News service MAN Group

Letter to MAN's Shareholders of March 4, 2004

MAN Group records marked rise in earnings

- **The MAN Group recorded pre-tax earnings (EBT) of €261 million for the 2003 financial year, representing a marked year-on-year improvement of 23% and exceeding expectations due to a good fourth quarter. Earnings before interest and taxes (EBIT) rose by 13% to €443 million and earnings per share by 37% to €1.25. As in 2002, the order intake reached €13.7 billion. Sales of €13.5 billion were 2% lower than the 2002 figure. These results reflect the present structure of the MAN Group and include neither the business volume or losses generated by the SMS Group, which ceased to be a member of the MAN Group on 30 September 2003, nor the contribution to operating income from the sale of the SMS shareholding.**
- **The annual financial statements, which also include the impact on earnings of SMS business up to 30 September 2003, amounting to -€8 million, and of €50 million from the SMS sale, show an EBT of €303 million (+38%). Net income rose by 60% to €235 million and earnings per share by 67% to €1.54 based on IAS 33.**
- **The Executive Board will be proposing a dividend increase from €0.60 to €0.75 to the Supervisory Board.**
- **Based on the assumption that the economy will recover, we are anticipating a slight increase in order intakes and sales for the MAN Group in 2004. As a result of previous restructuring measures, we expect significantly higher earnings contributions from the manufacturing divisions. For the MAN Group as a whole, a further strong boost in earnings is expected. The extent of this will however depend essentially on the strength of the economic recovery and future exchange-rate developments.**

MAN Group

€ million	**2003**	**2002**	**Change in %**
MAN Group – without discontinued SMS Group operations			
Order intake	13 744	13 719	0
Sales	13 546	13 850	-2
Employees (number at 31 Dec.)	64 158	65 635	-2
Earnings before interest and taxes	443	391	13
Earnings before taxes	261	213	23
Net income	192	141	36
Earnings per share in €	1.25	0.91	37

€ million	2003	2002	Change in %
MAN Group – Annual financial statements			
Order intake	14 896	15 720	-
Sales	15 021	16 040	-
Employees (number at 31 Dec.)	64 158	75 054	-
Earnings before interest and taxes	477	391	22
Earnings before taxes	303	219	38
Net income	235	147	60
Earnings per share in €	1.54	0.92	67
Proposed dividend / Dividend per share in €	0.75	0.60	25

Economic environment

After a weak start, the global economy finally gathered momentum again during 2003. Beginning in the US, there was a worldwide revival in economic activity, although initially checked by the uncertainty caused by the crisis in Iraq. In Asia, and above all in China, overall economic growth continued to be strong, in spite of the impact of the SARS lung epidemic. Economic activity was also lively in Central and Eastern Europe. Only in Western Europe was this trend slow to take off. Germany in particular failed to meet expectations, the gross domestic product declining by 0.1%. The global capital goods markets were unable to show any recovery until the end of the year.

Rising order intake in industrial business sector boosts workloads

Against this scenario, order intakes in the MAN Group, excluding SMS, reached €13.7 billion, maintaining their 2002 level in line with expectations. All manufacturing operations were able to increase their intake of new orders, Commercial Vehicles by 4%, Printing Machines by 2%, Diesel Engines by 7%, Turbomachines by 22% and Further Industrial Holdings by 9%. A contrary trend was registered in the case of Industrial Services with -14%, while Financial Services were marginally up on 2002, showing a rise of 1%.

The intake of domestic orders increased by 10% to €3.9 billion. This upswing came both from divisions such as Printing Machines and Diesel Engines, where domestic business traditionally carries less weight, and from Commercial Vehicles, the domestic share of its business volume remaining unchanged at 35%.

In the case of foreign business, orders fell by 3% to €9.8 billion. Countries within the European Union registered a slight drop of 3% to €4.2 billion, due largely to the devaluation of the pound sterling. Other European countries showed an increase of 22% to reach €1.5 billion, mainly as a result of several major orders. Asia also continued to represent a growth region, recording a 5% rise to €1.9 billion, whereas the order intake from America showed a substantial drop to €1.5 billion (-27%). In this case, about 10 percentage points were attributable to the weak US dollar and some 20 percentage points to lower volumes and prices in Ferrostaal´s US steel-trading business.

Sales fell marginally by 2% to €13.5 billion. All divisions achieved more or less the same level of sales as in 2002, with the exception of Printing Machines, which reported an expected severe drop of 16%.

The order backlog amounted to €7.4 billion at year end (-1%), having increased in all the manufacturing companies, except for Printing Machines. The positive impact of this order backlog on workloads in the MAN Group will therefore be considerably higher than one year ago.

Further reductions in employee levels due to reorganisation

As of 31 December 2003, the MAN Group registered 64,158 employees, 2.3% fewer than at 31 December 2002 (excluding the SMS Group). On a like-for-like basis, the number of employees decreased by 1,949 or 2.9%. In the Group´s German companies, the number of employees fell by 1,881 or 4.3% to 41,497 and on balance by 68 (0.3%) to 22,661 in its foreign subsidiaries.

In those companies where reorganisation programmes are underway, a total of 2,706 employees left since the beginning of 2003. This figure was offset by a total of 771 additional employees at the commercial vehicle subsidiaries in Turkey and Poland, following transfer of some of the bus manufacturing activities to these countries. The decline in the number of employees due to restructuring will continue throughout 2004, especially in Germany.

Divestment of SMS Group as of 30 September 2003

With economic effect from 1 October 2003, MAN Aktiengesellschaft sold its 51-percent share in SMS Aktiengesellschaft to the Weiss family, which already held the remaining 49%. The sale will be realised in two tranches, each comprising 25.5%. The first tranche was transferred during the 2003 financial year, while reciprocal put and call options were agreed for the second tranche and may be exercised by MAN as from 31 December 2007. The yield from the sale of the SMS shares will be used to strengthen our equity base and supplement contingency reserves. In 2003, the transaction had the effect of increasing the consolidated net income by €50 million, which will be transferred to retained earnings. SMS Group figures for the first nine months will be included in MAN´s consolidated financial statements for 2003, but will not be contained in other reports on MAN Group business performance or earnings for the years 2003 and 2002.

Financial situation: major part of SMS Group divestment offset

Due to the high level of liquidity in the SMS Group, its divestment as of 30 September 2003 reduced the MAN Group´s financial balance by €764 million. This was largely offset by a high cash flow from operating activities (€906 million after €629 million in 2002), as well as the lower cash outflow from investing activities (€317 million on balance, after €532 million). As a result, the MAN Group only reported a negative financial balance of €439 million at 31 December 2003, after -€261 million at the end of 2002 (including the SMS Group). The MAN Group´s financial balance at 31 December 2003 was made up of net liquidity of €815 million (€318 million) in the industrial business sector and net debts of €1,254 million (-€1,325 million) on the part of Financial Services.

Capital expenditure, research and development

Capital expenditure on tangible and intangible assets amounted to €402 million (€398 million), marginally higher than 2002. There was a strong rise in the inflow of funds from the disposal of fixed assets to €214 million (€79 million). €18 million (€41 million) were invested in financial assets and, after deduction of income from sales, a net sum of €111 million (€172 million) in assets leased out. Expenditure on research and development amounted to €520 million (€532 million), which remained unchanged at 4.6% of the manufacturing divisions´ sales.

Marked improvement in earnings

Based on continuing operations, the MAN Group showed a marked improvement in earnings compared with 2002. Earnings before interest and taxes rose by 13% from €391 million to €443 million. Earnings before taxes improved by 23% from €213 million to €261 million. Thanks to a positive business trend during the fourth quarter, almost all divisions reported a better overall performance than expected.

Earnings performance varied in the different divisions. Commercial Vehicles remained successfully on course for a return to the high earnings of earlier years, generating €121 million before tax (2002: €13 million) and an EBIT of €203 million (€102 million). This rise demonstrated the success of on-going measures focused on restructuring, increased productivity and improved capacity utilisation. After a long period of losses, the bus operations achieved a positive EBIT of €5 million (-€72 million) in 2003, one year earlier than expected, while the trucks sector was able to improve its EBIT to €198 million (€174 million). Due to a notable drop in workloads, coupled with inadequate margins in the sheetfed business, the Printing Machines Division showed an overall loss of €37 million (+€10 million). As anticipated, earnings of €44 million (€68 million) in the Diesel Engines Division and €65 million (€85 million) in the Industrial Services sector fell short of the good results reported for 2002. The Further Industrial Holdings Division recorded an extremely positive performance with pre-tax earnings of €40 million (€10 million), as did the Financial Services activities with €26 million (€17 million). Generating earnings of €23 million (€22 million), Turbomachines marginally exceeded the level of last year.

In the case of the MAN Group´s continuing operations, the return on capital employed reached 8.3% (7.1%), of which 8.9% (7.2%) was attributable to the industrial business (manufacturing divisions plus Ferrostaal). The return on sales improved to reach 1.9% (1.5%).

The consolidated annual statements also include SMS Group earnings up to the date of divestment, which amounted to a pre-tax loss of €8 million (+€6 million), and a yield of €50 million from the sale of the SMS shares. The MAN Group recorded pre-tax earnings of €303 million, an increase of 38% over 2002 (€219 million). Net income rose by 60% to €235 million (€147 million). Based on the annual statements for the MAN Group, the return on capital employed improved to 8.7% (6.9 %) and the return on sales to 2.0% (1.4%).

Proposed dividend increase to €0.75

Based on IAS 33, earnings per MAN share reached €1.54 (€0.92), of which €1.25 (€0.91) accrued without the discontinued SMS Group operations and €0.29 (€0.01) represented the balance of the operating losses incurred by the SMS Group during the first nine months and the impact of the SMS sale on earnings. In view of the marked improvement in earnings on the part of continuing operations, the Executive Board will be proposing to the Supervisory Board at the meeting to review the balance-sheet figures on 24 March 2004 that the 2003 dividend be increased from last year´s level of €0.60 to €0.75 per share.

Outlook

Current economic indicators give us every reason to believe that the global economic expansion is set to continue. Considerably stronger economic growth is also expected for Europe, even though a consistently weakening dollar would have an increasingly negative effect on the competitive strength of European companies.

Based on this economic environment, we predict a marginal rise in the MAN Group´s business volume in 2004. On the earnings side, we anticipate that thanks to increased workloads and lower costs, the Commercial Vehicles, Printing Machines, Diesel Engines and Turbomachines Divisions in particular will generate significantly higher contributions as a result of previous and on-going restructuring measures. We also expect another strong earnings boost for the MAN Group as a whole, the extent of which will depend essentially on the strength of the economic recovery and future exchange-rate developments.

Consolidated overview of the MAN Group

€ million	2003	2002	Change in %
MAN Group – without discontinued SMS Group operations			
Order intake			
from Germany	3 943	3 588	10
from abroad	9 801	10 131	-3
Total	**13 744**	**13 719**	**0**
Sales			
from Germany	3 792	3 871	-2
from abroad	9 754	9 979	-2
Total	**13 546**	**13 850**	**-2**
Order backlog (31 Dec.)	**7 363**	**7 456**	**-1**
Employees (number at 31 Dec.)			
Germany	41 497	43 405	-4
abroad	22 661	22 230	2
Total	**64 158**	**65 635**	**-2**
Capital expenditure			
tangible and intangible assets	402	398	1
equity interests & other financial assets	18	41	-56
assets leased out	245	472	-48
Total	**665**	**911**	**-27**
Expenditure on research & development	**520**	**532**	**-2**
Cash inflow from operating activities	906	629	44
Cash outflow from investing activities	(317)	(532)	-40
Net financial debt (31 Dec.)	439	1 007	-56
Earnings before interest and taxes/EBIT	**443**	**391**	**13**
Earnings before taxes/EBT	**261**	**213**	**23**
Net income	**192**	**141**	**36**
Earnings per share in €	**1.25**	**0.91**	**37**
MAN Group – Annual financial statements			
Net financial debt (31 Dec.)	**439**	**261**	**68**
Earnings before interest and taxes/EBIT	477	391	22
Earnings before taxes/EBT	303	219	38
Net income	**235**	**147**	**60**
Earnings per share in €	**1.54**	**0.92**	**67**
Proposed dividend / Dividend per share in €	**0.75**	**0.60**	**25**

News service MAN Group

Performance of the divisions

New MAN Group reporting structure

As a result of focusing more strongly on our core areas of activity and the sale of SMS, the reporting structure in the MAN Group has been reorganised. Reports initially deal with the manufacturing divisions, namely Commercial Vehicles, Printing Machines, Diesel Engines and Turbomachines, as well as the Further Industrial Holdings. These are followed by Industrial Services (Ferrostaal Group) and Financial Services (MAN Financial Services).

Order intake by division - without discontinued SMS Group operations	**2003 € million**	**2002 € million**	**Change in %**
Commercial Vehicles	6 772	6 525	4
Printing Machines	1 575	1 542	2
Diesel Engines	1 460	1 363	7
Turbomachines	658	539	22
Further Industrial Holdings	894	818	9
Industrial Services	2 738	3 178	-14
Financial Services	607	602	1
Interdivisional	(960)	(848)	-
MAN Group order intake	**13 744**	**13 719**	**0**

Sales by division - without discontinued SMS Group operations	**2003 € million**	**2002 € million**	**Change in %**
Commercial Vehicles	6 707	6 564	2
Printing Machines	1 516	1 808	-16
Diesel Engines	1 312	1 408	-7
Turbomachines	567	530	7
Further Industrial Holdings	837	843	-1
Industrial Services	2 880	2 916	-1
Financial Services	627	628	0
Interdivisional	(900)	(847)	-
MAN Group sales	**13 546**	**13 850**	**-2**

Earnings before taxes and interest - without discontinued SMS Group operations	**2003 € million**	**2002 € million**	**Change in %**
Commercial Vehicles	203	102	99
Printing Machines	(26)	19	-
Diesel Engines	58	83	-30
Turbomachines	29	30	-3
Further Industrial Holdings	50	16	213
Industrial Services	73	74	-1
Financial Services	86	84	2
Holding company, consolidated	(30)	(17)	-
MAN Group EBIT	**443**	**391**	**13**

Earnings before taxes - without discontinued SMS Group operations	**2003 € million**	**2002 € million**	**Change in %**
Commercial Vehicles	121	13	831
Printing Machines	(37)	10	-
Diesel Engines	44	68	-35
Turbomachines	23	22	5
Further Industrial Holdings	40	10	300
Industrial Services	65	85	-24
Financial Services	26	17	53
Holding company, consolidated	(21)	(12)	-
MAN Group EBT	261	213	23

Commercial Vehicles

€ million	**2003**	**2002**	**Change in %**
Order intake	6 772	6 525	4
Sales	6 707	6 564	2
Employees (number at 31 Dec.)	34 094	34 398	-1
Earnings before interest and taxes	203	102	99
of which trucks	198	174	14
of which buses	5	(72)	-
Earnings before taxes	121	13	831

In spite of continually declining market volumes in Western Europe, the Commercial Vehicles Division was able to increase its order intake by 4% to €6.8 billion in 2003, following a good fourth quarter. This growth was generated by the trucks sector which achieved new orders of €5.6 billion (+4 %). Total registrations of trucks over 6 t fell again by some 5% in Western Europe, compared with the already low level in 2002. MAN Nutzfahrzeuge performed better than the market, recording 41,850 truck registrations in Western Europe based on a market volume of 280,400 (preliminary figures). This means that our share of the Western European market increased to 14.9%, 1.2 percentage points higher than 2002.

In the bus unit, the order intake of €1.2 billion (+1%) was marginally higher than last year´s figure. The bus market in Western Europe also declined in 2003 to 23,550 vehicles. Overall. we were able to maintain our market position with MAN and NEOPLAN products, 3,361 registrations in Western Europe representing a market share of 14.3% (preliminary figures), the market share in 2002 also reaching 14.3%.

Sales rose by just under 2% compared with 2002, reaching €6.7 billion. The truck sector increased sales by 2% to €5.5 billion and bus operations by 5% to €1.2 billion. The order backlog at the close of the financial year stood at €1.4 billion. Representing 12,000 trucks and 2,500 buses, this offers a good starting point for capacity utilisation in 2004.

Earnings before interest and taxes of €203 million were practically double the 2002 figure (€102 million). A substantial part of this increase accrued from the bus operations which, with an EBIT of €5 million (-€72 million), achieved a €77 million turnaround. Focused and consistent implementation of our restructuring measures therefore resulted in profitable operations one year earlier than expected. Our campaign essentially entails relocating the manufacture of labour-intensive parts to Turkey and Poland and using joint platforms for NEOPLAN and MAN products, while retaining independent designs related specifically to each brand. In addition, administrative activities in the bus companies were bundled and streamlined.

The operating result in the trucks sector also showed a marked improvement, reaching €198 million (€174 million). This was largely the result of enhanced productivity on the manufacturing side, and the impact of cost-reduction measures initially introduced the previous year. At the same time, costs accruing from sales companies and the negative trends in the exchange rates of the pound sterling and US dollar counteracted this effect.

Pretax earnings improved in the Nutzfahrzeuge Group to reach €121 million (€13 million). The return on capital employed rose to 9.4% (4.3%) and the return on sales to 1.8% (0.2%).

As a result of the successful on-going reorganisation of our bus activities and improved cost structures in both business units, we are well-positioned for 2004. The introduction of innovative products for our truck and bus ranges and our new D20 engine are expected to enhance our market position even further. As there are now signs of a slight economic recovery in Western Europe, we are starting the current financial year on an optimistic note and expect to achieve a further strong increase in earnings.

Printing Machines

€ million	**2003**	**2002**	**Change in %**
Order intake	1 575	1 542	2
Sales	1 516	1 808	-16
Employees (number at 31 Dec.)	9 465	10 300	-8
Earnings before interest and taxes	(26)	19	-
of which sheetfed	(56)	(43)	-
of which webfed	30	67	-45
of which distribution and services	0	(5)	-
Earnings before taxes	(37)	10	-

The market situation in the graphic industry remained under pressure in 2003, so that capital spending was still restrained. Following a marked rally in new orders since the autumn of 2003, particularly in the webfed sector, the order intake for our printing systems reached €1.6 billion, a 2% increase on 2002 volumes. The sheetfed printing presses recorded an order intake of €708 million (+1%), while orders for webfed presses rose to €650 million (+6%). Distribution and service activities reported €217 million (-5%), falling just short of the 2002 figure. Sales were affected mainly by the low order levels for webfed systems in recent years and fell to €1.5 billion (-16%).

Positive fourth-quarter activity resulted in lower losses than originally feared for the MAN Roland Group, which recorded pretax earnings of -€37 million (€10 million). In view of the significant 28% drop in sales, the webfed sector performed very well, generating an EBIT of €30 million (€67 million). In the sheetfed sector, measures aimed at concentrating production facilities in the Rhine/Main area, reducing the group´s value-adding activities and improving processes significantly eased the pressure on earnings. They were however unable to compensate for the adverse effects of inadequate workloads, a continuing notable deterioration in prices, and lower sales, with the result that this business unit recorded a loss of €56 million (-€43 million) before interest and taxes. The 2003 earnings figures do not include losses from customer financing in the US, which MAN AG covered out of its contingency funds. The distribution and services unit again broke even with an EBIT of zero (-€5 million). The group recorded a negative return on capital employed of -4.4% (4.6%), as well as a negative return on sales of -2.4% (0.6%).

We are expecting a slight improvement in the demand for printing systems during 2004 and added impetus should come from the new sheetfed series and from the drupa trade fair in May 2004. It is therefore anticipated that both order intakes and sales will exceed the levels of 2003. In view of the still generally weak economic situation, the pressure on margins and the fact that the full impact of cost reductions from our restructuring measures will not yet be felt throughout the whole of 2004, earnings performance will remain unsatisfactory during this year. Nevertheless although we are striving to reach a marginally positive result, in view of the expected market recovery.

Diesel Engines

€ million	**2003**	**2002**	**Change in %**
Order intake	1 460	1 362	7
Sales	1 312	1 408	-7
Employees (number at 31 Dec.)	6 625	6 889	-4
Earnings before interest and taxes	58	83	-30
of which two-stroke engines	41	45	-9
of which medium-speed four-stroke engines	27	54	-50
of which other business units	(10)	(16)	-60
Earnings before taxes	44	68	-35

Following a strong fourth quarter, Diesel Engines achieved an overall 7% growth in new orders in 2003, reaching €1.5 billion. The main reason for this was a shipping boom, which led to an exceptionally strong upswing in the demand for container ships and consequently for large two-stroke engines, these being manufactured largely by our licensees in the Far East. The medium-speed four-stroke engine operations also benefited from the lively demand for ships and were able to record a significant increase in orders from the marine sector. In the power-plant sector, business with medium-speed four-stroke engines came under pressure in the face of declining global demand and a strong euro, resulting in an unsatisfactory level of new orders. The order intake for high-speed four-stroke engines remained weak, but was more positive in the turbocharger sector. Since an above-average volume of orders was not received until the fourth quarter, sales fell by 7% to €1.3 billion.

Lower sales, weaker sales margins due to the strength of the euro against the dollar, and low capacity utilisation in the four-stroke business units during the year had a detrimental effect on earnings. Pretax earnings fell by €24 million to €44 million. Returns dropped to 11.4% (16.8%) based on capital employed and to 3.4% (4.9%) on sales.

For the current financial year, we expect order intakes to match the very high level of 2003. In view of the well-filled order books, sales will increase once again. For this reason, and in view of the measures already taken to improve our competitive strength, we envisage a significant rise in earnings.

Turbomachines

€ million	**2003**	**2002**	**Change in %**
Order intake	658	539	22
Sales	567	530	7
Employees (number at 31 Dec.)	2 494	2 500	0
Earnings before interest and taxes	29	30	-3
Earnings before taxes	23	22	5

A marked recovery in the demand for turbomachines used in the primary industries and in air separation, coupled with high growth rates in the important Chinese market, resulted in order intakes in the Turbomachines Division reaching a record level of €658 million (+22%). Sales rose to €567 million (+7%) and pretax earnings to €23 million (€22 million). The return on capital employed reached 12.4% (11.7%) and the return on sales 4.0% (4.2%).

For the current financial year of 2004, we are expecting new orders to more or less match last year´s level and sales to register significant growth. Based on these assumptions, the Turbomachines Division will be able to record a strong increase in earnings in 2004.

Further Industrial Holdings

€ million	2003	2002	Change in %
Order intake	894	818	9
Sales	837	843	-1
Employees (number at 31 Dec.)	4 500	4 678	-4
Earnings before interest and taxes	50	16	213
Earnings before taxes	40	10	300

In the case of the MAN Group´s Further Industrial Holdings, particularly RENK, MAN Technologie, MAN DWE and Schwäbische Hüttenwerke, order intakes rose to €894 million (9%), with all the larger units recording increases. Sales of €837 million (-1%) remained at the same level as 2002.

Earnings before taxes reached €40 million. This improvement against 2002 was partially attributable to MAN Technologie, which was able to reduce its 2002 loss of -€39 million to -€19 million, although earnings continued to be strongly affected by delays in the ordering process for ARIANE 5 components. RENK was able to improve its earnings to €20 million (€19 million) and Schwäbische Hüttenwerke to €15 million (€10 million). The EBT recorded by MAN DWE rose as a result of exceptionally high sales volumes from €5 million to €13 million. Overall, Further Industrial Holdings showed a return on capital of 10.6% (3.1%) and a return on sales of 4.8% (1.2%).

For 2004, we expect that, apart from MAN Technologie, the companies in this division will once again equal the overall business volume achieved in 2003. In the case of MAN Technologie, business performance will largely depend on whether the follow-up contracts for the ARIANE 5 project, which are absolutely imperative for continuation of the European space programme, are actually placed. Earnings in the Further Industrial Holdings Division are expected to reflect the 2003 level.

Industrial Services

€ million	2003	2002	Change in %
Order intake	2 738	3 178	-14
Sales	2 880	2 916	-1
Employees (number at 31 Dec.)	6 689	6 598	1
Earnings before interest and taxes	73	74	-1
Earnings before taxes	65	85	-24

The order intake in the Industrial Services Division, comprising the MAN Ferrostaal Group, failed to equal the high volume of the previous year, reaching €2,738 million (-14%). This drop resulted mainly from the North

American steel-trading business, with volumes declining by some €400 million in the face of the strong euro and US restrictions on steel imports. Sales of €2,880 million (-1%) reached the same level as 2002, the drop in US steel-trading being offset by higher sales in the Facility Construction and Contracting sector.

Earnings performance was strongly affected by high losses on contracts and below-capacity operations in the DSD Group. DSD´s Industrial Facilities Division was merged with Ferrostaal´s Facility Construction activities. The DSD-Stahlbau Group is currently undergoing a fundamental restructuring process and is to be integrated into an industrial partnership. Partial compensation was provided by rising sales and higher earnings contributions in the sector of Facility Construction and Contracting. Overall, pretax earnings fell from €85 million to €65 million, while earnings before interest and taxes of €73 million (€74 million) reached the same level as the previous year. Ferrostaal´s net interest income declined due to low interest rates and the absence of any extraordinary income in 2002. The return on capital employed in the Industrial Services Division remained unchanged compared with 2002 at 15.0% (14.8%), while the return on sales reached 2.3% (2.9%).

For the 2004 financial year, we expect a continued improvement in the world economy combined with rising investor confidence, also in the field of major industrial facilities. In a stable market environment, it should be possible to increase business volumes. Depending on DSD´s performance in the wake of the restructuring measures already launched, earnings are targeted to more or less reach the same level as 2003.

Financial Services

€ million	**2003**	**2002**	**Change in %**
Order intake	607	602	1
Sales	627	628	0
Employees (number at 31 Dec.)	87	77	13
Earnings before interest and taxes	84	86	-2
Earnings before taxes	26	17	53

The business volume generated by the Financial Services Division, i.e. the MAN Financial Services Group, matched the level of 2002 based on an order intake of €607 million (+1%) and sales of €627 million (unchanged). Earnings before taxes improved by €9 million to €26 million, due especially to customer-financing activities and the absence of the extraordinary expenses incurred in 2002.

In 2004, business volume and earnings are expected to reach last year´s level.

MAN Aktiengesellschaft
The Executive Board