



Pressedienst MAN Gruppe

Press release of
May 13, 2003

MAN Group: Interim Report as of 31 March 2003

- Return to positive earnings of €5 million before interest and taxes in the first quarter, a traditionally low period for production and sales, compared with a loss of €38 million over the same period last year. Marked improvement in earnings before taxes to -€31 million (-€75 million).
- Sales increased by 5% to €3.3 billion. Strong rise in sales for Industrial Services and Industrial Equipment and Facilities, setback for Printing Machines.
- New orders fell by 2% to €3.5 billion. Sharp decline in Germany, currency-adjusted increase abroad. Minus mainly in the service sector, manufacturing activities in plus.
- Gloomier outlook for 2003 compared with budget premises. Demand expectations continue to weaken in key markets, project decisions postponed.
- Target of sustained improvement in earnings remains unchanged, but calls for intensified efforts to reduce costs and increase efficiency.

MAN Group € million	2003	2002	Change in %
	Jan. – March	Jan. – March	
New Orders	3,465	3,529	-2
Sales	3,269	3,104	5
Earnings before interest and taxes/EBIT	5	(38)	-
Earnings before taxes/EBT	(31)	(75)	-
Net profit	(18)	(43)	-
Earnings per share in €	(0.16)	(0.24)	-

Uncertainty depresses economic environment

During the first quarter, the business environment was dominated by great uncertainty as far as on-going economic developments and the outcome of the war in Iraq were concerned. In all major industrial countries, including the US, the rise in production volumes has slowed in recent months, contrary to earlier expectations.

The economy was particularly weak in the euro zone, especially in the capital goods sector. In their spring report, the economic research institutes significantly reduced the growth forecast for the gross domestic product in Germany to no more than 0.5% (after forecasting 1.4% in their autumn report).

Expectations for world economic trends in the coming months continue to be subdued. Although uncertainty about the international political situation has subsided following the quick end to the Iraq war, it is expected that the SARS virus will noticeably dampen economic recovery, starting in Southeast Asia, since up until now China has been the main driving force behind economic growth. Economic development in Europe and the US is also expected to be more restrained than previously envisaged.



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The economic climate in the capital goods sector remains subdued, with stagnation predicted for the euro zone during the current year. We do not anticipate any signs of even a slow recovery in the demand for capital goods until the second half of the year.

Generally stable performance

New orders decreased by 2% to €3,465 million. This resulted from an 8% drop in domestic business to €871 million. Foreign orders reached €2,594 million, equivalent to the level of 2002. After adjustment for currency effects following conversion of incoming orders received by foreign subsidiaries, this represented a rise of 3%. The volume of major orders received was low, mirroring the first quarter of 2002, with investors postponing major projects in view of the prevailing uncertainty.

Sales of €3,269 million exceeded the first quarter of 2002 by 5%. Domestic sales improved by 13% to €864 million, while foreign sales rose by 3% to €2,405 million.

Compared with 31 March 2002, order levels fell by 10% to €9,662 million, but were 1% higher than at the beginning of the financial year (€9,597 million).

At 31 March 2003, MAN Group employees numbered 74,773, 2.2% fewer than at 31 March 2002 and 0.4% fewer than at 31 December 2002 (75,054). This decrease was mainly the result of the restructuring programmes currently being implemented at several locations in Germany and abroad, and will continue throughout 2003.

Marked improvement in earnings

Compared with other quarters, the results of the first quarter are traditionally weak due to significantly lower production output and below-average sales. Nevertheless, the MAN Group was able to record positive earnings before interest and taxes of €5 million, after a loss of €38 million in the first quarter of 2002. In the case of earnings before taxes, it was possible to considerably reduce last year's loss (€75 million) to €31 million.

The improvement in earnings was largely attributable to the Commercial Vehicles Division, which was able to significantly increase its gross margin as a result of cost savings and report an overall reduction in losses, with the truck sector again achieving a positive EBIT. In the absence of further extraordinary expenses at MAN Technologie or losses in the SMS Group, as in the previous year, the Industrial Equipment and Facilities Division was able to generate a positive EBT for the first quarter of 2003. Lower earnings levels were recorded in the sectors of Industrial Services and Diesel Engines. Margins deteriorated in the Printing Machines Division due to falling volumes and prices, the MAN Roland Group incurring heavy losses.

The MAN Group recorded a net loss of €18 million (-€43 million). After deduction of minority interests, earnings per share amounted to -€0.16 after -€0.24 for the same quarter of 2002.

Finances within target range

The cash flow (according to DVFA/SG) increased from €114 million in the comparable period to €135 million. The increase in the amount of committed working capital normally recorded during the first quarter



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was considerably lower than in the previous year, reaching €205 million

(€386 million), so that it was possible to limit the cash outflow from operating activities to €70 million (€272 million).

The cash used in investing activities decreased to €63 million (€171 million). The principal reason for this was the reduced volume of investment in fixed assets after the high level of expenditure in recent years, and revolving refinancing for leased equipment. Expenditure on research and development of €119 million was also 11% lower than over the same period last year, but still remained high, amounting to 4.6% of sales generated by the manufacturing units.

Financing activities resulted in a marginal outflow of €10 million compared with a cash inflow from borrowings and sales of securities of €320 million in the previous year. Based on approximately the same levels of cash and cash equivalents of €466 million (€446 million), the negative cash balance of €386 million recorded at 31 March 2003 represented practically half the €760 million reported at 31 March 2002. Throughout the remainder of this financial year we shall be adhering to our policy of cautious capital expenditure and continuing our efforts to reduce current assets.



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Consolidated overview of the MAN Group

MAN Group € million	2003	2002	Change in %
	Jan. – Mar.	Jan. – Mar.	
New orders			
Germany	871	946	-8
Foreign	2,594	2,583	0
	3,465	3,529	-2
Sales			
Germany	864	762	13
Foreign	2,405	2,342	3
	3,269	3,104	5
Orders on hand *	9,662	10,705	-10
Employees * (number)			
Germany	48,680	50,051	-3
Foreign	26,093	26,443	-1
	74,773	76,494	-2
Capital expenditure	163	235	-31
of which on tangible and intangible fixed assets	70	85	-18
of which on assets leased out	86	133	-35
of which on equity interests & other financial investments	7	17	-59
Depreciation on fixed assets	140	143	-2
Cash flow (according to DVFA/SG)	135	114	18
Cash and cash equivalents *	466	446	4
Cash balance *	(386)	(760)	49
Research and development	119	134	-11

*) Figure at closing date of 31 March 2003 compared with 31 March 2002

Outlook

Up until now, the global economy, and in particular the German economic environment, have grown even gloomier in the course of the 2003 financial year and we are unable to escape the impact of this trend.

We must therefore assume that the markets for trucks and printing systems will weaken even further in 2003. In spite of positive steps by the European governments involved with the problems relating to the ARIANE 5, no follow-up production orders have yet been placed. Widespread reluctance to make decisions on projects that have long been in the pipeline has been noted in all areas of operation. Furthermore, we must be prepared for a decline in the quality of our returns in view of the lower workload.

In this environment, our target of achieving a sustained improvement in earnings remains unchanged, but calls for intensified efforts to reduce



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costs and increase efficiency. Measures that have now become indispensable in several areas of our vehicle-construction activities, especially the bus segment, and in the printing-press plants, the diesel-engine sector and at MAN Technologie, will also include additional personnel adjustments and have already been instigated. The extent to which the additional costs related to these measures can be offset by improved earnings in 2003 is difficult to ascertain at the present time.

Due to this aspect, as well as the uncertainties relating to the economy and economic policy, it is difficult to predict the level of annual result.

Shares make strong recovery

During the first four months of the 2003 financial year, both classes of shares rallied significantly. Over this period, MAN shares gained over 20%, clearly outperforming the comparable DAX 30 index (2% gain). The closing prices on 30 April 2003 were €16.32 (ordinary shares) and €14.00 (preference shares) after registering €13.15 and €9.90 on 31 December 2002.

After repurchasing shares in 2001 and the conversion preference into ordinary shares in 2002, no further capital measures are currently planned. We shall however be proposing to the Annual General Meeting on 4 June 2003 that authorisation for the company to repurchase its own shares be renewed in order to be in a position to act if necessary.

Overview: Development of the divisions

New orders per Division in €m	2003	2002	Change in %
	Jan. – March	Jan. – March	
Commercial Vehicles	1,618	1,599	1
Industrial Services	431	556	-22
Printing Machines	374	362	3
Diesel Engines	328	302	9
Industrial Equipment and Facilities	765	664	15
Financial Services	147	172	-15
Other, consolidated	(198)	(126)	-
New orders MAN Group	3,465	3,529	-2

Sales per Division in €m	2003	2002	Change in %
	Jan. – March	Jan. – March	
Commercial Vehicles	1,372	1,352	1
Industrial Services	559	464	20
Printing Machines	307	376	-18
Diesel Engines	296	311	-5
Industrial Equipment and Facilities	787	573	37
Financial Services	149	172	-13
Other, consolidated	(201)	(144)	-
Sales MAN Group	3,269	3,104	5



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Earnings before interest and taxes/EBIT	2003	2002	Change in €m
	Jan. – March	Jan. – March	
Commercial Vehicles	(17)	(54)	37
Industrial Services	16	18	-2
Printing Machines	(24)	2	-26
Diesel Engines	9	19	-10
Industrial Equipment and Facilities	(3)	(41)	38
Financial Services	20	22	-2
Holding, other, consolidated	4	(4)	8
EBIT MAN Group	5	(38)	43

Earnings before taxes/EBT in €m	2003	2002	Change in €m
	Jan. – March	Jan. – March	
Commercial Vehicles	(36)	(75)	39
Industrial Services	15	20	-5
Printing Machines	(27)	0	-27
Diesel Engines	6	16	-10
Industrial Equipment and Facilities	2	(43)	45
Financial Services	5	5	0
Holding, other, consolidated	4	2	2
EBT MAN Group	(31)	(75)	44

Commercial vehicles

in €m January to March	2003	2002	Change in %
New orders	1,618	1,599	1
Sales	1,372	1,352	1
Employees *)	34,425	34,749	-1
Earnings before interest and taxes/ EBIT	(17)	(54)	-
Earnings before taxes/EBT	(36)	(75)	-

*) number, figure at 31 March 2003 compared with 31 March 2002

In a difficult economic environment, new orders rose by 1% to €1,618 million. Truck operations were able to record a 1% increase to €1,361 million in spite of a 2.7% decline in the overall market in Western Europe. In the case of omnibuses, incoming orders of €257 million were on a par with the previous year.

Sales also registered a marginal increase to €1,372 million. In the truck sector, sales improved by 3% to €1,151 million, while buses recorded a 5% drop to €221 million.



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The number of employees amounted to 34,425 at 31 March 2003, 1% fewer than at 31 March 2002. As planned, we have substantially increased our workforces in the companies in Turkey and Poland in the course of relocating manufacturing capacity in the bus sector. This has been compensated by reductions elsewhere, mainly in other manufacturing companies. By the end of the year, a further drop in the overall workforce is anticipated.

Higher production levels and the impact of the cost-reduction measures started in the first quarter of 2002 have resulted in the expected improvement in earnings, in spite of only a slight rise in sales. Based on the EBIT, which is important for sectoral comparison, trucks achieved a positive result of €2 million (2002: -€22 million) and buses improved from -€32 million to -€19 million. Earnings before taxes in the MAN Nutzfahrzeuge Group amounted to -€36 million (2002: -€75 million).

Based on the fact that we can now offer a complete range of heavy vehicles, we are adhering to our goal for 2003 of achieving volume growth, in spite of the marked decline meanwhile predicted for the truck market in Western Europe. Based on the already effective cost-reduction measures and the continuing restructuring measures in the bus sector, we still anticipate a strong improvement in earnings before taxes in 2003 (2002: €13 million).

Industrial Services

in €m January to March	2003	2002	Change in %
New orders	431	556	-22
Sales	559	464	20
Employees *)	6,611	6,738	-2
Earnings before interest and taxes/ EBIT	16	18	-11
Earnings before taxes/EBT	15	20	-25

*) number, figure at 31 March 2003 compared with 31 March 2002

Weak domestic demand, delays in the placement of contracts for larger projects and lower volumes of steel trading in the US, due partially to currency fluctuations, caused new orders to fall by 22% to €431 million. Based on the project situation, we are however optimistic that in the course of the year, we will succeed in obtaining several major projects that have been in the pipeline for some time.

Sales benefited from the good level of incoming orders in preceding periods, increasing by 20% to €559 million.

Pre-tax earnings suffered from losses accruing from contracts in the DSD Group, declining to €15 million. For the full year, we expect a good result, although lower than the exceptionally high figure (€85 million) recorded last year.



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Printing Systems

in €m	2003	2002	Change in %
January to March			
New orders	374	362	3
Sales	307	376	-18
Employees *)	10,194	10,603	-4
Earnings before interest and taxes/ EBIT	(24)	2	-
Earnings before taxes/EBT	(27)	0	-

*) number, figure at 31 March 2003 compared with 31 March 2002

The market situation in the graphic industry and consequently the demand for printing systems continues to be extremely unsatisfactory in the face of a weak economy and lower expenditure on advertising. Although new orders of €374 million were slightly higher than the previous year, the increase was due to a few isolated larger contracts for webfed printing presses (+10% to €155 million) and to the distribution and services business unit (+8% to €56 million). In the sheetfed sector, incoming orders of €163 million fell another 4% below the comparative quarter.

Sales fell by 18% to €307 million, of which €117 million (-14%) were generated in the sheetfed sector, €138 million (-26%) by webfed systems and €52 million (-2%) by the distribution and services unit. Overall, this was the weakest quarterly sales result of recent years.

As a result of the persistently poor workload in the sector of sheetfed printing presses, low levels of sales and a further decline in the prices for new and used systems, MAN Roland incurred heavy losses. The EBIT deteriorated in the sheetfed sector from -€21 million to -€27 million, in the webfed sector from €21 million to €4 million as a result of decreasing volumes and from €2 million to -€1 million in the distribution and services unit. The EBIT for the division as a whole amounted to -€24 million and the EBT to -27 million.

The changes introduced in the autumn of 2002 aimed at regulating capacities and bundling production facilities at the Offenbach site, which also involves reducing personnel by 373, will not suffice to regain profitability. Substantial additional measures have been drawn up to reduce costs and capacities at all sites and these are currently being negotiated with the employees' representatives. Every effort is being made to recoup the sales shortfall compared with budget and limit the loss for the full year.

As already announced, a decision on the squeeze-out of minority shareholders will be taken at the MAN Roland Druckmaschinen AG Annual General Meeting on 22 May 2003. The relevant valuation reports arrived at a compensation amount of €31.79 per share.



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Diesel engines

in €m January to March	2003	2002	Change in %
New orders	328	302	9
Sales	296	311	-5
Employees *)	6,853	7,477	-8
Earnings before interest and taxes/ EBIT	9	19	-53
Earnings before taxes/EBT	6	16	-63

*) number, figure at 31 March 2003 compared with 31 March 2002

The Diesel Engines Division was able to increase new orders by 9% to €328 million. Whereas the Marine Division performed well with its four-stroke medium-speed engines, the order intake for power plants was rather restrained. A rise was also recorded in incoming orders for two-stroke engines, while business in the sector of four-stroke high-speed engines was weak. Sales fell by 5% to €296 million.

The EBIT amounted to €9 million, after €19 million last year. This drop resulted from declining sales, the poorer quality of contracts in terms of revenue, as well as restructuring costs and losses due to overcapacity in the four-stroke, high-speed sector. The EBT amounted to €6 million (€16 million). For the full year, we anticipate a good result, although lower than the very strong figure (€68 million) registered in 2002.

Industrial Equipment and Facilities – entire division

in €m January to March	2003	2002	Change in %
New orders	765	664	15
Sales	787	573	37
Employees *)	16,264	16,119	1
Earnings before interest and taxes/ EBIT	(3)	(41)	-
Earnings before taxes/EBT	2	(43)	-

*) number, figure at 31 March 2003 compared with 31 March 2002

Compared with the weak first quarter of 2002, new orders improved by 15% in this division to €765 million. Apart from RENK, which booked two major orders in the comparable quarter, all subgroups recorded an increase. There was a strong rise in sales of 37%, accruing mainly from final and additional partial settlements in the SMS Group.

After the high losses incurred last year as a result of extraordinary costs at MAN Technologie and a deficit in the SMS Group, this division once again reported positive pre-tax earnings of €2 million. RENK, the SMS Group, Schwäbische Hüttenwerke and the other industrial equipment and facilities operations returned positive figures, while turbomachines were marginally negative due to lower seasonal sales. As a result of enormous idle capacity in the space sector due to a lack of follow-up orders for the ARIANE 5 programme, MAN Technologie recorded a further loss of €7 million (-€22 million).



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For the full year, we are expecting a strong rise in earnings compared with the previous year's figure (€29 million).

MAN Group interim financial statements January - March 2003

MAN Group: Consolidated income statement

€ million	2003	2002
	Jan. - March	Jan. - March
Net sales	3,269	3,104
Cost of sales	(2,705)	(2,571)
Gross margin	564	533
Selling expenses	(275)	(277)
General administrative expenses	(182)	(175)
Other operating income	89	96
Other operating expenses	(191)	(215)
Earnings before interest and taxes / EBIT	5	(38)
Net interest result	(36)	(37)
Profit from ordinary operations / EBT	(31)	(75)
Income taxes	13	32
Net income for the period	(18)	(43)

General principles

The interim report has been prepared according to IAS 34 and is based on the accounting and valuation methods used for the previous consolidated financial statements as at 31 December 2002. The interim financial statements have not been audited.

The scope of consolidation includes 254 companies, after 250 companies at 31 December 2002. The effect of this change in the scope of consolidation on the Group's assets, financial position and earnings is negligible.



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MAN Group: Consolidated balance sheet as of 31 March 2003

Assets € million	31 March 2003	31 Dec. 2002
Intangible assets	509	520
Tangible assets	2,265	2,296
Assets leased out	739	788
Financial assets	160	158
Fixed assets	3,673	3,762
Inventories	4,005	3,773
Prepayments received	(1,649)	(1,679)
Trade receivables	2,970	3,293
Other receivables and current assets	855	779
Short-term securities	700	668
Cash and cash equivalents	466	609
Current assets	7,347	7,443
Deferred taxes	462	444
Prepaid expenses and deferred charges	64	43
	11,546	11,692
Equity & liabilities € million	31 March 2003	31 Dec. 2002
MAN AG shareholders' equity	2,581	2,630
Minority interests	257	261
Equity	2,838	2,891
Pension accruals	2,066	2,052
Tax accruals, deferred tax liabilities	570	594
Other accruals	1,904	1,876
Accruals	4,540	4,522
Financial liabilities	1,553	1,538
Trade payables	1,769	1,846
Other liabilities	779	830
Liabilities	4,101	4,214
Deferred income	67	65
	11,546	11,692



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MAN Group: Consolidated cash flow statement Three months January – March 2003

€ million	2003	2002
	Jan. – March	Jan. – March
Cash and cash equivalents at beginning of year	609	571
Net income for the period	(18)	(43)
Other non-cash expenses and income	153	157
Cash flow	135	114
Other changes in working capital	(205)	(386)
Net cash from operating activities	(70)	(272)
Capital expenditure	(163)	(235)
Proceeds on disposal of assets	100	64
Net cash used in investing activities	(63)	(171)
Dividends paid	(3)	(2)
Changes in financial liabilities and short-term securities	(7)	322
Net cash used in financing activities	(10)	320
Net change in cash and cash equivalents	(143)	(123)
Other changes in cash and cash equivalents	–	(2)
Cash and cash equivalents at end of the period	466	446

MAN Group: Consolidated statement of changes in equity Three months January – March 2003

€ million	MAN AG shareholders' equity	Minority interests	Total
Balance at 31 December 2002	2,630	261	2,891
Dividends paid for previous year	–	(3)	(3)
Net income for the period	(24)	6	(18)
Currency translation effects	(16)	(1)	(17)
All other changes	(9)	(6)	(15)
Balance at 31 March 2003	2,581	257	2,838
Balance at 31 December 2001	2,568	294	2,862
Dividends paid for previous year	–	(2)	(2)
Net income for the period	(35)	(8)	(43)
Currency translation effects	(1)	1	–
All other changes	1	(12)	(11)
Balance at 31 March 2002	2,533	273	2,806

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The Executive Board