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Letter to MAN's
shareholders
September 8, 1999

The MAN Group: 1998/99 earnings exceed expectations – dividend increase planned

– Information for our shareholders on the company's performance in the 1998/99 financial year (July 1, 1998 – June 30, 1999) –

With the world's markets showing a divergence of development, the MAN Group was, viewed as a whole, very successful in 1998/99, a financial year in which it substantially augmented its underlying profitability. The MAN Group had earnings before taxes on income of nearly DM 1,090 million, up 33% over 1997/98 (DM 818 million). Like the Group's net consolidated income of DM 725 million (1997/98: DM 633 million), this was a new corporate record. Proposed to the supervisory board will be the paying out of a dividend of DM 1.60 per share (1997/98's amount) and of a bonus coming to DM 0.20 per share.

The Group's sales rose 5% to DM 25.9 billion, with its new orders total not quite attaining the previous financial year's level. The number of persons employed increased 5%.

We expect the world's economy to stage a recovery during the 1999/2000 financial year. This will increase demand for capital goods. MAN is stepping up its activities on non-German markets. We are, for these reasons, confident that we will be able to increase our new orders and sales totals in 1999/2000, and that we will report earnings at the high level attained in the previous financial year.

In a first for MAN, the accounts being submitted by the Group for the 1998/99 financial year were compiled using the International Accounting Standards (IAS). The figures for the previous financial year have been accordingly recalculated. The changeover to IAS was made to enhance the international-level comparability of the Group's figures.

Our markets and how they developed in 1998/99

The regions making up the world economy showed a wide divergence of development in the 1998/99 financial year (July 1, 1998 – June 30, 1999). Western Europe experienced a substantial slowing down of economic growth. The USA maintained its upswing all throughout the year. Along with the low prices prevailing for commodities and other raw materials, the crises racking the business and financial communities in parts of Asia and Latin America impacted negatively upon several of the Group's business areas. Germany's exporters experienced a cooling off of business. This impaired the companies' willingness to make capital investments, a trend most strongly affecting the industrial equipment and facilities sector. Europe's demand for commercial vehicles rose.

New orders

In financial year 1998/99, the MAN Group secured new orders worth a total of DM 24.4 billion, down 3% from 1997/98. Suffering a total drop of 22% were our industrial services business area and the steel manufacturing and rolling mills technologies division of the SMS group. The rest of the MAN Group recorded a rise of 6%. The new orders



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totals recorded by the commercial vehicles (up 2%, to DM 9.7 billion), printing machines (+15%, to DM 3.5 billion) and Diesel engines (+5%, to DM 1.9 billion) divisions were all corporate records.

The decline in new orders experienced by the Group stemmed from Germany (- 2%) as well as from abroad (- 3%). Seventy-one percent (1997/98: 69%) of the Group's orders stemmed from Europe, with another 14% (1997/98: 15%) coming from the USA, making these two regions the Group's most important markets. Four percent of the new orders total stemmed from companies newly consolidated into the Group.

Sales

The Group started out its financial year with a large amount of orders on hand. The commercial vehicles, printing machines and Diesel engines business divisions secured a good amount of new orders, as did the standard-supply sectors of the industrial equipment and facilities business area. These all combined to more than offset the drop in sales recorded by the industrial services business division. The Group's total sales rose DM 1.2 billion, or 5%, to DM 25.9 billion, of which four percent points were attributable to newly-consolidated companies. Rising above the previous financial year's level were the sales achieved in both Germany (+6%) and abroad (+4%).

Orders on hand

The Group had orders on hand worth DM 16.8 billion as of June 30, 1999. This figure was calculated according to the precepts of IAS, and was 8% less than the previous year's figure. This was attributable to the slump in business experienced by the industrial services division in the building of large-sized facilities, and by the steel mills and rolling technologies area.

Personnel

As of June 30, 1999, the MAN Group employed 66,838 persons, nearly 5% more than on June 30, 1998. This increase is mostly attributable to the consolidation of new companies into the group. Put on a comparable basis, the number of persons employed by the Group rose by 73. As of June 30, 1999, its non-German companies employed 29% of the Group's total workforce (June 30, 1998: 26%).

Investments, research and development

The Group's capital investments came to DM 1.723 billion in 1998/99, DM 257 million or 18% more than in 1997/98. MAN invested DM 951 million in tangible fixed assets, up DM 160 million or 20% over the previous financial year's total. The prime recipient of these investments was our commercial vehicles business division. The above total was joined by an investment of DM 570 million (1997/98: DM 497 million) in equipment leased to customers. The Group allocated DM 202 million to the purchasing of financial assets (1997/98: DM 178 million). After deducting the DM 397 million (1997/98: DM 253 million) earned from the sale of assets, the Group's net expenditure for investments came to DM 1.326 billion (1997/98: DM 1.213 billion). The Group invested DM 825 million in research and development. This was a rise of DM 56 million or 7% over the previous financial year.



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Earnings

The 1998/99 financial year brought a further, substantial augmenting of the MAN Group's underlying profitability. The earnings before taxes on income came to DM 1.090 billion. Up DM 272 million or 33% over 1997/98's figure, this result exceeded previous expectations and was a new, all-time corporate record. As had been forecast, the commercial vehicles and printing machines business divisions registered particularly large increases in earnings. The total amount of taxes paid on earnings rose by DM 180 million to DM 365 million. The Group's consolidated net income increased by DM 92 million or 15%, coming to DM 725 million, itself an all-time high. Calculated according to the precepts of DVFA/SG, the cash flow amounted to some DM 1.786 billion (1997/98: DM 1.684 billion). The earnings per share came to DM 4.36 (1997/98: DM 3.90).

We had set ourselves the goal of achieving a 15% rate of return on capital employed. We more than attained this objective, reaching a 15.4 rate in 1998/99 (1997/98 13.7). The group divisions engaged in manufacturing had a rate of return on sales of 4.6% (1997/98: 3.8%), a figure only slightly below the financial year's target of 5%.

At the statutory meeting for the presenting of the corporate accounts, to be held on October 1, 1999, the executive board of MAN Aktiengesellschaft will propose to the supervisory board the paying out of a dividend of DM 1.60 per share (equivalent to the previous financial year's dividend) and a bonus of DM 0.20 per share. As had been the case in 1997/98, the pay-out will be funded by proceeds not subject to taxation in Germany. For that reason, no tax credit will accrue from the dividend.

Prospects for 1999/2000

Summer 1999 has brought an improvement in the economies in which the Group operates. The outlook is, once more, more positive in nature. Predicted for western Europe is a sustained upswing. The prevailing impression is that the world's emerging markets have touched bottom, and are now on their ways back up. The number of indicators pointing to a rise in Germany's export totals continues to increase. This rise should continue well into next year. It will thus constitute an important wellspring of support for the country's economy as a whole, and also should cause the capital goods sector to stage a recovery.

These facts join with the further stepping up of our activities outside Germany in forming the basis of our forecast that the Group, as matters now look, will register rises in its new orders and sales totals in 1999/2000, and that its earnings will be at the high level achieved in 1998/99.

The MAN Group: an overview

The International Accounting Standards were employed for the first time in the compiling of the MAN Group's figures. Affected by this changeover were the earnings, cash flow, investments, expenditures for research and development, sales and orders on hand figures. The comparability of the previous financial year's figures has been assured.



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| MAN Group | financial year 1998/99 *) | | financial year 1997/98 | change in % |
|--|------------------------------|----------|---------------------------|----------------|
| | EURO mill. | DM mill. | DM mill. | |
| New orders | | | | |
| from Germany | 4,239 | 8,291 | 8,449 | - 2 |
| from outside Germany | 8,250 | 16,136 | 16,661 | - 3 |
| total | 12,489 | 24,427 | 25,110 | - 3 |
| Sales | | | | |
| in Germany | 4,327 | 8,464 | 7,956 | + 6 |
| outside Germany | 8,929 | 17,463 | 16,754 | + 4 |
| total | 13,256 | 25,927 | 24,710 | + 5 |
| Orders on hand (as of June 30) | 8,604 | 16,827 | 18,216 | - 8 |
| Number of employees number (as of June 30) | | | | |
| Germany | | 47,520 | 47,347 | 0 |
| outside Germany | | 19,318 | 16,540 | + 17 |
| total | | 66,838 | 63,887 | + 5 |
| Investments | 881 | 1,723 | 1,466 | +18 |
| Allocations for research and development | 422 | 825 | 769 | + 7 |
| Cash flow | 913 | 1,786 | 1,684 | + 6 |
| Earnings before taxes on income | 557 | 1,090 | 818 | +33 |
| Taxes on income | 186 | 365 | 185 | +97 |
| Net income | 371 | 725 | 633 | +15 |
| Earnings per share in DM/EURO | 2.23 | 4.36 | 3.90 | +12 |
| Dividend per share in DM/EURO | 0.92 | 1.80 | 1.60 | +13 |

*) preliminary figures, proposed dividend pay-out includes a bonus of DM 0.20 per share.

The group divisions: how they performed in 1998/99

As was their practice in previous years, the group divisions and MAN Aktiengesellschaft will report on their performances in 1998/99 in an even greater depth in the weeks to come. Presented below is a preliminary elucidation, compiled using figures currently available. They detail the group divisions' new orders, sales, orders on hand and profit totals.



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| New orders | financial year 1998/99 | | financial year 1997/98 DM mill. | change in % |
|--|---------------------------|----------|---------------------------------------|----------------|
| | EURO mill. | DM mill. | | |
| Commercial vehicles | 4,950 | 9,682 | 9,502 | + 2 |
| Industrial services | 2,228 | 4,357 | 5,606 | - 22 |
| Printing machines | 1,792 | 3,506 | 3,061 | + 15 |
| Diesel engines | 969 | 1,895 | 1,801 | + 5 |
| Industrial equipment and facilities | 2,647 | 5,177 | 5,401 | - 4 |
| Other companies | 324 | 634 | 537 | + 18 |
| Intra-Group orders | - 421 | - 824 | - 798 | - |
| Total new orders secured, MAN Group | 12,489 | 24,427 | 25,110 | - 3 |

| Sales | financial year 1998/99 | | financial year 1997/98 DM mill. | change in % |
|-------------------------------------|---------------------------|----------|---------------------------------------|----------------|
| | EURO mill. | DM mill. | | |
| Commercial vehicles | 4,932 | 9,646 | 8,833 | + 9 |
| Industrial services | 2,668 | 5,219 | 6,314 | - 17 |
| Printing machines | 1,680 | 3,286 | 2,658 | + 24 |
| Diesel engines | 1,026 | 2,006 | 1,924 | + 4 |
| Industrial equipment and facilities | 3,091 | 6,045 | 5,127 | + 18 |
| Other companies | 347 | 679 | 631 | + 8 |
| Sales from intra-Group transactions | - 488 | - 954 | - 777 | - |
| Total sales, MAN Group | 13,256 | 25,927 | 24,710 | + 5 |

| Orders on hand | financial year 1998/99 | | financial year 1997/98 DM mill. | change in % |
|-------------------------------------|---------------------------|----------|---------------------------------------|----------------|
| | EURO mill. | DM mill. | | |
| Commercial vehicles | 1,628 | 3,184 | 3,164 | + 1 |
| Industrial services | 1,978 | 3,868 | 4,716 | - 18 |
| Printing machines | 996 | 1,948 | 1,760 | + 11 |
| Diesel engines | 564 | 1,104 | 1,256 | - 12 |
| Industrial equipment and facilities | 3,438 | 6,723 | 7,393 | - 9 |
| Other companies | 58 | 113 | 173 | - 35 |
| Intra-Group orders | - 58 | - 113 | - 246 | - |
| Total orders on hand, MAN Group | 8,604 | 16,827 | 18,216 | - 8 |



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| Earnings before taxes on income | financial year 1998/99 | | financial year 1997/98 | change in % |
|--|------------------------|----------|------------------------|-------------|
| | EURO mill. | DM mill. | DM mill. | |
| Commercial vehicles | 231 | 451 | 323 | + 40 |
| Industrial services | 71 | 139 | 128 | + 9 |
| Printing machines | 69 | 135 | 13 | - |
| Diesel engines | 37 | 72 | 117 | - 38 |
| Industrial equipment and facilities | 153 | 301 | 258 | + 17 |
| Holding companies, intra-Group consolidation | - 4 | - 8 | - 21 | - |
| Earnings before taxes on income | 557 | 1,090 | 818 | + 33 |
| Taxes on income | -186 | - 365 | - 185 | + 97 |
| Net income, MAN Group | 371 | 725 | 633 | + 15 |

Commercial vehicles

The MAN Nutzfahrzeuge group division secured new orders worth DM 9.7 billion, a 2% rise over 1997/98's strong results, and another all-time record. The orders booked from customers in Germany were at the previous financial year's high level. Further increases were recorded in the group division's important markets in western Europe: France, Italy and Spain. MAN Nutzfahrzeuge's activities in central and eastern Europe were successful, with the group division securing orders worth nearly DM 0.5 billion from this region, a rise of 55% over 1997/98.

The large amount of orders on hand and the good rate of facility employment joined to produce a 9% rise in sales, to DM 9.6 billion. Like the total of 55,190 commercial vehicles delivered, this was an all-time corporate record. As of June 30, 1999, MAN Nutzfahrzeuge employed 29,391 persons, a rise of 889 or 3% over the figure at the beginning of the financial year.

These results substantially boosted MAN Nutzfahrzeuge's profitability. It registered earnings before taxes on income of DM 451 million. That represents a rise of DM 128 million or 40% over the previous year. The group division's return on capital employed rose from 14.4% to 16.2%, with its return on sales increasing from 3.7% to 4.7%.

Industrial services

The business done by our industrial services arm (Ferrostaal group division) was detrimentally affected by the low prices prevailing for commodities and other raw materials. Ferrostaal's new orders total came to DM 4.4 billion, a decline of 22% over 1997/98. These disadvantageous conditions were also behind the 17% drop in sales, which came to DM 5.2 billion, recorded by the group division. This drop was attributable to the slump experienced by Ferrostaal's steel trading operations and to the fall in the amount of large-sized orders invoiced by the facility construction and contracting segment. These developments notwithstanding, Ferrostaal's earnings came to DM 139 million (1997/98: DM 128 million). Its rate of return on capital employed amounted to 15.5% (1997/98: 14.1%), with its return on sales increasing from 2% to 2.7%.



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Printing machines

In 1998/99, the MAN Roland group division booked new orders worth DM 3.5 billion, a substantial, 15% rise over 1997/98's figure of DM 3.1 billion, itself a very strong result. The increases are attributable to the webfed sector and to the company's distribution and service provision operations, both of which were substantially expanded. Market conditions caused the sheetfed sector to experience a slight drop in new orders. The company's sales in 1998/99 came to DM 3.3 billion. This rise of 24% stemmed from all of the company's divisions. As had been forecast, MAN Roland's earnings rose substantially, from 1997/98's DM 13 million to this year's DM 135 million. Its rate of return on capital employed reached the 15.7% mark (1997/98: 6.4%). The company's return on sales came to 4.1% (1997/98: 0.5%).

Diesel engines

The Diesel engines division (MAN B&W Diesel group division) recorded new orders and sales totals of DM 1.9 billion and DM 2.0 billion respectively. These figures were both up over the previous year's ones. MAN B&W Diesel AG secured several large-sized orders for Diesel-powered energy stations. A large amount of the components incorporated into these stations will be provided by third party suppliers, meaning that the orders, while causing the new orders total to stage a substantial rise, will not yield a commensurate increase in the rate of employment achieved by the company's own facilities. The drop in new orders secured by the Denmark-based MAN B&W Diesel A/S was attributable to the business weaknesses being experienced by shipbuilders in both Europe and Japan. The low rate of facility employment and the further intensification of price-driven competitive pressures caused the group division's earnings to suffer a considerable drop of DM 45 million, to DM 72 million. Its rate of return on capital employed came to 11.4% in 1998/99 (1997/98: 19.4%), with its return on sales amounting to 3.6% (1997/98: 6.1%).

Industrial equipment and facilities

The new orders secured by the group divisions active in the fields of industrial equipment and facilities had a total value of DM 5.2 billion, 4% less than in 1997/98. Showing substantial falls were the new orders totals achieved by the SMS group's steel mills and rolling technologies department, and by MAN Technologie. The former was caused by a fall in the amount of large-sized orders placed; the latter by the delays experienced by the ARIANE 5 program. Showing a countervailing trend was the substantial increase in new orders registered by the RENK group division. Also increasing the new orders figure were the effects of the initial, pro rata consolidation of New Elliott Corporation (an American manufacturer of turbomachines) and of the full-scale consolidation of Schwaebische Huetttenwerke. The amount of large-sized invoicings increased. That joined with the changes in the line-up of companies included in the consolidated accounts to cause the area as a whole to register an 18% rise in sales, which came to DM 6.0 billion. The area's earnings amounted to DM 301 million, a rise of DM 43 million over the previous year. Its rate of return on capital employed reached the 18.2 mark (1997/98: 17.4%). The rate of return on sales remained unchanged at 5.0%.

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The Executive Board