



## **MAN Group: Report on fiscal 2006**

Munich, Feb. 6, 2007

### **2006: the best-ever year in the Group's history**

- Operating profit: €1.1 billion (up 64 percent); EpS: €5.05 (up from €2.75)
- Sharp rise in dividend: €1.50 (up from €1.35), bonus of €0.50
- ROS: 8.5 percent (up from 5.9)
- Sales surge: up 15 percent; order intake: up 16 percent
- Commercial Vehicles: sales up 18 percent, order intake (excl. MoD) up 22 percent

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### **Transport-Related Engineering: focusing and expanding**

- Initiative for commercial vehicle market consolidation
- New commercial vehicle plants in Poland, India, and Mexico
- Divestments of €3.1 billion (sales), completed or under preparation

### **Prospects 2007**

- Ongoing growth in all areas
- Sales expected to advance by 5+ percent
- ROS to reach 9.0 percent

## At a glance

MAN Group € million	2006	2005 **)	Change	2006	2005 **)	Change
	Q1-Q4	Q1-Q4	in %	Q4	Q4	in %
Order intake	16,567	14,338	+16	4,565	3,338	+37
Germany	4,151	3,373	+23	978	1,009	-3
Abroad	12,416	10,965	+13	3,587	2,329	+54
Net sales	13,049	11,379	+15	3,882	3,450	+13
Germany	3,394	3,103	+9	1,001	915	+9
Abroad	9,655	8,276	+17	2,880	2,535	+14
Order backlog *)	11,298	8,496	+33	11,298	8,496	+33
Headcount *)	50,290	49,161	+2	50,290	49,161	+2
Germany	29,399	28,978	+1	29,399	28,978	+1
Abroad	20,891	20,183	+4	20,891	20,183	+4
Headcount incl. temp./loaned employees *)	53,715	51,412	+4	53,715	51,412	+4
Germany	31,368	30,275	+4	31,368	30,275	+4
Abroad	22,347	21,137	+6	22,347	21,137	+6
			<b>€mill.</b>			<b>€mill.</b>
Operating profit	1,105	674	+431	354	225	+129
EBT	1,023	575	+448	316	223	+93
Net income (EAT)	925	472	+453	248	203	+45
EpS in €	5.05	2.75	+2.30	1.54	1.08	+0.46
Dividend incl. bonus per share in €***)	2.00	1.35	+0.65			
Capital expenditures	1,678	440	+1,238	1,124	154	+970
Amortiz./deprec./write-down of fixed assets	347	378	-31	88	114	-26
R&D expenditures	396	385	+11	176	170	+6
Cash earnings	963	876	+87	150	385	-235
Cash flow from operating activities	777	1,267	-490	431	545	-114
Cash flow from investing activities	(1,329)	(378)	-951	(1,081)	(125)	-956
Free cash flow	(552)	889	-1,441	(650)	420	-1,070
Cash and cash equivalents *)	1,162	1,019	+143	1,162	1,019	+143
Net liquid assets *)	(946)	173	-1,119	(946)	173	-1,119
Equity *)	3,779	3,025	+754	3,779	3,025	+754

2006 data subject to verification by the statutory auditor and to adoption of the financial statements by the Supervisory Board

\*) Balance at Dec. 31, 2006, in comparison to Dec. 31, 2005

\*\*\*) 2005 excl. operations discontinued in 2006 (Printing Systems and Steel Trade)

\*\*\*\*) 2006: proposed cash dividend of €1.50 plus bonus of €0.50

## Economic environment in 2006

### World economy showing vigorous growth

The world economy showed vigorous growth in 2006, outpacing January 2006 expectations and at 5 percent topping the several-year average. The emerging nations of Asia again achieved dynamic progress, as did North America, albeit at a receding rate. It was especially in the sectors of transport, propulsion and energy—important to MAN—that worldwide demand remained unabated. The economy in the eurozone (specifically Germany) also perceptibly accelerated in 2006, increasingly propelled by stronger domestic demand. At 2.5 percent, economic growth was the steepest for six years. In Germany, exports and capital expenditures continued to deliver most momentum. After over a decade of gloom, the building and construction trade sent out encouraging signals.

The strong performance of 2006 is a re-endorsement of the MAN Group's strategy of focusing on Transport-Related Engineering, meaning commercial vehicles, diesel engines, and turbomachines all of which show better-than-average growth among capital goods. Given the dynamic upswing of the emerging nations, these, too, can be expected to advance by leaps and bounds.

## The MAN Group's business trend in fiscal 2006

**The MAN Group looks back on an outstanding fiscal year: order intake and sales surged, the operating profit reached record level. The robust growth led to an increase in workforce. For 2007, the prospects are again highly promising.**

### Double-digit growth in order intake

The MAN Group's order intake mirrored the congenial international economy and the growing esteem enjoyed by our products and services on the part of customers. At €16.6 billion, the prior-year figure of €14.3 billion (like-for-like, excluding Printing Systems and Steel Trade) was topped by 16 percent. The expanding global economy is fueling worldwide demand for transport, a factor that influences the buoyant order intake at our manufacturing business areas (Commercial Vehicles, Diesel Engines, and Turbo Machinery) all of which improved on their 2005 record figures.

At €2.2 billion and just as in the previous year (€2.8 billion), the MAN Group booked an unusually high share of megaorders. The year before MAN Nutzfahrzeuge had booked the first batch worth €1.4 billion from the British Ministry of Defence (MoD) and this was followed in 2006 by a second batch worth another €262 million. In late 2006, MAN Ferrostaal received an order from Trinidad & Tobago valued at €333 million to build a petrochemical complex for producing ammonia, urea ammonia nitrate and melamine (AUM plant). Excluding megacontracts, order intake by the MAN Group was up by 24 percent during the period under review.

### **Changes in the MAN Group's shareholding portfolio 2006**

*The divestment of Printing Systems (consummated) and Industrial Services' Steel Trade (intended) have entailed the necessity to restate the 2005 comparatives.*

	Order intake	Sales	Order back-log	Employees	Operating profit
	€ mill.	€ mill.	€ mill.	Number	€ mill.
2005 published	17,994	14,671	10,893	58,203	765
Printing Systems adjustment	(2,109)	(1,738)	(1,494)	(8,832)	(64)
Steel Trade adjustment	(1,332)	(1,375)	(320)	(210)	(27)
Others/consolidation	(215)	(179)	(583)	—	—
2005 like-for-like	14,338	11,379	8,496	49,161	(674)

Excluding the MoD contracts, Commercial Vehicles posted a 22-percent gain in orders received. Diesel Engines also recorded a double-digit hike (up 19 percent). The surge at Turbo Machinery (up 76 percent) is attributable to a variety of influences: ongoing strong demand, the assignment of MAN DWE to this business area, and the acquisition of BVI's turbine manufacturing unit. Order inflow at Industrial Services was up by 14 percent.

Order intake in Germany at €4.2 billion rose 23 percent above the 2005 level. Elsewhere in Europe, despite the high baseline due to the 2005 MoD contract, order intake still climbed 4 percent. Asian countries, again recording high growth, awarded contracts at a value of €2.4 billion—chiefly from Southeast Asia and the Near & Middle East. Orders from the Americas mushroomed 106 percent, mainly due to the AUM contract.

### **Strong sales swell / order backlog tops €11 billion**

Sales jumped 15 percent to €13.0 billion. Commercial Vehicles posted a sharp 18-percent gain while Diesel Engines climbed 8 percent, fully employed manufacturing capacity standing in the way of greater growth in this business area. Thanks to the incremental fields of business, sales at Turbomachines accelerated 31 percent while at Industrial Services revenues edged down 2 percent since it was only toward year-end that sizable contracts were booked.

Our production plants were working to capacity in 2006 and so, sales failed to keep pace with the rush of incoming orders and order backlog mushroomed to a record €11.3 billion. All business areas benefited, Commercial Vehicles' order backlog soaring by as much as 31 percent. In all, this abundance of orders provides a sound base for workload over the years ahead.

### **R&D and capital expenditures again high**

The MAN Group keeps its expenses for improving production and services, for innovations and for securing the future at a high level. In the year under review, R&D expenditures totaled €396 million (up 3 percent), including €297 million for internally funded R&D and €99 million for contracted R&D and publicly subsidized projects.

Capital outlays in fiscal 2006 amounted to €1,678 million (up from €440 million), including a sum of €1,174 million for acquiring Scania stock. Additionally we spent €504 million on tangible and intangible assets and investments. A major reason for the increase is the start of construction at the new Polish truck plant in Niepolomice near Kraków which accounted for €55 million. Another €10 million went toward a joint venture with FORCE Motors in India. Both these projects will serve toward extending our presence in the high-growth markets of C&E Europe, Russia and Asia and sharpening our competitive edge to a sustained degree. Sizable capital outlays were also made at Turbo Machinery for the acquisition of BVI's steam turbine business and capacity enlargements at a number of locations.

### **Growth leads to workforce advances**

At December 31, 2006, the MAN Group employed a workforce of 50,290 including temporary employees (rising from 2,419 to 2,887 in the interests of greater flexibility). In the wake of growing business we created 1,546 new jobs; 2.2 percent more in Germany and 4.5 percent more abroad. As a consequence the share of MAN employees outside of Germany has risen to 42 percent—a reflection of the MAN Group's ongoing internationalization.

To additionally enhance employment flexibility to match the sharp rise in production we also raised the number of loaned employees within the MAN Group who at year-end totaled 3,425 (up from 2,251).

### **Operating profit boosted to €1.1 billion**

The MAN Group was able in 2006 to upgrade its performance to a new record high, with the margins and profits of all business areas benefiting from the booming business volume and further perfected processes and work flows. The Group's operating profit soared by €431 million or 64 percent to €1,105 million, that reported by Commercial Vehicles rising €201 million to €670 million. Together with MAN Finance's operating profit (which since the disposal of Printing Systems has financed commercial vehicles only and will hence be assigned to MAN Nutzfahrzeuge), Commercial Vehicles' came to €698 million. The operating profit of Diesel Engines almost doubled to €229 million (up from €117 million) while Turbo Machinery's and Industrial Services' surged by €28 million to €71 million and €56 million to €120 million, respectively. The operating profit of Others (including RENK and the Corporate HQ costs) improved by €9 million to €10 million. The expenses of €20 million incurred for the Scania bid have fully been recognized in the 2006 operating profit.

In fiscal 2006, the MAN Group's EBT zoomed from €575 million to €1,023 million. The Group's income tax expense climbed from €160 million to €273 million, the tax load ratio shrinking from 27.8 to 26.7 percent. Discontinued operations produced a net profit of €175 million (up from €57 million), including the €160 million gain from the disposal of Printing Systems. The MAN Group's net income (EAT) ballooned €453 million or 96 percent, from €472 million a year ago to €925 million. EpS of continuing operations improved from €2.75 to €5.05 (up by €2.30 or 84 percent).

### **Proposed distribution: €1.50 cash dividend plus €0.50 bonus per share**

MAN AG's Supervisory Board will propose to the annual stockholders' meeting that per share a cash dividend of €1.50 plus a €0.50 bonus be distributed, corresponding to a total of €294 million and an increase of 48 percent or €0.65 per share.

### **Returns easily outperforming benchmarks**

For an average economic cycle, the MAN Group has set its ROS and ROCE benchmarks at 6.0 and 18 percent, respectively. In 2006 and for the first time, the MAN Group has at 8.5 percent definitely overachieved its target return on sales (up from 5.9 percent). All business areas contributed and considerably stepped up their ROS. Commercial Vehicles' ROS grew from 6.4 percent a year ago to 7.7 percent. Including the operating profit earned by Financial Services for Commercial Vehicles, the latter's ROS even mounted to 8.0 percent (up from 6.7). The remaining business areas, too, upgraded their return on sales. Diesel Engines, the MAN Group's most profitable area, revved up its ROS from 7.1 to 12.7 percent. Turbo Machinery's sales returned an operating profit of 7.8 percent (up from 6.2). Industrial Services virtually doubled its ROS to 8.6 percent up from 4.5 percent (the Steel Trade as discontinued operation according to IFRS 5 is not included therein).

Substantially thanks to its surge, the operating profit returned by capital employed (ROCE) swelled to 28.0 percent (up from 19.1) since, despite the Scania stock purchase in Q3 and Q4, the capital employed within MAN edged up a mere €212 million to an average €4,222 million.

### **Cash flow eroded by investing activities**

The Scania stock purchase, higher expenditures for tangible assets and the heightened funding volume of Financial Services eroded the cash flow in 2006. The free cash flow turned into a red €552 million (down from a black €889 million), the net cash provided by operating activities came to €777 million (down from €1,267 million). Industrial Business provided net cash from operating activities of €1,194 million (down from €1,576 million). The decrease was largely attributable to the fact that within CE the working capital reduction (slashed by €360 million in 2005) could not be repeated to the same degree. Given its extended funding volume, Financial Services used net cash in operating activities of €417 million (up from €309 million).

Excluding the Scania stock purchase that cost €1,174 million, the total cash outflow of €504 million for additions to tangible/intangible assets and investments rose considerably (up from €440 million). Special transfers to the pension plans of domestic and foreign subsidiaries represented a cash outflow of another €363 million (up from €350 million excluding Printing Systems). The MAN Group's net liquid assets of €173 million as of December 31, 2005, turned around into net financial debt of 946 million at year-end 2006.

### **Pension plan endowed with €363 million**

The capital coverage of pension obligations, which had begun in 2005 with a first endowment of €350 million (excluding Printing Systems), has been continued. Under a Contractual Trust Agreement (CTA), 2006 saw another €310 million contributed to MAN Pension Trust e.V. in order to fund the pension obligations to employees and retirees. A nonscheduled €53 million was transferred to non-German pension plans. The strain on the future cash flow of MAN companies will thus be eased to the extent that external capital resources fund postretirement benefits due. The CTA enables an investment strategy that mirrors the companies' obligations and workforce age pattern. In 2006 we completed the pension plan reconfiguration for the employees of our German subsidiaries by also redesigning the pension benefits of officers and executives.

## Focus on Transport-Related Engineering

### Divestments

The MAN Group's strategic realignment implied that we have rigorously further streamlined our portfolio of shareholdings. A focal transaction in this process was the divestment of Printing Systems, a business area generating in 2005 sales of €1.7 billion and an operating profit of €65 million. With a view to offering the MAN Roland Group best possible opportunities for its stand-alone development, we sold our stake to Allianz Capital Partners (ACP). Since this transfer, MAN AG has held a 35-percent share in the new investee and will chaperon this company until it may eventually go public in the years to come. The transfer deal was closed at a price of €624 million and produced an aftertax capital gain of €160 million. From this transaction, MAN received a cash inflow of €255 million (after offset against the cash and cash equivalents tied up in customer prepayments and after deducting the capital contribution to the new investee).

MAN Ferrostaal pressed ahead with its refocusing strategy in 2006. The Steel Trade unit was restructured in the course of the year and is set to be sold in 2007. Steel Trade's business volume in terms of 2005 sales is around €1.4 billion. Also shed were MAN TAKRAF Fördertechnik and several marginal businesses.

In 2006 the MAN Group transacted or prepared divestments equivalent to a business volume of €3.1 billion. Together with the businesses disposed of in 2005—Schwäbische Hüttenwerke, MAN Technologie, MAN Wolffkran, and MAN Logistics—the divestees account for total sales of €3.6 billion.

### Acquisitions and expansion expenditures in 2006

MAN Nutzfahrzeuge began work last year on the construction of a new assembly plant in Kraków, Poland, which represents a major milestone in the company's international growth strategy aimed at attaining by 2010 annual shipments of at least 100,000 trucks. In the medium-term, the new plant and its some 650 employees are set to produce annually 15,000 heavy-duty trucks for the growth regions of C&E Europe, Russia, South Africa, and the Middle East.

As part of its expansion strategy in the mushrooming markets of India and elsewhere in Asia, MAN Nutzfahrzeuge has together with the Indian company FORCE Motors formed MAN FORCE TRUCKS in which MAN holds a 30-percent stake. The venture's purpose is to produce heavy-duty MAN and FORCE trucks for India and MAN trucks for markets outside India. The two venturers will also cooperate in purchasing as well as in truck development and marketing.

Turbo Machinery took over the steam turbine business of Blohm & Voss Industrietechnik, thus broadened its lineup with the 2–20 MW range.

### Bid for Scania

When devising its strategic plan for the Group, MAN AG's Executive Board has delved into the future development of the commercial vehicle market. Accelerating globalization, changing customer priorities and far stricter emission standards offer the worldwide commercial vehicle business inviting growth prospects but will entail fiercer competition, too. In the foreseeable future, such challenges are likely to shake up this industry and lead to a consolidation of manufacturers.

In anticipation of this trend, MAN AG's Executive Board has taken proactive steps, announcing on September 18, 2006, its decision to submit a public bid to the stockholders of Scania Aktiebolag ("Scania") for the takeover of all Scania shares. This offering purposed to combine two strong competitors, thus laying the cornerstone of international profitable growth. The plan foresaw the formation of a German-Swedish group with the legal form of a European corporation (SE) to pursue a consistent twin-brand strategy.

The official offering document was published on November 16, 2006. Scania stockholders were offered either a combination of cash and MAN AG common stock or only cash, in return for their Scania shares. The original bid had been based on a price of €48 per share. On October 12, 2006, after MAN had ratcheted up its voting interest in Scania to 14.5 percent, the offering rose to €51.29 per share, equivalent to a total Scania value of around €10.3 billion. On December 20, 2006, the European Commission communicated that the envisaged transaction had been approved unconditionally as compliant with the EU Merger Control Regulation.

Meetings and discussions with Scania's other major stockholders, Volkswagen and Investor (a holding company owned by the Wallenberg family), showed in January 2007 that these investors, albeit endorsing the industrial logic of such a combination, would not give their approval to the planned takeover concept. On January 23, 2007, MAN therefore announced its application to the Swedish Securities Exchange Supervisory Authority for withdrawal from the public offering (originally due to expire January 31, 2007). This request was granted on January 24, 2007. The intention is now in the course of 2007 to negotiate with all parties concerned an amicable business combination.

## Prospects

### The global economic situation

In 2007, the global economy will again surge and currently there are no signs of flaccidity. Present predictions suggest a good 2-percent advance in Euroland's GDP, with Germany possibly gaining almost 2 percent. International economic growth in 2007 will once more amount to around 5 percent. Economic prospects are therefore bright and the need for capital goods is keen. Demand for haulage and transport services and hence commercial vehicles is likely to remain buoyant in both Europe and the world.

### Order intake and sales

Business is expected to result in a steady and strong influx of orders in 2007. For the Group as such, we predict an intake of around €16.0 billion.

Given its tall order backlog, the MAN Group's 2007 sales will again outgrow the €13.0 billion of 2006. All the manufacturing business areas are expected to advance, the Group in its entirety by 5+ percent in terms of sales.

### Return ratios, operating profit

For 2007 we are targeting another improvement in ROS. Assuming the economy remains congenial and the order situation healthy, we aim to achieve an ROS of 9.0 percent, with all areas increasing their ROS. MAN Nutzfahrzeuge, in particular, will press ahead according to plan with its cost-pruning programs already initiated and further raise its ROS.

As to the operating profit in 2007 (€1,105 million in 2006), the MAN Group is predicted to post another appreciable rise, mostly by Commercial Vehicles, with all the other areas also achieving conspicuous improvements. Net income and EpS should then increase commensurately.

### Growth strategy

For developments ahead we will continue along the path of progress. Commercial Vehicles' growth regions are C&E Europe plus Russia, the Middle East, and parts of Asia. These are markets we will serve from our new plant in Poland and the Indian joint venture. We will also rigorously expand alliances such as with the US supplier Navistar. At the same time we are targeting talks with Scania and Volkswagen on joint operations and stepping up existing cooperation. Diesel Engines will vigorously extend its 4-stroke business, especially in the market for stationary diesels used in power plants. Concurrently, systems expertise will be amplified in the maritime sector. With its clearly defined growth concept, Turbo Machinery will address the sustained surge in demand while Industrial Services is set to benefit from its sharp business focus. All manufacturing areas will press ahead with expanding business in new products and massively strengthening their aftermarket business. Sales growth will be continuously accompanied by cost-reduction measures with a view to further enhancing our profitability.

## Key figures by business area

### Order intake

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in %	Q4	Q4	in %
Commercial Vehicles	10,103	9,434	+7	2,369	2,275	+4
<i>Commercial Vehicles excl. MoD</i>	9,841	8,076	+22	2,369	2,275	+4
Diesel Engines	2,619	2,203	+19	668	453	+47
Turbo Machinery	1,498	850	+76	298	219	+36
Industrial Services	1,982	1,745	+14	1,095	271	+304
Others	538	428	+26	166	99	+68
Consolidation	(173)	(323)	—	(31)	21	—
<b>MAN Group</b>	<b>16,567</b>	<b>14,338</b>	<b>+16</b>	<b>4,565</b>	<b>3,338</b>	<b>+37</b>

### Sales

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in %	Q4	Q4	in %
Commercial Vehicles	8,685	7,377	+18	2,540	2,157	+18
Diesel Engines	1,802	1,666	+8	486	483	+1
Turbo Machinery	908	694	+31	303	232	+31
Industrial Services	1,379	1,414	–2	443	515	–14
Others	477	377	+27	141	129	+9
Consolidation	(202)	(149)	—	(31)	(66)	—
<b>MAN Group</b>	<b>13,049</b>	<b>11,379</b>	<b>+15</b>	<b>3,882</b>	<b>3,450</b>	<b>+13</b>

### Operating profit

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in € mill.	Q4	Q4	in € mill.
Commercial Vehicles	670	469	+201	221	187	+34
<i>Commercial Vehicles incl. Financial Services</i>	698	497	+201			
Diesel Engines	229	117	+112	72	39	+33
Turbo Machinery	71	43	+28	25	21	+4
Industrial Services	119	64	+55	42	10	+32
Others	10	1	+9	(11)	(5)	–6
Consolidation	6	(20)	+26	5	(27)	+32
<b>MAN Group</b>	<b>1,105</b>	<b>674</b>	<b>+431</b>	<b>354</b>	<b>225</b>	<b>+129</b>

**ROS**

in %	2006	2005	Change in % pts.
	Q1–Q4	Q1–Q4	
Commercial Vehicles	7.7	6.4	+1.4
<i>Commercial Vehicles incl. Financial Services</i>	8.0	6.7	+1.3
Diesel Engines	12.7	7.1	+5.6
Turbo Machinery	7.8	6.2	+1.6
Industrial Services	8.6	4.5	+4.1
<b>MAN Group</b>	<b>8.5</b>	<b>5.9</b>	<b>+2.6</b>

**ROCE and value added**

	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in % pts.	Q1–Q4	Q1–Q4	in € mill.
	<b>ROCE in %</b>			<b>Value added in € million</b>		
Commercial Vehicles	26.8	17.9	+8.9	395	181	+214
Diesel Engines	46.6	22.8	+23.8	175	61	+114
Turbo Machinery	30.5	18.5	+12.0	45	17	+28
Industrial Services	29.3	10.9	+18.4	74	(1)	+75
Others/consolidation	—	—	—	28	63	–35
<b>MAN Group</b>	<b>28.0</b>	<b>19.1</b>	<b>+8.9</b>	<b>717</b>	<b>321</b>	<b>+396</b>

**Reconciliation of operating profit to net income**

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in € mill.	Q4	Q4	in € mill.
<b>Operating profit</b>	<b>1,105</b>	<b>674</b>	<b>+431</b>	<b>354</b>	<b>225</b>	<b>+129</b>
Net result from nonrecurring factors	—	(37)	—	—	—	—
Net interest expense	(82)	(62)	–20	(38)	(2)	–36
<b>EBT</b>	<b>1,023</b>	<b>575</b>	<b>+448</b>	<b>316</b>	<b>223</b>	<b>+93</b>
Income taxes	(273)	(160)	–113	(90)	(60)	–30
Net result of discontinued operations	175	57	+118	22	40	–18
<b>Net income</b>	<b>925</b>	<b>472</b>	<b>+453</b>	<b>248</b>	<b>203</b>	<b>+45</b>
EpS of continuing operations (€)	5.05	2.75	+2.30	1.54	1.08	+0.46

## The business areas in detail

### Commercial Vehicles

MAN Nutzfahrzeuge unabatedly sustained its vigorous growth rate of previous years: During the period it booked orders for more than 97,000 vehicles (up 20 percent from some 80,900). In terms of truck registrations (above 6 t), MAN's share of the Western European market inched up from 15.7 to 15.9 percent while the share of the bus market raced from 12.8 to 15.4 percent.

Adjusted for the MoD contract, order intake by MAN Nutzfahrzeuge mounted 22 percent to €9.8 billion. Truck order intake (excl. MoD) jumped 25 percent, including MoD from €8.0 billion to €8.6 billion. Bus business climbed from €1.4 billion to €1.5 billion (up 7.8 percent). Including the two batches from the megaorder placed by the British Ministry of Defence—the largest slice was booked in 2005—order intake rose 7 percent.

Versus the previous year, sales mounted 18 percent to €8.7 billion, with Trucks accounting for €7.2 billion (up 16 percent). Especially pronounced was the 26-percent gain to €1.5 billion at the Bus unit. Truck shipments accelerated 17 percent to 79,822 units. The number of buses shipped out increased 22 percent to 7,388. At year-end 2006, orders on hand at MAN Nutzfahrzeuge added up to €4.2 billion, up 31 percent from €3.2 billion. Excluding MoD, order backlog leapt 39 percent to €2.6 billion.

The €670 million operating profit posted by the MAN Nutzfahrzeuge Group was for the second year running an all-time high and, compared with the previous period, a rise of €201 million. The main reasons were added business and the effects of the cost-pruning programs on materials cost and productivity. The operating profit of Trucks shot up €199 million to €632 million, its ROS rising to 8.8 percent (up from 7.0). The operating profit of Buses moved up by €2 million to €38 million. Including the input of MAN Finance which following the sale of Printing Systems now solely finances commercial vehicles and will therefore be assigned to this business area, the operating profit earned by Commercial Vehicles totaled €698 million. ROS rose to 7.7 percent (up from 6.4), including Financial Services to 8.0 percent (up from 6.7).

One focus of MAN Nutzfahrzeuge's expansion strategy is directed at the growth regions of C&E Europe, Russia, South Africa, and the Middle East. To better serve these markets, the foundation stone was laid last year for a new assembly plant in Poland which will turn out annually around 15,000 heavy-duty MAN TGA trucks. The new joint venture MAN FORCE TRUCKS, Pithampur, India, will in the final stage manufacture annually 24,000 heavy-duty trucks destined for Asia and Africa. Another priority is the expansion and internationalization of our after-sales network with the purpose of addressing even more closely customer demands for very good parts availability and servicing quality.

### Commercial Vehicles key figures

€ million	2006	2005	Change in %	2006	2005	Change in %
	Q1–Q4	Q1–Q4		Q4	Q4	
Order intake	10,103	9,434	+7	2,369	2,275	+4
<i>Order intake excl. MoD</i>	9,841	8,076	+22	2,369	2,275	+4
Net sales	8,685	7,377	+18	2,540	2,157	+18
<i>Total vehicles sold</i>	87,160	74,218	+17			
Employees *)	34,040	33,368	+2	34,040	33,368	+2
			€ mill.			€ mill.
Operating profit	670	469	+201	221	187	+34
ROS	7.7%	6.4%	—	—	—	—
ROCE	26.8%	17.9%	—	—	—	—

\*) Headcount at Dec. 31, 2006, versus Dec. 31, 2005

## Diesel engines

Business at MAN Diesel was again buoyant in 2006: Order intake mounted 19 percent to €2.6 billion, sales by 8 percent to €1.8 billion. The operating profit once more surged, almost doubling from the prior-year €117 million to €229 million. The operating profit of Two-Stroke improved by €34 million to €106 million, Four-Stroke's soaring from €45 million to €78 million. Neither rising fuel costs nor extended lead times deflated the shipbuilding boom. Capacities in Asia and Europe are mostly booked up until 2009. The towering order backlog is expected to trigger another advance in sales and an improved operating profit for 2007.

MAN Diesel transformed itself into a European corporation (Societas Europaea, or SE) in 2006. This change in legal form is being accompanied by a new organizational structure based on products and functions uniformly across countries and locations. Concurrently, there will be improvements to the production network for four-stroke engines. Three new such engines were launched. MAN Diesel's 32/44CR is the first heavy-oil diesel to feature as standard common-rail injection. The dual-fuel 51/60DF runs on either liquefied natural gas (LNG) or diesel and addresses the burgeoning number of LNG tankers. A trendsetting innovation is the 32/40PGI gas engine that merges the advantages of compression and spark ignition. Under the proprietary term MAN Diesel PrimeServ the business area is strengthening its worldwide after-sales operations by such steps as opening up new service bases in Houston, Dubai, Cuba, Guangzhou, Mumbai, Los Angeles, Colombo and Panama as well as ensuring that customers are more quickly supplied with original parts.

### Diesel Engines key figures

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in %	Q4	Q4	in %
Order intake	2,619	2,203	+19	668	453	+48
Net sales	1,802	1,666	+8	486	483	+1
Employees *)	6,408	6,423	0	6,408	6,423	0
			€ mill.			€ mill.
Operating profit	229	117	+112	72	39	+33
ROS	12.7%	7.1%	—	—	—	—
ROCE	46.6%	22.8%	—	—	—	—

\*) Headcount at Dec. 31, 2006, versus Dec. 31, 2005

## Turbo Machinery

The MAN TURBO Group's order intake of €1.5 billion in fiscal 2006 represents a gain of over 75 percent. Globally rising energy demand and sharp oil price increases resulted in another record year. Part of the extra business was related to the inclusion of MAN DWE and the acquisition of B+V Industrietechnik, Hamburg. MAN TURBO shared in major refinery, pipeline construction and gas-to-liquid projects. Regional areas of emphasis were Asia, especially China and the Middle East. The operating profit improved from €43 million to €71 million, the returns rose proportionately. The present project inquiry situation suggests for fiscal 2007 booming demand in virtually all applications and regions.

The takeover of the steam turbine business of B+V Industrietechnik, Hamburg, enabled MAN TURBO to close a gap in its steam turbine lineup and, together with business hitherto, quadruple its order intake for these products. The past fiscal period also saw the assignment of MAN DWE, Deggendorf, to the MAN TURBO Group. Both companies together manufacture the critical components for extracting synthetic and high-purity fuels from natural gas and biomass. As a result, MAN TURBO is now poised with a unique and complete range of products in this market of the future. Another focal point is to further strengthen the after-sales side of the business.

**Turbo Machinery key figures**

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in %	Q4	Q4	in %
Order intake	1,498	850	+76	298	219	+36
Net sales	908	694	+31	303	232	+31
Employees *)	3,257	2,476	+32	3,257	2,476	+32
			€ mill.			€ mill.
Operating profit	71	43	+28	25	21	+4
ROS	7.8%	6.2%	—	—	—	—
ROCE	30.5%	18.5%	—	—	—	—

\*) Headcount at Dec. 31, 2006, versus Dec. 31, 2005

**Industrial Services**

Industrial Services (MAN Ferrostaal) had a good year. Its operating profit reached €119 million, well above the previous period's €64 million (excluding Steel Trade). Order intake mounted from €1.7 billion to €2.0 billion. Outstanding in this figure is the Trinidad & Tobago contract booked in December worth €833 million for an AUM complex. At €1.4 billion, sales equaled the prior year's. ROS improved from a like-for-like 4.5 percent to 8.6, partly due to the spin-off of the high-revenue, low-margin steel trading business.

During the period, MAN Ferrostaal again sharpened its profile as industrial services provider and marketing platform for the entire MAN Group. The steel business was restructured for sale in 2007. Sold off were MAN TAKRAF and other marginal companies. Because of these measures, MAN Ferrostaal's sales for 2006 shrank by €1.4 billion, a shortfall which in the medium term will be made good by new business in other segments. Furthermore, MAN Ferrostaal also stepped up its efforts as international marketing arm acting on behalf of the other MAN business areas, chiefly in Latin America, Southeast Asia/Oceania, and Africa.

**Industrial Services key figures**

€ million	2006	2005	Change	2006	2005	Change
	Q1–Q4	Q1–Q4	in %	Q4	Q4	in %
Order intake	1,982	1,745	+14	1,095	271	+304
Net sales	1,379	1,414	–2	443	515	–14
Employees *)	4,290	4,563	–6	4,290	4,563	–6
			€ mill.			€ mill.
Operating profit	119	64	+55	42	10	+32
ROS	8.6%	4.5%	—	—	—	—
ROCE	29.3%	10.9%	—	—	—	—

\*) Headcount at Dec. 31, 2006, versus Dec. 31, 2005

### Others/Consolidation

Subsumed under the umbrella of Others/Consolidation are the industrial subsidiary RENK, Corporate HQ (including its service companies), and MAN intragroup consolidation transactions; a year ago, MAN DWE had been included, too. RENK is the primary source of order intake and sales, these surging in 2006, one of RENK's most successful periods ever, by 33 percent to €417 million and 16 percent to €356 million, respectively.

The operating profit of €16 million (up from a red €19 million) reflects RENK's EBIT of €38 million (up from €29 million) and MAN Finance's of €28 million (virtually unchanged). Corporate HQ expenses totaled €68 million (up from €63 million), including the full expenses of €20 million incurred in connection with the Scania takeover bid. The operating profit also mirrors the prorated investment income of €12 million from Roland Holding GmbH, consolidation transactions recognized in net income at €6 million (up from a negative €20 million) and for 2005, the operating profit of MAN DWE at €7 million.

### OTHERS/CONSOLIDATION

€ million	2006	2005	Change	2006	2005	Change
	Q1-Q4	Q1-Q4	in %	Q4	Q4	in %
Order intake	365	105	+248	135	120	+13
Net sales	275	228	+21	110	63	+75
Employees *)	2,295	2,331	-2	2,295	2,331	-2
			€ mill.			€ mill.
Operating profit/(loss)	16	(19)	+35	(6)	(32)	+26

\*) Headcount at Dec. 31, 2006, versus Dec. 31, 2005

MAN AG

The Executive Board