



News service MAN Group

Press release of
November 16, 2001

MAN: Interim Report 1 January – 30 September 2001

Review

The noticeable slowdown in economic activity during the third quarter has affected MAN Group divisions to varying degrees. Extraordinary factors have had an adverse influence on earnings during the current 2001 financial year. For the 2002 financial year, however, the Executive Board is expecting the extensive restructuring and cost-cutting measures to provide the requisite basis for participating to a proportionately greater extent in the economic recovery predicted for the second half of 2002.

Over the period January – September 2001, **new orders** received by the MAN Group fell by 8% to EUR 11.7 billion compared with the corresponding period of the previous year. **Sales** of EUR 11.4 billion were marginally lower than the level of the previous year (-1%).

Although as expected, the sectors of Industrial Services, Printing Systems, Diesel Engines and Financial Services continue to perform well, MAN Group **earnings** will be more adversely impacted by the Commercial Vehicles Division than previously anticipated. MAN Nutzfahrzeuge has had to deal with declining production, continuing high costs due to parallel manufacture of two ranges of trucks, increasing pressure on conditions, as well as operating losses in the bus sector and at ERF. Furthermore, reserves for the total additional costs of reorganising the British subsidiary ERF amounting to EUR 75 million were created during the third quarter and backed by MAN AG's waiver of due receivables. Up to September 2001 the Commercial Vehicles Division showed a cumulative EBIT of +EUR 34 million and pre-tax earnings of -EUR 56 million.

The MAN Group is additionally facing a continuing difficult situation in the SMS group, where the metallurgical plant and rolling mill technology is undergoing a phase of restructuring and a loss has also been recorded over the nine-month period.

Taking into account all extraordinary factors, the MAN Group has recorded **earnings before interest and taxes** of EUR 215 million for the period January to September 2001, following EUR 614 million in the corresponding period of the previous year, and **earnings before taxes** of EUR 68 million (EUR 515 million).

For the **full year of 2001** we are now expecting earnings before interest and taxes in the order of EUR 400 million, and earnings before taxes in the order of EUR 200 million. This includes the operating losses and additional costs accruing from ERF, estimated at a total of EUR 140 million. In the case of both **new orders** and **sales**, we are now anticipating volumes of between EUR 15.5 billion and EUR 16.0 billion.

As a result of developments in the Commercial Vehicle sector, a restructuring programme has been drawn up, which in addition to a series of schemes for improving profitability also envisages reducing the numbers employed in this division, mainly among limited and temporary employees, by some 4,400 by mid-2002, compared with the level at the beginning of the 2001 financial year. In view of the gloomy



News service MAN Group

prospects for business volumes in 2002, realignment programmes have also been introduced in other areas. By the end of 2002, the MAN Group as a whole will probably register some 6,000 fewer employees than at the beginning of the current financial year, based on a comparable scope of consolidation.

Consolidated overview of the MAN Group € million	2001 Jan. – Sept.	2000 Jan. – Sept.	Change in %
New orders	11 704	12 777	- 8
Germany	3 067	3 210	- 4
Foreign	8 637	9 567	- 10
Sales	11 353	11 490	- 1
Germany	3 090	3 304	- 6
Foreign	8 263	8 186	+ 1
Orders on hand*	11 589	10 962	+ 6
Employees* (number)	79 015	76 604	+ 3
Germany	52 118	50 611	+ 3
Foreign	26 897	25 993	+ 3
Capital expenditure	898	1 026	- 12
of which in tangible and intangible fixed assets	437	411	+ 6
of which in assets leased out	326	348	- 6
of which equity interests and other financial assets	135	267	- 49
Depreciation on fixed assets	512	423	+ 21
Research and development	440	381	+ 15
Earnings before interest and taxes / EBIT	215	614	- 65
Net interest payable	(147)	(99)	+ 48
Earnings before taxes on income	68	515	- 87
Income taxes	(22)	(187)	- 88
Net income for the period	46	328	- 86
Earnings per share in €	0.29	1.92	- 85
Earnings per share adjusted for ERF in €	0.85	1.94	- 56

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

Accelerated economic downturn

The downswing in economic activity has accelerated in the course of 2001 and spread to an increasing number of countries. The terrorist attacks in the USA, their direct economic consequences and the persistent uncertainty among investors and consumers regarding future developments have heightened the risks for an already weak global economy. Influenced by drastically revised growth forecasts and deteriorating sales and earnings expectations, new contracts involving capital expenditure on plant and equipment have already been significantly reduced.



News service MAN Group

The volume of **new orders** received by the **MAN Group** during the first nine months reached EUR 11,704 million, 8% less than for the corresponding period of the previous year; a drop of 8% was also recorded for the third quarter. Orders received from the home market were 4% lower than the previous year, whereby a sharp drop in demand has been recorded over the last three months (-23%). New orders received from abroad fell by 10%, the last three months being comparatively stable at -2%.

At the end of nine months, **sales** of EUR 11,353 million were 1% below last year's figure, equalling the second-quarter figure of 4.0 billion during the third quarter of 2001. Compared with a weak corresponding quarter in the previous year (low sales following the end of the financial year on 30 June 2000), this represents a rise of 26%.

Compared with 31 December 2000, **orders on hand** increased by EUR 627 million or 6% to EUR 11,589 million as per 30 September 2001.

On 30 September 2001, the MAN Group had 79,015 **employees**, 2,411 or 3.1% more than on 31 December 2000. This increase was due solely to newly-acquired companies which added 3,226 employees. On a comparable basis, the number of employees has decreased by 815 or 1.0% since the beginning of the financial year. Viewed on a comparable basis against the year's peak figure recorded at the end of February 2001, the total labour force had already been reduced by 1,574 or 2.0% by the end of September. In addition, the number of temporary employees fell by 1,072 or 35.6% to 1,950 on 30 September 2001.

For the period January to September 2001 **capital expenditure** of EUR 898 million was recorded, 12% less than last year's figure, which included high outlays for the acquisition of equity interests. EUR 437 million (+6%) were invested in tangible fixed assets, emphasis remaining on the Commercial Vehicle sector which received a 47% share. EUR 135 million were allocated to the acquisition of equity interests and other financial investments, compared to EUR 267 million in the corresponding period of the previous year.

Expenditure on **research and development** was increased by 15% to EUR 440 million during the period under review.

Earnings position

During the third quarter July to September 2001, the MAN Group recorded a loss. Earnings before interest and taxes/EBIT amounted to -EUR 30 million over the three-month period, earnings before taxes on income/EBT to -EUR 87 million. For the entire period under review, January to September 2001, the MAN Group generated an EBIT of EUR 215 million (2000: EUR 614 million) and an EBT of EUR 68 million (EUR 515 million). Compared with the period January to September 2000, there was a considerable drop in earnings, which in addition to the slowdown in operations in the course of 2001 and the added expenses incurred at ERF (EUR 122 million), was also attributable to the earnings effects included in the previous year's figures as a result of the financial year ending on 30 June 2000 and to the absence of earnings from the sale of the Elliott holding.



News service MAN Group

Taxes on income of EUR 22 million accrued during the period under review, following EUR 187 million last year. After-tax earnings amounted to EUR 46 million after a previous figure of EUR 328 million. Earnings per share reached EUR 0.29 with ERF (previous year: EUR 1.92) and EUR 0.85 without ERF (EUR 1.94).

New orders € million	2001 Jan. – Sept.	2000 Jan. – Sept.	Change in %
Commercial Vehicles	4 741	4 971	- 5
Industrial Services	2 116	2 553	- 17
Printing Systems	1 545	1 739	- 11
Diesel Engines	1 097	1 106	- 1
Industrial Equipment & Facilities	2 416	2 519	- 4
Financial Services	377	222	+ 70
Other / Consolidated	(588)	(333)	-
New orders MAN Group	11 704	12 777	- 8

Sales € million	2001 Jan. – Sept.	2000 Jan. – Sept.	Change in %
Commercial Vehicles	4 818	4 461	+ 8
Industrial Services	1 909	1 969	- 3
Printing Systems	1 474	1 447	+ 2
Diesel Engines	985	920	+ 7
Industrial Equipment & Facilities	2 394	2 765	- 13
Financial Services	333	222	+ 50
Other / Consolidated	(560)	(294)	-
Sales MAN Group	11 353	11 490	- 1

Earnings before interest and taxes (EBIT) € million	2001 Jan. – Sept.	2000 Jan. – Sept.	Change in € mill.
Commercial Vehicles	34	236	- 202
Industrial Services	71	54	+ 17
Printing Systems	48	81	- 33
Diesel Engines	54	58	- 4
Industrial Equipment & Facilities	7	114	- 107
Financial Services	65	49	+ 16
MAN AG / Other	(64)	22	- 86
EBIT MAN Group	215	614	- 399



News service MAN Group

Earnings before taxes on income € million	2001 Jan. – Sept.	2000 Jan. – Sept.	Change in € mill.
Commercial Vehicles	(56)	167	- 223
Industrial Services	68	58	+ 10
Printing Systems	45	71	- 26
Diesel Engines	43	49	- 6
Industrial Equipment & Facilities	17	124	-107
Financial Services	12	14	- 2
MAN AG / Other	(61)	32	- 93
Earnings before taxes on income MAN Group	68	515	- 447

Results of the MAN Group's operating divisions

Divisional trends

In the case of **Commercial Vehicles**, market demand had continued to decline in recent months, with new orders of EUR 4,741 million over the first nine months remaining 5% below the level of last year. The drop in domestic orders increased noticeably during the third quarter, whereas a slight increase in foreign orders was registered compared with the previous year. Owing to previous high order levels, sales rose by 8% to EUR 4,818 million.

Earnings in the Commercial Vehicles Division were adversely affected by a series of extraordinary factors. The production start-up for the new heavy range of **trucks**, the "Trucknology Generation", has stabilised in the course of the year. However, parallel production of the F2000 series is still creating appreciable additional costs. Furthermore, considerable on-going expenditure has been incurred in upgrading the first TG-A vehicles, which have met with an exceptionally high level of acceptance among customers. From the market point of view, demand fell strongly during the summer months without having since returned to a satisfactory level, to some extent also due to the impact of the events of 11 September. This has brought strong pressure to bear on conditions, especially in the case of prices on the used-vehicle market.

Against this background, MAN Nutzfahrzeuge has adopted a comprehensive **restructuring programme** to adapt to these changing production and market conditions. Since 31 December 2000, the number of employees, including temporary staff, has been reduced by some 1,900 as of 1 November 2001. By mid-2002, these realignment measures should lead to a further decrease of about 2,500 employees. At the same time, the division is working intensively on reducing the manufacturing costs of the TG-A. On 1 January 2002, organisational changes will also be taking effect, aimed at increasing earnings responsibility of the product sectors and enhancing market impact.



News service MAN Group

Reorganisation of the British subsidiary **ERF** is proving to be an especially heavy burden. Its operating loss amounted to EUR 47 million over the first nine months. Following exposure of the manipulation in the accounting in the summer of 2001, ERF is to be restructured. Technically, the ERF truck is to be modified in line with the TG-A. The administration departments of ERF and MAN Nutzfahrzeuge's import company in England are to be amalgamated. These measures will also lead to a substantial reduction in personnel. Reserves for the anticipated total additional costs of EUR 75 million were created during the third quarter and backed by MAN AG's waiver of due receivables. We are expecting a satisfactory earnings position at ERF from 2003.

During the first nine months of 2001, the **truck sector of the MAN Nutzfahrzeuge Group** recorded an EBIT of +EUR 101 million without ERF and of +EUR 62 million with ERF. Pre-tax earnings in the truck sector, but without ERF, amounted to +EUR 35 million and -EUR 12 million with ERF.

The demand for **buses and coaches** is also declining. Volumes and prices have come under stronger pressure than expected. With its acquisition of NEOPLAN, MAN has set course to take up a new positioning in the bus industry. This calls for comprehensive reorganisation and restructuring of the bus sector over and above our original plans and includes a new platform strategy for coaches and scheduled-service buses, as well as relocation of particularly wage-intensive manufacturing processes to the bus factories in Poznań and Ankara. Over the first nine months of 2001, an EBIT of -EUR 28 million and an EBT of -EUR 44 million accrued to the bus sector.

Overall, the MAN Nutzfahrzeuge Group recorded an EBIT without ERF of +EUR 73 million for the entire period under review, and of +EUR 34 million with ERF. The EBT without ERF amounted to -EUR 9 million and with ERF to -EUR 56 million.

In the **Industrial Services Division**, incoming orders reached EUR 2,116 million, 17% less than the previous year. This decrease is due to the considerably lower volume of major orders to date. Current operations registered an increase in incoming orders (+4%). Sales of EUR 1,909 million still showed a marginal decrease (-3%). The EBIT improved to EUR 71 million and the EBT to EUR 68 million.

After developing well during the first half, new orders in the **Printing Systems Division** have been seriously affected by the economic situation over the past three months. Reaching EUR 1,545 million during the period under review, this represents a minus of 11%, of which six percentage points are attributable to the sharp drop in business in the USA. Sales amounted to EUR 1,474 million, 2% higher than the previous year. The EBIT reached EUR 48 million and the EBT EUR 45 million.

With new orders of EUR 1,097 million, **Diesel Engines** almost maintained the same level as last year (-1%). Sales improved by 7% to EUR 985 million. This growth was attributable to the two-stroke sector, while the four-stroke sector registered lower levels of new sales and orders than the previous year. An EBIT of EUR 54 million was generated and an EBT of EUR 43 million.



News service MAN Group

In the **Industrial Equipment and Facilities Division**, new orders amounted to EUR 2,416 million (-4%). Sales of EUR 2,394 million (-13%) were significantly lower than the previous year, with the SMS Group in particular recording a sharp decrease, due partially to the performance of subsidiaries located in the USA. The EBIT fell to EUR 7 million and the EBT to EUR 17 million. This shortfall originated mainly from the SMS Group, which due to losses in the metallurgical plant and rolling mill sector and in plastics technology, reported negative figures with an EBIT of -EUR 39 million and an EBT of -EUR 23 million. In the case of other companies in the Industrial Equipment and Facilities Division, earnings were in line with expectations.

The business volume of the **Financial Services Division**, which focuses particularly on sales financing, has continued to increase strongly. New orders climbed to EUR 377 million (+70%), while sales rose to EUR 333 million (+50%). Investment in rented equipment amounted to EUR 326 million (-6%). This downturn was the result of funds being released upon disposal of part of the portfolio to an outside finance company during the third quarter of 2001. Earnings before taxes on income amounted to EUR 12 million, reflecting the level of the previous year.

Outlook

In view of the problematic economic environment, we are meanwhile expecting a **business volume** for 2001 based on new orders and sales in the region of EUR 15.5 to EUR 16.0 billion in each case.

Divergent developments in the **earnings position of the divisions** will be recorded in 2001.

- The fourth quarter will not produce the recovery in the **Commercial Vehicles Division** expected at the time of issuing the second-quarter interim report. Due to the weak inflow of orders in recent months, there will be a significant reduction in sales and especially production volumes compared with the preceding quarters. Nevertheless, based on today's estimates, we are assuming that it will be possible to maintain the fourth-quarter almost at a breakeven point, taking into account all influential factors. In 2001, ERF's and the bus sector's EBT will each show losses of a middling double-digit million figure (in euros), and for MAN trucks, we are anticipating a positive middling double-digit million EBT figure (in euros). The same applies to the EBIT generated by the MAN Nutzfahrzeuge Group as a whole.
- **Industrial Services** will continue to expand. The 2001 results are expected to show a strong rise compared with 1999/2000.
- In view of the recently weakening business in sheetfed systems and in the USA, the **Printing Systems** sector will generate earnings on a par with its 1999/2000 figures.
- In the case of **Diesel Engines**, earnings will improve compared with 1999/2000. The two-stroke sector is registering strong growth, while performance in the four-stroke sectors will be rather more restrained.



News service MAN Group

- In the **Industrial Equipment and Facilities Division**, the SMS Group will show a sharper than expected drop in its EBT as a result of restructuring measures and a shortfall in new orders. Overall, the other companies in this division will almost reach the previous year's figures.
- **MAN Financial Services** will continue to expand its business and increase its earnings contribution.

In the case of the entire **MAN Group**, it is likely that in 2001 earnings before interest and taxes will amount to some EUR 400 million and earnings before taxes to around EUR 200 million. This result has been temporarily reduced by some EUR 140 million due to ERF, meaning that following appropriate adjustment, the EBT should reach a volume of EUR 340 million.

Based on the assumption that demand will recover in the second half of 2002, we expect earnings to improve again next year. The programmes of measures drawn up to enhance our profitability represent a total earnings-improvement potential compared with the status at the beginning of the current financial year of some EUR 500 million, so that from 2003 onwards we should, on the basis of a buoyant economy by that time, succeed in once again approaching the rates of return targeted for the MAN Group.

MAN Group: Consolidated income statement January – September 2001 € million	2001 Jan. – Sept.	2000 Jan. – Sept.
Net sales	11 353	11 490
Cost of sales	(9 485)	(9 430)
Gross margin	1 868	2 060
Selling expenses	(788)	(753)
General administrative expenses	(475)	(431)
Other operating income	288	338
Other operating expenses	(682)	(609)
Income from investments	4	9
Earnings before interest and taxes / EBIT	215	614
Net interest payable	(147)	(99)
Earnings before taxes on income / EBT	68	515
Income taxes	(22)	(187)
Net income for the period	46	328



News service MAN Group

July – September 2001 € million	2001 July – Sept.	2000 July – Sept.
Net sales	4 022	3 199
Cost of sales	(3 448)	(2 647)
Gross margin	574	552
Selling expenses	(271)	(242)
General administrative expenses	(162)	(140)
Other operating income	97	58
Other operating expenses	(273)	(119)
Income from investments	5	1
Earnings before interest and taxes / EBIT	(30)	110
Net interest payable	(57)	(35)
Earnings before taxes on income / EBT	(87)	75
Income taxes	28	(27)
Net income for the period	(59)	48

General principles

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

The comparable figures for the periods January to September 2000 and July to September 2000 are pro forma figures based on the second half of the 1999/2000 financial year and the first quarter of the short financial year 2000.



News service MAN Group

MAN Group: Consolidated balance sheet as of 30 September 2001		
Assets		
€ million	30.9.2001	31.12.2000
Intangible assets	445	353
Tangible assets	2 412	2 293
Assets leased out	673	878
Financial assets	175	182
Fixed assets	3 705	3 706
Inventories	5 198	4 531
Prepayments received	(2 917)	(2 560)
Trade receivables	3 635	3 632
Other receivables and current assets	563	479
Short-term securities	1 006	990
Cash and cash equivalents	442	620
Current assets	7 927	7 692
Deferred tax assets	346	312
Prepaid expenses and deferred charges	66	58
	12 044	11 768
Equity & liabilities		
€ million	30.9.2001	31.12.2000
Equity of MAN AG stockholders	2 464	2 662
Minority interests	291	301
Equity	2 755	2 963
Pension accruals	1 984	1 925
Tax accruals, deferred tax liabilities	522	631
Other accruals	1 986	1 816
Accruals	4 492	4 372
Financial liabilities	2 283	1 775
Trade payables	1 562	1 770
Other liabilities	869	818
Liabilities	4 714	4 363
Deferred income	83	70
	12 044	11 768



News service MAN Group

MAN Group: Consolidated cash flow statement January – September 2001 € million	2001	2000
	Jan. – Sept.	Jan. – Sept.
Cash and cash equivalents at beginning of year	620	538
Net income for the period	46	328
Non-cash expenses and income	559	487
Cash flow	605	815
Changes in working capital	(414)	(739)
Net cash inflow from operating activities	191	76
Capital expenditure	(898)	(1 026)
Disposal of assets	466	203
Net cash outflow from investment activities	(432)	(823)
Dividends paid	(87)	(17)
Redemption of own shares	(163)	-
Net change in financial liabilities and short-term securities	274	643
Net cash inflow from financing activities	24	626
Net change in cash and cash equivalents	(217)	(121)
Other changes in cash and cash equivalents	39	75
Cash and cash equivalents at end of the period	442	492

MAN Group: Consolidated statement of changes in equity January – September 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	-	(17)	(17)
Net income for the period	298	30	328
Currency translation effects	35	11	46
All other changes	7	6	13
Balance at 30 September 2000	2 722	298	3 020
Balance at 31 December 2000	2 662	301	2 963
Dividends paid for the previous year	(74)	(13)	(87)
Net income for the period	49	(3)	46
Redemption of own shares	(163)	-	(163)
Currency translation effects	(9)	2	(7)
All other changes	(1)	4	3
Balance at 30 September 2001	2 464	291	2 755

MAN Aktiengesellschaft
The Executive Board