % on a year-to-year basis. With a greater amount of taxation paid the consolidated net income (post-tax) rose 5 %, to DM 283 million. The Group secured new orders worth DM 13 billion, up 11 %; with its sales staging a same-sized rise, to DM 12.3 billion. As of December 31, 1999, the Group had orders on hand worth DM 19.7 billion, as opposed to December 31, 1998's DM 18.9 billion.**

**As these figures detail, business has been developing better than previously expected. This fact has caused us to revise – upwards – our forecasts for the financial year as a whole. We are now predicting that we will secure in 1999/2000 new orders worth DM 29 billion (in 1998/99: DM 24.4 billion), with the Group's total sales forecast to come to DM 28.5 billion (in 1998/99: DM 25.9 billion). We are expecting these rises to yield a more than 15 % increase in earnings before taxes on income. The figure for 1998/99 was DM 1.09 billion. The Group's consolidated net income (in 1998/99: DM 725 million) and earnings per share (in 1998/99: DM 4.36) should rise by more than 10 % each.**

## **Economic conditions**

The world's economy resumed its upward growth in the second half of 1999. A primary effect of this rise was the strengthening of the demand for capital goods. Profiting particularly strongly from this development were Germany's manufacturers of industrial equipment, a very large portion of whose sales are made on markets outside Germany. This strengthening of demand has chiefly manifested itself in the increases registered in the manufacturers' new orders totals. Yet to rise correspondingly are the manufacturers' production and sales figures. This lagging is a product of the long times of order processing prevailing in this sector. The producers of large-sized industrial facilities have yet to experience a rise in new orders. Based on the amount of project-related business it is currently undertaking, this sector is expected to embark upon an upturn. Europe's market for commercial vehicles continued to show strong legs. The primary cause of its ongoing rise has been strong demand for heavy-duty trucks. The European Integration and the change in value chains down to the consumer are the main reasons for the higher level of demand for commercial vehicles.

## **Changes in the MAN Group's business areas**

Since the beginning of this business year a number of foreign companies have been purchased in order to strengthen the core activities of the MAN Group. MAN Nutzfahrzeuge acquired STAR, a manufacturer of medium-weight commercial vehicles in Poland, and ERF, a manufacturer of heavy trucks in England. Both companies



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together have an annual sales potential of 6 000 vehicles, corresponding to DM 800 million. MAN B&W Diesel AG, Augsburg, will take over Alstom Engines – the British manufacturer of Diesel engines – having an annual sales potential of DM 500 million with its brands Ruston, Paxman and Mirreles Blackstone. MAN Roland Druckmaschinen will purchase the Brüder Henn group of companies – its distribution partner for Austria as well as Central and Eastern Europe – thus adding a turnover of DM 100 million. Battenfeld, with its acquisition of Cincinnati Extrusion GmbH from Austria which has a sales volume of DM 120 million, strengthened its leading position on the world market for extrusion machines. These acquisitions are not yet contained in the figures for the first half of the financial year. In February 2000, the 50 % stake in the USA-based manufacturer of turbomachines New Elliott Corporation, Jeannette, PA, was sold at a good profit. The current ownership structure of the company did not allow to implement MAN's original business strategy. For the purposes of the consolidated accounts, this transaction took retroactive effect on July 1, 1999.

### **New orders**

During the first six months of 1999/2000, the MAN Group secured new orders worth DM 13 billion, up 11 % over the first half of 1998/99. The amount of orders placed by customers in Germany grew 20 %; those outside the country, 6 %. The Group's commercial vehicles and industrial equipment and facilities business areas recorded especially strong rises of 18 % and 12 % respectively.

### **Sales**

The Group's sales figure also staged a double-digit rise, increasing 11 % to DM 12.3 billion. The sales made by the industrial equipment and facilities business area rose 25 %. Accounting for a large portion of the Group's total workforce, the commercial vehicles and printing systems business areas registered 12 % and 8 % increases in sales respectively.

### **Orders on hand**

As of December 31, 1999, the Group had orders on hand worth DM 19.7 billion. This was up 4 % over December 31, 1998's DM 18.9 billion. It was also 17 % higher than the DM 16.8 billion registered at the end of 1998/99 (June 30).

### **Employees**

As of December 31, 1999, 70,327 persons were working for the MAN Group, up 4 % over December 31, 1998's figure. This rise is primarily attributable to the changes in the roster of companies consolidated in the Group accounts. Put on a comparable year-to-year basis, the employees figure rose slightly, by 353 persons. As of December 31, 1999, 29.6 % of the Group's employees were working for non-German companies, as opposed to 28.5 % on December 31, 1998.



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## Capital expenditures

The MAN Group's capital expenditures during the first six months of 1999/2000 came to DM 785 million, up 11 % over 1998/99. Of that total, DM 715 million - up 9 % over 1998/99 - went to tangible fixed assets, with this including those purchased for purposes of leasing out. The Group's commercial vehicles business area accounted once more for the bulk of MAN's capital expenditures. The Group's net purchases of financial assets came to DM 70 million (1998/99: DM 52 million) during the first half of the financial year.

## Earnings for the first half of 1999/2000

In the first six months of 1999/2000, the MAN Group registered earnings before taxes on income of DM 446 million, a DM 40 million or 10 % rise over 1998/99's figure. This rise was primarily produced by the commercial vehicles sector, whose earnings increased DM 27 million. The MAN Group's consolidated net income (post-tax) came to DM 283 million, up DM 13 million or 5 % over the previous financial year's figure. The Group's cash flow amounted to DM 808 million, DM 32 million or 4 % more than in 1998/99 respectively.

## MAN Group: an overview

MAN Group	first six months of 1999/2000		first six months of 1998/99	change in %
	EUR mill.	DM mill.	DM mill.	
<b>New Orders</b>				
from Germany	2,485	4,861	4,055	+ 20
from outside Germany	4,164	8,143	7,674	+ 6
<b>total</b>	6,649	13,004	11,729	+ 11
<b>Sales</b>				
in Germany	2,206	4,315	3,761	+ 15
outside Germany	4,084	7,988	7,331	+ 9
<b>total</b>	6,290	12,303	11,092	+ 11
<b>Orders on hand</b> (as of Dec. 31)	10,057	19,670	18,869	+ 4
<b>Capital expenditures</b>	401	785	708	+ 11
<b>Cash flow</b>	413	808	776	+ 4
<b>Earnings from ordinary business activities</b>	228	446	406	+ 10
<b>Profits after taxes on earnings</b>	144	283	270	+ 5
<b>Employees</b> (number as of Dec. 31)				
in Germany		49,533	48,380	+ 2
outside Germany		20,794	19,325	+ 8
<b>total</b>		70,327	67,705	+ 4



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## MAN Group: business areas

New orders	first six months of 1999/2000		first six months of 1998/99	change in %
	EUR mill.	DM mill.	DM mill.	
Commercial vehicles	2,779	5,436	4,621	+ 18
Industrial services	1,077	2,107	2,140	- 2
Printing systems	972	1,901	1,787	+ 6
Diesel engines	505	988	920	+ 7
Industrial equipment and facilities	1,349	2,639	2,364	+ 12
Holding, miscellaneous	182	355	314	+ 13
Intra-Group consolidation	- 215	- 422	- 417	-
New orders, MAN Group	6,649	13,004	11,729	+ 11

Sales	first six months of 1999/2000		first six months of 1998/99	change in %
	EUR mill.	DM mill.	DM mill.	
Commercial vehicles	2,534	4,956	4,409	+ 12
Industrial services	1,067	2,088	2,079	0
Printing systems	796	1,558	1,448	+ 8
Diesel engines	485	948	962	- 1
Industrial equipment and facilities	1,463	2,861	2,293	+ 25
Holding, miscellaneous	160	313	320	- 2
Intra-Group consolidation	- 215	- 421	- 419	-
Sales, MAN Group	6,290	12,303	11,092	+ 11

Earnings before taxes on income	first six months of 1999/2000		first six months of 1998/99	change DM mill.
	EUR mill.	DM mill.	DM mill.	
Calculated using IAS, all annual figures are fully comparable				
Commercial vehicles	121	236	209	+ 27
Industrial services	33	65	59	+ 6
Printing systems	19	37	33	+ 4
Diesel engines	10	20	27	- 7
Industrial equipment and facilities	32	62	63	- 1
Holding, miscellaneous, intra-Group consolidation	13	26	15	+ 11
MAN Group: earnings before taxes on income	228	446	406	+ 40
Taxes on income	- 83	- 163	- 136	- 27
MAN Group: net income	145	283	270	+ 13

### Commercial vehicles

The further, substantial rise in new orders recorded by MAN Nutzfahrzeuge stemmed from the persistence of strong demand for commercial vehicles. The company's new orders total came to DM 5.4 billion. Substantial increases were registered in Germany and on three of the company's most important foreign markets (as ranked by volume of sales): France, the United Kingdom and Spain. MAN Nutzfahrzeuge recorded a good amount of order procurement and a satisfactory rate of facility employment. These factors manifested themselves in the company's sales total, which came to DM 5.0 billion, up 12 % over the figure for the first half of 1998/99. The company's earnings amounted to DM 236 million, a rise of DM 27 million over 1998/99's figure. For the fiscal year 1999/2000 MAN Nutzfahrzeuge will improve its earnings substantially.



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## Industrial services

The Group's industrial services business area (Ferrostaal group division) secured new orders worth DM 2.1 billion, down a very slight 2 % over the result achieved in the first half of 1998/99. The business area's new orders total had been running sharply below that of the previous year. The booking of large-sized orders allowed this gap to be nearly erased by the end of November. In the second half of the fiscal year 1999/2000 new orders are expected to rise remarkably. The business area's sales came to DM 2.1 billion, a result at the level of that of the first half of 1998/99. Its earnings amounted to DM 65 million, up DM 6 million. For the fiscal year 1999/2000 they are expected to reach the previous year's level.

## Printing systems

The printing systems business area secured new orders worth DM 1.9 billion during the first half of 1999/2000, up 6 % on a year-to-year basis. The webfed and trading and service provision divisions recorded substantial rises in new orders; the amount of those booked by sheetfed one was at 1998/99's level. The business area's sales came to DM 1.6 billion, 8 % more than in the previous financial year. The business area's earnings for the six-month period rose DM 4 million, to DM 37 million. In spite of high expenditures for substantial further product-developments MAN Roland expects to fully reach the level of previous year's earnings.

## Diesel engines

The Diesel engines business area's new orders total amounted to DM 1.0 billion, a rise of 7 %. Showing an especially strong rise was the total registered by the Denmark-based MAN B&W Diesel A/S. The lack of large-sized orders caused the Germany-based MAN B&W Diesel AG to record a new orders total below that of the first half of 1998/99. However, those orders are expected in the remaining month of the current fiscal year. At DM 0.9 billion, the business area's sales were down a very slight 1 % over the previous financial year's figure. Lower rates of facility employment and a temporary drop in the volume of licensing business caused the business area's earnings to stage a DM 7 million fall to DM 20 million. Nevertheless, compared with the previous year, MAN B&W Diesel predicts an improvement in earnings.

## Industrial equipment and facilities

The group divisions comprised in the industrial equipment and facilities business area secured new orders worth DM 2.6 billion, a rise of 12 % over the previous financial year's figure. The SMS group, of which Mannesmann Demag Metallurgy forms part, registered a substantial rise in new orders. Recording new order totals at or about the previous year's levels were MAN TAKRAF, RENK and SHW. MAN Technologie, DWE and MAN Turbomaschinen GHH BORSIG all registered new orders totals below those of the first half of 1998/99. The latter's drop was caused by the sale of the Group's holdings in ELLIOTT and its concomitant removal from the consolidated accounts. The business area's sales amounted to DM 2.9 billion. One prime cause of this rise of 25 % was the growth turned in by the SMS group. The business area's earnings came to DM 62 million, a scant DM 1 million below 1998/99's figure. Also for the fiscal year 1999/2000 as a whole the previous year's figure will not be reached.



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## Prospects

Viewed as a whole, the MAN Group performed very successfully during the first six months of 1999/2000. This gratifying development was largely ascribable to the commercial vehicles business area, whose orders total and facility employment rate were above the projections made at the beginning of the financial year. For the second half of the year we expect demand to remain strong on the markets of importance to the MAN Group. We are also forecasting our orders situation to continue to be positive. Further, we expect those business areas involved in the construction of large-sized facilities and featuring low rates of corporate performance to participate in a number of projects. Providing further impetus to the business done by the MAN Group in the second half of 1999/2000 will be the launching of a new, heavy-duty truck (set for March, 2000), and the staging of the world's largest printing and graphic arts trade show, drupa 2000, in May. MAN Roland will present a revolutionary, digital-based printing machine at the trade fair.

Viewing the situation as a whole, we expect to more than match in the second half of 1999/2000 the 11 % rise in new orders achieved during the first six months. This will cause us to book a volume of new orders in 1999/2000 amounting to somewhere around DM 29 billion. The corresponding figure for 1998/99 was DM 24.4 billion. We are forecasting the registering of a sales volume of DM 28.5 billion (1998/99: DM 25.9 billion).

The fulfilling of the above projections will cause the MAN Group's earnings to stage a substantial rise over those recorded in 1998/99. As matters now stand, we expect to be able to increase our earnings before taxes on income by more than 15 %. A slightly higher tax rate leads to a more than 10 % rise in our consolidated net income and our earnings per share.

MAN Aktiengesellschaft  
The Executive Board