



News service MAN Group

Information for our shareholders on the 1999/2000 financial year
(1 July to 30 June)

Letter to MAN's
shareholders
September 7, 2000

MAN Group: Growth and earnings targets exceeded in 1999/2000 Dividends rise

For the MAN Group, 1999/2000 was a very successful year. With a 25% rise in new orders to € 15.6 billion and an increase of 20% in pre-tax earnings to reach € 668 million, we were able to substantially exceed growth targets. Net profit for the year rose by 14% to € 424 million (1998/1999: € 371 million) and earnings per share by 13% to € 2.52. Consolidated sales grew by 10% to € 14.6 billion, the number of employees as of 30 June 2000 increased by 11% to 74,324 compared with previous year's figure and by 6% to 71,239 on annual average. An increased dividend of € 1 per share (1998/1999: € 0.82 plus € 0.10 bonus) is being proposed.

A proposal will also be submitted to the Supervisory Board that a resolution be presented to the Annual General Meeting on 15 December 2000 to newly authorise the redemption of own shares, as well as additional authorised capital. For the first time, the possibility of limiting capital measures to one class of share (namely ordinary or preference shares) is also to be introduced.

As already announced, the MAN Executive Board will also be proposing that the financial year be aligned with the calendar year by inserting a short financial year ending as of 31 December 2000. In view of the high level of outstanding orders carried over from 1999/2000 and the excellent start to the short financial year, we expect a marked increase in incoming orders, sales, earnings before taxes on income and net profit for the six months from 1 July to 31 December compared with the corresponding period of the previous year. Subject to a sustained positive economic climate, we are anticipating continued growth in key business ratios during 2001, exceeding the levels attained in 1999/2000.

The financial services performed by MAN Group companies – in particular in the area of financing sales and investment with a volume of total assets of € 1.5 billion – will be in future combined for organisational purposes and stated as a new business unit by the name "MAN Financial Services".

Economic environment more favourable on a broad front during 1999/2000

In the course of our 1999/2000 financial year, the global economy gathered considerable momentum. The turnaround following the crises in the emergent Asian economies and in Latin America, combined with the as yet uninterrupted dynamic economic activity in the USA and the accompanying enhanced market conditions in Europe, has brought new impetus to world trade. In the wake of this global economic revival, investor confidence has also progressively



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strengthened, paving the way for improved economic performance in the export-intensive sector of mechanical engineering. The development of the commercial vehicle market in Europe surpassed expectations. A gradual recovery in building activity in Germany and growth in the cross-border movement of goods also contributed to this trend.

New orders increase by a quarter

The volume of new orders received by the MAN Group during the 1999/2000 financial year increased by 25% to € 15.6 billion. This rise was largely due to internal growth. Changes in the companies consolidated contributed seven percentage points on a pro rata basis, resulting in particular from initial inclusion of the companies Mannesmann-Demag-Metallurgie, the commercial vehicle manufacturers ERF (Great Britain) and STAR (Poland), as well as Cincinnati Extrusion (Austria) and the producer of diesel engines, ALSTOM Engines. All six areas of operation generated double-digit growth rates, with contract volumes attaining new record levels.

Domestic orders amounted to € 4.6 billion (+9%). Incoming foreign orders reached € 11.0 billion (+34%); the proportion of foreign contracts received by the MAN Group grew from 66% to 70%. The most important export regions were once again Europe with a 57% share (1998/1999: 56%) and America with a share of 23% (1998/1999: 22%).

Sales grow by 10 %

MAN Group sales rose by 10% to € 14.6 billion. With the exception of Industrial Services, where sales continued to decline as a result of the low level of orders received during the previous year, all divisions were able to increase sales, in some cases by more than ten percent. Domestic sales increased by 2% to € 4.4 billion, with foreign sales rising by 14% to € 10.2 billion. The proportion of foreign sales grew from 67% to 70%.

Very high volume of orders on hand

Our orders on hand increased compared with 30 June 1999 by 24% to € 10.6 billion. 14% of this substantial rise was attributable to changes in companies consolidated and 10% to the strong growth in order volumes. This high order backlog is contributing to a continuing positive employment situation.

More employees, especially abroad

As of 30 June 2000, the MAN Group numbered 74,324 employees, 11% more than as of 30 June 1999. On annual average 71,239 persons (+6%) were employed. This increase was mainly due to the first-time consolidation of new companies, whereas on a comparable basis, the number of employees increased by 979 or 1.3%. As of 30 June 2000, one third (33.4%) of MAN staff were employed by foreign subsidiaries; one year ago, the ratio was 28.9%, and five years ago only one fifth (20.2%). Within the last five years, the number of staff employed with foreign companies in the MAN Group has more than doubled from 11,418 to 24,837.



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Higher levels of capital expenditure and Research & Development

Capital expenditure increased by 38% compared with the previous year, reaching € 1,217 million. Expenditure on tangible and intangible assets was stepped up by 10% to € 537 million. New investment focused on the Commercial Vehicle sector. Added to this was expenditure on the part of MAN Financial Services Division on assets leased out in the amount of € 397 million (1998/1999: € 292 million). € 283 million (1998/1999: € 103 million) was spent on acquiring equity interests and financial assets. After deduction of proceeds from asset disposals amounting to € 225 million (1998/1999: € 203 million), net expenditure on capital goods totalled € 992 million (1998/1999: € 678 million). MAN Group companies invested € 527 million in Research and Development, representing an increase of € 105 million or 25%. The R&D ratio amounted to 4.5% of sales of all companies outside the service sectors (1998/1999: 4.1%).

Sustained above-average growth in earnings

The MAN Group has further strengthened its earnings capacity. Earnings before taxes on income improved by € 111 million, or 20%, to reach a new record high of € 668 million, therefore increasing proportionately faster than sales. In particular, Commercial Vehicles, Printing Machines and Diesel Engines registered a marked rise in earnings. Expenditure on income taxes increased by € 58 million to € 244 million. Consolidated net profit rose by € 53 million or 14%, also reaching a new record high of € 424 million. The cash flow according to DVFA/SG increased to € 1,011 million (1998/1999: € 913 million). Based on IAS 33, earnings per share amounted to € 2.52, after € 2.23 the previous year.

We were once again able to exceed our goal of a 15% return on capital employed, registering 15.9% (1998/1999: 15.4%). At 4.9%, the Group's return on sales outside the service sectors almost reached the targeted figure of 5% (1998/1999: 4.6%).

At the meeting to approve the financial statements, the Executive Board will be proposing that the Supervisory Board should increase the dividend from € 0.82 plus € 0.10 bonus last year to € 1.00 per share. A corporation-tax coupon will be issued for a portion of the dividend amounting to € 0.10 per share.

New authorisation to redeem shares and new authorised capital

The Executive Board will also be proposing to the Supervisory Board that a resolution be submitted to the Annual General Meeting on 15 December 2000 to approve authorisation to acquire own shares up to a maximum of 10% of the share capital. Moreover, deviating from the previous ruling, it should be possible to restrict such acquisition to one class of share, i.e. either ordinary or preference shares. This will provide us with the legal framework for selective future redemption of preference shares with a view to increasing the quota of total capital issued in the form of ordinary shares. In addition, new authorised capital amounting to 50% of the share capital is to be proposed. In this case again, restriction to one class of share should be possible in future.



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Outlook for the short financial year and for 2001

Even if the global economy loses some of its momentum, the overall environment for world trade should remain favourable. Although the signs are increasing that the US economy will be reducing speed, a "soft landing" is currently being forecast. Following their financial and economic crises, the majority of the emergent countries in Southeast Asia and Latin America are now back on track for future growth.

Japan is also showing signs of improvement. Economic expansion in Central and Eastern Europe is expected to accelerate. Stimulated by this favourable global economic environment and the low exchange rate of the euro, we are anticipating a continued upswing in Western Europe.

In view of this scenario, we are on the whole confident that our business will continue its positive trend on a worldwide scale.

Although for some time now, a slowdown has been predicted in the extremely large increase in demand for commercial vehicles in Europe, this is however now expected to result in more of a flattening out at a high level. Furthermore, with its state-of-the-art Trucknology Generation vehicles, MAN Nutzfahrzeuge can offer a most advanced range of products compared with the competition. In our Mechanical Engineering Divisions, we are anticipating continued growth based on our technological lead and high level of customer orientation. In the Plant Engineering sector, we are expecting the rising demand for large-scale plant registered since the last financial year to continue its positive course.

In view of the high level of outstanding orders carried over from 1999/2000 and the excellent start to the short financial year, we expect a marked increase in incoming orders, sales, earnings before taxes on income and net profit for the six months from 1 July to 31 December compared with the corresponding period of the previous year. From today's point of view, we are expecting continued growth of key business ratios during the subsequent 2001 financial year, exceeding the levels attained in 1999/2000.



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Overview of the entire MAN Group

MAN Group	1999/2000	1998/99	Change in %
	financial year *) Mill €	financial year Mill €	
New orders			
Germany	4,623	4,239	+ 9
Foreign	11,017	8,250	+ 34
Total	15,640	12,489	+ 25
Sales			
Germany	4,418	4,327	+ 2
Foreign	10,163	8,929	+ 14
Total	14,581	13,256	+ 24
Orders on hand (as of June 30)	10,643	8,604	+ 24
Employees (as of June 30) numbers			
Germany	49,487	47,520	+ 4
Foreign	24,837	19,318	+ 29
Total	74,324	66,838	+ 11
Annual average	71,239	67,157	+ 6
Capital expenditure	1,217	881	+ 38
Research and Development	527	442	+ 25
Cash flow	1,011	913	+ 11
Earnings before taxes on income	668	557	+ 20
Taxes on income	244	186	+ 31
Net profit	424	371	+ 14
Earnings per share in €	2.52	2.23	+ 13
Dividend per share in €	1.00	0.92	+ 9

*) provisional figures

**) proposed dividend; 1998/1999 incl. bonus of € 0.10.



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Divisional trends

As in previous years, the Group divisions and MAN Aktiengesellschaft will be providing more in-depth information of the development of their business sectors. Initially, based on provisional figures, we should like to outline as follows the trends in incoming orders, sales and earnings in the operating divisions of the MAN Group

New orders	1999/2000	1998/99	Change in %
	financial year Mill €	financial year Mill €	
Commercial Vehicles	6,274	4,950	+ 27
Industrial Services	2,927	2,228	+ 31
Printing Machines	2,095	1,792	+ 17
Diesel Engines	1,192	969	+ 23
Industrial Equipment and Facilities	3,268	2,647	+ 23
Financial Services	267	224	+ 19
Others, Consolidated	- 383	- 321	-
New orders MAN Group	15,640	12,489	+ 25

Sales	1999/2000	1998/99	Change in %
	financial year Mill €	financial year Mill €	
Commercial Vehicles	5,755	4,931	+ 17
Industrial Services	2,541	2,668	- 5
Printing Machines	1,848	1,680	+ 10
Diesel Engines	1,106	1,026	+ 8
Industrial Equipment and Facilities	3,446	3,091	+ 11
Financial Services	267	224	+ 19
Others, Consolidated	- 383	- 364	-
Sales MAN Group	14,581	13,256	+ 10

Orders on hand (as of June 30)	1999/2000	1998/99	Change in %
	financial year Mill €	financial year Mill €	
Commercial Vehicles	2,168	1,628	+ 33
Industrial Services	2,458	1,978	+ 24
Printing Machines	1,246	996	+ 25
Diesel Engines	762	564	+ 35
Industrial Equipment and Facilities	4,004	3,437	+ 16
Financial Services	-	-	-
Others, Consolidated	5	1	-
Orders on hand MAN Group	10,643	8,604	+ 24



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Earnings before taxes on income	1999/2000	1998/99	Change in %
	financial year Mill €	financial year Mill €	
Commercial Vehicles	269	231	+ 16
Industrial Services	75	71	+ 6
Printing Machines	79	69	+ 14
Diesel Engines	54	374	+ 46
Industrial Equipment and Facilities	140	154	- 9
Financial Services	12	15	- 20
Holding, Others, Consolidated	39	- 20	-
Consolidated earnings before taxes on income	668	557	+ 20
Taxes on income	- 244	- 186	+ 31
Net profit MAN Group	424	371	+ 14

Commercial Vehicles

Due to a sustained high level of demand, MAN Commercial Vehicles Division was able to register another strong increase in incoming orders of 27% against the previous year, reaching a new peak of € 6.3 billion. Double-digit growth rates were recorded in Germany and in the major Western European volume markets of Great Britain, France and Spain. It was possible to considerably expand its market position in Western Europe, with market shares rising by 2.2 percentage points to 27.1% in Germany during the 1999/2000 financial year and by 1.3 percentage points to 15.0% throughout Western Europe, and including ERF, to 15.9% during the first half of 2000.

As a result of the positive order and employment situation, it was possible to increase sales by 17% to € 5.8 billion and supply 64,550 commercial vehicles (+17%), both figures representing new records. This was also reflected in earnings, which grew by € 38 million to € 269 million, in spite of a strained situation on the used-vehicle market and the financial effort required to launch the new Trucknology Generation in March 2000. The return on capital employed rose from 16.2% to 16.7%, the return on sales maintaining the previous year's level of 4.7%. The number of employees increased during 1999/2000 by 4,423, or 15%, to 33,814 as of 30 June 2000, 1,911 or 7% of these belonging to the newly-acquired commercial-vehicle manufacturers, ERF and STAR.

Industrial Services

Following abatement of the economic and financial crises in Southeast Asia and Latin America, the Industrial Services Division experienced a marked revival in business activity. New orders increased by 31% to € 2.9 billion during 1999/2000, whereas sales lagged behind at € 2.5 billion (-5%), due to the lower level of incoming orders in the previous year. Earnings improved by € 4 million to € 75 million. Return on capital employed declined from 15.5% to 14.9%, the return on sales of 3.0% exceeded the previous year's figure (2.7%).

Printing Machines

The Printing Press Division continued to increase both business volumes and earnings. New orders rose by 17% to € 2.1 billion. All business units were able to increase their level of incoming orders.



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Sales of € 1.8 billion exceeded those of the previous year by 10%. Earnings improved by € 10 million to € 79 million. Return on capital employed reached an extremely good 19.1% (1998/1999: 15.7%). The return on sales climbed from 4.1% to 4.3%.

Diesel Engines

The Diesel Engine Division also benefited from the end of the financial crisis in Southeast Asia in the form of a worldwide rise in demand for large-scale diesel engines. New orders improved by 23% to € 1.2 billion. Particularly the Danish company, MAN B&W Diesel A/S, was able to record substantial progress following a setback the previous year and return to the level of earlier years. Sales grew by 8% to € 1.1 billion. After the difficult preceding year, the Diesel Engine Division was able to register a particularly marked improvement in earnings, these increasing by € 17 million or 46% to € 54 million. The return on invested capital rose to 12.5% (11.4%), the return on sales climbed from 3.6% to 4.9%.

Industrial Equipment and Facilities

New orders received by the companies operating in the Industrial Equipment and Facilities Division amounted to € 3.3 billion, 23% more than last year. Of this increase, 16% were attributable to changes in companies consolidated, namely inclusion of Mannesmann-Demag-Metallurgie, the acquisition of Cincinnati Extrusion, disposal of New Elliott and assignment of MAN TAKRAF Fördertechnik to the Industrial Services Division. RENK, DWE the SMS group all registered strong growth in incoming orders, while MAN Turbomaschinen, MAN Technologie and SHW marginally exceeded the previous year's figures. Sales rose by 11% to € 3.4 billion. The SMS group generated a major increase in sales, while the remaining operations came close to the levels of the previous year. Earnings in the Industrial Equipment and Facilities Division fell by € 14 million to € 140 million. Return on capital employed declined from a good 18.2% to 17.2% and return on sales from 5.0% to 4.1%.

Financial Services

To bundle the activities in the financial services sector the new business unit "MAN Financial Services" will be formed. In order to enhance the financial services performed for Group companies and customers by the MAN Group, in particular in the area of financing sales and investment, these activities will in future be combined for organisational purposes and run with responsibility for own results.

For improved transparency the volume of financial services as of 30 June 2000 has been already stated separately. The Financial Services Division generated a volume of total assets of € 1.5 billion during 1999/2000. Incoming orders and sales increased by 19% to € 267 million. Earnings declined by € 3 million to € 12 million as a result of expenditure aimed at boosting business expansion.

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