

Q2/04

Interim Report as of June 30, 2004
MAN Aktiengesellschaft



E N G I N E E R I N G T H E F U T U R E

At a glance

MAN Group € million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	7,897	6,563	20	4,158	3,517	18
Germany	2,097	1,737	21	1,029	917	12
abroad	5,800	4,826	20	3,129	2,600	20
Sales	6,808	6,002	13	3,853	3,274	18
Germany	1,890	1,783	6	1,032	995	4
abroad	4,918	4,219	17	2,821	2,279	24
Order backlog*	8,473	7,844	8	8,473	7,844	8
Employees (number)*	63,489	65,332	-3	63,489	65,332	-3
Germany	40,856	42,739	-4	40,856	42,739	-4
abroad	22,633	22,593	0	22,633	22,593	0

	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in € m	Apr. – June	Apr. – June	in € m
Capital expenditures on (in)tangible assets	155	172	-17	88	108	-20
Amortization/depreciation of fixed assets	252	249	3	136	123	13
R&D expenditures	241	223	18	119	106	13
Cash earnings	380	279	101	227	176	51
Cash provided by operating activities	235	65	170	161	166	-5
Cash used in investing activities**	(57)	(182)	125	43	(125)	168
Cash & cash equivalents*	328	258	70	328	258	70
Net liquid assets (net debt)*	(394)	(1,196)	802	(394)	(1,196)	802
Equity*	2,770	2,567	203	2,770	2,567	203
Earnings before interest and taxes (EBIT)	220	116	104	143	104	39
Earnings before taxes on income (EBT)	143	32	111	106	63	43
Earnings after taxes on income	99	24	75	73	43	30
Earnings per share €	0.64	0.14	0.50	0.48	0.28	0.20

* At June 30, 2004 compared with June 30, 2003

** Including financial assets and assets leased out

All comparative figures for 2003 appearing in the tables and text of this Interim Report are stated excluding SMS Group operations, which retired from the MAN Group as of October 1, 2003, following disposal of the stake in SMS. A breakdown of orders, sales and earnings according to division can be found on pages 9 to 10.

MAN Group second quarter 2004: Continued strong growth in business volume and earnings

- Continued strong improvement in earnings: earnings before interest and taxes rose by €104 million to €220 million during the first six months of 2004 and earnings before taxes by €111 million to €143 million. Earnings per share rose by €0.50, from €0.14 to €0.64.
- During the second quarter of 2004, earnings before interest and taxes increased by €39 million to €143 million and earnings before taxes by €43 million to €106 million. Earnings per share improved by 71% to €0.48 (€0.28).
- Order intake rose by 20% during the first six months to €7.9 billion and by 18% in the second quarter to €4.2 billion. Particularly strong growth was registered by Commercial Vehicles and Diesel Engines, with Printing Machines, Turbomachines and Industrial Services also registering double-digit growth figures. Sales increased by 13% during the first half of the year climbing to €6.8 billion, and by 18% in the second quarter to reach €3.8 billion.
- Rising earnings improved the cash flow from operating activities to €235 million (€65 million) during the first six months. Further reduction in net debt compared with June 30, 2003 of €802 million to €394 million.
- Outlook for 2004: order intake is expected to show an increase of more than 10% compared with 2003 (€13.7 billion), with sales (2003: €13.5 billion) showing a slightly lower percentage rise. We are confident of reaching pre-tax earnings of at least €400 million, which would represent an increase of more than 50% compared with 2003 (€261 million).

Increasingly stable economic upswing

The global economic upswing has stabilised in the course of 2004. Overall economic activity is showing a distinctly upward trend in all regions, except in the euro zone where expansion continues to be restrained.

Demand for capital goods made in Germany rose by 6.6% during the first six months of 2004 compared with 2003. Domestic orders increased by 4.7% and export orders by 8.2%. In the case of MAN Group activities, there was a notable increase in the demand for commercial vehicles and diesel engines, but orders for printing presses also rose again, thanks to the "drupa 2004" trade fair.

Continuing strong growth in business volume

The MAN Group continued to grow strongly throughout the second quarter of 2004. Order intake increased by 18% compared with the same quarter last year, reaching €4.2 billion, while the cumulated figure of €7.9 billion for the first half exceeded incoming orders over the same period in 2003 by 20%. Almost all divisions recorded double-digit growth during the first six months, reaching 21% in the case of Commercial Vehicles, 16% for Printing Machines and 43% for Diesel Engines. The intake of domestic orders rose by 21% to €2.1 billion, and export orders by 20% to €5.8 billion.

The increase in incoming orders resulted in substantially higher sales, with 18% growth to €3.8 billion being recorded for the second quarter of 2004. Cumulated sales of €6.8 billion for the full six months were 13% higher than during the first half of 2003. All divisions contributed to this rise in sales, three of them recording double-digit increases, namely Commercial Vehicles with 12%, Diesel Engines with 11% and Turbomachines with 30%. The Group's order backlog rose by 8% compared with June 30, 2003 to reach €8.5 billion.

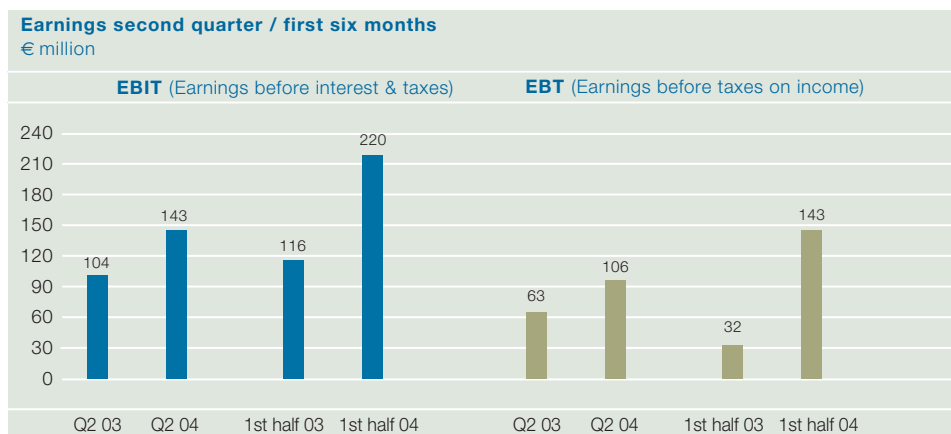


At June 30, 2004, MAN Group employees numbered 63,489, 3% fewer than one year earlier, representing a drop of 1,843 in the number of employees compared with June 30, 2003 (65,332) and of 669 compared with December 31, 2003. Since December 31, 2003, personnel levels in German companies have declined by 641 or 1.5% to 40,856, mainly as a result of implementing scheduled restructuring measures in the bus sector. In foreign companies, the number of employees decreased marginally by 0.1% to 22,633.

Marked improvement in earnings

There has been a continued marked improvement in profitability in the MAN Group. Earnings before interest and taxes climbed by €39 million to €143 million (2003: €104 million) during the second quarter and earnings before taxes by €43 million to €106 million (2003: €63 million). For the first six months, cumulated earnings before interest and taxes improved by €104 million to €220 million (2003: €116 million), and earnings before taxes increased by €111 million to €143 million (2003: €32 million).

During the second quarter, the driving force behind this improved performance was again the Commercial Vehicles Division which, with rising production and sales volumes in both the truck and bus sectors, generated a further increase in earnings. Bus earnings in particular reached positive double-digit figures, both during the second quarter and for the first six months of 2004. Registering higher production and sales figures, the Printing Machines Division again recorded a loss in the second quarter of 2004, due mainly to the costs of the drupa, but for the full six months, its deficit was considerably lower than in the first half of 2003. As a result of expenditure on restructuring measures in Denmark and the negative impact of contracts from the Near East on operations in the English subsidiary, earnings in the Diesel Engines Division fell below the level of last year. Turbomachines, Industrial Services and Financial Services however sustained their encouraging earnings trend. Earnings in the Further Industrial Holdings Division matched the level for 2003.



First-time application of IFRS 3 and subsequent discontinuation of ordinary depreciation on goodwill added €4 million to MAN Group earnings in the second quarter of 2004 and €5 million retroactively in the first quarter of 2004. The second quarter figures were also influenced by income of €12 million from the sale of residential property in Augsburg. These positive effects were offset by similar amounts accruing from the negative impact of additional restructuring measures and the costs of the drupa.

MAN Group earnings after taxes improved by €75 million during the first half of 2004 to reach €99 million, of which €73 million (2003: €43 million) were generated during the second quarter. Earnings per share rose by €0.50 to €0.64 (2003: €0.14 €), an increase of €0.20 to €0.48 (2003: €0.28) being recorded during the second quarter.

Continuing positive financial position

The positive trend in the MAN Group's financial position continued throughout the first half of 2004. Cash flow provided by operating activities reached €235 million, after €65 million in 2003. This rise of €170 million was due firstly to higher earnings, causing cash earnings to increase by €101 million to €380 million, and to the fact that it was possible to limit the rise in capital tied up in net current assets, which is normal during the first six months, to €145 million (2003: €214 million).

Capital expenditure on tangible and intangible assets of €155 million was slightly lower than in 2003 (€172 million). Including financial investments and expenditure on assets leased out, capital expenditure amounted to €292 million, equalling the level of the previous year (€291 million). A further scheme for off-balance financing of vehicle-leasing operations in Great Britain provided a cash inflow of €146 million. As a result, a total of €57 million was used in investment activities, considerably less than during the first half of 2003 (€182 million).

€226 million were spent on financing activities (2003: income of €90 million), of which €117 million (2003: 93 million) comprised dividend payments and €125 million repayment of financial liabilities (2003: borrowings of €173 million). The net debt (balance of cash and cash equivalents, short-term securities held as current assets and financial liabilities) fell to €394 million compared with December 31, 2003 (€439 million) and, compared with the net debt at June 30, 2003, showed a substantial improvement of €802 million.

Outlook

Forecasts for on-going global economic trends continue to be positive. The sustained high, or still rising prices of oil do however present a risk to further growth. The upswing is expected to continue both in the USA and Asia, although at a somewhat slower rate, whereas especially in China, a certain cooling of the overheated economy is anticipated. In Eastern Europe, and particularly in Russia, growth is expected to maintain its consistent momentum. The rather hesitant economic development in Western Europe should slowly gather speed in the wake of global economic activity. As far as Germany is concerned, most of the economic research institutes have slightly raised their forecasts for GDP growth in 2004, reaching a current consensus of 1.7%. Backed by exports, the demand for German capital goods should continue to improve.

Based on economic forecasts and the positive business trend during the first six months, our overall expectations for the 2004 financial year remain high, especially since business volumes continued to grow strongly in July 2004. We anticipate that order intake will increase by more than 10% compared with last year (€13.7 billion), although the extremely high 20% rate of increase compared with the first half of 2003 will not be sustained during the rest of the year. Sales are also expected to show continuing growth, the percentage increase compared with 2003 (€13.5 billion) remaining somewhat lower than in the case of incoming orders.

On the earnings side, all major MAN Group divisions are expected to record a rise in 2004 compared with 2003. The cost-cutting and restructuring projects currently underway in certain sectors still showing unsatisfactory levels of profitability are to be continued. Additional cost-reduction measures are necessary in the case of sheet-fed and web-fed presses, as well as medium-speed four-stroke diesel engines, as prices and sales margins continue to fall in spite of higher workloads. In this connection, talks are currently underway between the unions and employers. Measures are being implemented at MAN Technologie to streamline capacities even further.

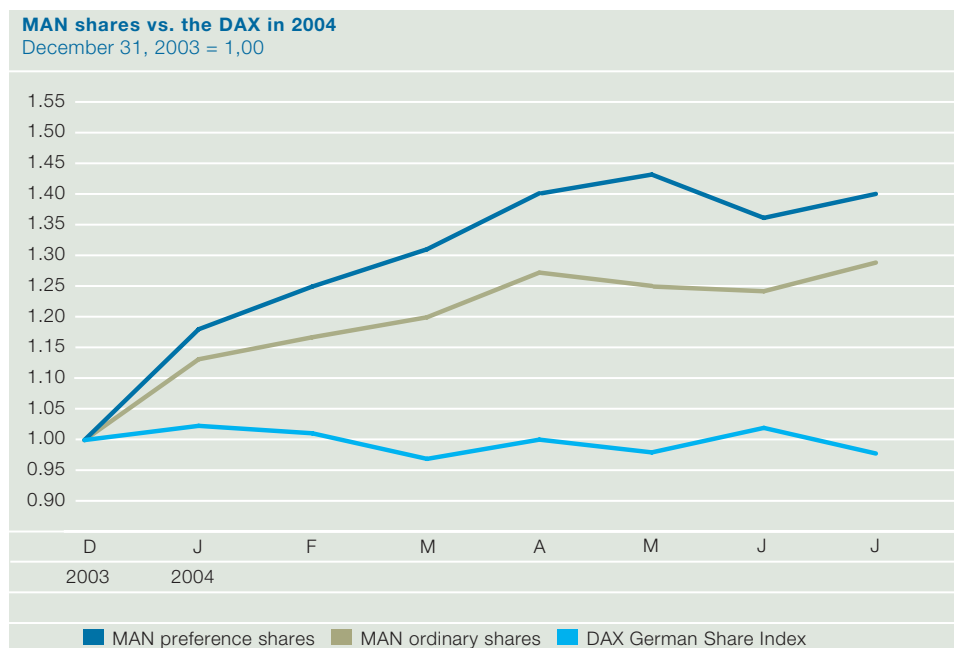
Pre-tax earnings for the year 2004 are expected to show triple-digit growth in the Commercial Vehicles Division. After last year's losses, Printing Machines will substantially improve earnings, although the target of achieving a nominally positive result is ambitious in the face of additional pressure on margins. Diesel Engines and Turbomachines will show a marked increase in earnings in 2004, while the service divisions will close the year at least at the level of 2003. In general, the positive trend in business volumes and earnings during the first six months has strengthened our conviction that the MAN Group will generate earnings before taxes of at least €400 million in 2004, representing an over 50% increase compared with 2003 (€261 million). The return on capital employed will rise from 8.3% in 2003 to around 11%, whereby the Industrial Business sector (excluding services) will increase its contribution from 8.9% to around 12.5%, bringing us a large step closer to achieving our target of a 15% return on capital in the Industrial Business sector.

MAN shares significantly outperform the DAX

Based on a price of €24.05 on December 31, 2003, MAN ordinary shares rose by €6.78 or 28% between January and July 2004 to reach €30.83. Over the same period, MAN preference shares gained 40%, rising by €8.02 from €19.80 on December 31, 2003 to €27.82. Both classes of shares therefore significantly outperformed the DAX 30 as reference index, which lost just under 2% over this period.

By comparison with the DAX 30, the positive trend in MAN share prices has continued, even following the marked upturn in 2003. Due to the extremely high oil prices and fears of further terrorist attacks, market prospects are however rather more gloomy, while expectations of a rapid rise in interest rates have meanwhile considerably weakened.

An extension to the authorisation to repurchase shares was passed at the Annual General Meeting held on June 9, 2004. This means that up until December 8, 2005, the MAN AG Executive Board is entitled, subject to approval by the Supervisory Board, to repurchase the company's own shares up to an amount equivalent to no more than 10% of the share capital. No such measures are however envisaged at the present time.



The operating divisions in detail

Order intake according to division

€ million

	2004	2003	Change in %	2004	2003	Change in %
	Jan. – June	Jan. – June		Apr. – June	Apr. – June	
Commercial Vehicles	3,847	3,186	21	1,985	1,568	27
Printing Machines	821	706	16	442	332	33
Diesel Engines	898	630	43	478	302	58
Turbomachines	346	294	18	176	148	19
Further Industrial Holdings	383	384	0	197	180	9
Industrial Services	1,646	1,481	11	871	1,050	-17
Financial Services	434	291	49	245	144	70
Consolidated	(478)	(409)	-	(236)	(207)	-
MAN Group	7,897	6,563	20	4,158	3,517	18

Sales according to division

€ million

	2004	2003	Change in %	2004	2003	Change in %
	Jan. – June	Jan. – June		Apr. – June	Apr. – June	
Commercial Vehicles	3,423	3,044	12	1,889	1,672	13
Printing Machines	682	677	1	379	370	2
Diesel Engines	665	598	11	366	302	21
Turbomachines	272	210	30	143	125	14
Further Industrial Holdings	379	362	5	203	197	3
Industrial Services	1,311	1,247	5	745	689	8
Financial Services	527	298	77	339	149	-
Consolidated	(451)	(434)	-	(211)	(230)	-
MAN Group	6,808	6,002	13	3,853	3,274	18

Earnings before interest and taxes (EBIT) according to division

€ million

	2004	2003	Change in € m	2004	2003	Change in € m
	Jan. – June	Jan. – June		Apr. – June	Apr. – June	
Commercial Vehicles	109	41	68	77	58	19
Printing Machines	(24)	(31)	7	(8)	(7)	-1
Diesel Engines	19	25	-6	4	16	-12
Turbomachines	10	(2)	12	8	1	7
Further Industrial Holdings	14	17	-3	6	6	0
Industrial Services	38	30	8	20	14	6
Financial Services	39	38	1	22	18	4
Holding company, consolidated	15	(2)	17	14	(2)	16
MAN Group	220	116	104	143	104	39

Earnings before taxes on income (EBT) according to division						
€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in € m	Apr. – June	Apr. – June	in € m
Commercial Vehicles	72	2	70	59	38	21
Printing Machines	(29)	(37)	8	(10)	(10)	0
Diesel Engines	11	18	-7	0	12	-12
Turbomachines	7	(5)	12	6	(1)	7
Further Industrial Holdings	9	12	-3	3	4	-1
Industrial Services	36	30	6	20	15	5
Financial Services	14	9	5	9	4	5
Holding company, consolidated	23	3	20	19	1	18
MAN Group	143	32	111	106	63	43

Commercial Vehicles

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	3,847	3,186	21	1,985	1,568	27
Sales	3,423	3,044	12	1,889	1,672	13
Employees*	33,868	34,697	-2	33,868	34,697	-2
Earnings before interest and taxes (EBIT)	109	41	-	77	58	33
Earnings before taxes on income (EBT)	72	2	-	59	38	55

* Number at June 30, 2004 compared with June 30, 2003

In Europe, the demand for commercial vehicles remained high. Order intake reached €3,847 million, representing a rise of 21% compared with the same period of 2003. In the truck sector, orders rose by 23% to €3,275 million, and by 10% to €572 million in the bus sector. Due to delivery backlogs, our share of the Western European market for trucks with a licensed weight of over 6 t remained with 14.8% at the same level as last year, whereby a downturn in Germany was offset by gains on foreign markets. Our share of the Western European bus market rose by 1.7 percentage points to 14.5%.

As a result of the high level of incoming orders in recent months, sales climbed by 12% to €3,423 million, increasing by 12% to €2,854 million in the truck sector. Due to production and delivery backlogs, sales rose at a slower rate than order intake, reaching €569 million in the bus sector, 15% more than during the first six months of 2003.

The Commercial Vehicles Division continued its very positive performance in terms of earnings. The EBIT rose by €68 million during the first half of 2004 to €109 million, including growth of €19 million to €77 million during the second quarter, and the EBT increased by €70 million to €72 million. The truck operations were able to improve their EBIT to €92 million (2003: €52 million) during the first half of 2004, of which €57 million (2003: €50 million) were generated during the second quarter. The decisive factors for this growth were higher production and sales volumes which were processed on the basis of considerably enhanced cost structures. Earnings increased at a proportionally slower rate during the second quarter, due mainly to a continuing delivery backlog and additional costs resulting from the production start-up for the new D20 engine series in Nuremberg, as well as personnel reductions following discontinuation of the F2000 production in Vienna.

Generating an EBIT of €17 million (2003: –€11 million) for the first six months and €20 million (2003: €8 million) for the second quarter, the bus sector recorded positive double-digit earnings. In addition to higher sales, this successful trend was largely due to the restructuring measures carried out, including relocation of labour-intensive production activities to Poland and Turkey. Reaching 6.3% in the second quarter, the EBIT margin generated by the bus operations was significantly higher than in the truck sector (3.6%).

A continuing positive demand for trucks is expected in Western Europe during the second half of the year which, over the next few months, will again lead to further rises in order intake and sales compared with 2003. Higher business volumes and the successful implementation of cost-reduction measures in both the truck and bus units will be reflected in a triple-digit leap in pre-tax earnings (2003: €121 million).

Printing Machines

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	821	706	16	442	332	33
Sales	682	677	1	379	370	2
Employees*	9,355	10,025	-7	9,355	10,025	-7
Earnings before interest and taxes (EBIT)	(24)	(31)	-	(8)	(7)	-
Earnings before taxes on income (EBT)	(29)	(37)	-	(10)	(10)	-

* Number at June 30, 2004 compared with June 30, 2003

The demand for printing presses received new impetus following a very successful drupa 2004 trade fair. After a restrained first quarter, the order intake rose noticeably during the second quarter, reaching €821 million for the first six months, 16% higher than the figure for 2003. Thanks to the drupa, the sheet-fed sector was able to increase its second-quarter order intake by 18% compared with the first quarter, registering an increase of 11% to €345 million for the full six-month period. In the web-fed sector, incoming orders rose by 31% to €374 million, with notable increases in both on-going business and major orders. At the end of the first six months, the trade and service operations still fell 6% short of their 2003 figure, reaching €102 million.

On the whole, this higher order intake has not yet impacted sales, which rose by no more than 1% to €682 million during the first six months. Sales of web-fed systems grew by 7% to €309 million, while in the sheet-fed sector, sales of €284 million (-1%) remained at the same level as last year. In the case of trade and services, previously declining order intake led to a 14% drop in sales to €89 million.

Pre-tax earnings of -€10 million (2003: -€10 million) in the Printing Machines Division were negative in the second quarter, due mainly to costs incurred for the drupa. On a cumulative basis, the EBIT amounted to a loss of €24 million (2003: -€31 million) and the EBT to a loss of €29 million (2003: -€37 million). Although sheet-fed activities were able to improve capacity utilisation as a result of high production and sales levels, the subsequent positive effects on earnings were eroded by a continuing deterioration in prices, and consequently also margins, as well as by expenditure on the drupa trade fair incurred during the second quarter. The EBIT in the sheet-fed sector amounted to -€31 million (2003: -€39 million) for the first six months. Additional costs for restructuring at the Offenbach plant were taken over by MAN AG out of Group contingency reserves. Web-fed activities were able to show an improved EBIT of €12 million (2003: €9 million), due partially to settling orders booked in previous years on the basis of higher earnings margins. The trade and services business unit recorded a negative figure of -€5 million (2003: -€1 million) due to weaker sales volumes.

Following the very positive drupa fair, we anticipate a recovery in the printing-press market during the second half of the year, which should lead to a further rise in order intake compared with 2003, especially in the case of web-fed presses. After the losses recorded last year (EBT -€37 million), earnings will show a considerable improvement in 2004, although the target of a nominally positive EBT remains ambitious.

Diesel Engines

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	898	630	43	478	302	58
Sales	665	598	11	366	302	21
Employees*	6,664	6,766	-2	6,664	6,766	-2
Earnings before interest and taxes (EBIT)	19	25	-24	4	16	-75
Earnings before taxes on income (EBT)	11	18	-39	0	12	-100

* Number at June 30, 2004 compared with June 30, 2003

The shipbuilding boom and the subsequent high demand for marine engines continued throughout the first six months of 2004. Incoming orders for diesel engines reached €898 million, representing a 43% increase compared with 2003. The two-stroke diesel engine operations were able to record strong growth in the construction of new engines and in licensing activities. The medium-speed four-stroke sector also reported a marked rise in orders, based however in some cases on lower prices. High-speed, four-stroke engines recovered slightly and turbochargers registered a strong improvement in incoming orders.

Sales rose by 11 % to €665 million. As a result of the positive order intake, sales increased significantly in the case of two-stroke engines, medium-speed four-stroke models and also turbochargers, while high-speed four-stroke engines continued to lag behind.

Earnings declined to an EBIT of €19 million (2003: €25 million) and an EBT of €11 million (2003: €18 million). Two-stroke diesel engines continued to report very good earnings, generating an EBIT of €23 million (2003: €26 million). Earnings in the medium-speed four-stroke sector (EBIT €1 million, 2003: €6 million) were unsatisfactory, due to a continuing downward trend in prices and contract yields. These were influenced to some extent by the sharp drop in kilowatt prices on the world market in the wake of the depreciating US dollar, which had to be countered on the cost side. In addition, the second quarter also included expenditure on restructuring measures at the medium-speed four-stroke facilities in Denmark, entailing closure of the Holeby site and concentration of the smaller medium-speed four-stroke engines in Frederikshavn. The EBIT generated by other business units amounted to -€5 million (-€7 million): Earnings on the part of the British subsidiary were negatively affected by expenditure incurred on contracts from the Near East, while the turbocharger operations reported a marked increase in earnings thanks to their excellent business performance.

In view of rising order intake, an overall increase in workloads and the rationalisation measures now completed, a significant improvement in pre-tax earnings (2003: €44 million) is still expected for 2004, whereby the two-stroke diesel engine operations will continue to make the largest contribution to earnings.

Turbomachines

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	346	294	18	176	148	19
Sales	272	210	30	143	125	14
Employees*	2,494	2,503	0	2,494	2,503	0
Earnings before interest and taxes (EBIT)	10	(2)	–	8	1	–
Earnings before taxes on income (EBT)	7	(5)	–	6	(1)	–

* Number at June 30, 2004 compared with June 30, 2003

Based on a strong worldwide upswing in the demand for turbomachines for various applications, order intake increased by 18% to €346 million. Compared with the low figure recorded in 2003 due to a weak start to the previous year, sales rose strongly by 30% to reach €272 million.

Higher sales and increased sales margins led to a substantial improvement in earnings. The EBIT rose by €12 million during the first six months to €10 million, the EBT also increasing by €12 million to €7 million. For the full year of 2004, Turbomachines are still expected to show a marked rise in pre-tax earnings compared with 2003 (€23 million).

Further Industrial Holdings

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	383	384	0	197	180	9
Sales	379	362	5	203	197	3
Employees*	4,494	4,568	-2	4,494	4,568	-2
Earnings before interest and taxes (EBIT)	14	17	-18	6	6	0
Earnings before taxes on income (EBT)	9	12	-25	3	4	-25

* Number at June 30, 2004 compared with June 30, 2003

Thanks to a better second quarter, order intake for the first six months returned to their 2003 level of €383 million in the Further Industrial Holdings Division. RENK was able to increase its order intake by 9% to €117 million, while at SHW, incoming orders rose by 11% to €148 million. New orders worth €41 million for MAN Technologie were 15% below the level of the previous year, due to the fact that orders for production of ARIANE 5 components have still not been placed. MAN DWE recorded a good level of incoming orders amounting to €27 million, which was however 41% below the high volume reported in 2003 as a result of major orders.

Sales increased by 5% to €379 million. Dropping by 30% to €32 million at MAN Technologie due to a longer period of low order intakes, double-digit increases in sales were recorded by the remaining subdivisions.

In order to adapt to lower future business volumes in the wake of declining demand in the European space industry, additional measures are required and already underway at MAN Technologie. These include a further reduction of some 150 personnel in the production and administration sectors which is scheduled for implementation by 2005. The aim is to reach a labour force of approx. 600 employees, around 400 of these at the space operations in Augsburg.

For the first six months of 2004, earnings before interest and taxes amounted to €14 million (2003: €17 million) in the Further Industrial Holdings Division and the EBT to €9 million (2003: €12 million). RENK reported €7 million (2003: €7 million) and MAN DWE €6 million (2003: €6 million), both equalling last year's performance, while SHW was able to increase its EBIT to €9 million (2003: €7 million). As a result of minimal sales activity and sustained below-capacity operations, MAN Technologie continued to record large losses with an EBIT of -€11 million (2003: -€12 million). The costs of additional personnel reductions at MAN Technologie have been taken over by MAN AG out of Group contingency reserves.

For the remainder of the year, total order intake is expected to more or less reach the same level as last year, the final figure depending however to a large extent on the receipt of major orders. Compared with 2003, a marginal increase is anticipated in overall sales. Earnings before taxes are expected to more or less match last year's figure (€40 million).

Industrial Services

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	1,646	1,481	11	871	1,050	-17
Sales	1,311	1,247	5	745	689	8
Employees*	6,303	6,486	-3	6,303	6,486	-3
Earnings before interest and taxes (EBIT)	38	30	27	20	14	43
Earnings before taxes on income (EBT)	36	30	20	20	15	33

* Number at June 30, 2004 compared with June 30, 2003

Order intake in the Industrial Services Division, comprising the MAN Ferrostaal Group, showed an overall increase of 11% compared with 2003, reaching €1,646 million, in spite of varying trends in the different areas of activity. In the steel-trading and logistics sector, incoming orders more than doubled thanks to increases in both volumes and prices, as well as a major order. The industrial equipment and systems activities were also able to record a strong increase while, by comparison with 2003, the order trend in the facility construction and contracting sector was essentially influenced by its major order for an M 5000 methanol plant in Trinidad and Tobago worth €439 million, which was booked in June 2003. Adjusted for this extraordinary effect, incoming orders for the first six months of 2004 equalled the level of the previous year.

Sales rose by 5% to €1,311 million during the first six months. This growth stemmed mainly from the steel-trading and logistics activities, where the high order intake has already impacted sales, a trend that will continue for the remainder of the year. In the other business units, sales for the first half of 2004 were in most cases marginally higher than the previous year's figures.

MAN Ferrostaal Group earnings increased to reach an EBIT of €38 million (2003: €30 million) and an EBT of €36 million (2003: €30 million). The sectors of steel-trading and logistics, facility construction and contracting, as well as industrial equipment and systems, were all able to improve earnings, while DSD Stahlbau continued to operate at a loss during the first six months. For the full year of 2004, we expect pre-tax earnings to at least reach the level of 2003 (€65 million).

Financial Services

€ million						
	2004	2003	Change	2004	2003	Change
	Jan. – June	Jan. – June	in %	Apr. – June	Apr. – June	in %
Order intake	434	291	49	245	144	70
Sales	527	298	77	339	149	–
Employees*	99	81	22	99	81	22
Earnings before interest and taxes (EBIT)	39	38	3	22	18	22
Earnings before taxes on income (EBT)	14	9	56	9	4	–

* Number at June 30, 2004 compared with June 30, 2003

Order intake in the Financial Services Division – MAN Financial Services Group – increased by 49% compared with last year to reach €434 million, and sales by 77% to €527 million. Both figures were influenced by the non-recurring effect of commercial-vehicle sales in Great Britain resulting from the introduction of off-balance financing for part of the leasing portfolio. Adjusted for this extraordinary effect, growth in both order intake and sales amounted to 19% in the Financial Services Division.

Earnings before taxes improved to €14 million (€9 million). For the full year of 2004, pre-tax earnings are expected to equal the 2003 figure (€26 million).

Interim Report as of June 30, 2004

MAN Group: Consolidated income statement January – June 2004

€ million	MAN Group		Industrial Business		Financial Services	
	2004	2003	2004	2003	2004	2003
Jan. – June						
Net sales	6,808	6,002	6,281	5,704	527	298
Cost of sales	(5,548)	(4,908)	(5,067)	(4,645)	(481)	(263)
Gross margin	1,260	1,094	1,214	1,059	46	35
Selling expenses	(476)	(463)	(474)	(461)	(2)	(2)
General administrative expenses	(301)	(285)	(297)	(283)	(4)	(2)
Other operating income	123	127	105	106	18	21
Other operating expenses	(390)	(359)	(371)	(345)	(19)	(14)
Income from investments	4	2	4	2	–	–
Earnings before interest and taxes/EBIT	220	116	181	78	39	38
Net interest result	(77)	(84)	(52)	(55)	(25)	(29)
Profit from ordinary operations/EBT	143	32	129	23	14	9
Income taxes	(44)	(8)	(40)	(8)	(4)	0
Net income for the period	99	24	89	15	10	9
Minority interests	(4)	(4)	(4)	(4)	–	–
Net income for the period after minority interests	95	20	85	11	10	9
Earnings per share in €	0.64	0.14	0.57	0.08	0.07	0.06

April – June 2004

€ million	MAN Group		Industrial Business		Financial Services	
	2004	2003	2004	2003	2004	2003
Apr. – June						
Net sales	3,853	3,274	3,514	3,125	339	149
Cost of sales	(3,185)	(2,670)	(2,871)	(2,539)	(314)	(131)
Gross margin	668	604	643	586	25	18
Selling expenses	(245)	(238)	(244)	(237)	(1)	(1)
General administrative expenses	(149)	(133)	(146)	(132)	(3)	(1)
Other operating income	64	55	53	44	11	11
Other operating expenses	(199)	(184)	(189)	(175)	(10)	(9)
Income from investments	4	0	4	0	–	–
Earnings before interest and taxes/EBIT	143	104	121	86	22	18
Net interest result	(37)	(41)	(24)	(27)	(13)	(14)
Profit from ordinary operations/EBT	106	63	97	59	9	4
Income taxes	(33)	(20)	(29)	(19)	(4)	(1)
Net income for the period	73	43	68	40	5	3
Minority interests	(2)	(2)	(2)	(2)	–	–
Net income for the period after minority interests	71	41	66	38	5	3
Earnings per share in €	0.48	0.28	0.44	0.26	0.04	0.02

MAN Group: Consolidated balance sheet as of June 30, 2004

Assets						
€ million	MAN Group		Industrial Business		Financial Services	
	06/30/04	12/31/03	06/30/04	12/31/03	06/30/04	12/31/03
Intangible assets	408	401	407	400	1	1
Tangible assets	2,025	2,052	1,768	1,796	257	256
Assets leased out	576	722	13	17	563	705
Financial assets	132	125	131	122	1	3
Fixed assets	3,141	3,300	2,319	2,335	822	965
Inventories	3,619	3,107	3,613	3,087	6	20
Less prepayments received	(1,322)	(1,200)	(1,320)	(1,199)	(2)	(1)
Trade receivables	2,705	2,851	2,021	2,231	684	620
Other receivables and current assets	837	912	790	866	47	46
Short-term securities	155	168	155	168	–	–
Cash & cash equivalents	328	380	229	377	99	3
Current assets	6,322	6,218	5,488	5,530	834	688
Deferred tax assets	370	408	367	405	3	3
Prepaid expenses & deferred charges	53	29	49	27	4	2
	9,886	9,955	8,223	8,297	1,663	1,658
Equity & liabilities						
€ million	MAN Group		Industrial Business		Financial Services	
	06/30/04	12/31/03	06/30/04	12/31/03	06/30/04	12/31/03
Capital stock	376	376	–	–	–	–
Additional paid-in capital	795	795	–	–	–	–
Reserves retained from earnings	1,536	1,437	–	–	–	–
Net earnings	0	110	–	–	–	–
Other comprehensive income	2	2	–	–	–	–
Equity of MAN AG stockholders	2,709	2,720	2,559	2,591	150	129
Minority interests	61	64	61	64	–	–
Equity	2,770	2,784	2,620	2,655	150	129
Pension accruals	1,699	1,681	1,697	1,679	2	2
Current tax accruals	74	81	68	81	6	0
Other accruals	1,608	1,515	1,578	1,483	30	32
Accruals	3,381	3,277	3,343	3,243	38	34
Financial liabilities	877	987	578	688	299	299
Due to/from intragroup financing	–	–	(981)	(958)	981	958
Trade payables	1,646	1,752	1,531	1,587	115	165
Sundry liabilities	787	712	775	704	12	8
Liabilities	3,310	3,451	1,903	2,021	1,407	1,430
Deferred tax liabilities	360	391	330	359	30	32
Deferred income	65	52	27	19	38	33
	9,886	9,955	8,223	8,297	1,663	1,658

MAN Group: Consolidated cash flow statement January – June 2004

€ million						
	MAN Group		Industrial Business		Financial Services	
Jan. – June	2004	2003	2004	2003	2004	2003
Cash & cash equivalents at beginning of period	380	285	377	276	3	9
Result from ordinary operations	143	32	129	23	14	9
Statutory taxes	(30)	(20)	(24)	(20)	(6)	0
Amortization/depreciation of fixed assets	252	249	165	180	87	69
Changes in pension accruals	18	18	17	18	1	0
Other non-cash expenses and income	(3)	–	(3)	–	–	–
Cash earnings	380	279	284	201	96	78
Elimination of net gain/loss on fixed-asset disposal	(9)	(14)	(11)	(13)	2	(1)
Changes in inventories	(476)	(199)	(490)	(206)	14	7
Changes in prepayments received	109	17	109	17	0	–
Changes in trade receivables	216	160	273	63	(57)	97
Changes in trade payables	(52)	16	(5)	31	(47)	(15)
Changes in other accruals	82	(52)	84	(59)	(2)	7
Changes in other receivables and current assets	(58)	(82)	(56)	(76)	(2)	(6)
Changes in other liabilities	74	(6)	69	19	5	(25)
Changes in tax accruals	(8)	(20)	(14)	(20)	6	–
Other changes in working capital	(23)	(34)	(35)	(30)	12	(4)
Cash provided by operating activities	235	65	208	(73)	27	138
Purchase of sundry tangible and intangible assets	(155)	(172)	(138)	(146)	(17)	(26)
Purchase of financial assets	(12)	(10)	(12)	(10)	–	–
Increase in assets leased out	(125)	(109)	–	(4)	(125)	(105)
Decrease in assets leased out	214	79	2	1	212	78
Other cash inflow from fixed-asset disposal	21	30	22	28	(1)	2
Cash used in investing activities	(57)	(182)	(126)	(131)	69	(51)
Dividend payment	(117)	(93)	(117)	(91)	–	(2)
Sale of securities	16	10	16	10	–	–
Changes in financial liabilities	(125)	173	(124)	259	(1)	(86)
Cash (used in) provided by financing activities	(226)	90	(225)	178	(1)	(88)
Net change in cash & cash equivalents	(48)	(27)	(143)	(26)	95	(1)
Changes in cash & cash equivalents due to changes in consolidation	1	0	1	–	0	–
Parity-related changes in cash & cash equivalents	(5)	–	(6)	–	1	–
Cash & cash equivalents at end of period	328	258	229	250	99	8

MAN Group: Consolidated statement of changes in equity January – June 2004

€ million

	Capital stock	Additional paid-in capital	Reserves retained from earnings	Net earnings	OCI	Minority interests	Total
Balance at December 31, 2003	376	795	1,437	110	2	64	2,784
Dividend for 2002				(110)		(7)	(117)
Earnings for the period			95			4	99
Currency translation effects			9				9
Changes in unrealized gains/losses							0
All other changes			(5)				(5)
Balance at June 30, 2004	376	795	1,536	0	2	61	2,770
Balance at December 31, 2002	376	795	1,384	88	(13)	65	2,695
Dividend for 2001				(88)		(5)	(93)
Earnings for the period			20			4	24
Currency translation effects			(29)		1	(5)	(33)
Changes in unrealized gains/losses					4		4
All other changes			(24)			(6)	(30)
Balance at June 30, 2003	376	795	1,351	0	(8)	53	2,567

Notes to the consolidated financial statements

Notes to the interim financial statements

General principles

The interim financial statements for the three months ended June 30, 2004 have been prepared in accordance with the International Financial Reporting Standards (formerly International Accounting Standards [IAS]). The interim financial statements comply with IAS 34. They are based on the same accounting and valuation principles as applied to the consolidated financial statements for the fiscal year ending December 31, 2003, with the exception that the IFRS 3 standards passed on March 31, 2004 have been applied for the first time to the present interim statements. Due to discontinuation of ordinary depreciation on goodwill, the interim result for the six months ending June 30, 2004 has increased by €9 million, of which €4 million are attributable to the second quarter.

In addition to the financial statements, the interim report also includes segment reports on the order situation and earnings, as well as notes on selected items.

Comparability of 2003 figures

During the 2003 fiscal year, the SMS Group retired from the group of consolidated companies following sale of the shares to SMS AG. To allow for better comparison with the previous year's figures, all figures in this interim report relating to 2003 have been restated to exclude the deconsolidated SMS Group.

The key figures in the 2003 consolidated income statement, including and excluding the SMS Group, are:

€ million	incl. SMS	SMS Group	excl. SMS
Jan. – June	2003	2003	2003
Sales	7,014	1,012	6,002
EBIT	104	(12)	116
EBT	24	(8)	32

The statement of changes in equity for 2003 no longer takes into account minority interests in the SMS Group amounting to €195 million. The remaining share of the SMS Group equity held by MAN is still included.

Consolidation

Compared with December 31, 2003, there have been no significant changes in the scope of consolidation, which includes 197 companies (2003: 193), of which 77 (2003: 74) are located in Germany and 120 (2003: 119) abroad.

Currency translation

The interim accounts of companies outside the euro zone are translated according to the functional-currency method. Rates of exchange on the closing date are applied in the case of all companies.

Exchange rates of the major MAN Group currencies have developed as follows.

Exchange rates of major currencies against the euro:				
		Closing rate		Average rate
	06/30/2004	06/30/2003	2004	2003
US dollar	1.2155	1.1427	1.2269	1.1067
Pound sterling	0.6708	0.6932	0.6749	0.6863
Danish krone	7.433	7.430	7.445	7.428
Swiss franc	1.5242	1.5544	1.5538	1.4919
Swedish krona	9.145	9.249	9.177	9.184
Polish zloty	4.5236	4.4775	4.7416	4.2823
Turkish lira (in 1,000)	1,805.30	1,618.00	1,705.43	1,747.00
Japanese yen	132.40	137.32	132.50	131.64
South African rand	7.618	8.542	8.153	8.831

Estimates

For the purpose of preparing the interim financial statements, it was necessary to make assumptions or estimates regarding the valuation of certain items for inclusion in the balance sheet and in order to state contingent liabilities and report on income and expenditure. The actual figures may differ from these estimates.

Segment reporting

The breakdowns of consolidated order intake, sales and earnings according to division included in this interim report are taken from the MAN Group segment reports. The reporting structure of the MAN Group has remained unchanged since December 31, 2003.

Income taxes

For the purposes of the interim financial statements, income tax payable has been stated on the basis of the tax rate currently estimated for 2004.

Audit

The interim report has not been audited.

Breakdown of financial statements

Fixed assets

€ million		
	06/30/2004	12/31/2003
Licenses, software, similar rights and assets	27	29
Development costs	166	157
Goodwill from consolidation	215	215
Intangible assets	408	401
Land, equivalent titles, buildings (incl. buildings on leased land)	1,116	1,127
Production plant and machinery	606	597
Other plant, factory & office equipment	251	297
Prepayments made, construction in progress	52	31
Tangible assets	2,025	2,052
Assets leased out	576	722
Shares in nonconsolidated Group companies	60	64
Shares in associated affiliates	7	5
Other investments	21	17
Other long-term securities	19	20
Long-term loans	25	19
Financial assets	132	125
Fixed assets	3,141	3,300

Inventories

€ million		
	06/30/2004	12/31/2003
Raw materials and supplies	519	513
Work in process and finished products	2,447	2,049
Merchandise	506	405
Prepayments made	147	140
Inventories	3,619	3,107
Prepayments received	(1,322)	(1,200)
Inventories, net	2,297	1,907

Trade
receivables

€ million		
	06/30/2004	12/31/2003
Future receivables under long-term construction contracts	130	161
Receivables due from customers	2,525	2,645
Receivables due from nonconsolidated Group companies	41	40
Receivables due from investees	9	5
	2,705	2,851

Short-term
securities,
cash & cash
equivalents

€ million		
	06/30/2004	12/31/2003
Short-term securities	155	168
Cash on hand and in bank	328	380
	483	548

Other
accruals

€ million		
	06/30/2004	12/31/2003
Warranties	390	376
Unbilled costs from contracts invoiced	280	251
Other business obligations	384	365
Obligations to personnel	247	220
Remaining accruals	307	303
	1,608	1,515

Net interest
result

€ million		
Jan. – June	2004	2003
Interest and similar income	14	15
Interest and similar expenses	(45)	(53)
Interest portion of addition to pension accruals	(46)	(46)
	(77)	(84)

Contingent
liabilities

€ million		
	06/30/2004	12/31/2003
Guarantees and suretyships	132	113
Shared liability for third-party debts	350	314
Notes endorsed and discounted	42	49
Warranty and indemnity obligations	1	1

Other financial obligations

Other financial obligations comprise rental and leasing contracts and accrue not only from investment funding (capital expenditure), but also from refinancing manufacturer leasing activities via non-group finance companies.

Future rental and leasing payments under operating-lease contracts:

€ million		
	06/30/2004	12/31/2003
Investment leases	153	143
Manufacturer leases	243	251
Obligations under rents and leases	541	556

Sales of commercial vehicles to customers and non-group finance companies include normal repurchase obligations totaling €1,229 million (December 31, 2003: €1,235 million). Provisions amounting to €159 million (December 31, 2003: €150 million) have been made to cover the relevant market risks.

Other financial obligations to third parties result from investment projects already underway and from supply contracts. These did not exceed ordinary trading limits and have no bearing on the financial position.

Munich, August 12, 2004

MAN Aktiengesellschaft
The Executive Board

Financial calendar

Report on the third quarter of 2004	11 November 2004
Preliminary business volume and earnings figures for 2004	17 February 2005
Annual press conference on 2004*	23 March 2005
Analysts' conference on 2004*	23 March 2005
Report on the first quarter of 2005	10 May 2005
Annual general meeting on financial year 2004	3 June 2005
Report on the first half of 2005	11 August 2005
Report on the third quarter of 2005	10 November 2005

* Presentation of the Annual Report

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