

Engineering the Future.

**Q1/06** Financial Results 1st Quarter 06  
MAN Aktiengesellschaft



## At a glance

MAN Group	2006	2005	Change
€ million	Q1	Q1	in %
Order intake without MoD *)	4,179	3,387	23
Order intake *)	4,179	4,745	-12
Germany	1,041	851	22
abroad *)	3,138	3,894	-19
Sales	3,190	2,824	13
Germany	847	811	4
abroad	2,343	2,013	16
Order backlog **)	9,765	8,816	11
Employees (Number) **)	49,737	49,371	1
Germany	29,226	29,050	1
abroad	20,511	20,321	1
Employees incl. temporary staff (Number) **)	52,791	51,622	2
Germany	31,057	30,347	2
abroad	21,734	21,275	2
			in € million
Operating profit	215	121	94
Earnings before taxes	204	100	104
Earnings after taxes	154	56	98
Earnings per share of the continued areas (€)	1.00	0.47	0.53
Capital expenditure	85	68	17
Depreciation of tangible assets	73	81	-8
R&D expenditures	99	89	11
Cash earnings	238	171	67
Cash provided by operating activities	37	100	-63
Cash provided by investing activities	(71)	(70)	-1
Free cash flow	(34)	30	-64
Net liquid assets **)	81	173	-92
Equity **)	3,400	3,278	122

\*) Figures without or with MoD order: major order in March 2005 from the British Ministry of Defense (MoD) for MAN commercial vehicles (5,165 trucks), totaling €1.4 billion.

\*\*\*) At March 31, 2006 compared with December 31, 2005

**Note:** MAN AG is currently negotiating the sale of its investments in MAN Roland Druckmaschinen. According to IFRS 5 requirements, the Printing Systems area is thus treated as a "discontinued operation" as of January 1, 2006 – and with exception of earnings after taxes, no longer included in the MAN Group consolidated figures (see page 6). The 2005 figures concerning order levels and profit have been adjusted for comparison purposes.

## **MAN Group in the first quarter of 2006 – a strong beginning to the new fiscal year**

- Operating profit in the first quarter of 2006: €215 million compared to €121 million in the same period last year (+78%)
- ROS reaches 6.7% (previous year: 4.3%)
- Earnings per share: €1.00 compared to €0.47
- Commercial Vehicles, Diesel Engines and Turbomachines register strong rise in earnings
- Order intake: up 23% to €4.2 billion compared to €3.4 billion during the first quarter of 2005 (without the major order €1.4 billion from the British Ministry of Defense [MoD] in March 2005)
- MAN decided to further focus its efforts by selling MAN Roland Druckmaschinen to Allianz Capital Partners; the MAN Group will concentrate on "Transport related Engineering". MAN Roland has been treated as a "discontinued operation" as of January 1, 2006, and is thus no longer included in the consolidated MAN Group figures (with exception of earnings after taxes).
- Outlook for 2006: In the full 2006 year, we are forecasting sales increases in the manufacturing areas in the high one-digit percentages; order intake is expected to reach nearly the previous year's exceptionally high level. The Executive Board expects a considerable increase in operating profit; the goal of 6% ROS seems to be within reach for the first time.

## **Strong expansion of global economy**

The global economy continued to expand at a strong pace during the first quarter of 2006. It gained visible breadth in the course of the past year – a trend that now continues. The positive effects of favorable earnings positions, rising prices of assets and continued low interest rates have more than offset the dampening effects of higher raw material costs. The USA and China continue to be the major centers of growth, although India is increasingly becoming a strong force as well. Economic recovery continued in the euro zone. In spring 2006, the German economy showed signs of a strong upswing. Due to positive economic developments on the domestic front, the already good level of demand in the German capital goods sector is gradually broadening.

## **Strong growth in business volume**

The MAN Group made a good start in the new fiscal year. In the first quarter of 2006, its order intake increased 23% to reach €4.2 billion, or €3.4 billion more than during the same period last year (not including the large contract from the British Ministry of Defense [MoD] of €1.4 billion in March 2005). Without this adjustment to the previous year's figures, order intake fell by 12%.

The highest rates of increase were recorded by Commercial Vehicles (39%) and Turbomachines (59%). Part of the growth in Commercial Vehicles may be due to the pushed up deadline for introduction of the stiffer EURO 4 exhaust regulations in some European countries (October 1, 2006).

This growth has now affected demand in Germany, which had stagnated in the previous year. Order intake in Germany rose by 22% to €1.1 billion, with Commercial Vehicles in particular registering a substantial plus. Incoming orders from abroad climbed 24% to €3.1 billion compared to the first quarter of 2005 (without MoD). All business areas showed positive numbers, with Commercial Vehicles and Turbomachines even in the double digits.

The rising order intake and high order backlog at the beginning of the year boosted sales by 13% to €3.2 billion. In Germany, sales rose 4% to €0.9 billion, while foreign sales climbed 16% to €2.3 billion. The order backlog of €9.8 billion was 11% higher than at the beginning of the year, achieving a record high.

## **Number of employees remains constant**

On March 31, 2006, the MAN Group numbered 49,737 employees. Compared with the figure of 49,371 employees on December 31, 2005 (without the MAN Roland Group), this represented a rise of 366 employees, including a drop of 81 due to changes in the scope of consolidation. On a comparable basis, the number of employees rose by 447, of these 391 in Commercial Vehicles due to its high production capacity. As of March 31, 2006, the MAN Group employed a total of 29,226 in Germany (December 2005: 29,050) and 20,511 abroad (December 31, 2005: 20,321). At 3,054 persons, the number of temporary staff employed as of March 31, 2006 was substantially higher than on December 31, 2005 (2,251).

## Strong growth in earnings

The positive volume development and further progress in increasing efficiency have led to a marked improvement of quarterly results. Operating profit increased by €94 million to €215 million (previous year: €121 million). This pushed ROS to 6.7% compared to 4.3% in the first quarter of 2005. All business areas showed increases in profit in the first quarter of 2006.

Commercial Vehicles have nearly doubled their operating profit in the first quarter of 2006, increasing the €62 million earned in the previous year by €57 million to achieve a total of €119 million. This was due both to increased production and sales volume in the truck sector as well as to measures aimed at lowering costs. Diesel Engines showed similar developments, augmenting their operating profit by €24 million to €51 million through their high production capacity and continued strong service and licensing business. The operating profit of Turbomachines grew from €3 million in the previous year to €10 million. In addition to the beneficial employment situation, €2 million of this was due to the allocation of MAN DWE to this business area. Profit from Industrial Services grew by €2 million to €27 million.

The MAN Group's earnings before taxes improved from €100 million in the previous year to €204 million. After taxes, MAN Group profits jumped from €56 million in the first quarter of 2005 by nearly €100 million to reach €154 million. It includes after-tax gains of €6 million (2005: –€15 million) from the discontinued operations. This stems above all from the Printing Systems area, which showed positive earnings after taxes of €7 million in the first quarter of 2006 after losses in the previous year of –€20 million; the operating profit of Printing Systems amounted to €14 million (previous year –€16 million). The earnings per share of the continued operations (without Printing Systems) increased from €0.47 to €1.00.

## Liquidity continues to be excellent

The liquidity situation of the MAN Group remained excellent in the first quarter of 2006. Its cash earnings improved, reaching €238 million (€171 million) due to the higher profits. Despite the noticeable rise in funds commitment traditionally found during the first quarter, cash provided by operating activities reached €37 million; in the previous year, a cash flow of €100 million was achieved through deposits which were purposely kept high. Based on increased capital expenditures on tangible and intangible assets of €80 million (€68 million), cash used in investing activities of €71 million was approximately the same as the previous year (€70 million).

At –€34 million, the free cash flow from operating and investing activities was slightly negative. The net liquid asset position thus deteriorated by €92 million between December 31, 2005 and March 31, 2006, dropping from €173 million to €81 million. The net liquidity of Industrial Business fell slightly to €1,184 million (€1,270 million), while the net debt refinanced internally by MAN Financial Services, at €1,097 million, was almost unchanged (€1,103 million). The net liquidity also includes financial resources of €242 million (€286 million) invested by MAN Roland Druckmaschinen at MAN AG in the course of central cash pooling.

## **MAN Group sells Printing Systems area to focus on Transport related Engineering**

The Executive Board of MAN AG decided to sell its subsidiary MAN Roland Druckmaschinen AG. In view of increasing international competition, the Board had discussed the further development of the Group and concluded that the MAN Group can offer its Commercial Vehicles, Diesel Engines, Turbomachines and Industrial Services areas the greatest possible chances for further development, but that it cannot do this for its Printing Systems area to the extent required.

Against this backdrop, MAN AG looked for an investor with the financial power and will to ensure MAN Roland's further continuation and progress as an independent company. After an intensive analysis MAN concluded a letter of intent with Allianz Capital Partners (ACP) concerning the sale of its stake in MAN Roland to a new holding company of which ACP will be the majority; negotiations are continuing. MAN will retain 35% equity of the new holding company in order to support MAN Roland along its path to independence. ACP intends to go public with the company in three to five years.

With its three manufacturing areas, the MAN Group can now concentrate on business areas that are primarily related to the growing transport, engines and energy markets. These markets should grow – through acquisitions as well – and expand their leading positions. Industrial Services will be even more strongly integrated into the MAN Group as a sales and service platform.

In the quarterly report, MAN Roland will be treated as a discontinued operation from January 1, 2006 onwards, based on the provisions of IFRS 5. This means that the MAN Group consolidated figures will no longer include Printing Systems with the exception of earnings after taxes. The figures from the previous year have been adjusted to reflect this. For key figures on Printing Systems and their effect on the first quarter's comparative figures, see pages 8 and 19.

### **Outlook**

The global economy will continue to grow in 2006. Because the most recently published economic data was predominantly positive, most prognoses – compared to previous assumptions – have been revised upwards. Economic growth in 2006 is expected to reach 4.9%. The USA is still the most important motor of worldwide economic growth. The euro zone also shows signs of a solid upswing, although domestic demand will remain restrained. Surprising growth in China, India and Russia has been noted in recent months. The German economy will grow in 2006 more strongly than it has since the boom year 2000. In their spring assessment, leading economic research institutes predicted a 1.8% increase in economic performance. Exports remain Germany's main economic motor.

During the course of the year, the MAN Group expects varying developments in order intake in the different areas. Commercial Vehicles (without MoD) and Turbomachines will show clear increases compared to 2005; Diesel Engines are expecting somewhat weaker results than the previous year,

which were exceptionally high. Industrial Services expects growth in Projects & Contracting, contrasted, however, by declines in Services & Logistics orders due to restructuring of the steel business. All together, assuming that economic trends remain positive, the MAN Group should be able to achieve an order intake at almost the same high level as the previous year of nearly €16 billion. It is assumed that Group sales (2005: €13 billion) will grow overall by 5%.

A substantial improvement in operating profit is anticipated for the MAN Group (full year 2005: €700 million), which will significantly outperform sales growth in percentage terms. Due to its sales targets and other rationalization measures, the Commercial Vehicles area should make a major contribution to this rise and surpass its target ROS of 7% for the first time. Diesel Engines will also greatly increase its results due to its good order and employment situation. Industrial Services and Turbomachines will be able to improve their operating profit compared to 2005 as well. We at the MAN Group are confident that we will surpass our target of 6% ROS in 2006. This means that the MAN Group will exceed both goals – an ROS of 6% and ROCE of 18% – one year earlier than planned.

## **MAN shares**

The optimistic mood in the German economy continued into the first quarter of 2006. Companies as well as market observers remain highly positive regarding the business situation and prospects of companies in exports. This upward trend is reflected by the German stock market in 2006.

Publication of MAN's 2005 Annual Financial Report as well as announcement of the sale of Printing Systems have given the MAN share an additional boost during the first quarter of 2006. Based on a price of €45.08 on December 30, 2005, MAN common shares rose by €12.19, or 27%, between January 1 and March 31, 2006, to €57.27. The MAN share thus clearly outperformed the DAX30 as a reference index, which registered a rise of circa 10% in the same time period.

On March 31, 2006, MAN remained in 21<sup>st</sup> place on the DAX30 in terms of market capitalization, unchanged from the previous quarter, moving to 26<sup>th</sup> from 24<sup>th</sup> place in the previous quarter in terms of exchange transactions.

At the annual stockholder's meeting on May 19, 2006, the Executive and Management Boards will propose distributing a dividend of €1.35 per share for fiscal year 2005. If this proposal is adopted by stockholders at the annual meeting, MAN AG will pay the dividend on May 22, 2006.

## Key figures according to business area

<b>Order intake according to business area</b>				
€ million	2006 Q1	2005 Comparable Q1	Change in %	2005 Published Q1
Commercial Vehicles without MoD <sup>1)</sup>	2,637	1,898	39	1,898
Commercial Vehicles incl. MoD	2,637	3,256	-19	3,256
Industrial Services	719	685	5	685
Diesel Engines	531	566	-6	566
Turbomachines	316	199	59	199
Other, consolidated	(24)	39	-	21
Printing Systems	-	-	-	668
<b>MAN Group without MoD</b>	<b>4,179</b>	<b>3,387</b>	<b>23</b>	<b>4,037</b>
<b>MAN Group incl. MoD</b>	<b>4,179</b>	<b>4,745</b>	<b>-12</b>	<b>5,395</b>
For information only:				
<b>Printing Systems</b>	570	668	-15	668

<sup>1)</sup> Ministry of Defense (MoD) order:: €1,358 million in 2005

<b>Sales according to business area</b>				
€ million	2006 Q1	2005 Comparable Q1	Change in %	2005 Published Q1
Commercial Vehicles	1,893	1,589	19	1,683
Industrial Services	560	668	-16	668
Diesel Engines	462	346	34	346
Turbomachines	183	135	36	135
Other, consolidated	92	86	-	34
Printing Systems	-	-	-	299
<b>MAN Group</b>	<b>3,190</b>	<b>2,824</b>	<b>13</b>	<b>3,165</b>
For information only:				
<b>Printing Systems</b>	411	299	37	299

<b>Operating profit according to business area</b>				
€ million	2006 Q1	2005 Comparable Q1	Change in %	2005 Published Q1
Commercial Vehicles	119	62	92	62
Industrial Services	27	25	8	25
Diesel Engines	51	27	89	27
Turbomachines	10	3	-	3
Other, consolidated	8	4	-	4
Printing Systems	-	-	-	(16)
<b>Operating profit</b>	<b>215</b>	<b>121</b>	<b>78</b>	<b>105</b>
Profit from special transactions	-	-	-	-
Net interest result of Industrial Business	(11)	(21)		(23)
<b>Earnings before taxes</b>	<b>204</b>	<b>100</b>	<b>104</b>	<b>82</b>
Income taxes	(56)	(29)	-	(24)
Net result of discontinued operations	6	(15)	-	(2)
<b>Earnings after taxes</b>	<b>154</b>	<b>56</b>	<b>175</b>	<b>56</b>
For information only:				
<b>Operating Profit Printing Systems</b>	14	(16)	30	(16)

## The business areas in detail

COMMERCIAL VEHICLES			
€ million	2006	2005	Change
Jan. – March	Q1	Q1	in %
Order intake without MoD	2,637	1,898	39
Order intake incl. MoD	2,637	3,256	-19
Sales	1,893	1,589	19
Employees *)	33,567	33,368	1
			in € million
Operating profit	119	62	57

\*) Number at March 31, 2006 compared with December 31, 2005

Demand for commercial vehicles continued to develop well. Order intake (without MoD) during the first quarter of 2006 amounted to €2,637 million, exceeding the 2005 figure by 39%. Excluding the MoD order, the truck sector reported orders of €2,187 million, an increase of 37%. Order intake in the bus sector was even higher, showing a 52% increase over the previous year's figure, or €450 million. Part of the high increase in orders may well be due to the pushed up deadline in some European countries of stiffer EURO 4 exhaust regulations (October 2006).

Sales grew 19% to €1,893 million, increasing 17% to €1,582 million in the truck sector due to the high order levels of recent months. In the bus sector, they climbed 33% to €311 million. Our share of the market for trucks exceeding a gross weight of 6t increased 0.3 percentage points over the 2005 figure, reaching 15.2%. In the first quarter of 2006, truck sales rose measurably. The MAN Group delivered 16,898 trucks (2005: 14,434) and 1,606 buses (2005: 1,148).

The earnings position of the MAN Nutzfahrzeuge Group improved substantially. Operating profit rose to €119 million in the first quarter of 2006, representing a €57 million increase over the comparable 2005 figure. In the truck sector, the operating profit rose by €52 million to €118 million. This improvement is largely due to increased capacity utilization and higher sales, coupled with the impact of rationalization measures. Bus operations reported a higher production volume compared to the previous year and a slight gain of €1 million, after losses of €4 million in 2005. We expect distinctly better results in the next quarters.

We remain confident that MAN Nutzfahrzeuge Group's positive performance will be maintained throughout the 2006 fiscal year. Despite a probable slowing of demand for commercial vehicles in the EU during the second half of the year due to EURO 4 introduction, we still anticipate higher market growth than in 2005 and a rise in our order intake. Our sales will grow at least as much as in the previous year (8.5%) and operating profit (2005: €469 million) will rise over-proportionally compared to sales. We are certain that we will surpass our 7.0% ROS target for the commercial vehicles segment in 2006.

<b>INDUSTRIAL SERVICES</b>			
€ million	2006	2005	Change
Jan. – March	Q1	Q1	in %
Order intake	719	685	5
Sales	560	668	-16
Employees *)	4,775	4,773	0
			in € million
Operating profit	27	25	2

\*) Number at March 31, 2006 compared with December 31, 2005

The order intake recorded by Industrial Services, made up of the MAN Ferrostaal Group, reached €719 million, or 5% higher than in the first quarter of 2005. This rise was the result of considerably higher order volume in the Projects & Contracting unit. As expected, however, orders in Services & Logistics did not quite match the previous year's levels.

Sales amounted to €560 million or 16% less than the previous year. The drop stemmed from the Services & Logistics business area, more specifically in Supply Chain Solutions. In addition to typical business fluctuation, this drop is also due to restructuring of the steel sector's business model, in which the full amount of trade turnover will no longer be included and the primary activity will be providing services.

At €27 million, the operating profit reported by the MAN Ferrostaal Group was €2 million higher than in 2005, reflecting in particular profits accrued by MAN Ferrostaal from the operating companies of methanol and ammonia production facilities in which MAN Ferrostaal has 20% subholdings.

This business area is expected to achieve a substantially higher operating profit in fiscal year 2006 than in the previous year (€90 million). Order-intake volumes and sales will depend primarily on acquiring major projects as well as restructuring the steel trade business model.

<b>DIESEL ENGINES</b>			
€ million	2006	2005	Change
Jan. – March	Q1	Q1	in %
Order intake	531	566	-6
Sales	462	346	34
Employees *)	6,313	6,423	-2
			in € million
Operating profit	51	27	24

\*) Number at March 31, 2006 compared with December 31, 2005

The high level of demand for diesel engines continued unabated during the first months of 2006. With an order intake of €531 million, the previous year's figure of €566 was nearly achieved. Two-stroke engine activities reported clear declines in orders, down by €91 million to €144 million,

primarily in new-engine construction and commercial engines. The essential reason behind this is the fully booked capacity at many shipyards until 2008, meaning that new contracts for new marine engines are being deferred. Four-stroke engine operations showed order growth from €331 million to €381 million, especially attributable to heavy marine propulsion systems.

Due to the high order backlog during the first three months of 2006, sales rose sharply to €462 million, or 34%. Sales in the two-stroke sector rose 11% to €150 million and 49% in the four-stroke sector to €312 million, a clear increase in both areas.

Operating profit nearly doubled in comparison to the previous year, increasing €24 million to €51 million due to high capacity utilization in manufacturing. In the two-stroke engine sector, operating profit increased by €3 million in line with the continuing growth of business volume to reach €24 million. Four-stroke engine operations generated a profit of €27 million (2005: €6 million). In this sector, service and turbocharger activities continued to report positive earnings; regarding the construction of new engines, however, the earnings situation improved.

Order volume is expected to remain at a high level throughout 2006, but will presumably remain under the extremely high level seen in 2005. Based on the high utilization of production capacity ensured by the existing order backlog and due to the successful licensing and service business, this area is expected to achieve strong sales growth and even more significant improvement of operating profit compared with 2005 (€117 million).

#### TURBOMACHINES

€ million	2006	2005	Change
Jan. – March	Q1	Q1	in %
Order intake	316	199	59
Sales	183	135	36
Employees *)	2,855	2,476	15
			in € million
Operating profit	10	3	7

\*) Number at March 31, 2006 compared with December 31, 2005

**Note:** As of fiscal year 2006, MAN DWE has been assigned to the MAN TURBO Group. In the MAN TURBO quarterly figures, MAN DWE is represented with 385 employees, order intake of €16 million, sales of €21 million and operating profit of €2 million. No adjustment of the previous year's quarterly figures has been included.

In the first quarter of 2006, the MAN TURBO Group was able to continue the successful business performance it registered in 2005. The ongoing positive demand in the relevant turbomachine markets led to a further 59% rise in orders, which reached €316 million. The high order backlog at the beginning of the fiscal year resulted in a 36% sales increase to €183 million. In addition to the beneficial employment situation, the €2 million assignment of MAN DWE also played a role.

Against the background of the continuing positive market demand and a high order backlog, 2006 is expected to bring further increases in order intake and sales over 2005. The measurable improvements in the first quarter's operating profit will continue in following quarters and show up as significant growth of operating profit (2005: €43 million) by the end of the fiscal year.

<b>OTHER, CONSOLIDATED</b>			
€ million	2006	2005	Change
Jan. – March	Q1	Q1	in %
Order intake	(24)	39	–
Sales	92	86	–
Employees *)	2,227	2,331	–
			in € million
Operating profit	8	4	4

\*) Number at March 31, 2006 compared with December 31, 2005

The industrial holdings RENK, MAN Financial Services, the Corporate Center as well as items consolidated among the MAN Group areas are bundled under "Other, consolidated"; in 2005, the MAN DWE holding was also included here. At €88 million and €71 million, RENK order intake and sales were clearly higher than during the previous year (39% and 19% respectively).

The operating profit of €8 million (€4 million) was made up of earnings before interest and taxes generated by RENK with €8 million (€2 million) as well as €8 million (€8 million) in pre-tax earnings from Financial Services. Added to these are the earnings recorded by the corporate center, which showed a negative result of –€10 million (–€11 million). The items consolidated had a contrary effect on net income (€2 million; 2005 €4 million) and in the previous year, MAN DWE profit (€1 million).

## Financial statements as of March 31, 2006

### MAN Group: Consolidated income statement

€ million	MAN Group		Industrial Business		Financial Services	
Q1	2006	2005	2006	2005	2006	2005
<b>Net sales</b>	<b>3,190</b>	<b>2,824</b>	<b>3,111</b>	<b>2,750</b>	<b>79</b>	<b>74</b>
Cost of sales	(2,518)	(2,274)	(2,460)	(2,217)	(58)	(57)
<b>Gross margin</b>	<b>672</b>	<b>550</b>	<b>651</b>	<b>533</b>	<b>21</b>	<b>17</b>
Other operating income	100	67	71	58	29	9
Selling expenses	(200)	(195)	(198)	(194)	(2)	(1)
General administrative expenses	(160)	(147)	(157)	(145)	(3)	(2)
Other operating expenses	(205)	(148)	(178)	(141)	(27)	(7)
Non-cash income from associated companies	15	–	15	–	–	–
Other income from investments	3	2	3	2	–	–
<b>Earnings before interest and taxes</b>	<b>225</b>	<b>129</b>	<b>207</b>	<b>113</b>	<b>18</b>	<b>16</b>
Interest income	10	6	10	6	0	0
Interest expense	(31)	(35)	(21)	(27)	(10)	(8)
<b>Earnings before taxes</b>	<b>204</b>	<b>100</b>	<b>196</b>	<b>92</b>	<b>8</b>	<b>8</b>
Taxes	(56)	(29)	(54)	(27)	(2)	(2)
Net result of discontinued operations	6	(15)	6	(15)	–	–
<b>Earnings after taxes</b>	<b>154</b>	<b>56</b>	<b>148</b>	<b>50</b>	<b>6</b>	<b>6</b>
of these: minority interests	2	2	2	2	–	–
<b>of these: shares of MAN stockholders</b>	<b>152</b>	<b>54</b>	<b>146</b>	<b>48</b>	<b>6</b>	<b>6</b>
<b>Earnings per share (€) from the continued areas</b>	<b>1.00</b>	<b>0.47</b>	<b>0.97</b>	<b>0.43</b>	<b>0.03</b>	<b>0.04</b>

## MAN Consolidated balance sheet at March 31, 2006

### Assets

€ million	MAN Group		Industrial Business		Financial Services	
	03/31/06	12/31/05	03/31/06	12/31/05	03/31/06	12/31/05
Intangible assets	423	455	423	454	0	1
Tangible assets	1,656	1,882	1,517	1,726	139	156
Shares in associated companies	174	147	174	147	–	–
Other investments	152	156	151	154	1	2
Assets leased out	2,402	2,408	1,592	1,619	810	789
Deferred tax assets	323	356	321	355	2	1
Other noncurrent assets	117	131	117	131	–	–
<b>Noncurrent assets</b>	<b>5,247</b>	<b>5,535</b>	<b>4,295</b>	<b>4,586</b>	<b>952</b>	<b>949</b>
Inventories	3,226	3,453	3,218	3,445	8	8
Trade receivables	2,752	3,177	2,283	2,725	469	452
Current income tax receivables	29	33	29	33	–	–
Assets held by discontinued operations	1,171	–	1,171	–	–	–
Other current assets	573	609	506	537	67	72
Short-term securities	162	172	162	172	–	–
Cash and cash equivalents	636	1,019	626	1,009	10	10
<b>Current assets</b>	<b>8,549</b>	<b>8,463</b>	<b>7,995</b>	<b>7,921</b>	<b>554</b>	<b>542</b>
	<b>13,796</b>	<b>13,998</b>	<b>12,290</b>	<b>12,507</b>	<b>1,506</b>	<b>1,491</b>

## MAN Consolidated balance sheet at March 31, 2006

### Equity & liabilities

€ million	MAN Group		Industrial Business		Financial Services	
	03/31/06	12/31/05	03/31/06	12/31/05	03/31/06	12/31/05
Capital stock	376	376				
Additional paid-in capital	795	795				
Reserves retained from earnings	2,194	2,043				
Accumulated other comprehensive income	(1)	6				
<b>Equity of MAN AG stockholders</b>	<b>3,364</b>	<b>3,220</b>	<b>3,227</b>	<b>3,088</b>	<b>137</b>	<b>132</b>
Minority interests	36	58	36	58	–	–
<b>Equity</b>	<b>3,400</b>	<b>3,278</b>	<b>3,263</b>	<b>3,146</b>	<b>137</b>	<b>132</b>
Noncurrent financial liabilities	393	336	87	22	306	314
Pension accruals	1,043	1,185	1,041	1,183	2	2
Income tax liabilities	342	385	312	357	30	28
Other noncurrent accruals	359	420	359	420	0	0
Other noncurrent liabilities	1,171	1,132	1,171	1,132	–	–
<b>Noncurrent liabilities and accruals</b>	<b>3,308</b>	<b>3,458</b>	<b>2,970</b>	<b>3,114</b>	<b>338</b>	<b>344</b>
Current financial liabilities	324	682	215	566	109	116
Due to (from) intragroup financing	–	–	(698)	(677)	698	677
Trade payables	1,515	1,679	1,393	1,552	122	127
Prepayments received	1,327	1,740	1,326	1,740	1	0
Current liabilities from income tax receivables	149	121	149	121	0	0
Amounts owed by discontinued operations	1,119	–	1,119	–	–	–
Other current accruals	1,066	1,255	1,036	1,229	30	26
Other current liabilities	1,588	1,785	1,517	1,716	71	69
<b>Current liabilities and accruals</b>	<b>7,088</b>	<b>7,262</b>	<b>6,057</b>	<b>6,247</b>	<b>1,031</b>	<b>1,015</b>
	<b>13,796</b>	<b>13,998</b>	<b>12,290</b>	<b>12,507</b>	<b>1,506</b>	<b>1,491</b>

## MAN Group: Consolidated cash flow statement

€ million	MAN Group		Industrial Business		Financial Services	
Q1	2006	2005	2006	2005	2006	2005
Earnings before taxes	204	100	196	92	8	8
Current taxes	(31)	(21)	(31)	(21)	0	0
Amortization/depreciation of tangible and intangible assets and investments	73	81	72	73	1	8
Changes in pension accruals	7	11	7	11	0	0
Retained earnings from associated companies	(15)	–	(15)	–	–	–
<b>Cash earnings</b>	<b>238</b>	<b>171</b>	<b>229</b>	<b>155</b>	<b>9</b>	<b>16</b>
Changes in inventories	(281)	(357)	(281)	(360)	0	3
Changes in prepayments received	94	224	93	225	1	(1)
Changes in trade receivables	10	152	29	162	(19)	(10)
Changes in trade payables	(25)	(236)	(24)	(217)	(1)	(19)
Changes in assets leased out	6	4	28	(6)	(22)	10
Changes in other accruals	2	96	(1)	89	3	7
Changes in other current assets	(12)	(14)	(21)	(26)	9	12
Changes in other liabilities	(9)	65	(16)	74	7	(9)
Elimination of net gain (loss) from disposal of tangible and intangible assets	1	0	1	(1)	–	1
Cash flow of discontinued operations	(6)	0	(6)	0	–	–
Other changes in working capital	19	(5)	19	(12)	0	7
<b>Net cash provided by operating activities</b>	<b>37</b>	<b>100</b>	<b>50</b>	<b>83</b>	<b>(13)</b>	<b>17</b>
Expenditures on tangible and intangible assets	(80)	(68)	(80)	(61)	0	(7)
Expenditures on investments	(5)	0	(5)	0	–	–
Cash inflow from disposal of fixed assets	14	6	14	4	0	2
Sale of discontinued operations	–	(8)	–	(8)	–	–
<b>Cash used in investing activities</b>	<b>(71)</b>	<b>(70)</b>	<b>(71)</b>	<b>(65)</b>	<b>0</b>	<b>(5)</b>

## MAN Group: Consolidated cash flow statement (continued)

€ million	MAN Group		Industrial Business		Financial Services	
Q1	2006	2005	2006	2005	2006	2005
<b>Free cash flow from operating and investing activities</b>	<b>(34)</b>	<b>30</b>	<b>(21)</b>	<b>18</b>	<b>(13)</b>	<b>12</b>
Dividend payments	0	(3)	0	(3)	–	–
Sale of securities	8	2	8	2	–	–
Cash (used in) provided by financing activities	(288)	86	(274)	87	(14)	(1)
Changes in intragroup financing	–	–	(28)	14	28	(14)
Special allocation to retirement fund	(44)	–	(44)	–	–	–
<b>Cash (used in) provided by financing activities</b>	<b>(324)</b>	<b>85</b>	<b>(338)</b>	<b>100</b>	<b>14</b>	<b>(15)</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>(358)</b>	<b>115</b>	<b>(359)</b>	<b>118</b>	<b>1</b>	<b>(3)</b>
<b>Cash &amp; cash equivalents at beginning of fiscal year</b>	<b>1,019</b>	<b>604</b>	<b>1,009</b>	<b>602</b>	<b>10</b>	<b>2</b>
Consolidation-related changes in cash & cash equivalents	(20)	0	(22)	0	2	0
Parity-related changes in cash & cash equivalents	(5)	(2)	(2)	(4)	(3)	2
<b>Cash &amp; cash equivalents at end of period</b>	<b>636</b>	<b>717</b>	<b>626</b>	<b>716</b>	<b>10</b>	<b>1</b>
<b>Breakdown of net liquid assets at March 31, 2006 and December 31, 2005</b>						
Cash & cash equivalents	636	1 019	626	1 009	10	10
Securities	162	172	162	172	–	–
Due to (from) intragroup financing	–	–	698	677	(698)	(677)
Financial liabilities	(717)	(1,018)	(302)	(588)	(415)	(430)
	<b>81</b>	<b>173</b>	<b>1,184</b>	<b>1,270</b>	<b>(1,103)</b>	<b>(1,097)</b>

## MAN Group: Changes in equity

€ million	Capital stock	Additional paid-in capital	Reserves retained from earnings	From currency translation	From financial instruments	Minority interests	Total
<b>Balance at December 31, 2005</b>	<b>376</b>	<b>795</b>	<b>2,043</b>	<b>1</b>	<b>5</b>	<b>58</b>	<b>3,278</b>
Dividend for 2004						0	0
Earnings after taxes			152			2	154
Currency translation effects			(3)	(9)			(12)
Changes in unrealized gains (losses)					(2)		(2)
Changes in unrealized gains (losses) from discontinued operations					4		4
All other changes			2			(24)	(22)
<b>Balance at March 31, 2006</b>	<b>376</b>	<b>795</b>	<b>2,194</b>	<b>(8)</b>	<b>7</b>	<b>36</b>	<b>3,400</b>
<b>Balance at December 31, 2004</b>	<b>376</b>	<b>795</b>	<b>1,729</b>	<b>(40)</b>	<b>19</b>	<b>86</b>	<b>2,965</b>
Dividend for 2003						(3)	(3)
Earnings after taxes			54			2	56
Currency translation effects				(1)		1	0
Changes in unrealized gains (losses) from discontinued operations					(1)		(1)
All other changes			2			2	4
<b>Balance at March 31, 2005</b>	<b>376</b>	<b>795</b>	<b>1,785</b>	<b>(41)</b>	<b>18</b>	<b>88</b>	<b>3,021</b>

The other changes in the equity capital of –€22 million (2005: €4 million) include with €8 million (2005: €0 million) changes in equity capital of associated companies, not affecting net income, and with –€24 million the omission of the minority interests in the course of changes in the scope of consolidation.

Accumulated other comprehensive income amounts to –€1 million (2005: –€23 million). €1 million (2005: –€38 million) accrued to Industrial Business and –€2 million (2005: €15 million) to Financial Services. At €5 million (2005: €0 million), accumulated other comprehensive income from Industrial Business resulted from associated companies.

## Notes to the consolidated financial statements

### Notes to the financial statements for the period ending March 31, 2006

#### General principles

The present consolidated financial statements for the period ending March 31, 2006 have been prepared in accordance with the International Financial Reporting Standards (formerly International Accounting Standards [IAS]). The accounting and valuation methods used to prepare these financial statements comply with IAS 34, DRS 6 and Sec. 63 of the Stock Exchange Regulations issued by the Frankfurt Stock Exchange. They are based on the same accounting and valuation principles applied to the consolidated financial statements for the fiscal year ending December 31, 2005. In addition to the financial statements, explanatory notes on selected items have been included. Segment reporting can be found on pages 9 to 12.

#### Scope of consolidation

The consolidated financial statements for the period ending March 31, 2006 include 196 companies (December 31, 2005: 198), of which 68 (67) are located in Germany and 128 (131) abroad. The Brazilian company INTERMESA Trading Lta., of which MAN has 48.5% holdings, will be balanced at equity as of January 1, 2006, because MAN Ferrostaal no longer intends to purchase the majority of the company's shares.

#### Discontinued business segments

Since MAN AG is in the course of negotiations on the sale of its interest in MAN Roland Druckmaschinen, the Printing Systems area is posted from January 1, 2006 as a "discontinued business segment" according to IFRS 5. The assets and the liabilities of the Printing Systems area are shown separately in the balance sheet; the cash flow of the Printing Systems is shown separately in the funds statement. In the income statement, the Printing Systems are included only with their net earnings after taxes. In accordance with IFRS 5 the prior year's figures of the income statement are adjusted, but not the comparative figures of the balance sheet as of December 31, 2005 and the funds statement.

Sales and expenses of Printing Systems in the 1<sup>st</sup> quarter were:

€ million	2006	2005
Sales	411	299
Expenditure, other income	(397)	(315)
<b>Operating profit</b>	<b>14</b>	<b>(16)</b>
Net interest income	(3)	(2)
Taxes	(4)	(2)
<b>Earnings after taxes</b>	<b>7</b>	<b>(20)</b>

The assets of the Printing Systems of €1,171 million shown separately in the balance sheet of March 31, 2005 relate with €293 million to long-term assets and with €878 million to short-term assets. The liabilities of €1,119 million include with €194 million long-term and with €925 million short-term liabilities and reserves.

### **Change in figures of the previous year**

A further adjustment to the previous year's consolidated income statement affects the commercial vehicles sector. As of December 31, 2005, we made retrospective changes to the balancing of sales which entail a buy-back obligation. If buy-back obligations were still valid after January 1, 2005, these sales will no longer be shown as immediately realized sales, but balanced as leasing situations retroactively from the purchase date.

## Adjustment of the consolidated income statement for the year 2005

€ million Q1	2005 published	IFRS 5 adjustment	Balance sheet changes	2005 comparable
<b>Net sales</b>	<b>3,165</b>	(283)	(58)	<b>2,824</b>
Cost of sales	(2,551)	219	58	(2,274)
<b>Gross margin</b>	<b>614</b>	<b>(64)</b>	–	<b>550</b>
Selling expenses	(226)	32	(1)	(195)
General administrative expenses	(168)	21	–	(147)
Other income and expenditures	(107)	27	1	(79)
<b>Earnings before interest and taxes</b>	<b>113</b>	<b>16</b>	–	<b>129</b>
Net interest result of Financial Services	(8)	–	–	(8)
Net interest result of Industrial Business	(23)	2	–	(21)
<b>Earnings before taxes</b>	<b>82</b>	<b>18</b>	–	<b>100</b>
Taxes	(24)	(5)	–	(29)
Net result of discontinued operations	(2)	(13)	–	(15)
<b>Earnings after taxes</b>	<b>56</b>	–	–	<b>56</b>
of these: minority interests	2	–	–	2
<b>of these: shares of MAN stockholders</b>	<b>54</b>	–	–	<b>54</b>
<b>Earnings per share in €</b>	<b>0.37</b>	<b>0.10</b>	–	<b>0.47</b>

In accordance with IAS 39, as from the year-end financial statements for the fiscal year 2005, income and expenditure from hedge accounting are no longer set off against the corresponding results of the hedged items. The quarterly balance sheets 2005 were not adjusted. As a result, other operating income is increased by around €40 million and other operating expenses by around €30 million, as well as correspondingly the cost of production of sales in the 1<sup>st</sup> quarter 2006 compared to the comparative figures of the 1<sup>st</sup> quarter 2005.

## Currency translation

Accounts prepared by companies outside the euro zone are translated according to the functional-currency method. Rates of exchange on the closing date are applied in the case of all companies. Balance-sheet items are translated at the rate prevailing on the closing date and items in the income statement at the average rate for the period.

Exchange rates for the major MAN Group currencies have changed as follows:

	Closing rate of €1 at		Average rate of €1 during	
	03/31/2006	12/31/2005	Q1 2006	Q1 2005
US dollar	1.2104	1.1797	1.1981	1.3195
Pound sterling	0.6964	0.6853	0.6849	0.6926
Danish krone	7.4624	7.4605	7.4621	7.4430
Swiss franc	1.5801	1.5551	1.5628	1.5441
Swedish krona	9.4315	9.3885	9.3698	9.0817
Polish zloty	3.9425	3.8600	3.8421	4.0233
Japanese yen	142.42	138.90	140.34	137.35
South African rand	7.5066	7.4642	7.4160	7.7840
Canadian dollar	1.4084	1.3725	1.3769	1.6195

## Segment reporting

The breakdown of the consolidated order intake, sales and earnings figures according to division included in these financial statements is taken from MAN Group segment reports. The reporting structure of the MAN Group has remained unchanged since December 31, 2005. The discontinued operation is the Printing Systems segment.

## Income taxes

For the purposes of the financial statements, income tax payable has been stated on the basis of the tax rate currently estimated for 2006.

## Estimates

For the purpose of preparing the financial statements, it was necessary to make assumptions or estimates regarding the valuation of certain items for inclusion in the balance sheet and in order to state contingent liabilities and report on income and expenditure. The actual figures may differ from these estimates.

## Audit

The financial statements have not been audited.

## Breakdown of financial statements

### Net interest result

€ million		
Q1	2006	2005
Interest and similar income	10	6
Interest and similar expenses	(17)	(17)
Interest portion of additions to pension accruals	(14)	(18)
	<b>(21)</b>	<b>(29)</b>

### Intangible fixed assets

€ million	03/31/2006	12/31/2005
Licenses, software, similar rights and assets	41	47
Capitalized development costs	195	211
Goodwill	187	197
	<b>423</b>	<b>455</b>

The decline in intangible assets of €32 million is due with €47 million to the balance sheet value of the Printing Systems as of March 31, 2006 being posted separately in the assets of discontinued business segments.

### Tangible assets

€ million	03/31/2006	12/31/2005
Land and buildings	874	1,021
Production plant and machinery	516	565
Other plant, factory and office equipment	208	243
Prepayments made, construction in progress	58	53
	<b>1,656</b>	<b>1,882</b>

The decline in tangible assets of €226 million is due with €204 million to the balance sheet value of the Printing Systems as of March 31, 2006 being posted separately in the assets of discontinued business segments.

### Inventories

€ million	03/31/2006	12/31/2005
Raw materials and supplies	487	497
Work in progress and finished products	1,892	2,118
Merchandise	572	570
Prepayments made	275	268
	<b>3,226</b>	<b>3,453</b>

The decline of inventories of €227 million is due with €493 million to the balance sheet value of the Printing Systems as of March 31, 2006 being posted separately in the assets of discontinued business segments.

### Trade receivables

€ million	03/31/2006	12/31/2005
Future receivables under long-term construction contracts	120	143
Receivables due from investees	41	38
Receivables due from customers	2,591	2,996
	<b>2,752</b>	<b>3,177</b>

The decline in the trade debtors of €425 million is due with €371 million to the balance sheet value of the Printing Systems as of March 31, 2006 being posted separately in the assets of discontinued business segments.

### Short-term securities, cash & cash equivalents

€ million	03/31/2006	12/31/2005
Short-term securities	162	172
Cash on hand and in bank	636	1,019
	<b>798</b>	<b>1,191</b>

### Other accruals

€ million	03/31/2006	12/31/2005
Warranties	492	504
Unbilled costs from contracts invoiced	264	281
Other business obligations	367	392
Obligations to personnel	224	227
Remaining accruals	78	271
	<b>1,425</b>	<b>1,675</b>

The decline in sundry accruals of €250 million is due with €240 million to the balance sheet value of the Printing Systems as of March 31, 2006 being posted separately in the assets of discontinued business segments.

The remaining accruals are shown under the following items in the balance sheet:

€ million	03/31/2006	12/31/2005
Other noncurrent accruals	359	420
Other current accruals	1,066	1,255

## Contingent liabilities

€ million	03/31/2006	12/31/2005
Guaranties and suretyships	367	402
Joint liability obligations	304	311
Obligations in favor of consortium partners	45	44
Notes endorsed and discounted	12	10

Sales to customers via non-group leasing companies or banks, particularly of commercial vehicles totaling €159 million (2005: €148 million) and printing machines totaling €145 million (2005: €163), include normal buy-back obligations.

## Other financial commitments

Other financial commitments comprise tenancy and lease agreements. As of March 31, 2006 they amount to €486 million after €485 millions of December 31, 2005. Further financial commitments towards third parties result from commenced investment projects and from procurement contracts. They were within the scope of normal business and are not of significance for the financial position

Munich, May 4, 2006

MAN Aktiengesellschaft  
 The Executive Board

Financial calendar	
2005 Annual General Meeting	May 19, 2006
Report on the first half of 2006	August 1, 2006
Capital Market Day	October 4-5, 2006
Report on the third quarter of 2006	November 2, 2006
Annual press conference on 2006	March 7, 2007
Analysts' conference on 2006	March 7, 2007
Presentation of the 2006 Annual Report in the internet	March 20, 2007
Report on the first quarter of 2007	May 3, 2007
2006 Annual General Meeting	May 10, 2007
Report on the first half of 2007	August 2, 2007
Report on the third quarter of 2007	November 6, 2007

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