News service MAN Group

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Balance-Sheet Press Conference of the MAN Nutzfahrzeuge Group 18th March 2003

Speech made by Mr Håkan Samuelsson, Chairman of the Executive Board

HIGHLIGHTS 2002

- **RESULT TARGET ACHIEVED – OPERATIVE RESULT (EBIT) €102 MILLION**
- **BALANCE-SHEET STRUCTURE STRENGTHENED**
- **TURN-AROUND IN TRUCK DIVISION ACHIEVED**
- **WIDE-RANGING RESTRUCTURING STARTED IN BUS DIVISION**

Stronger organisation, products and brands

In fiscal year 2002 the MAN Nutzfahrzeuge Group completed some wide-ranging structural changes. Our business units have clearly defined responsibilities and are responsible for their own results. The consequences of this are greater efficiency and shorter decision-making paths.

In the Truck Division we have completed the renewal of our product range with vehicles from the Trucknology® Generation. Restructuring at ERF in UK proceeded according to plan and now, with the strongest service network in the country, we can offer our British MAN and ERF customers optimum support.

In the Bus Division we have introduced a new platform strategy and completed several attractive MAN and Neoplan buses on a common platform. To counter the poor market development it was decided – as already reported – to transfer further labour-intensive parts of production to Poland and Turkey. This will also lead to a reduction of a further 1000 persons in the workforce at our German bus plants.

KEY FIGURES 2002

Order intake above level of previous year

The order intake in fiscal year 2002 amounted to €6.5 billion, which is €253 million or 4% above the level of 2001. We took in orders for 60,681 vehicles, which meant that, for reasons of consolidation (in 2001 NEOPLAN was included only for the second half of the fiscal year), this figure remained at the same level as in the previous year.

Slight drop in turnover

Our turnover of €6.6 billion did not quite equal the record figure of the previous year. The drop on 2001 amounted to €177 million or 3%. As, among other things, we sold more higher-value vehicles, the fall in turnover was smaller than that in sales of units. The number of trucks and buses sold declined from 68,877 in 2001 to 61,485 in 2002, a drop of 11%.

In fiscal year 2002 the total market for trucks in Western Europe recorded a definite downturn in demand of –12%. We too were not unaffected by this trend and completed the fiscal year with a –6% fall in turnover in Western Europe to €5.2 billion.

With an 80% share of turnover Western Europe is the most important region for the MAN Nutzfahrzeuge Group. The development in turnover in the other markets is, however, very positive. In Eastern Europe we improved turnover by 15% and in the rest of the world by 14%.

Target achieved – operative result (EBIT)€102 million

Despite a major decline in volume we managed in fiscal year 2002 to achieve an operative result (EBIT) of €102 million, which means that we reached our target. Against the background of the generally weak economy and in view of the constantly growing pressure on prices we had started a turn-around programme back in 2001. One aim of this was to improve the quality of revenue, and in order to achieve this we deliberately turned down some orders on which we would have earned little. In addition to this, however, our efforts to cut overheads and product costs in particular have led to an improvement in our result.

Strong cash flow

In the last fiscal year the cash flow amounted to €261 million, which is an improvement of €16 million or 7% on the previous year's figure. In relation to the short fiscal year 2000, but on a comparable basis, we improved the cash flow by €80 million or 44%.

Stronger balance-sheet structure

Current assets were reduced by €220 million or 8%. This was achieved essentially by consistent implementation of measures to cut inventories and receivables. The financial resources were reduced compared to the previous year and used for repayment of financial liabilities.

After the high level of investment activity in previous years due to the launch of the TGA range, the outflow of funds from investment activity has, at €166 million, returned to a normal level. Of the outflow from financing activities of €352 million an amount of €17 million was transferred as profit to the MAN Group and €335 million used for repayment of Group financing. Within the space of two years we have managed to reduce financial liabilities (despite the acquisition of NEOPLAN) considerably by €575 million and have also lessened the interest burden significantly.

Personnel reductions in Germany and at ERF

At the end of last year 34,398 persons (without loan workers and apprentices) were on the payroll of the MAN Nutzfahrzeuge Group. This was 1,348 persons fewer than in 2001. In the course of reorganisation of the Bus Division, by contrast, the workforce increased by 686 persons newly employed at our plants in Poland and Turkey.

TRUCK DIVISION

Operative result (EBIT) for trucks without ERF: €217 million

In 2002 the Truck Division saw some very pleasing development and, despite a further burden from ERF, achieved an operative result (EBIT) of €174 million (= 3.2%). Disregarding ERF the Truck Division recorded an operative result (EBIT) of €217 million.

Turn-around achieved in Truck Division

In the last fiscal year the cost reductions we achieved more than made up for the lower volume of business. This is one success of consistent implementation of our turn-around programme, which has already brought us a major reduction in product costs and overheads and a rapid adjustment of the personnel level to demand.

As I mentioned earlier, the entire TGA heavy truck range has now been launched, and production of the remaining vehicles from the predecessor generation, the F2000, has been transferred to our subsidiary MAN Sonderfahrzeuge AG in Austria. This has brought cost-intensive parallel production of vehicles from the old and new truck ranges in Munich to an end.

Rise in orders received by Truck Division

Orders received for trucks rose slightly in 2002 to €5.3 billion, which is an increase of 2%. Despite a 14% drop in the number of trucks sold compared to 2001 to 53,851 units, turnover fell by only 5% to €5.4 billion.

Market share and revenue quality brought into balance

Our market share for trucks over 6 t in Western Europe declined to 14.0% in 2002. That for trucks over 16 t fell to 14.5%. These losses of market share are directly related to our strict measures aimed at improving the quality of revenue. If we look in detail at the development in our market shares in 2002, however, we see that we gained strongly again in the second half of the year. Between July and December 2002 our market share for trucks over 6 t rose to 14.9%, while in the class above 16 t we recorded a market share of 15.4%.

Restructuring of ERF completed

Restructuring of ERF has now been successfully completed. As expected, we had to accept further losses to the tune of an operative result (EBIT) of –€43 million, but this was €38 million below the figure for 2001.

Production at the Middlewich plant ceased in the third quarter. The new ERF trucks have been launched on the market and are being built at the Munich and Salzgitter plants on the MAN TGA platform. With our MAN and ERF brands we are pursuing a consistent two-brand strategy on the British market. We are achieving the necessary cost synergies in the overheads sector by merging the back-office sales functions of ERF and MAN UK. In future all workshops will serve both brands.

BUS DIVISION

Weak bus market

The results from our Bus Division are still not satisfying, particularly as the decline in volume in this sector was especially noticeable. Orders received in the Bus Division rose due to consolidation (Neoplan had been included only for the second half of the previous fiscal year) by €172 or 17% to €1.2 billion. Turnover increased to €1.2 billion (+13% on the previous year, disregarding consolidation of Neoplan – 9% on the previous year). In the last fiscal year we delivered 7,650 buses and chassis.

On the European bus market too registrations of buses and coaches decreased by 8% to 23,900 units in fiscal year 2002. While MAN was able to hold its market share, Neoplan's market share suffered a slight contraction. At 15.3% the Neoman Group as a whole has thus lost some of its share of the market.

Third largest bus manufacturer

Following the merger of MAN with the Neoplan Group in June 2001 our Bus Division is now of a size that will permit us, by using synergies, to become profitable in this Division too in future. We are now the third largest bus manufacturer in Europe.

Restructuring and expansion in Poland and Turkey

As part of our reorganisation in the bus sector jobs were created, particularly at our plants in Poland and Turkey. (With cuts of 1,001 jobs in Germany the total personnel reduction amounts to 661).

Integration of the activities of the Neoman Bus Group is proceeding apace. The administrative and sales functions in Germany have been slimmed down. By consistent expansion of our production plants in Poland and Turkey we shall take advantage of the lower wages there and improve our competitiveness. We expect our wide-ranging bus restructuring programme to issue in a major improvement in our result in 2003.

The further redundancies just announced at Salzgitter (700) and at Neoplan (300) are a reaction to the current weak market.

Common platforms

The presentation of the first products from our promising platform concept for buses and coaches at the IAA 2002 was enthusiastically received by our customers and was a complete success. With this platform concept we shall achieve cost savings and at the same time be able to offer individual products with separate brand identities.

PROSPECTS

The economic prospects are as before unfavourable. Our markets are characterised by uncertainty resulting from various external factors, e.g. the Iraq crisis and tolls. Market development this year will depend to a large extent on these variables.

Orders received for trucks over 6 t reflect the losses expected in the second half of 2001. Since last autumn, however, our order intake has stabilised and we thus assume that we have reached the bottom of the trough.

The market recovery forecast for 2002 has still not materialised. We nevertheless hope that the turn-around point has now been reached and that volume will pick up moderately again in the second half of 2003.

Cautious confidence

In the Truck Division we are in a good position with our TGA. It has an excellent reputation on the market and thus provides the basis for successful market activity and rational production.

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Our wide-ranging restructuring programme for the Bus Division is creating an efficient interlinked production set-up which will cut costs on a long-term basis. With the excellent products we are currently offering on common platforms we can exploit the possibilities opened up to us this modern production structure.

All in all we are therefore confident that we shall achieve a much improved result in 2003 on the basis of a stable overall market.

The spoken word is valid.
You will find more information under **www.man-nutzfahrzeuge.de**

Key figures of the MAN Nutzfahrzeuge Group		**FY 2002 ACTUAL**	**Δ**	**FY 2001 ACTUAL**
Order intake	million €	6,525	4%	6,272
	Units, trucks	52,948	–4%	54,972
	Units, buses	7,733	33%	5,822
Turnover	million €	6,564	–3%	6,741
	Units, trucks	53,851	–14%	62,843
	Units, buses	7,634	27%	6,034
AB	million €	1,352	–4%	1,415
	Units, trucks	10,982	–8%	11,918
	Units, buses	2,251	4%	2,169
Production	Units, trucks	53,771	–11%	60,371
	Units, buses	7,577	29%	5,859
Personnel		34,398	–4%	35,746
EBIT for MN Group		102.2	60%	63.7
Return on sales based on EBIT		1.6%		0.9%
EBT for MN Group		13.4		–49.4
Return on sales		0.2%		–0.7%