# News service MAN Group

Interim Report 1.1. – 31.3.2001

Press release of
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## MAN Group: Further growth / Divisions show varied earnings trends

**During the first quarter of 2001, the MAN Group was able to further expand its business volume. New orders rose by 6% to € 4.3 bn, while sales increased by 5% to € 3.4 bn. The earnings situation was negatively affected by higher interest expense and the forecast slowing of activity in the SMS group and in the commercial vehicle sector. Earnings before interest and taxes (EBIT) amounted to € 138 mill. compared with € 147 mill. and before taxes to € 91 mill. compared with b113 mill. Earnings per share improved by € 0.01 to € 0.35.**

**Varying trends were recorded by the individual divisions. Industrial Services, Printing Systems and Financial Services were able to achieve substantial increases in EBIT and pre-tax earnings, while Diesel Engines remained at the same level as the previous year. As expected, Industrial Equipment and Facilities and Commercial Vehicles recorded lower earnings in several areas of operation compared with the corresponding period of last year, due to high costs and declining contribution margins. The measures necessary to improve the relevant cost structures are already underway.**

| **MAN Group**<br>€ million | 2001<br>Jan. – March | 2000<br>Jan. – March | Change<br>in % |
|---|---|---|---|
| New orders | 4 281 | 4 029 | 6 |
| Sales | 3 352 | 3 199 | 5 |
| EBIT | 138 | 147 | (6) |
| Earnings before taxes on income | 91 | 113 | (19) |
| Earnings after taxes on income | 59 | 72 | (18) |
| Earnings per share in € | 0.35 | 0.34 | 3 |

### Business trends during the first quarter of 2001

On the whole, the **economic environment** influencing our fields of activity was rather subdued. During the first few months of this year, the global economy continued to lose momentum with demand falling noticeably, particularly in the USA. Growth forecasts for 2001 have also been adjusted significantly downwards in recent months.

The volume of **new orders** received by the MAN Group rose during the first quarter of the 2001 financial year by € 252 mill. (6%) compared with the corresponding period of the previous year, totalling € 4,281 mill. Of this growth, three percentage points were attributable to changes in the scope of consolidation, mainly the addition of companies belonging to Sulzer´s turbo-engine operations and of Henn Bros., the Austrian sales and servicing company for printing machines, both of these being included as of January 2001, and also to MAN B&W Diesel Great Britain, which was not included in last year´s comparative figures. Based on a direct comparison, incoming orders increased by € 126 mill., again representing three percentage points. The marked downward trend in the USA and Turkey resulted in an overall six-percent reduction in new orders for the MAN Group.

# News service MAN Group

**Sales** climbed by € 153 mill. (5%) to € 3,352 mill. during the first quarter of 2001. Of this rise, two percentage points resulted from changes in the companies consolidated, whereby on a directly comparative basis, sales increased by € 81 mill. or 3%.

Once again, the increase in business volume resulted mainly from foreign trading. New orders received from abroad grew by 8% to € 3,088 mill. during the quarter under review, although the volume of large contracts comprising orders worth more than € 15 mill. was marginally lower than the previous year. Domestic orders rose by 2% to € 1,193 mill., this increase resulting exclusively from the higher volume of major contracts. On the sales side, business in Germany was 17% lower than the previous year due to the timing of final settlements, reaching € 921 mill. Foreign sales rose by 16% to € 2,431 mill.

| **Consolidated overview of the MAN Group** € million | 2001 Jan. – March | 2000 Jan. – March | Change in % |
|---|---|---|---|
| **New orders** | | | |
| Germany | 1 193 | 1 173 | 2 |
| Foreign | 3 088 | 2 856 | 8 |
| | **4 281** | **4 029** | **6** |
| **Sales** | | | |
| Germany | 921 | 1 105 | (17) |
| Foreign | 2 431 | 2 094 | 16 |
| | **3 352** | **3 199** | **5** |
| **Orders on hand*** | **11 915** | **10 962** | **9** |
| **Employees*** (number) | | | |
| Germany | 51 375 | 50 611 | 2 |
| Foreign | 27 109 | 25 993 | 4 |
| | **78 484** | **76 604** | **2** |
| **Capital expenditure** | **289** | **360** | **(20)** |
| **of which in tangible and intangible fixed assets** | **130** | **109** | **19** |
| **of which in assets leased out** | **145** | **98** | **48** |
| **Depreciation on fixed assets** | **144** | **129** | **12** |
| **Research and development** | **129** | **120** | **8** |
| **Earnings before interest and taxes / EBIT** | **138** | **147** | **(6)** |
| **Net interest payable** | **(47)** | **(34)** | **38** |
| **Earnings before taxes on income** | **91** | **113** | **(19)** |
| **Income taxes** | **(32)** | **(41)** | **(22)** |
| **Net income for the period** | **59** | **72** | **(18)** |
| **Earnings per share in €** | **0.35** | **0.34** | **3** |

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

Since **incoming orders** considerably exceeded sales, orders on hand showed a further substantial increase in the first quarter. Registering € 11,915 mill. on 31 March 2001, these were 9% higher than at 31 December 2000. The level of domestic orders rose to € 3,227 mill. (8%), with foreign orders moving up to € 8,688 (9%).

As of 31 March, the MAN Group numbered 78,484 **employees**, 1,880 or 2.5% more than on 31 December 2000. An increase of 1,160 employees resulted from changes in the companies consolidated, whereas on a comparable basis, the number of employees rose by 720 or 0.9%.

**Capital expenditure, acquisitions, share redemption**

Total **capital expenditure** of € 289 mill. was lower than the figure of € 60 mill. recorded for the corresponding quarter of the previous year, which included major outlays for equity interests. € 130 mill.

(up 19%) were invested in tangible fixed assets, with focus remaining on the commercial vehicle sector. Expenditure on assets leased out rose by 48% to € 145 mill. € 129 mill. (up 8%) were incurred for research and development.

With regard to current **acquisition** projects, purchase of the Sulzer Group´s turbo-engine activities by MAN Turbomaschinen was successfully completed. The takeover became commercially effective as of 1 January 2001.

As agreed in the autumn of 2000, merger of the NEOPLAN and MAN omnibus activities under a bus holding-company to be held by MAN Commercial Vehicle Division, has taken a major step forward. At the end of April, MAN was able to finalise the due diligence carried out at the Stuttgart company, following mutual agreement on all valuation issues. From the point of view of the two companies, nothing now stands in the way of merging their activities to form Europe´s third-largest bus and coach supplier. The merger control proceedings conducted by the EU Commission in connection with approval of this joint venture are due to be completed in June 2001.

The **repurchase scheme** for the company´s own preference shares, launched on 8 January 2001, is continuing undeterred. By mid-May, 5.3 mill. shares had been acquired, representing 12.1% of all preference shares and 3.4% of the entire share capital. The outlay so far amounts to some € 125 mill. Initially, our aim is to redeem 5% of the share capital.

**Earnings position**

On the whole, earnings failed to develop satisfactorily during the first quarter of 2001. **Before interest and taxes**, earnings amounted to € 138 mill., € 9 mill. below the figure for the comparable period. Industrial Services, Printing Systems, Diesel Engines, Financial Services and other companies were able to maintain their positive trend, jointly increasing their EBIT by € 34 mill. to € 89 mill. The decline in overall earnings was mainly due to the Industrial Equipment and Facilities Division, where the EBIT fell by € 45 mill. to € 1 mill. as a result of lower sales and slower settlement of contracts. In the case of Commercial Vehicles, an EBIT of € 48 mill. was recorded, € 2 mill. more than for the same period last year.

**Earnings before taxes** on income fell by € 22 mill. to € 91 mill. In addition to the developments in continuing operations, these were impacted most of all by the higher capital requirements for expanding business volumes in the Commercial Vehicles and Financial Services Divisions, and by the level of interest rates which increased considerably compared with the corresponding period. Income taxes of € 32 mill. were payable for the first quarter, after € 41 mill. in the corresponding quarter. **Earnings after taxes** on income reached € 59 mill. compared with the previous € 72 mill. Owing particularly to the marked drop in earnings at SMS, the proportion of profits due to minority interests was considerably lower than during the comparable period. After deduction of minority interests, and based on the lower number of shares, **earnings per share** amounted to € 0.35, showing a slight increase over the figure of € 0.34 recorded for same quarter of the previous year.

**Outlook**

Global economic prospects for the current 2001 financial year which, following the short financial year of only six months in 2000, now corresponds for the first time with the calendar year, have become distinctly gloomy in recent weeks. This is a result of the cooling economic climate in the USA and continued worsening of the already difficult situation in Japan. At the present time, only limited forecasts can be made with regard to future developments, particularly on the question of whether this marked downturn in the demand for capital goods in the USA will also spread to Europe.

In view of the irregular distribution of new orders, sales and earnings over the course of any one year, the first-quarter figures offer no basis for projections relating to the entire year. Due to changing our financial year, the basis for comparing the results with the previous year´s quarterly figures is extremely limited. Our expectations for the MAN Group in 2001 remain unchanged and, including the newly-consolidated companies, we are still targeting a rise in **business volume**, with new orders and sales each achieving figures in the order of € 16.5 bn, representing a more than 10% increase in the case of sales compared with the last full financial year of 1999/2000.

On the earnings side, the 2001 financial year will be compared with the last full financial year of 1999/2000, whereby it should be noted that the figures for the comparable period included extraordinary income from the sale of a 50% share in the turbo-engine manufacturer, Elliott. Operations will be affected to a greater extent than previously forecast due to the anticipated strain on the commercial vehicle business as a result of conversion to the new product generation and also weaker margins. On the other hand, we are still expecting Industrial Services, Printing Systems, Diesel Engines and Financial Services to show significant earnings growth. Due mainly to restructuring measures and contract pressure in the SMS group, the Industrial Equipment and Facilities Division will not be able to maintain the level of last year´s earnings.

As previously announced, it is becoming generally evident that there will be a shortfall in **pre-tax earnings** compared with 1999/2000 (€ 668 mill.), which marked a peak both in total figures and in on-going operations, following several years of strong earnings growth. In spite of slowing economic activity, the MAN Group as a whole is still registering an upward trend in new orders. Nevertheless, it must be assumed that in the face of worsening conditions, it could be difficult to restrict the decrease in pre-tax earnings to 10% of the comparable 1999/2000 result, as originally hoped.

**Overview: Development of the divisions**

| **New orders** € million | 2001 Jan. – March | 2000 Jan. – March | Change in % |
|---|---|---|---|
| Commercial Vehicles | 1 670 | 1 696 | (2) |
| Industrial Services | 796 | 823 | (3) |
| Printing Systems | 586 | 532 | 10 |
| Diesel Engines | 406 | 309 | 31 |
| Industrial Equipment & Facilities | 899 | 703 | 28 |
| Financial Services | 99 | 59 | 68 |
| Other / Consolidated | (175) | (93) | - |
| **New orders MAN Group** | **4 281** | **4 029** | **6** |

| **Sales** € million | 2001 Jan. – March | 2000 Jan. – March | Change in % |
|---|---|---|---|
| Commercial Vehicles | 1 547 | 1 423 | 9 |
| Industrial Services | 534 | 498 | 7 |
| Printing Systems | 414 | 363 | 14 |
| Diesel Engines | 289 | 260 | 11 |
| Industrial Equipment & Facilities | 658 | 694 | (5) |
| Financial Services | 99 | 59 | 68 |
| Other / Consolidated | (189) | (98) | - |
| **Sales MAN Group** | **3 352** | **3 199** | **5** |

| Earnings before interest and taxes (EBIT) € million | 2001 Jan. – March | 2000 Jan. – March | Change in € mill. |
|---|---|---|---|
| Commercial Vehicles | 48 | 46 | 2 |
| Industrial Services | 20 | 16 | 4 |
| Printing Systems | 19 | 14 | 5 |
| Diesel Engines | 17 | 17 | 0 |
| Industrial Equipment & Facilities | 1 | 46 | (45) |
| Financial Services | 27 | 13 | 14 |
| MAN AG / Other | 6 | (5) | 11 |
| **EBIT MAN Group** | **138** | **147** | **(9)** |

| Earnings before taxes on income € million | 2001 Jan. – March | 2000 Jan. – March | Change in € mill. |
|---|---|---|---|
| Commercial Vehicles | 18 | 27 | (9) |
| Industrial Services | 22 | 13 | 9 |
| Printing Systems | 17 | 9 | 8 |
| Diesel Engines | 16 | 16 | 0 |
| Industrial Equipment & Facilities | 6 | 48 | (42) |
| Financial Services | 10 | 4 | 6 |
| MAN AG / Other | 2 | (4) | 6 |
| **Earnings before taxes on income MAN Group** | **91** | **113** | **(22)** |

**Individual operating divisions**

Overall demand continued at the same high level in the **Commercial Vehicles** sector. New orders reached € 1,670 mill. (down 2%), a drop in domestic orders being largely offset by growth on Western European volume markets. Sales rose by 9% to € 1,547 mill., but still remained below the level of incoming orders. As expected, the sharp increase in funding required in the wake of recent growth, the cost structures which still cannot be optimised owing to continuing parallel production of old and new models, and narrower profit margins have all put pressure on profitability. Earnings before interest and taxes amounting to € 48 mill. were € 2 mill. higher than the same quarter of the previous year, although the EBIT in the bus sector was appreciably lower, while the truck operations were able to increase their EBIT figure. Earnings before tax, but after interest, deteriorated in the Commercial Vehicle Division by € 9 mill. to € 18 mill.

The **Industrial Services** Division recorded new orders of € 796 mill. (down 3%). Based on continuing operations, incoming orders increased by 16%, the volume of large-scale orders being significantly lower than for the comparable period in view of the closing date. Sales reached € 534 mill., 7% more than the previous year. The EBIT improved by b4 mill. to € 20 mill., and pre-tax earnings by € 9 mill. to € 22 mill.

In the **Printing Systems** sector, the positive order trend registered in recent financial years continued into the first quarter of 2001, with additional growth in all three areas of activity, namely sheetfed systems, webfed systems and trading and services. New orders increased by 10% to € 586 mill. and sales rose by 14% to € 414 mill. The EBIT showed a rise of € 5 mill. to € 19 mill. while earnings before tax improved by € 8 mill. to reach € 17 mill.

Following the acquisition of MAN B&W Diesel Great Britain, which was not included in last year´s figures, new orders rose considerably in the **Diesel Engines** Division. Orders worth € 406 mill. were received, 31% more than the comparable figure, of which 24 percentage points were attributable to the new company. Sales

reached € 289 mill. (up 11%). On a comparable basis, a drop of 9% was recorded due to the high level of settlements made in the comparable period. An EBIT of € 17 mill. and pre-tax earnings of € 16 mill. equalled the level of the previous year.

In the **Industrial Equipment and Facilities** sector, new orders rose by 28% to € 899 mill. This growth resulted primarily from an increased volume of major contracts and the first-time consolidation of Sulzer´s turbo-engine activities. Sales of € 658 mill. were 5% below the comparable figure, due to the fact that in most of the subdivisions, a number of longer-term orders were completed and invoiced during the last quarter of the short financial year in 2000. Low sales and the termination of these large, high-income contracts severely curtailed pre-tax earnings which fell by € 42 mill. to € 6 mill.

The **Financial Services** business continued to increase, new orders and sales rising by 68% to € 99 mill. Earnings before tax showed an improvement of € 6 mill. reaching € 10 mill.

# News service MAN Group

| MAN Group: Consolidated income statement<br>First quarter January – March 2001<br>€ million | 2001<br>Jan. – March | 2000<br>Jan. – March |
|---|---|---|
| **Net sales** | **3 352** | **3 199** |
| Cost of sales | (2 711) | (2 572) |
| **Gross margin** | **641** | **627** |
| Selling expenses | (252) | (238) |
| General administrative expenses | (158) | (140) |
| Other operating income | 104 | 105 |
| Other operating expenses | (197) | (207) |
| **Earnings before interest and taxes / EBIT** | **138** | **147** |
| Net interest payable | (47) | (34) |
| **Profit on ordinary operations** | **91** | **113** |
| Income taxes | (32) | (41) |
| **Net income for the period** | **59** | **72** |

**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 consolidated figures include 239 companies compared with 229 companies as of 31 December 2000. Changes in the companies consolidated occurring since 31 December 2000 include in particular the turbo-engine activities acquired from the Sulzer Group by MAN Turbo- maschinen AG, and the sales and service companies for printing machines acquired from the Henn Group. These acquisitions have influenced neither the asset and financial position of the Group nor its operating results to any material extent.
The comparable figures for the period January to March 2000 are based on the third quarter of the 1999/2000 financial year (prior to changing to the calendar year).

**MAN Group: Consolidated balance sheet as of 31 March 2001**

| **Assets**<br>€ million | 31.3.2001 | 31.12.2000 |
|---|---|---|
| Intangible assets | 429 | 353 |
| Tangible assets | 2 335 | 2 293 |
| Assets leased out | 950 | 878 |
| Financial assets | 182 | 182 |
| **Fixed assets** | **3 896** | **3 706** |
| Inventories | 5 055 | 4 531 |
| Prepayments received | (2 838) | (2 560) |
| Trade receivables | 3 652 | 3 632 |
| Other receivables and current assets | 528 | 479 |
| Short-term securities | 1 086 | 990 |
| Cash and cash equivalents | 523 | 620 |
| **Current assets** | **8 006** | **7 692** |
| **Deferred tax assets** | **363** | **312** |
| **Prepaid expenses and deferred charges** | **68** | **58** |
| | **12 333** | **11 768** |

| **Equity & liabilities**<br>€ million | 31.3.2001 | 31.12.2000 |
|---|---|---|
| Equity of MAN AG stockholders | 2 672 | 2 662 |
| Minority interests | 317 | 301 |
| **Equity** | **2 989** | **2 963** |
| Pension accruals | 1 940 | 1 925 |
| Tax accruals, deferred tax liabilities | 698 | 631 |
| Other accruals | 1 920 | 1 816 |
| **Accruals** | **4 558** | **4 372** |
| Financial liabilities | 2 181 | 1 775 |
| Trade payables | 1 575 | 1 770 |
| Other liabilities | 950 | 818 |
| **Liabilities** | **4 706** | **4 363** |
| **Deferred income** | **80** | **70** |
| | **12 333** | **11 768** |

# News service MAN Group

| MAN Group: Consolidated cash flow statement<br>First quarter January – March 2001<br>€ million | 2001<br>Jan. – March | 2000<br>Jan. – March |
|---|---|---|
| **Cash and cash equivalents at beginning of year** | **620** | **538** |
| Net income for the period | 59 | 72 |
| Other non-cash expenses and income | 155 | 183 |
| **Cash flow** | **214** | **255** |
| Other changes in working capital | (359) | (381) |
| **Net cash outflow from operating activities** | **(145)** | **(126)** |
| Capital expenditure | (289) | (360) |
| Disposal of assets | 41 | 48 |
| **Net cash outflow from investment activities** | **(248)** | **(312)** |
| Dividends paid | (11) | (2) |
| Redemption of own shares | (86) | - |
| Net change in financial liabilities and short-term securities | 366 | 269 |
| **Net cash inflow from financing activities** | **269** | **267** |
| **Net change in cash and cash equivalents** | **(124)** | **(171)** |
| Other changes in cash and cash equivalents | 27 | 71 |
| **Cash and cash equivalents at end of the period** | **523** | **438** |

**MAN Group: Consolidated statement of changes in equity**
**First quarter January – March 2001**

| € 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 | - | (2) | (2) |
| Net income for the period | 52 | 20 | 72 |
| Currency translation effects | 6 | 2 | 8 |
| All other changes | (10) | (2) | (12) |
| **Balance at 31 March 2000** | **2 430** | **286** | **2 716** |
| **Balance at 31 December 2000** | **2 662** | **301** | **2 963** |
| Dividends paid for the previous year | - | (11) | (11) |
| Net income for the period | 54 | 5 | 59 |
| Redemption of own shares | (86) | - | (86) |
| Currency translation effects | - | 2 | 2 |
| All other changes | 42 | 20 | 62 |
| **Balance at 31 March 2001** | **2 672** | **317** | **2 989** |

MAN Aktiengesellschaft
The Executive Board