News service MAN Group

Press release of March 25, 2003

Speech by Dr. Rudolf Rupprecht, Chairman of the Executive Board of MAN Aktiengesellschaft, at the Annual Press Conference on 25 March 2003 in Munich

Ladies and gentlemen,

May I, on behalf of the Executive Board who are all with us here today, also welcome you most warmly to our annual press conference on the financial year 2002. I am delighted to have this opportunity of introducing our new Board member **Dr. Mitscherlich**, who, since the beginning of this year, has been managing Ferrostaal AG as its Executive Board Chairman and successor to Dr. von Menges.

Key data on our 2002 financial year have been available since the beginning of March and you have already reported on these figures. For the most part, the response to our results, which were marginally better than forecast last autumn, has been positive.

Both your comments and a large number of updated reports by securities analysts have highlighted the advantage offered by our diversified – you could also say compensatory – **corporate structure**, especially in difficult times like these.

Particularly over the past three years, it has been interesting to note how opinions on this issue have changed. Today, the ability to **generate profits**, even during a protracted **economic downswing**, and to earn one´s own funds for investing in the future without making excessive use of the capital markets, is once again considered commendable.

I should also like to take this opportunity to **thank you for your fair and competent reporting**. We are aware that a journalist´s work has become more difficult. Competition in the media sector has increased tremendously as a result of the present crisis, from which we are also suffering in our Printing Machines division. We therefore appreciate objectivity and reliability on your part all the more.

We shall continue to do everything to make your work as easy as possible by ensuring the highest possible degree of **transparency**.
I hope that our redesigned annual report will be of assistance in this regard. As in the past, we have again drawn up a detailed annual report for each of the major companies in the Group, offering extensive additional information.

These annual reports are available at the reception desk, together with our company brochure, our guiding principles and our brand new sustainability report.

No doubt like most of the annual reports published this year, ours also includes important statements on the much discussed subject of **Corporate Governance**. We believe that up until now, we have however been very much on the right track with regard to responsible and transparent corporate management and control.

The **German Corporate Governance Code** has provided us with a generally-accepted check list, based on which we were able to assess and substantiate our performance. From the outset, the level of concurrence between our rules and regulations and the provisions of the Code was already extremely high, but it is a well-known fact that nothing is so good that it can´t be improved. There were certain points in the Code with which we did not comply and which we have changed or will be changing.

The appropriate resolutions have been passed by the Executive and Supervisory Boards and, following the Annual General Meeting at the beginning of June, we expect to **comply fully with the Code´s recommendations**.

One important innovation which was immediately implemented was setting up a Supervisory Board **Audit Committee**, whose responsibilities were previously carried out by the Standing Committee.

Another recommendation which has already been realised is adherence to the 45-day period for publishing quarterly reports and the 90-day limit for reporting on the previous financial year. Which is the reason why this meeting is being held today, the annual press conference having, as you know, been brought forward from its original date of 10 April. The recommendation which cannot be implemented until a decision is taken by the Annual General Meeting on 4 June relates to individual remuneration for deputy chairmen of the Supervisory Board and for the chairman and members of the audit committee.

A complete overview of the degree of compliance with the Code, including its less binding suggestions, can be found on our website. A copy of this list is included in your folder.

And now to the **last financial year**.

We were operating in an extremely difficult global economic environment. We are active in more than 120 countries via our own subsidiaries or sales offices and in 2002, economic momentum waned in almost all regions of the world. At the same time, economic forecasts for the full year were retracted step by step, so that following 2001, we now have another difficult year behind us, which began by raising hopes of an economic recovery in the second half, but ultimately brought only a further decline in the markets for capital goods. Partial responsibility for this also lay with the political uncertainty in Germany and of course, increasing tension in the conflict with Iraq.

In this environment, we **performed relatively well**. New orders of 15.7 billion euros maintained their 2001 level, while sales fell slightly from 16.3 to 16 billion euros. **Orders from abroad** amounted to 75% of our total intake, their share having risen by nine percentage points over the past five years. This reflects our successful efforts in the direction of enhanced internationalisation, but at the same time the declining demand on the German market.

Faced with this situation, our main task was to continue unremittingly to **boost the profitability** of the MAN Group, the decisive factors being to consolidate the acquisitions made in recent years and reinforce the stability and future competence of the company, while at least maintaining the reduced level of earnings reported for 2001. Thanks to a slightly better performance than expected during the fourth quarter, we finally did succeed in achieving earnings before taxes of 219 million euros, which represented a marginal increase compared with 213 million euros in 2001, at least formally fulfilling the expectations articulated at the beginning of the financial year.

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This MAN Group result is based on very **diverse developments in the divisions** and in individual companies, whereby we can differentiate among three main categories.

Firstly the activities which achieved a turnaround and currently show above-average potential for improvement. At the moment, these are represented by our largest division of Commercial Vehicles. **Secondly**, those activities which continued to perform at a high level, but due to the weak economy, were no longer able to generate the record earnings of previous years. These included the sectors of Industrial Services, i.e. the Ferrostaal Group, Diesel Engines and most companies in the Industrial Equipment and Facilities division. **The third group** is made up of companies which were affected by especially critical market conditions, consequently suffering from a sharp drop in business volumes and very poor earnings. These were MAN Roland and MAN Technologie, as well as, for a certain length of time, the SMS Group.

Allow me to begin with the operations mentioned last. The **printing-press business** suffered immensely from extremely restrained investment activity on the part of printers and publishers as a result of the global depression affecting the advertising and promotion markets. In this respect, we are in the same boat as yourselves, ladies and gentlemen, and when talking to customers, Mr. Finkbeiner constantly experiences first-hand how unusually difficult the situation is in this industry.

After several years of pursuing a remarkably **successful product and market strategy**, which enabled the MAN Roland Druckmaschinen Group to strengthen its position as world leader in the sector of newspaper printing systems and become the second-largest supplier of sheetfed presses, the company was able to generate record earnings of 89 million euros in 2001. Last year, however, **profits dropped** to 10 million euros. Factors contributing to this were lower turnover in the sheetfed sector, as well as loss-making customer-financing activities in the US and unavoidable restructuring costs. **New orders** fell by 23% in the MAN Roland Druckmaschinen Group, especially since the downturn in the sheetfed sector was followed by a slowdown in orders for webfed systems. **Sales** declined by 13% to 1.8 billion euros, although due to their long throughput time, webfed systems remained almost stable, while the quick-turnaround sheetfed business registered a double-digit drop.

At the end of last year, MAN Roland began concentrating three works involved in sheetfed operations in Offenbach. This step is part of an **extensive set of measures** which in view of declining volumes, will also affect the webfed production sites in Augsburg and Plauen.

In this sector, our main focus is on two aspects. We must weather the present very difficult economic situation and adjust our capacities – this being achieved by introducing short-time work, as well as other means. In addition, we must however – and this applies mainly to Offenbach – **lower the breakeven point on a long-term basis** in order to improve resistance to future fluctuations in capacity utilisation. By concentrating the works in the Offenbach area and at the same time reducing the vertical production range, we are on the right track.

This stressful situation has not however prevented us from pushing ahead with **innovations** in the field of printing technology and sustaining the necessary level of expenditure on research and development at MAN Roland. This reached 7% of sales in the sector of webfed and sheetfed systems and should remain at about this level in future. As far as the electronic control and networking of printing works is concerned, including upstream editorial work, we are the world´s leading supplier. This is also true for instance in the field of medium-run digital printing technology using our DICOweb.

We now have all that is needed to re-expand our market shares over the next few years. We are still expecting a weak performance this year in terms of markets, volumes and earnings, but anticipate new stimulus in 2004, which is the year of the drupa, the world´s largest printing-equipment fair.

Our **aircraft and aerospace subsidiary MAN Technologie** was drawn into a whirl of multiple negative developments occurring simultaneously in the European aerospace industry. Namely, the crisis in the European Ariane space programme as a result of fewer satellite launches and the problematic financial situation at Arianespace, including technical problems with the Ariane 5, coupled with the insolvency of the aircraft manufacturer Fairchild Dornier, for which we had, as a supplier, carried out a considerable amount of work in advance. Added to this was the discontinuation of NASA´s expansion programme for its international space station, which further depressed business activity.

The consequences were high depreciation and operating losses, so that after a profit of 5 million euros in 2001, a pre-tax loss of 39 million euros was incurred in 2002. Here again, we had to initiate radical countermeasures in the form of a restructuring programme geared to adjusting production capacity to the reduced market volume.

Now let us turn to the generally positive news from the **Commercial Vehicles division**, on which Mr. Samuelsson already reported here in Munich a few days ago. The MAN Nutzfahrzeuge Group achieved its **turnaround** and an EBT of breakeven, as forecast, even though it had to absorb both higher losses in the bus sector and recurring, additional costs at our British truck subsidiary ERF, which as expected, were however lower than in 2001. **Earnings before taxes** reached 13 million euros, after minus 49 million euros in 2001, representing a swing of 62 million euros.

This improvement resulted mainly from the **MAN truck operations**, which in spite of a 14% drop in unit sales, were able to increase pre-tax earnings by more than 40% or 44 million euros to 142 million euros. In this case, the far-reaching measures undertaken during 2001 and 2002 to restructure the organisation and reduce costs began to take effect. These included personnel reductions, a new organisational structure, savings in material and overhead costs, clear separation of production activities for different models and reduced inventories leading to interest savings.

The problem child for Commercial Vehicles is however the **bus sector**, which with losses of 84 million euros slipped even deeper into the red than the previous year, when a loss of 54 million euros was recorded. The reasons for this were the slow market and pressure on prices, but also the fact that the costs of labour-intensive activities, such as the construction of basic shells, are too high. This is forcing us to relocate some of the work to our plants in Poland and Turkey.

The full range of measures announced on 12 March is aimed at reducing costs and **securing** the German locations **in the long term** by concentrating on high-grade operations. Our target is to halve the loss in the bus sector in 2003, reach breakeven in the course of the coming year and move into the black in 2005. A contribution towards achieving this goal will also come from the new MAN-NEOPLAN platform strategy, enabling us to construct both brands of buses using a considerably reduced number of individual parts.

We are, ladies and gentlemen, taking the development in the bus sector very seriously and are firmly resolved to no longer tolerate lasting loss contributions or accept buses as a chronic subsidy candidate. I am also under the impression that all those involved, including the employees, have realised the severity of the situation and I therefore see a good possibility that based on the steps just outlined, as well as increasing utilisation of synergies with NEOPLAN, we shall be able to lead these operations out of the red.

As a result of our consistent restructuring efforts, we are expecting a **significant further improvement** in earnings for the Commercial Vehicles division as a whole in 2003, although only a marginal increase in sales volume. This will also be a decisive factor influencing the profit performance of the entire MAN Group.

And last, but not least, the **MAN AG** holding company also made a substantial contribution to our earnings performance. In 2001, the holding shouldered the non-operating portion of the ERF costs, which steered the item "holding, other and consolidated" into the red with a loss of 84 million euros. In the **absence of additional ERF costs**, the holding´s loss was reduced to only 3 million euros in 2002.

Most of the other MAN Group operations were able to maintain their high levels of earnings, although not quite matching the record figures reported for 2001, which was to be expected.

The **Industrial Services division,** which operates on a worldwide scale in the fields of plant construction and trading in machinery and steel, as well as offering logistics services, recorded pre-tax earnings of 85 million euros after 104 million euros the previous year. Once again, Ferrostaal proved to be a **reliable provider of high-yield revenue** for the MAN Group. In spite of lower earnings, the return on capital employed still reached 14.8%, falling only marginally short of our requirement of 15%.

The greater part of Ferrostaal´s earnings resulted from major orders for plant construction and contracting, as well as from its steel-trading and logistics activities. Earnings in the sectors of industrial equipment and systems, and in the DSD Dillinger Stahlbau Group were less satisfactory. DSD´s domestic steel-construction operations have come under immense pressure and considerable capacity reductions are currently underway.

The Ferrostaal Group was the only MAN undertaking to increase both its order intake and sales. One new major order worth mentioning, with a volume exceeding a hundred million euros, was for a second ammonia plant in Trinidad & Tobago, the first one being successfully commissioned in 2002. Ferrostaal´s marked international bias and its competence in creating intelligent, customised financing concepts represent the key advantages of this group, which is exceptional both in the character and range of its services.

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The **MAN B&W Diesel Group** was faced with declining global demand for shipping capacity and consequently for engine power, while new orders for diesel power stations also decreased. The strengthening euro likewise slowed demand for heavy diesel engines, which reached a very high level in 2001. In spite of a drop in **new orders**, **sales** remained stable, reaching approximately 1.4 billion euros. **Earnings** of 68 million euros fell only marginally short of the record result of 75 million euros in 2001.

Although the return on capital employed decreased slightly from 17.4 to 16.8%, it still exceeded our target.

During last year, MAN B&W Diesel successfully launched a new turbocharger onto the market, rounded off its range of four-stroke engines by adding medium-speed models and not only commissioned the **world´s most powerful heavy two-stroke engine** with an output of more than 90,000 hp, but also introduced a new, fully-electronic control system to optimise consumption and greatly improve emission levels.

This year, Dr. Schulte and his colleagues will be presenting **more innovations** to show that the potential of the diesel engine, which with our technical and financial support, Rudolf Diesel first set running in one of our **Augsburg factories** some 107 years ago, is still far from being exhausted. And furthermore, one hundred years ago a diesel engine was built into a ship for the first time. As you know, we are now the world´s leading supplier of heavy two-stroke marine diesels, these machines being constructed almost exclusively under licence based on our designs.

In the course of the current year, a dip in business volume is expected in the wake of slowing market activity. In addition, earnings will again suffer slightly due to continuing restructuring measures, especially at our British operations where the "high-speed" business unit has more or less been completely reorganised. In the medium term, we are however optimistic that demand will recover and that thanks to our structural realignment, there will be a return to higher profitability.

The companies in the **Industrial Equipment and Facilities division** – excluding MAN Technologie which has already been mentioned – were able to increase their total earnings from 58 to 68 million euros. This improvement came on the one hand from the **SMS Group** which was able to improve its earnings from minus 9 to plus 6 million euros, although still suffering from weak activity on its global markets, especially in the sectors of metallurgical and rolling-mill technology and machinery for the plastics industry, and which therefore still requires further restructuring. The small companies bundled under "**other industrial equipment and facilities**", such as DWE, MAN WOLFFKRAN and MAN Logistics, significantly improved their earnings contribution from 4 to 12 million euros.

The **MAN Turbomaschinen Group,** which with its new addition, Sulzer Turbo, now holds third place on the world market for compressors and industrial turbines, suffered a slight drop in both new orders and sales. Earnings also decreased slightly to 22 million euros. The **newly-merged company** was **successfully integrated** and reorganised, so that we are still extremely satisfied with our takeover of Sulzer´s activities in this sector.

Although our transmission specialist **RENK** recorded declining business volumes and earnings, profitability remained at an above-average level, reaching a 19% return on capital employed. At present, RENK´s most successful products include the automatic transmission originally used only in Germany´s Leopard tanks, which thanks to its compact size and reliability is meanwhile used by the majority of tank manufacturers. There is also a rising demand for large-scale gear units for stationary and marine use, as well as our newly-developed gear-unit for large wind power stations.

Earnings also levelled off at Schwäbische Hüttenwerke GmbH – **SHW**, although still remaining high enough to produce a return of 14%.

Taking an **overall look at the Industrial Equipment and Facilities division**, including MAN Technologie, new orders dropped from 3.4 to 3.3 billion euros and sales from 3.6 to 3.5 billion euros. Earnings declined as a result of the setback at MAN Technologie from 63 to 29 million euros.

Last, but not least, there is **MAN Financial Services.** As a result of the weak economic climate and more intensive credit checks, our financing subsidiary experienced a drop in its intake of new leasing business. Sales however rose yet again, leading to a slightly improved EBT figure.

At this point, ladies and gentlemen, I should like to bring my overview of divisional activities to a close and comment on the main features of our **income statement** and **balance sheet**.

Compared with the 2% decline in **sales revenue** to just over 16 billion euros, our **gross operating result** fell slightly more, namely by 4%. This was largely due to a shift towards a higher proportion of consolidated sales accruing from trading and financing activities. A further reason was that accounts for several loss-making contracts were settled in the Industrial Equipment and Facilities sector, lowering the return on sales, but failing to impact earnings due to the loss provisions made in earlier years. However, the distinct improvement in margins resulting from cost-savings in the Commercial Vehicles division had a positive influence.

In the case of **other operating income and expenditure**, other operating income and other operating expenses were lower, improving on balance by €127 million. During 2001, there were a number of extraordinary occurrences, both on the expense and income side, which did not recur in 2002.

Earnings before interest and taxes reached €391 million, 6% lower than the previous year´s figure of €416 million. Our net interest result of minus €172 million was however considerably better than the €203 million recorded in 2001. This was partly due to our lower net financial debt, which was systematically reduced as planned. The falling interest rates throughout the year also helped to enhance the interest result, enabling us to slightly improve **earnings before taxes** to €219 million compared with €213 million in 2001.

Tax expenditure incurred by the MAN Group rose by 16% to €72 million, which was considerably more than the increase in the pre-tax result. This rise accrued primarily from trade tax and deferred taxes. **Net income** amounted to €147 million, €4 million less than the previous year. The higher earnings generated by the SMS Group resulted in an increase in minority interests from zero to €12 million, so that **earnings per share** fell from €1.01 to €0.92.

In 2002, the **returns** recorded by the MAN Group were once again significantly lower than our defined targets, which were last achieved during the 1999/2000 financial year. The **return on sales**, targeted at 5%, improved marginally from 1.3% to 1.4%. The **return on capital employed**, for which we have set an average target of 15% over the period of any economic cycle, fell from 7.5% to 6.9%. In this case, the positive effect of reducing our gross financial debt by some €400 million to €1.5 billion in the course of 2002 was more than counteracted by the drop in earnings before interest.

In 2002, MAN Aktiengesellschaft generated **net income** of €108 million after €88 million in 2001. €20 million of this was appropriated to retained earnings reserves, while unappropriated retained earnings amounted to €88 million. At the Annual General Meeting, we shall be proposing that this sum be distributed in the form of a dividend amounting to €0.60 per share, the same as last year.

The **consolidated balance sheet** shows that we have made further progress in reducing the resources tied up in operating assets and that balance sheet ratios have improved, in spite of the difficult economic situation.

It was possible to reduce the level of **funds committed** in the form of inventories and receivables by 4% to €5.4 billion, in spite of a considerable drop in the prepayments received. The volume of fixed assets decreased by 2% to €3.7 billion, which contributed to an overall positive development in the MAN Group´s financial position during 2002. **Gross financial debt** declined from €1.9 billion to €1.5 billion, the **negative financial balance** being reduced from €347 million to €261 million. This year, we are continuing to actively pursue our goal of **decreasing debt levels** even further.

At €2.9 billion, our **equity** remained the same as in 2001, while the **equity ratio** improved from 23.7% to 24.7%. Excluding loan-financed equipment which is leased out, 97% of our fixed assets are now covered by equity, compared with 93% in 2001.

Pension accruals amounted to almost €2.1 billion, after €2.0 billion in the previous year. These are based on IAS, allowing for index-linked changes in inflation, future pension adjustments and current estimates of biometric trends. In recent weeks, discussion has been focusing on pension accruals. In the notes to this year´s financial statements, we have therefore outlined the situation at the MAN Group in rather more detail than previously, as can be seen from page 113 onwards. In our case, **we earned the costs** of servicing current pension obligations accruing during the financial year **and the interest expense** for obligations which have already accrued, representing together a total of €170 million.

These were offset by **pension payments** of €109 million. This means that based on the traditional German method of booking retirement benefits, our own balance sheet shows an **internal financing contribution** of €61 million. During the generally weak financial year of 2002, the return on capital employed of 6.9% was still higher than the accrued interest rate of 6%.

Overall, the MAN Group has **long-term capital** amounting to €5 billion, representing 43% of our total capital. It was possible to reduce short and mid-term **loans** by €0.5 billion to €6.7 billion.

Capital expenditure was reduced considerably from €1,278 million in 2001 to €997 million. €463 million, a reduction of 16%, were spent on **tangible and intangible fixed assets**, following substantial increases in investment volumes in recent years to complete the launch of the new TGA truck series. For the first time for many years, the capital expenditure on tangible and intangible assets of €463 million was lower than the figure for depreciation and disposals.

Expenditure on research and development totalled €580 million in 2002, after €620 million the previous year. This amounted to 4.6% of the sales generated by our manufacturing companies and was some 6% lower than expenditure in 2001, which also included a major R&D thrust for development of the new truck series. This shows that we also curbed R&D expenditure in 2002, but to a lesser extent than in other cost centres – and this figure is still appreciably higher than the levels of earlier years. This means that we have by no means neglected provision for our future.

So much for the performance of the MAN Group in terms of income, expenditure and balance-sheet assets.

In the wake of our diverse measures devoted to restructuring, reducing costs and increasing efficiency, the **number of employees** in the Group continued to decline. This is inevitable when faced with cutting excess capacity, restructuring sites and bundling fragmented production structures.

During 2002, the number of employees in the MAN Group decreased by 2,552 to 75,054. Based on a comparable scope of consolidation, that is fully including some minor acquisitions completed in 2002 in the year-on-year comparison, 3,017 jobs were shed. On the same basis, the number of employees fell by 2,345 during 2001, representing a total of 5,362. Including temporary staff whose periods of employment expired, we have more or less realised the anticipated reduction of 6,000 announced two years ago.

As a result of both current and projected schemes, another approximately 1,000 jobs will be cut in the course of this year, as already announced on several occasions.

Wherever possible, we try to reduce staff **without terminating contracts for operational reasons** and on a **socially-acceptable** basis, which is successfully realised in the majority of cases. In addition, we utilise many possibilities for opening up new **perspectives** for employees leaving the company, either by offering a lump-sum compensation, contacting employment and training agencies, or via our own placement efforts. Perspectives are also created within the company based on our diverse vocational and management training schemes, as a result of which our employees are generally well qualified and consequently have good prospects on the job market.

Once again, the proportion of **employees** working for the MAN Group **outside Germany** rose slightly from 34% to 35%. This reflects the trend in the spread of our business volume, 75% of which is meanwhile generated abroad. Five years ago, the share of foreign-based workers amounted to no more than 26% and foreign business volume to 69%.

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Ladies and gentlemen, one constantly recurring theme in recent years has been the position of our shares in the DAX 30 **share index**. In view of our relatively low level of market capitalisation, we frequently ranked towards the lower end of the scale. Following revision of the DAX criteria, according to which only the most liquid free-floating share class is relevant, in our case the ordinary shares, and our **share-swap** project in the summer of 2002, we have been able to substantially strengthen our position in the index.

The share swap was extremely successful, with a total of just under 31 million of the almost 37 million original preference shares being converted into ordinary shares. As a result, the **number of free-floating ordinary shares** increased by 44%. This has led to a great improvement in our position, not only in the DAX, but also on the international capital markets.

Whether, and if so, to what extent this has already been reflected in **MAN's share performance** can hardly be determined. In view of the unfavourable economic trends, the stock markets were on the whole weak and our shares also failed to perform satisfactorily during 2002. Although the prices of our ordinary and preference shares tended better than the DAX at the beginning of 2002, taken over the year as a whole, their performance was on balance entirely in line with the DAX. Since the beginning of this year, prices have however once again clearly outperformed the index.

We see a possibility that this **positive tendency** in our rating will become even more marked during this year and next, provided of course that we are not faced with a protracted and crippling war in Iraq, which could ruin all budding positive expectations.

The major part of our homework has been done and most of the remaining steps towards making the entire Group **more competitive and profitable** will be completed during the current year. We are using this period of weak economic momentum in the marketplace to consolidate, reduce costs and make ourselves lean and fit.

It cannot however be denied that the unexpectedly restrained economic activity made us aware of weak spots in the Group which would not have become so conspicuous in a more favourable environment. This undoubtedly helped us to take a more fundamental and far-reaching approach to many aspects than we would have done if the upswing, which at the beginning of 2002 was still expected for the second half, had actually materialised.

And now you are of course expecting an **outlook** for our on-going performance. As you know, predicting the future is exceptionally difficult in the present economic and political situation. Forecasts by economic research experts have been unreliable for the past two years, and will no doubt be all the more inaccurate in our present situation.

Of one thing we are certain. 2003 will bring a number of innovations. Not only in the field of diesel engines, as already mentioned, but also the Commercial Vehicle and Printing Machine sectors will be coming up with significant new technical developments, offering our customers enhanced economic efficiency and environmental compatibility.

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As far as economic trends are concerned, we can but try to base our considerations on a not totally improbable scenario half way between the worst and best cases. This means that taking the Group as a whole, our budgeting envisages stagnating business volumes compared with 2002.

We nevertheless anticipate a **sustained improvement** in earnings, since the Commercial Vehicles division will be making a considerably greater contribution to profits as a result of its restructuring measures. Furthermore, the major part of the additional costs incurred by MAN Technologie will not recur, following the necessary depreciation and accruals made in 2002. The extent of this increase in earnings will however depend largely on political and economic factors.

With regard to our earnings performance throughout the financial year, when a traditionally very strong fourth quarter is usually followed by a weak first quarter, we do not expect the current year to be any different.

Altough this year, we shall still fall quite some way short of our return targets of 5% on sales and 15% on capital employed, we are however confident of coming very near to these figures in 2004. In years of good economic activity, the MAN Group should in future even exceed its return targets to comply with our principle of maintaining these figures over an entire cycle of several years.

Thank you very much for your attention.

MAN Aktiengesellschaft
The Executive Board