Engineering the Future




Annual Report
1999/2000

MAN Aktiengesellschaft

At a glance

MAN Group

€ million

	1999/00	1998/99	changes in %
New orders	15 640	12 489	+ 25
Sales	14 581	13 256	+ 10
Employees as of June 30 (Number)	74 324	66 838	+ 11
Capital expenditures	1 217	881	+ 38
Cash flow	1 011	913	+ 11
Shareholders' equity	2 953	2 623	+ 13
Earnings before taxes on income	668	557	+ 20
Consolidated group income	424	371	+ 14
Income per share in €	2.52	2.23	+ 13
Dividend per share in €	1.00	0.92	+ 9

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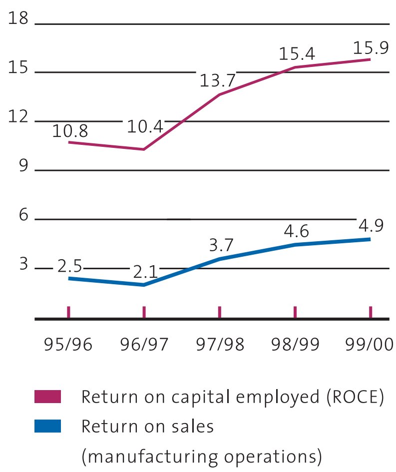
Returns

%



Commercial vehicles

MAN Nutzfahrzeuge AG
Munich

One of the leading manufacturers of commercial vehicles in Europe. The largest company within the MAN Group develops, manufactures and sells trucks of between 6 to 50 t for every kind of application, scheduled-service buses and coaches. Engines from the Nuremberg works are used in vehicles, boats and for the generation of energy. Production facilities located in Germany, Austria, Poland, Turkey and South Africa. Assembly under licence in many other countries. International network of sales and service centres. MAN EuroService 24 h, MAN ComfortServiceSystem, and the provision of transport logistics, fleet management and communication services constitute a comprehensive service package for customers. Highlights: Take-over of the Polish truck manufacturer STAR in December 1999, of the British commercial vehicle manufacturer ERF in January 2000, launch of the new TRUCKNOLOGY® Generation in March 2000.

€ million	
New orders	6 274
Sales	5 755
Export share (%)	57
Earnings	269
Employees (number, June 30)	33 814

Industrial services

Ferrostaal AG
Essen

Global provider of industrial services, with three core segments: Facility Construction and Contracting, Industrial Equipment and Systems, Steel Trading and Logistics. Ferrostaal's expertise encompasses the engineering, supply, assembly, operation and maintenance of large-sized industrial facilities. A particular strength is the arranging of customised financing packages. Ferrostaal delivers merchant vessels as well as ships for navies, as part of the German Naval Group. Ferrostaal distributes industrial and infrastructure-related equipment worldwide and trades in steel products and non-ferrous metals. Within the B2B sector Ferrostaal employs state-of-the-art IT systems to supply in-line sequence and other logistics services. The take-over of the management of MAN TAKRAF Fördertechnik GmbH, Leipzig, by subsidiary DSD Dillinger Stahlbau GmbH, Saarlouis, has further augmented Ferrostaal group division's expertise as a provider of integrated industrial systems.

€ million	
New orders	2 927
Sales	2 541
Export share (%)	76
Earnings	75
Employees (number, June 30)	7 145

Printing machines

MAN Roland Druckmaschinen AG
Offenbach/Main

Globally leading system supplier for equipment, planning, construction and commissioning of printing companies in sheet and web offset, with technologies covering prepress, press and postpress operations. World market leader in web offset presses, with an extensive range of products for printing newspapers as well as commercial jobs. Second-largest manufacturer of sheet-fed offset presses for printing advertising material and business stationery as well as packaging. Supplier of digital printing systems with specific computer-to-press solutions for multi-colour short-run production, in the form of systems with integrated prepress and postpress. Control and integration of the press into the production process by systems for paper supply, material handling and process electronics. Worldwide sales and service network which markets, in addition to own products, equipment accompanying the printing process plus the consumables involved.

€ million	
New orders	2 095
Sales	1 848
Export share (%)	74
Earnings	79
Employees (number, June 30)	10 056

Diesel engines

MAN B&W Diesel AG
Augsburg

»Birthplace of the Diesel engine«. Leading supplier of large Diesel engines for marine propulsion and power plants. With its production facilities in Europe (Germany, Denmark, England and France) manufacturing Diesel engines ranging from the high-speed sector to the biggest two-stroke units, the largest international family of licensees in this field and a world-wide network of representatives and service facilities, the Group Division is active on a global scale. MAN B&W Diesel is market leader in two-stroke propulsion engines with a share of 70 % and occupies key positions on the medium-speed market: in ships larger than 2 000 gt of 21 %, in heavy-fuel operated marine gensets of 40 %, in Diesel power stations using unit outputs above 7.5 MW of 36 %. Supplier for marine propulsion packages and for turnkey land-based as well as floating power stations. Exhaust gas turbochargers for large Diesel engines. Control and monitoring systems. CoCoS engine diagnosis system.

€ million	
New orders	1 192
Sales	1 106
Export share (%)	85
Earnings	54
Employees (number, June 30)	6 966

The structure of the MAN Group

Industrial equipment and facilities

MAN Turbomaschinen AG GHH BORSIG
Oberhausen

Most comprehensive range of compressors and turbines worldwide for the process industries and power generation. Process control and monitoring system »turbolog«. Worldwide service.

Sales: € 360 mill.
Earnings: € 15 mill.

MAN Technologie AG
Augsburg

Major systems partner in space programs, structure and propulsion components (ARIANE launchers); tank systems for planes; lightweight structures; infrastructure sytems; lightweight bridges.

Sales: € 210 mill.
Earnings: € 13 mill.

RENK Aktiengesellschaft
Augsburg

World market leader with automatic transmissions for heavy-weight tracked vehicles and large-sized slide bearings. Industrial and marine gear units for maximum power values. Couplings and test systems.

Sales: € 228 mill.
Earnings: € 24 mill.

Deggendorfer Werft und Eisenbau GmbH
Deggendorf

World market leader for salt-operated reactors for the chemical industry. Equipments and components for plant construction, floating dredgers. Locations in Germany and France.

Sales: € 84 mill.
Earnings: € 8 mill.

SMS Aktiengesellschaft
Düsseldorf

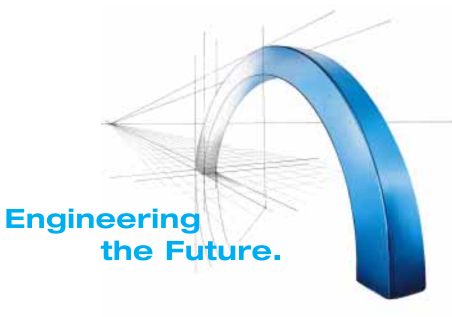
World leader in metallurgical plant and rolling mill technology, offering a full line of plant and equipment for the whole process chain. Plastics machinery, press and forging technology. Worldwide engineering and fabrication group.

Sales: € 2 353 mill.
Earnings: € 68 mill.

Schwäbische Hüttenwerke GmbH
Aalen-Wasseralfingen

World market leader in chilled-iron calender rolls for paper machines. Casting and industrial processing engineering. Supplier to the Automotive Industry in oil pumps, brake discs and sintered parts.

Sales: € 211 mill.
Earnings: € 13 mill.



€ million	
New orders	3 268
Sales	3 446
Export share (%)	78
Earnings	140
Employees (number, June 30)	15 600

Contents

Report of the Supervisory Board

Dr. jur. Dr. rer. pol. h. c.
Klaus Götte
chairman

At four meetings held in 1999/2000, the supervisory board was briefed, via written reports and face-to-face presentations, by the executive board of MAN Aktiengesellschaft on how the business of the MAN Group and its member companies was developing during the financial year. These meetings also examined the key thrusts of corporate plans and developments. These matters were the subject of consultations with the executive board. Submitted on a quarterly basis, reports detailing current business developments complemented the information provided at the meetings of the supervisory board.

The chairman of the supervisory board and the chairman of the executive board also met on a regular basis to discuss all of the basic issues arising from the Group's operating policies and current situation. As had been the case in years past, the provision of the minutes of the meetings held on a regular basis by the executive board assured the chairman of the supervisory board of having an overview of the subjects treated at them. These consultations assured the supervisory board of continually having the information it required to carry out its duties in a fitting and proper way.

The supervisory board's standing committee met three times in 1999/2000. Among the meetings' subjects were business transactions whose undertaking requires the approval of this board and those measures affecting the corporation's capital stock and necessitating, according to resolutions passed by the general assembly of shareholders, the approval of this board. These meetings looked closely at the company's policies of equity participation, at the corporate acquisitions made during the financial year and at the measures relating to the corporation's capital stock proposed to the general assembly of shareholders. Also looked into was the rescheduling of the financial year to January 1 – December 31. Responsible for the staffing of the executive board, the committee handling executive board membership-related matters met three times. It was not necessary in 1999/2000 to convene the conference committee, whose existence is foreseen by § 27 paragraph 3 of Germany's Law on Codetermination.

The executive board also kept us informed, on a regular basis, on problems relating to forced laborers. The consultations between the supervisory board and the executive board were undertaken with all the solemnity and respect due to this grave event. MAN Aktiengesellschaft joined »Remembrance, Responsibility and the Future« – the foundation initiated by Germany's business community – at an early stage. This move was hailed at the above discussions. With this also encompassing the Group companies, the amount foreseen by the foundation has by now been paid into its dedicated fund. This step was also impelled by the expectation that it would yield a conclusive clarification of issues arising in and from current and future legal proceedings.

The supervisory board was extensively briefed on the preparations initiated by the executive board to handle issues arising from the change of millenniums.

Also treated by the supervisory board was the deployment of another corporate results-driven component to be used, along with the size of corporate dividends, in the determination of the remuneration due to members of the executive board. The supervisory board also discussed the plan designed to bring about a long-term increase in MAN's corporate value. The plan foresees the linking of the executive board members' remuneration to the performance of the company's stock.

Other key subjects looked into were the executive board's plans to undertake capital-related measures designed to reduce the gap now existing between the quotes of the company's preference and ordinary shares.

BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich, was elected by the annual general meeting of shareholders to serve as auditors. In that capacity, BDO has audited the consolidated financial statements and the financial statements of MAN Aktiengesellschaft. The review of business is recapitulated in that of the MAN Group. This was also audited by BDO, which has affixed its unqualified auditors' examination certificate to all these statements.

The auditors attended the statutory meeting on the balance sheet and reported the results of the audits made. The supervisory board has taken note of the results of these audits and indorses them.

After having conducted its own examination of the financial statements, the consolidated annual accounts, and the review of business, the supervisory board has no objections to bring forth. We therefore approve the annual financial statements prepared by the executive board, thus officially authorizing these statements. The executive board has presented us with a proposal for the appropriation of the Group's net income. After having reviewed it, we concur with it.

Upon his reaching the mandatory age of retirement, Dr. Hanns-Günther Bozung resigned from this board on December 31, 1999. Mr. Ralf Simon, elected by the company's managerial-level employees to serve as a replacement, succeeded him on January 1, 2000.

In a move taking effect on January 3, 2000 and motivated by personal reasons, Dr. Hans Meinhardt resigned from this board. In a move taking effect on February 14, 2000, Dr. Hubertus von Grünberg was named, as a consequence of an application made by the executive board to Munich's District Court, to the supervisory board.

The supervisory board wishes to thank both former members for the dedication to their duties they showed during their many years of tenure on this board, with which they worked so constructively.

In a move taking effect on July 1, 2000, Mr. Håkan Samuelsson was named to the executive board of MAN Aktiengesellschaft.

We wish to thank all the members of the executive and management boards of and the persons employed by MAN group companies for the high level of achievement and dedication they displayed in 1999/2000. Our thanks also go to the representatives of the Group's workforce for the achievements and engagement they showed in working with us towards furthering the interests of our company.

Munich, September 27, 2000
The Chairman of the Supervisory Board

Klaus Götte

Supervisory Board

Dr. jur. Dr. rer. pol. h. c. Klaus Götte
Munich, former Chairman of the Executive Board, MAN AG, *Chairman*

Dr. rer. pol. Gerlinde Strauss-Wieczorek*
Rüsselsheim, secretary of the Union of German Metalworkers, *Deputy Chairman*

Dr. jur. Henning Schulte-Noelle
Munich, Chairman of the Executive Board, Allianz AG, *Deputy Chairman*

Dr.-Ing. Hanns-Günther Bozung*
Augsburg, director, MAN B&W Diesel AG (until December 31, 1999)

Dr. jur. Friedhelm Gieske
Essen, former Chairman of the Executive Board, RWE AG

Dr. rer. nat. Hubertus von Grünberg
Hanover, Chairman of the Supervisory Board, Continental AG (as of February 14, 2000)

Dr. phil. Klaus Heimann*
Frankfurt/Main, secretary of the Union of German Metalworkers

Karlheinz Hiesinger*
Gersthofen, education officer of the Union of German Metalworkers

Georg Hillebrand*
Augsburg, chairman of the Works Council, MAN B&W Diesel AG's facilities in Augsburg

Dr. Eng. h. c. Volker Jung
Munich, Member of the Executive Board, Siemens AG

Dr. rer. oec. Norbert Käsbeck
Frankfurt/Main, Member of the Executive Board, Commerzbank AG

Hans Jakob Kruse
Hamburg, former Speaker of the Executive Board, Hapag-Lloyd AG

Nicola Lopopolo*
Hanover, fitter, RENK AG

Dr. rer. pol. Hans Meinhardt
Wiesbaden, Chairman of the Supervisory Board, Linde AG (until January 3, 2000)

Lothar Pohlmann*
Oberhausen, Chairman of the Works Council, MAN Turbomaschinen AG GHH BORSIG's facilities in Sterkrade

Peter Potrykus*
Lengede, Chairman of the Works Council, MAN Nutzfahrzeuge AG's facilities in Salzgitter

Hermann Regal*
Augsburg, Member of the Works Council, MAN Roland Druckmaschinen AG's facilities in Augsburg

Dr. jur. Hans-Jürgen Schinzler
Munich, Chairman of the Executive Board, Münchener Rückversicherungs-Gesellschaft

Prof. Dr.-Ing. Ekkehard Schulz
Duisburg, Chairman of the Executive Board, ThyssenKrupp AG

Helmut Schumacher*
Bergkirchen-Günding, Deputy Chairman of the Works Council, MAN Nutzfahrzeuge AG's facilities in Munich

Ralf Simon*
Munich, division director, MAN Nutzfahrzeuge AG (as of January 1, 2000)

Dr. rer. nat. Hanns-Helge Stechl
Mannheim, former Deputy Chairman of the Executive Board, BASF AG

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* elected by group employees

Executive Board

Dr.-Ing. E. h. Rudolf Rupprecht
Munich, *Chairman*

Dr. rer. pol. Ferdinand Graf von Ballestrem, Munich

Dr. rer. pol. Klaus von Menges
Essen

Dipl.-Ing. Håkan Samuelsson
Munich (as of July 1, 2000)

Dr.-Ing. Klaus Schubert
Munich

Dr. jur. Hans-Jürgen Schulte LL.M.
Augsburg

Dr. jur. Philipp J. Zahn
Munich

Executive Vice President

Dr. jur. Gerd Federlin
attorney at law, Munich

Group companies: executive and management boards

MAN Nutzfahrzeuge AG, Munich
Dipl.-Ing. Håkan Samuelsson, *Chairman;* Prof. Dr.-Ing. Franz Breun; Dr. rer. oec. Günther Dietz; Dr. rer. pol. Ulf Hülbert

Ferrostaal Aktiengesellschaft, Essen
Dr. rer. pol. Klaus von Menges, *Chairman;* Dipl.-Ing. Jens Gesinn; Hannfried Haun; Helmut Julius; Rainer Schuhmacher; Dr.-Ing. Axel Wippermann; Fritz Graf von der Schulenburg (deputy)

MAN Roland Druckmaschinen AG, Offenbach
Prof. Gerd Finkbeiner, Dipl.-Ing. (FH), *Chairman;* Dr.-Ing. Rainer Opferkuch; Dipl.-Ökonom Anton Weinmann; Dipl.-Ing. (FH) Paul Steidle (deputy)

MAN B&W Diesel AG, Augsburg
Dr. jur. Hans-Jürgen Schulte LL.M., *Chairman;* Dipl.-Kfm. Anders Björnek; Dipl.-Ing. Lars Holmblad; Dipl.-Ing. Fritz Pape

MAN Turbomaschinen AG GHH BORSIG, Oberhausen
Dr.-Ing. E. h. Wulf Bohnenkamp, *Chairman;* Jürgen Maus; Dr.-Ing. Josef Meyer

MAN Technologie AG, Augsburg
Dr. rer. nat. Wolfgang Brunn, *Chairman;* Dipl.-Ing. Carl F. Kolbow; Dipl.-Ing. Horst Rauck

RENK Aktiengesellschaft, Augsburg
Prof. Dr.-Ing. Manfred Hirt, *Speaker;* Ulrich Sauter

Deggendorfer Werft und Eisenbau GmbH, Deggendorf
Dr.-Ing. Josef Dachs, *Speaker;* Reinhold Stock

SMS Aktiengesellschaft, Düsseldorf
Dipl.-Ing. Heinrich Weiss, *Chairman;* Dipl.-Ing. Wilfried Bald; Dr. rer. nat. Helmut Eschwey; Dr.-Ing. Michael Hanisch; Dipl.-Ing. Gerd Möllers; Dipl.-Finanzwirt Heinz Wirke

Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen
Dr.-Ing. Manfred Heinritz, *Chairman;* Dr.-Ing. Lothar Hauck

as of September 2000

Letter to our shareholders

Dr.-Ing. E. h.
Rudolf Rupprecht
Chairman

Dear shareholders,
Looking back, 1999/2000 was a very good financial year for your company. The MAN Group registered substantial, double-digit rates of all key indicators. We strengthened our profitability, our corporate resources and the positions we hold on our markets. With these results we have extended what has become a long string of successful years: over the last five financial years, we have increased our sales by 53% and our rate of return on capital employed by six percentage points, to 15.9%. During this period, our earnings have tripled.

Sustained, high-earnings growth
The above figures indicate how sustainedly successful our strategy for the achieving of high-earnings growth has been. We have devoted ourselves to increasing the business done by our core areas of activity, in which our products are strong sellers. This market strength, in turn, has stemmed from the products' state-of-the-market technologies and customer-pleasing features, and from their being accompanied by the services provided by our proprietary network. We have been systematically extending this grid over the past few years. We want to take this opportunity to thank our customers for the increasing trust they have placed in our products' quality and cost-efficiency. How large this trove of trust has become is indicated by a single figure: we secured new orders worth €15.6 billion in 1999/2000, up 25% from 1998/99.

To further enhance our capabilities in customer-related service we are creating a new group division: MAN Financial Services (MFI). We will assign all of the related operations provided by the Group to it. This step was undertaken to enhance our ability to supply our customers with packages of financing tailored to their needs.

Sixth increase in dividend pay-outs in a row
The 14% rise in net income – which came to €424 million – achieved by the Group has enabled us to increase the dividends paid out to you. In 1998/99, this dividend totaled €0.92 per share (with this including a bonus of €0.10). We will propose to the annual general assembly of shareholders the paying out of a dividend of €1.00 per share. This is the largest dividend ever paid out by MAN. As the tax-related losses carried forward remaining have been exhausted, a small part of this dividend (€0.10) will come with, for the first time since 1995/96, a credit on corporate income tax for domestic shareholders.

Our successes enabled us to surpass – in many cases, substantially – the rates of return we had targeted for the Group. Our net rates of return on capital were markedly higher than those arising from the cost of procuring this capital, a surplus going to augment the 'true' value of your company.

Soundness and momentum
By intensifying our investor relations and public relations activities and the conducting of advertising campaigns, we have been pursuing our efforts to increase the number of investors aware of how successful our business policies have been in the past, and how these policies are set to produce further, high-earnings growth in the years to come. This potential arises from your

company's having businesses combining soundness and momentum. We are confident that more and more investors are going to get this message sooner or later, and that this will be followed by a growing flow of investment in MAN's shares.

The dynamic growth is being impelled by our increasing deployment and employment of E-business services and other Internet-based platforms. This is the subject of a chapter which starts on page 41 of this annual report.

Ensuing from discussions taking place at previous AGMs, the new proposals submitted for resolution are designed to set the parameters of capital-related measures to come. These measures will also foster the appreciation of your company's stock on exchanges. The repurchasing of proprietary stock and the creation of a new tranche of authorized capital – both coming with the capability of restricting purchases to one kind of share – will be undertaken to reduce the gap in value existing between our preference and ordinary shares, to increase the value accorded to our ordinary shares and to strengthen the position of MAN's stock on the DAX in the years to come.

»Virtual« stock options

We have by now set up an extensive range of instruments linking the amount of remuneration received by our workforce to the Group's level of performance. This was undertaken to foster the increasing of your company's innate worth and the value placed upon it by the outside world. In a first, the size of the 'floating' component of the remuneration paid out to Group executives in 1999/2000 will be determined by the rate of return on corporate assets, by the return on sales and by the managers' performance.

In a further move, we launched our 'program to increase MAN's corporate worth' on July 1, 2000. The program provides the members of the executive and managing boards of MAN Group companies with a kind of 'virtual' stock option. The executives involved are accorded rights. These enable them to capitalize – with this taking the form of cash pay-outs – upon the rises (both in absolute terms and in relation to the performance of the Euro Stoxx index) in the quote of MAN's ordinary stock. This program is being complemented by one enabling our staff members whose wages are governed by collective agreements to partake in the successes achieved by our Group. They are eligible to receive special bonuses, paid out when certain returns on sales are attained.

Our four key courses of action

Our goal is to increase our corporate worth. The strategy we are implementing to realize it foresees four courses of action:

– to keep our businesses growing – via internally-generated appreciation and by acquisitions – while maintaining high rates of return
– to limit our activities to those business areas defined as being essential to the group, and to augment our standing on same
– to remain at the forefront of technological development
– to broaden and deepen our global network

To realize the first two goals, we have been restructuring our portfolio of holdings. This involved in 1999/2000 the undertaking of a number of acquisitions and disposals.

MAN Nutzfahrzeuge AG acquired Great Britain's ERF and Poland's STAR, both truck manufacturers. It disposed of its sales networks in Australia and New Zealand. The new owner will continue to sell MAN's trucks via the network.

Ferrostaal's industrial equipment and systems segment took over the France-based Sagexport.

MAN B&W Diesel purchased Alstom Engines, a British manufacturer of high speed engines.

from left to right:

Dr.-Ing. Klaus Schubert
Munich

Dr. jur. Philipp J. Zahn
Munich

Dr. rer. pol. Klaus von Menges
Essen

Dr. rer. pol. Ferdinand Graf von Ballestrem
Munich

Dr.-Ing. E. h. Rudolf Rupprecht
Munich
Chairman

Dr. jur. Hans-Jürgen Schulte LL.M.
Augsburg

Dipl.-Ing. Håkan Samuelsson
Munich

The plastics processing division of our associate SMS took over the Austria-based Cincinnati Extrusion. SMS also completed in 1999/2000 its merger with Mannesmann Demag Metallurgie (MDM).

We sold our 50% holding in New Elliott, an American manufacturer of turbo-machines, to Ebara, which held the rest of the company's shares, because we couldn't reach an agreement about the course of Elliott's business strategy. To realize further synergies of operations, we transferred the responsibility for the management of the business operations of MAN TAKRAF Fördertechnik to DSD, a subsidiary of Ferrostaal.

Positions on markets strengthened
These moves have paid off. Our commercial vehicles division now ranks second among western Europe's manufacturers of trucks of more than 6 t. With the purchase of Alstom Engines, MAN B&W Diesel now has the world's largest line of large-sized Diesel engines. Together, MAN B&W Diesel and our commercial vehicles division now offer a complete range of Diesel engines whose outputs extend from 100 to 100,000 HP. The merger of SMS's plant and rolling mills technologies division with MDM has created the world's largest supplier in the field, one also offering a complete range of up and downstream facilities.

All of the above purchase also served to enhance our span of activities in Europe and in the rest of the world. The increase of 25% in our outlays for research and development was made to ensure that all business areas remain at the forefront of technology, a placing evinced by our new »Trucknology« generation of trucks and by »DICOweb«, our digital-based rotary webfed system.

Foreseeing the granting of tax exemptions to capital gains, the tax reform promulgated by Germany's government will facilitate our pursuit of these portfolio restructuring policies in the years to come. The reform's reduction of corporate taxes has encouraged us to undertake another measure making eminent business sense: the rescheduling of our financial year to January 1 – December 31.
In addition to getting tax benefits six months earlier, this move will enhance the comparability of our financial figures with those of other companies, and will meet expectations held by investors.

Our shares are also our 'products'
All of these efforts are designed to keep the MAN Group at the forefront and on top of the trends unceasingly reshaping our markets and to thus best serve the interests of our customers. These efforts are also being undertaken to enhance the attractiveness of our shares which you, our shareholders, have purchased. This is as important to us as turning out salable products and services.

By the changes undertaken in our portfolio of holdings we will induce further high-earnings growth. The changes are sharpening our focus on our core areas of operation and extending our span of international operations. By the introduction of new remuneration schemes, new methods of corporate management, new products and by the making of Internet-based changes in our operating processes we are enhancing our ability to secure business on highly competitive markets.

We are confident that the pursuit of these policies will cause the value of your company – and thus your capital – to continue to rise in the years to come.

Thank you for the trust you have placed in our company.

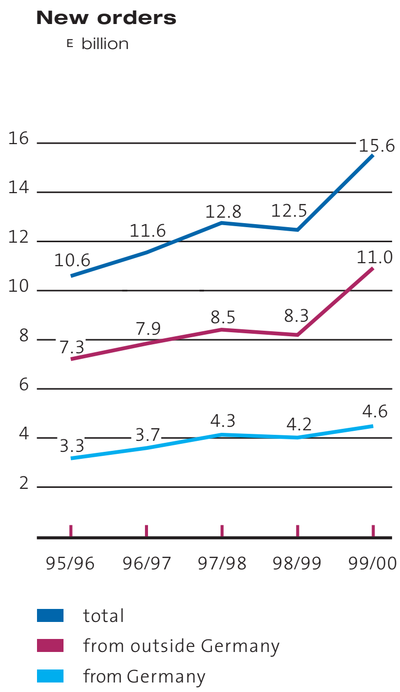
Dr.-Ing. E.h. Rudolf Rupprecht
Chairman of the Executive Board
MAN Aktiengesellschaft

Review of business

The MAN Group was highly successful in 1999/2000, substantially surpassing the objectives it had targeted for itself. The Group registered a 25% rise in new orders – which came to €15.6 billion – and a 20% increase – to €668 million – in earnings before taxes on income. At €424 million, the net income was up 14%. Earnings per share rose 13%, to €2.52. The company's dividend per share is to be raised from €0.92 to €1.00.

The current prognoses are calling for the world economy's upswing to continue during the rest of 2000 and in 2001. This will cause demand to remain strong on our markets. For the current, short financial year (July – December, 2000), we are confident of being able to register strong increases, as compared to July – December 1999, in new orders, sales and earnings. We expect this growth – manifesting itself in further increases in the MAN Group's key indicators – to be set forth in 2001.

Economic conditions and development of business



Strong broad-ranging growth

The upswing gripping the world's economy substantially strengthened in the course of 1999/2000. The crises afflicting the rapidly developing countries in Asia and Latin America came to an end. The USA's economy has continued to grow strongly. These trends have given correspondingly large boosts to western Europe's economy and international trade. All of these developments have enhanced the world's propensity to invest in capital goods, helping Germany's export-related manufacturers of capital goods to a recovery which gathered strength throughout the year.

The 12.4% rise in new orders recorded by this sector in 1999/2000 was primarily attributable to the 18.6% increase in the amount of those placed by customers based outside Germany. Domestic demand rose during the last part of 1999/2000, with orders from Germany-based customers up 7.0% for the year as a whole.

The upswing on Europe's market for heavy commercial vehicles has also achieved a duration exceeding expectations. New registrations of trucks of 6 t or more rose 4% in western Europe; in Germany, 1%.

Sources of new orders: regions

in € million

	1999/00		1998/99	
		%		%
Federal Republic of Germany	4 623	30	4 239	34
other EU countries	4 945	31	3 742	30
North and Latin America	2 583	17	1 783	14
Asia	1 690	11	976	8
other European countries	1 302	8	888	7
Africa	368	2	724	6
Australia and Oceania	129	1	137	1
	15 640	100	12 489	100

Sources of new orders: business areas

in € million

	1999/00		1998/99	
		%		%
Commercial vehicles	6 274	40	4 950	40
Industrial services	2 927	19	2 228	18
Printing machines	2 095	13	1 792	14
Diesel engines	1 192	8	969	8
Industrial equipment & facilities	3 268	21	2 647	21
Financial Services	267	2	224	2
others	99	–	100	–
intra-Group orders	(482)	(3)	(421)	(3)
	15 640	100	12 489	100

New orders up 25%

At €15.6 billion, the MAN Group's new orders total for 1999/2000 was up 25%, of which 18 percentage points stemmed from internally-generated growth, with the net of asset acquisitions and disposals producing the rest. All of our business areas recorded double digit rates of growth, setting all-time records for new orders in the process.

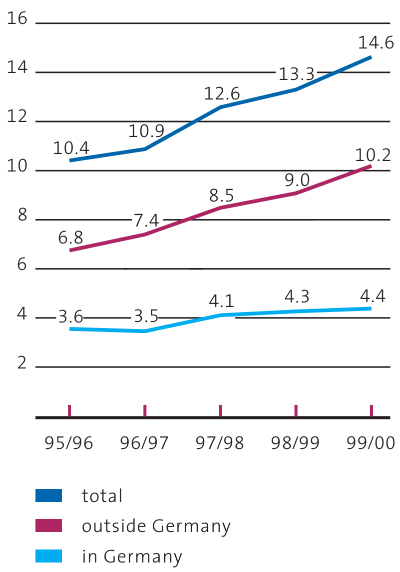
At €4.6 billion and €11.0 billion, orders from customers based inside and outside Germany were up 9% and 34% respectively. These rises caused the portion of orders accruing from outside the country to rise from 66% to 70%. The MAN Group's most important markets – Europe (+35%), the Americas (+45%) and Asia (+73%) turned in above corporate average rates of growth. At €4.9 billion – or 31% of total – the amount of orders from the rest of the EU was, in a corporate first, greater than that secured in Germany.

Sales up 10%

At €14.6 billion, the MAN Group's sales were up 10%. Of that, four percentage points stemmed from internal growth, and the remainder from changes in the line-up of companies consolidated in the group accounts. All of our business divisions recorded substantial – often double-digit – rises in sales, with the exception of our industrial services one, whose decline in turnover was due to the low amount of orders secured in 1998/99. Our sales in Germany rose 2%, coming to €4.4 billion; those outside the country, 14%, to €10.2 billion.

Sales

Mrd €



As of June 30, 2000, we had orders on hand worth €10.6 billion, a year-to-date rise of 24%. Of that, 14 percentage points stemmed from changes in the line-up of consolidated companies; the remainder, from the substantial rise in orders secured.

Sources of sales: business areas

in € million

	1999/00		1998/99	
		%		%
Commercial vehicles	5 755	39	4 931	37
Industrial services	2 541	17	2 668	20
Printing machines	1 848	13	1 680	13
Diesel engines	1 106	8	1 026	8
Industrial equipment & facilities	3 446	24	3 091	23
Financial Services	267	2	224	2
others	105	–	123	1
intra-Group sales	(487)	(3)	(487)	(4)
	14 581	100	13 256	100

All business divisions going for further growth

The commercial vehicles division parlayed the persistence of strong demand into a 27% rise in new orders, which came to €6.3 billion, an all-time high. This rise accrued primarily from existing operations. Companies taken over in 1998/99 supplied only three percentage points of the rise. Double-digit increases were realized in Germany and in our most important markets in western Europe: Great Britain, France and Spain.

The large amount of orders secured and the high rate of facility utilization it produced yielded a 17% rise in sales, which came to €5.8 billion. This was an all-time high for the division, as was the delivery of 64,550 commercial vehicles during the year, up 17%. Of those vehicles, nearly 60,000 (up 18% over 1998/99) were trucks. More than 50,000 of them were supplied to customers located in western Europe, our most important market. MAN Nutzfahrzeuge outgrew its markets as a whole, causing the company's share of Germany's one for trucks of more than 6 t total weight to increase 2.2 percentage points (to 27.1%). The rise of 1.3 percentage points has given us a 15.0% share of western

Europe's market, putting us, in a corporate first, in second place among the continent's manufacturers. The takeover of ERF, a British manufacturer of trucks, in the first half of 2000 boosted our market share to 15.9%.

Our divisions supplying buses, engines, components and services continued to enjoy good order levels. The number of buses sold rose 11%, to 4,650 vehicles.

Southeast Asia and Latin America overcame the crises affecting their financial sectors and other parts of their business communities. This boosted the business done by our industrial services division, whose new orders rose 31% in 1999/2000, to €2.9 billion. This rise also stemmed from the business area building large-sized plants. After slumping in the previous two financial years, the new orders total recorded by the area returned to the levels of the past. The low amount of orders recorded by the division in 1998/99 caused the division's sales to stage a 5% fall, to €2.5 billion.

Boosted by the staging of drupa 2000, the world's demand for printing machines staged further growth in 1999/2000. MAN Roland parlayed this rise in demand and set forth its growth, recording a 17% rise in new orders, which came to €2.1 billion, and a 10% increase in sales, to €1.8 billion, each of them all-time records. During the last three financial years, MAN Roland has increased its annual volume of orders by nearly 80%. In addition to the increases registered by the webfed and other divisions, the rise in new orders stemmed from the building up of the division providing trading and other services, and of the world-spanning network serving it.

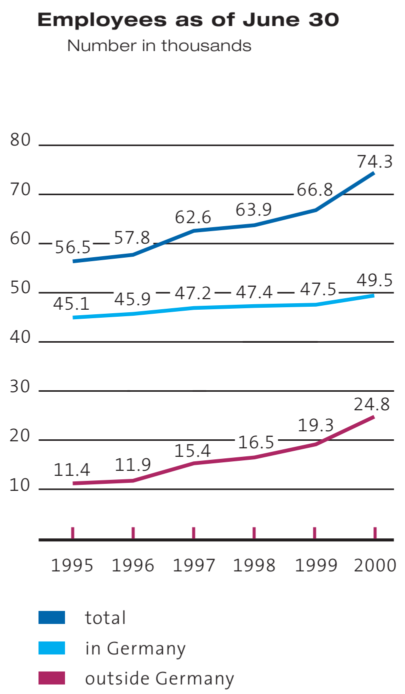
The Diesel engines division also profited from Southeast Asia's return to economic form and the international-level increase in demand for new ships and large-sized Diesel engines triggered by it. The division's new orders and sales rose 23% and 8%, to €1.2 billion and €1.1 billion respectively. The new orders totals recorded by the areas producing four-stroke and two-stroke maritime engines were substantially greater than those registered in 1998/99. The total amount of orders placed for stationary Diesel-powered energy stations was lower than that of 1998/99. As this year's orders had, however, a greater portion of proprietary content, they yielded a higher level of facility employment.

The business areas' orders on hand

in € million

	1999/00		1998/99	
		%		%
Commercial vehicles	2 168	20	1 628	19
Industrial services	2 458	23	1 978	23
Printing machines	1 246	12	996	12
Diesel engines	762	7	564	6
Industrial equipment & facilities	4 004	38	3 437	40
Financial Services	–	–	–	–
others	55	1	58	1
intra-Group orders	(50)	(1)	(57)	(1)
	10 643	100	8 604	100

Our industrial equipment and facilities division secured new orders worth €3.3 billion. Sixteen percentage points of this rise of 23% was attributable to the change in the line-up of companies consolidated in the division. RENK, DWE and the SMS group achieved large-sized increases in new orders; MAN Turbomaschinen, MAN Technologie and SHW, small-sized ones. At €3.4 billion, the division's sales were up 11%. The SMS group recorded a substantial rise in sales; the other companies in the division had results at or around 1998/99's level.



The newly-created Financial Services division recorded new orders and sales of €267 million each. Both of these figures were up 19%.

Non-German operations account for bulk of workforce growth

As of June 30, 2000, the MAN Group employed 74,324 persons. This year-to-date rise of 11% was caused by changes in the line-up of companies incorporated into the group. Factor out these changes, and the figure shows a rise of only 979 persons, or 1%. The high rate of facility employment prevailing in the commercial vehicles division and the expansion of its distribution network caused its workforce to increase by 2,550 persons (non-consolidated figures). Of these, 1,600 are employed outside Germany. When recalculated to yield a year-to-year comparison, the total number of persons working for the other divisions declined.

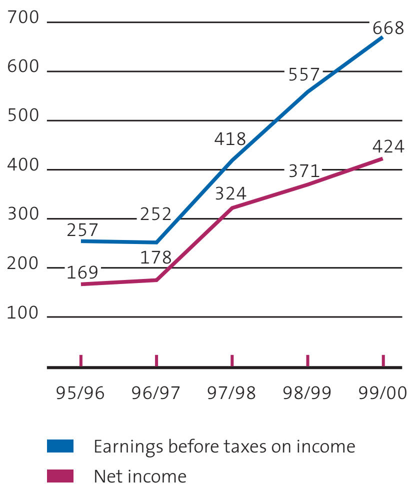
Five years ago, 20% of our employees – or 11,400 persons – worked for companies based outside Germany. Those figures have risen to one third and 24,800, the latter a more than doubling. Further information about our workforce is to be found in »Employees«, a chapter which starts on page 38.

Further strong growth in earnings

A new record in earnings
In 1999/2000, for the third year in a row, the MAN Group increased its underlying profitability and set an all-time record for earnings. At €668 million, earnings before taxes on income were up €111 million or 20%. The commercial vehicles, printing machines and Diesel engines divisions recorded especially large increases in earnings. The Group's net income rose 14%, from €371 million to €424 million. The earnings per share figure increased 13%, going from 1998/99's €2.23 to €2.52.

Further improvements in rates of return
The improvement recorded by the MAN Group in underlying profitability also manifested itself in the rates of return it achieved. Once more exceeding the 15% level targeted to be the average achieved during the life time of an economic cycle, the rate of return on capital employed rose from 1998/99's 15.4% to 15.9%. The Group's net operating margin went from 4.2% to 4.6%. At 4.9%, that of the Group's production operations (not comprised in these are the industrial and financial services divisions) is on the verge of reaching the 5% mark targeted.

Earnings MAN Group
€ million



Business divisions: earnings
At €269 million, the commercial vehicles division's earnings were up €38 million over those of 1998/99. The strong increase in the amount of new orders secured led to further substantial rises in output and sales. The division's production operations recorded, on the whole, very high rates of facility utilization. The operating margins were, however, still subject to being squeezed. Further encumbrances on earnings arose through the increase in the number of used vehicles taken back by the company – it has gotten much more difficult to sell such vehicles – and through the €60 million in 1999/2000 in outlays made to launch the new »Trucknology« line of trucks. These funds went to revamp existing production operations, to start up new ones, and to undertake a marketing campaign. The increase in its volume of business has caused the commercial vehicles division's capital to stage a correspondingly large rise. Overcoming this, the division's rate of return on capital employed rose from 1998/99's 16.2% to 16.7%. As had been the case in 1998/99, its rate of return on sales came to 4.7%.

The industrial services division continued to be strongly profitable, recording earnings of €75 million, up €4 million from 1998/99. Produced by the assigning of MAN TAKRAF Fördertechnik to the division, the increase in the division's balance sheet total caused the division's rate of return on capital employed to decline from 15.5% to 14.9%. Its return on sales rose from 2.7% to 3.0%.

At €79 million, the printing machines division's earnings were up €10 million or 14%. The progress we achieved in further increasing the efficiency of operational procedures, in reducing the costs of manufacturing and, equally important, in raising our productivity and in enhancing our products' salability manifested itself in the fact that the above rise was greater than the sales' one. Factored into the earnings figure are the costs arising from drupa 2000 and from the development of the products exhibited there, and from the forming of reserves, constituted to provide for the costs arising from the undertaking of measures designed to optimize the structures existing in the webfed and sheetfed divisions. At 19.1% (1998/99: 15.7%), the division's rate of return on capital employed was well above the 15% level targeted. Its return on sales went from 4.1% to 4.3%.

The cost-cutting and efficiency-raising measures undertaken joined with the successful entry into new markets were enabling the Diesel engines division to overcome 1998/99's slump, and to increase its earnings from €37 million to €54 million. The division's rate of return on capital employed went from 11.4% to 12.5%; its return on sales rose from 3.6% to 4.9%.

The companies grouped in the industrial equipment and facilities division registered earnings totaling €140 million (1998/99: €154 million). Overcoming the encumbrances arising from the incorporation of Mannesmann Demag Metallurgie (MDM), the SMS group registered a slight increase in earnings. The amount of business transacted and capital employed by the group rose sharply on a year-to-year basis. These rises caused its rates of return to fall. RENK maintained its very high level of earnings. The turbomachines area, MAN Technologie, DWE and SHW all chalked up earnings whose levels were below 1998/99's strong ones. The division's rate of return on capital employed fell from 18.2% to 17.0%. With the exception of that of SMS, all of the group divisions continued to record rates above the 15% mark targeted. The division's return on sales fell from 5.0% to 4.1%. Remaining above the 5% mark were the margins recorded by MAN Technologie, RENK, DWE and SHW; those of SMS and the turbomachine business area were below it.

The decline in earnings from €15 million to €12 million recorded by the financial services division resulted from outlays occasioned by the expansion of its business operations.

The holding and other companies comprised in the MAN Group recorded earnings of €39 million, up from 1998/99's loss of €20 million. Of this

Sources of earnings: business areas

in € million

	1999/00	1998/99
Commercial vehicles	269	231
Industrial services	75	71
Printing machines	79	69
Diesel engines	54	37
Industrial equipment and facilities	140	154
Financial Services	12	15
holding, others, consolidation	39	(20)
income from ordinary activities	**668**	**557**
taxes on income	(244)	(186)
Net income	**424**	**371**
Dividend pay-out in € (1998/99 incl. a bonus)	1.00	0.92
earnings per share in €	2.52	2.23
return on capital employed in %	15.9	15.4
return on sales (ROS) in %	4.6	4.2
ROS without services in %	4.9	4.6

swing of €59 million, €7 million stemmed from the holding company itself; €18 million from an increase in the net of the asset disposal-caused revenues and from the decline follow-up costs accruing from and caused by the winding up of MAN GHH, €5 million from the improvement in the operations still being carried out by GHH Bau, WOLFFKRAN and Logistics; as well as the €20 million earned through the sale of participations and real estate.

Consolidated earnings stage further increase

The rise in expenditures for income taxes, which went from 1998/99's €186 million to this year's €244 million, was attributable to the increase in pretax earnings and in the overall tax ratio which went from 33.4% to 36.5%.

The Group's net income (before minority interests) rose by €53 million or 14% to €424 million. After deducting the income accruing to minority interests, the profit accruing to MAN's shareholders came to €389 million, a rise of €45 million. Calculated according to the IAS, the earnings per share rose by €0.29 or 13% from 1998/99's 2.23 to this year's €2.52.

Dividend raised to €1.00

In 1999/2000, MAN AG's net income came to €179 million (1998/99: €167 million). Of this, €25 million will be transferred to the retained earnings reserves, leaving an unappropriated profit of €154 million.

The executive and supervisory boards will propose to the annual general assembly of shareholders that this income be appropriated to pay out a dividend of €1.00 per share, a rise of €0.08 from 1998/99's €0.92 (which included the paying-out of a bonus) per share, and representing MAN's sixth successive increase in annual pay-outs. This string started in 1993/94. €0.10 per share of the dividend comes with a tax credit, bringing the gross dividend, for our shareholders subject to German taxation, to €1.04 per share, up 13% on a year-to-year basis.

Key rates of return

in %

	1999/00	1998/99
Return on capital employed		
Commercial vehicles	16.7	16.2
Industrial services	14.9	15.5
Printing machines	19.1	15.7
Diesel engines	12.5	11.4
Industrial equipment & facilities	17.0	18.2
Return on sales		
Commercial vehicles	4.7	4.7
Industrial services	3.0	2.7
Printing machines	4.3	4.1
Diesel engines	4.9	3.6
Industrial equipment & facilities	4.1	5.0

Carefully-selected acquisitions expand the operations of our business divisions

The undertaking of a number of strategy-implementing acquisitions strengthened the positions held by the MAN Group's business divisions on their markets. Suitable purchasers were found for operations not furthering the Group's strategies.

– The takeover by MAN Nutzfahrzeuge of ERF, a British manufacturer of trucks, further strengthened the core of the former's operations in western Europe. Employing some 1,000 persons, ERF has annual sales of about €350 million, earned through the selling of approx. 3,000 heavy-duty trucks a year. The synergies arising from this acquisition will result from ERF's incorporating MAN-made components into its trucks and from the undertaking of joint procurement operations. The share held by MAN Nutzfahrzeuge of Great Britain's market's doubling from 8% to 16%.

The takeover of the truck manufacturing operations of Poland's STAR was made to beef up our operations in that country, the gateway to eastern Europe's market as a whole. The operations' cost-efficient facilities manufacture light and medium-weight trucks. The operations are to be producing and selling more than 3,000 trucks annually within a few years.

The distribution networks maintained by the commercial vehicles business division in Australia and New Zealand were sold. The networks will continue to sell the division's trucks.

– To expand its operations in the sector, the industrial services business division's industrial equipment and systems segment acquired France's Sagexport, whose main activity is the sale of equipment to hospitals located outside the EU.

– In an intra-Group change, DSD, a subsidiary of Ferrostaal, was charged with the management of MAN TAKRAF Fördertechnik's business operations. The melding of the latter's activities into those of DSD will yield technological and production-based synergies, will streamline the Group's structures of management, and will expand the international network representing MAN TAKRAF.

– MAN Roland expanded the operations of its division providing trading and other services by acquiring a number of companies engaged in the distribution of Roland's products. MAN Roland also signed a contract foreseeing the purchase of Austria's Brüder Henn. This step was undertaken to strengthen Roland's standing on the central and eastern European market. Employing more than 200 persons and making some €120 million in sales a year, Brüder Henn has been distributing for a number of years the products manufactured by MAN Roland and by other important suppliers to the printing industry. MAN Roland also took over Bremen and Sweden-based trading activities.

Pursuing the building up of its digital-based printing systems division, MAN Roland strengthened its ties to Belgium's Xeikon. Roland's distribution network also took over the majority of the distribution and service provision operations of Agfa Digital Printing System.

MAN Roland now has a family – comprised of DICOpress, DICOpage and DICOpack – of small-sized, digital-based printing machines showing a great cost-efficiency and quality of operation in processing very short runs. Since 2000, MAN Roland has also been marketing DICOweb. A proprietary development, this machine has a high speed of operating and is used in the printing of short and medium-length runs.

– The Diesel engines business division expanded its line of large-sized, high-speed, four-stroke engines by acquiring ALSTOM Engines, a British company manufacturing »Ruston« and »Paxman« brand ones. The acquisition also added ALSTOM's »Mirlees Blackstone« brand to the business division's range of medium-speed engines, and resulted in the expansion of the division's distribution and service provision networks in Australia, Canada, India, Singapore and the USA.

– Signed in 1998/99, the agreement setting up the merger of SMS Schloemann Siemag and Mannesmann Demag Metallurgie went into full and final effect at the beginning of 1999/2000. Producing the new SMS Demag, the merger has increased by €650 million the volume of business done by SMS' plant and rolling mills division. SMS Demag is the world's leading supplier of facilities forming a large number of links in the plant and rolling mills industry's chain of processing.

– To expand the extrusion-related operations of its division manufacturing plastics processing machines, SMS beefed up its facilities in the USA, Great Britain and Germany, and took over the dedicated activities of Cincinnati Extrusion, a company maintaining production plants in Austria and Japan, employing some 300 persons and registering annual sales of some €60 million.

– The structure of shareholding prevailing at New Elliott, an American manufacturer of turbomachines, led to an inability to implement a joint strategy for it, and thus to the sale of our 50% holding to the owner of the rest of Elliott's equity, Ebara.

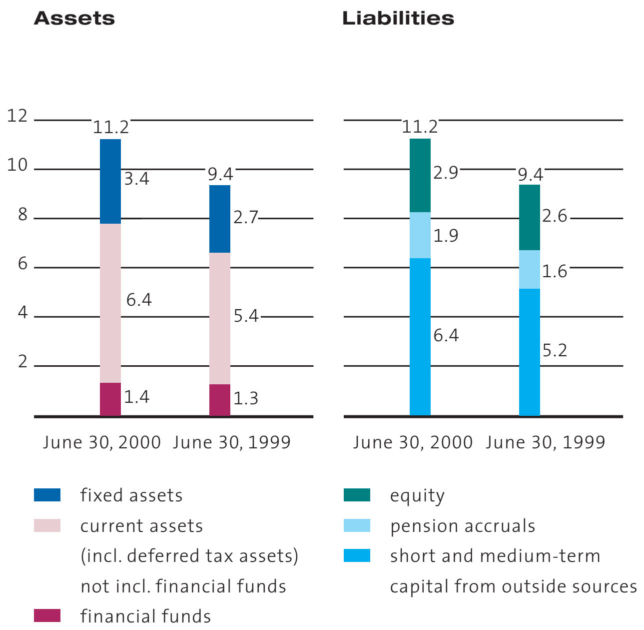
In 1999/2000, the MAN Group spent a total of €251 million for participatory stakes (1998/99: €55 million).

Solid finances for solid growth

Ample assets, strong capital basis
The increase in business done by the Group and the incorporation of new companies into its accounts caused the balance sheet total to rise by €1.8 billion or 19% to €11.2 billion. The fixed assets increased by €0.7 billion or 25% to €3.4 billion. Showing a further strong rise of 34% – to €0.7 billion – was the total value of objects leased out.

Not including the financial funds, the current assets increased €1.0 billion to €6.4 billion. This increase resulted from the rise in the amount of funds committed to inventories and receivables. This was caused by the further increase in the volumes of business transacted by the commercial vehicles division and of sales-related financing provided, and by the effects of the initial consolidation of companies into the Group.

Structure of assets and liabilities
€ billion



The plowing back of part of the year's net income was a prime cause of the €0.3 billion rise – to €2.95 billion – in the equity. The equity ratio staged a slight, 1.4 percentage point fall, to 26.4%. The coverage of fixed assets by the equity comes to 87% (1998/99: 96%). The factoring out of the results accruing from the financial services division yields an equity ratio of 30% and a fixed assets coverage of 120%.

Including the pension accruals, which come to €1.9 billion, the MAN Group disposes of €4.8 billion in long-term capital. The short and medium-term outside capital rose €1.2 billion to €6.4 billion. €0.4 billion of that rise was caused by the increasing of the other reserves, which total €2.6 billion.

Cash flow attains €1.0 billion mark
The cash flow rose 11% to €1.0 billion. The increase in funds committed to inventories and receivables joined with the depletion of reserves, accomplished in the manner laid down by corporate plans, assumed from Mannesmann Demag Metallurgie in causing the inflow of funds accruing from business activities to be €0.4 billion.

Including expenditures for the acquisition of equity stakes, the volume of investments made by the Group rose 38%, to €1.2 billion. After subtracting the proceeds stemming from the disposal of corporate assets, the net expenditures for investments came to €1.0 billion.

The financing activities produced an outflow of €154 million. Viewed as a whole, the changes in liquid funds with an operative effect came to – €0.7 billion. The changes occurring in the line-up of companies consolidated into the group – with this primarily referring to MDM – caused an inflow of liquid funds of €0.7 billion. The net of the above changes was that the stock of liquid funds came to €0.5 billion, virtually the same as the figure for 1998/99.

MAN AG: responsible for the Group's finances

MAN AG serves as the central source of finance for the MAN Group as a whole and for its operating companies. Comprised in this responsibility are the maintaining of a level of liquidity commensurate with the Group's volume of operation, the arranging of suitably-sized lines of credit from banks, and the securing of the proceeds ensuing from sales made outside Germany. Both the Germany-based and non-German companies in the MAN Group are integrally linked into the centralized »cash management« system. In addition to managing the Group's levels of liquidity, the system is responsible for the investing of surplus liquidity.

Derivative financial instruments are employed to secure the Group against risks arising from changes in interest and exchange rates. As of June 30, 2000, the amount of interest-rate hedges entered into by the MAN Group came to €0.5 billion (1998/99: €0.2 billion), with that of exchange-rate hedges coming to €4.6 billion (1998/99: €2.9 billion).

New business division set up: MAN Financial Services

To strengthen the provision to customers and to the group companies of such financial services as the financing of marketing activities and of capital expenditures, MAN has taken all its operations in this sector and assigned them to »MAN Financial Services«. This division-in-the-making will manage its proprietary business operations. To enhance our clarity of reporting, we have discretely listed the volume of proprietary financial services provided as of June 30, 2000. As of this date, the financial services division had a balance sheet total of €1.5 billion, of which €1.2 billion stemmed from the financing of marketing activities, with the rest arising from the intra-group supplying of funding for capital expenditures.

Cash flow statement (abridged)

in € million

	1999/00	1998/99
Cash flow acc. to DVFA/SG	1 011	913
Other funds from operating activities	(610)	(213)
Cash flow from operating activities	401	700
Cash flow from investing activities	(992)	(678)
Cash flow from financing activities	(154)	(31)
Net change in cash and cash equivalents	**(745)**	**(9)**
other changes in cash and cash equivalents	697	41
Cash and cash equiv. as of July 1	505	473
Cash and cash equiv. as of June 30	**457**	**505**

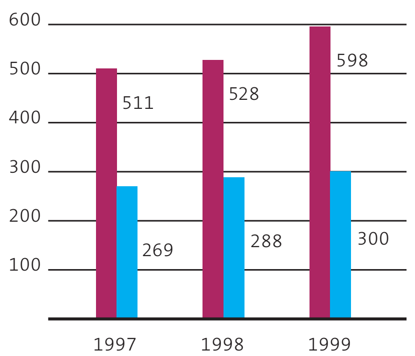
Research and development remain a priority

In the MAN Group, the creating of new and further development of existing products, systems and services is one of the responsibilities assigned to the individual group companies. (These activities are reported on in the chapters devoted to the individual group divisions. The reports start on page 44). MAN AG plans and coordinates all inter-group company development work, and facilitates and fosters the exchange of information and expertise among these companies.

Research and development
in € million

	1999/00	1998/99
expenditures for R & D	527	422
as % of the sales earned by manufacturing companies	4.5	4.0
proprietary funds for R & D	390	329
R & D personnel (annual average)	3 944	3 644

MAN Group: patents applied for and granted



(German Patent Office and European Patent Office)

With their members coming from all of the Group's companies, committees and working circles dedicated to the advancement of products and processes meet on a regular basis. These bodies and the institutionalized exchange of experience they foster constitute our way of exploiting the synergies existing in the MAN Group. Specialists working for consultants, research institutes, institutions of higher education and other companies also provide these bodies with input on the latest technical processes and methods.

Such trans-corporate exchanges are now driving the development of the – progressively more complex – technologies incorporated into products. To keep our products at the forefront of technology, we have been systematically building up networks of development with suppliers of systems and with non-Group research institutes. The dedicated conferences staged by MAN have become a major venue for the exchanging of expertise by specialists. Subjects broached at recent meetings included the employment of simulation technologies in the development of products, and the application of the precepts of life cycle assessment.

A Group-spanning Intranet serves as the conduit for the efficiency-raising sharing and management of proprietary knowledge.

As MAN Nutzfahrzeuge's »Trucknology Generation«", MAN Roland Druckmaschinen's »DICOweb« digital-based printing machines, and other newly-developed Group products show, the MAN Group has become an expert in the incorporation of electronics and software into its products. Another high priority of our R & D departments is the engineering of new materials, for incorporation into a wide variety of products.

Potential purchasers are interested in what's inside a product and – equally important – what its outsides look like. For that reason, our departments also come up with attractive and innovative designs for our products. The quality of these are now being showcased by our »Trucknology Generation« trucks, by our new, low-floor buses, and by our family of digital-based printing machines. Awards have been conferred upon the innovative designs featured by the range of small-size Diesel engines and the rocket burner (incorporated into heating systems) produced by MAN B&W Diesel.

The protection of the rights to proprietarily-developed innovations is a major concern of a technology-advancing group. To protect these rights, MAN Group companies submitted 598 patent applications in 1999 to Germany's and European's Patent Offices (1998: 528). Our worldwide total of patents granted came to 1,021 in the same year.

Expressed as an annual average, 3,944 persons were employed by Group R & D departments. This rise of 8% partially stemmed from the stepping up of such activities by our commercial vehicles and Diesel engine divisions.

Expenditures for research and development in 1999/2000 came to €527 million, up €105 million or 25% over 1998/99, and amounting to 4.5% (1998/99: 4.0%) of the sales earned by the Group's manufacturing operations. Of the total, €390 million stemmed from proprietary funds, with €137 million accruing from order-incurred R & D activities and from moneys provided by the public sector.

Nearly 60% of our R & D-related expenditures went to basic research and to the development of new products; the rest to the ongoing improving and extending of existing lines of products.

1 Draft design of the TG-A
2 The world's first true digital-based printing machine, MAN Roland's DICOweb dispenses with printing plates
3 This environmentally-friendly, scheduled-service bus is powered by a fuel cell

Investing in our future

At €537 million, our capital expenditures for tangible fixed (not including items leased out) and intangible assets were up €51 million or 10% over 1998/99's total. Fifty percent of this went to items improving operating efficiency or replacing existing ones. Around one third – 31% – of the year's total went to start up new production operations, or to expand the capacities of existing ones.

This rise in investments is primarily attributable to the increase in funding for product launches, with this pertaining to the commercial vehicles division's »Trucknology Generation« and to the printing machines one's digital-based systems. Also funded was the expansion of both divisions' distribution networks.

Our investments are made to increase, on a sustained basis, the MAN Group's ability to earn and grow. This is accomplished by strictly maintaining the great economy of operation shown by our products and services, while extending their technological lead. These traits, in turn, ensue from our non-stop pursuit of greater technological expertise and more efficient operating processes.

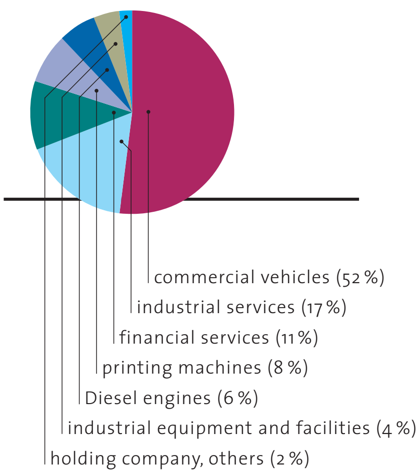
In today's business world, it is becoming more and more important to cut operating costs, to increase productivity, and to keep customers satisfied. Serving to strengthen the ties between customers and group companies, this satisfaction is produced by the turning out of products featuring state-of-the-art technologies and peak quality, and by the expeditious processing of orders and provision of after-sales services. To render the above, our investments go to create innovative systems optimizing the output of and value added by entire chains of processing and sales provision.

Long a main target of our investments, our world-spanning information technology network is now being extended to cover other facilities and service centers. Another current project involves the developing of our Intranet into the central platform for intra-group communication and knowledge-sharing. A further, ever-larger object of IT-related investment is our E-business activities, the details of which are to be found in the chapters covering the individual group divisions, and in the one on page 41.

Capital expenditures
in € million

	1999/00	1998/99
for tangible fixed and intangible assets (not including objects leased out)	537	486
for objects leased out	397	292
for consolidated equity stakes	251	55
for other financial assets	32	48
	1 217	881

Capital expenditures by business areas for tangible fixed and intangible assets
not including objects leased out



Environmental protection: securing us a sustainable future

Corporate-level environment protection programs used to be comprised of end-of-the-pipe measures. The programs have become systems precluding the incidence of pollution. The systems of environmental management long in place at our facilities are evaluated and further developed on a regular basis. We have incorporated the ideas informing Agenda 21's plan for the achieving of sustained development into our environmental guidelines.

The audit conducted by MAN AG's auditing division of virtually all of the Group's Germany-based production facilities was undertaken to monitor their compliance with environmental and operational regulations. The findings of these audits will be employed to further improve our corporate-level systems of environment protection. In 1999/2000, third-party experts evaluated a further range of facilities, to ascertain their accordance with the precepts laid down by the EU's Eco-Audit and by DIN/EN/ISO 14 001.

Of long standing, the MAN Group's environmental commission is staffed by senior employees working for group companies. Held on a regular basis, the commission's meetings serve to promote the exchange of information and expertise on environment and energy-related subjects. Their interchanges are now being complemented by the exchanges occurring via the dedicated platform set up in MAN's Intranet. The latest edition of our Environmental Report is available for downloading on our Website.

Systems providing the greatest possible protection to the environment by the precluding or at least the reducing of the incidence of emissions are built into, at the earliest possible stage, the designs created for our production facilities, processes and other objects of capital investment. Our products are developed to feature the lowest possible rates of emissions, and to yield, when being disposed of, only those wastes whose creation is absolutely unavoidable.

The compiling of 'environmental balance sheets' has enabled us to quantify and optimize our major-sized flows of materials. We will now devote ourselves to the compiling of such accounts for our products, so as to further reduce the amount of energy and other resources consumed by their production and in their life of employment, thus further lowering the products' costs of manufacturing and deployment – the latter of great pertinence to our customers.

1 The members of the environmental commission
2 Our facilities in Penzberg recently received a certificate of environmental performance

The MAN Group's approach to risk management and corporate governance

Recognizing, evaluating and managing risks

As a company doing business on a worldwide basis, the MAN Group is exposed to a wide range of individual risks. Possessing the ability to adequately recognize and assess them at the earliest stage possible is indispensable to our surviving and thriving on a long-term basis.

These include primarily the ups-and-downs of the economies and the cycles of demand sometimes shown by the sectors in which group companies operate. The markets served by the major-sized companies in our Group either continued to grow or – more quickly than had been forecast by us – returned to form in 1999/2000.
These trends led to the increase in the net number of persons employed by the MAN Group. To be able to commensurately react to swings in demand, the scheduling of times-of-work will be imparted an even-greater flexibility. In instituting these changes, we will work closely with the representatives of our workforce and will stay within the legal limits imposed on such initiatives. MAN Nutzfahrzeuge and other group companies will increase the number of persons working under limited-term contracts. The curtailing of the use of such contracts – something which would be produced by the failure to extend Germany's law on furthering employment – would greatly increase the risks arising from fluctuations in rates of facility employment.

In Spring, 2000, MAN Nutzfahrzeuge launched the TG-A line of heavy-duty trucks, all part of the »Trucknology Generation«, on to their market. Continuing to supply machines featuring conventional technologies, MAN Roland Druckmaschinen premiered the world's first 'true' digital-based printing system – the DICOweb – at drupa 2000, the world's largest trade fair for the printing industry. The new system was developed by SE (»simultaneous engineering«) teams, whose work was monitored by a dedicated project implementation unit. It, in turn, kept a very close eye on the project and its adherence to a detailed, pre-set schedule of completion. The advanced technologies deployed by the MAN Group enable it to minimize the unavoidable risks arising from the development of new products.

All-encompassing risk management system

The MAN Group is eminently capable of adequately responding to the challenges arising from our markets (and from the conditions prevailing on them), and from the other companies active in them.
We monitor and manage the risks arising from our world-spanning activities on a 'round-the-clock' basis. The managing of risks arising from our daily business operations is primarily the responsibility of group companies. We use a multi-stage process of planning, information gathering, and controlling to identify, analyze and evaluate the opportunities and risks arising in our individual business areas. We deploy instruments of management – subjected to further development on an ongoing basis – in the formulation and selection of alternative courses of action.

The controlling, finance, technical planning and accounting and auditing departments of MAN AG, the lead company of the group it heads, have been charged with the operation of the corporate risk management system, whose precepts and procedures are documented in a dedicated handbook put out by MAN AG.

The central controlling department takes the new orders, facility employment and earnings figures reported by group companies on a monthly basis, and, using the target figures set by corporate planners (updated several times during the course of the financial year) as yardsticks, analyzes them. This process yields a depiction of the current state of the MAN Group and a formulation of any measures requiring undertaking. The executive board is briefed, on a monthly basis, on the Group's orders and facility employment levels. The board also receives reports several times a year on the earnings being recorded by the Group and its companies. The manifesting of risks or negative developments during the intervals existing between reports cause the rendering of ad hoc briefings. Plans to acquire stakes in other companies are subjected to dedicated assessments of their cost-efficiency and potential risks.

MAN AG's finance department makes sure that the Group has an adequate supply of liquidity at all times. It also arranges and supervises the financing of large-sized orders, and assesses the attendant potential risks. It also takes steps to minimize them. The department also secures the Group against credit, liquidity, interest rate and foreign exchange-related risks. It does so by arranging sound financial transactions and by using derivatives. We manage and limit the risks possibly arising from the use of such instruments by entering into such transactions with only those financial institutions of unimpeachable financial standing, and by strictly monitoring the derivatives' use. Applying a system in general use by banks, we maintain 'Chinese walls' within the MAN Group. They fence off our trading, invoicing and controlling operations from each other.

Our technical planners analyze and evaluate the individual group divisions' capital projects and R & D activities, assess the technological viability of our products and services, and coordinate the cross-sector operations of IT-based systems. The planners are also responsible for monitoring the operations of our quality assurance, job safety, environmental protection and other risk-incurring systems, and for the compiling and securing of the related and appropriate reports, audits and certificates. These include DIN/EN/ISO 9001, DIN/EN/ISO 14001, and the EU's Eco-Audit.

Our auditing department has been charged with handling a number of important risk management-related responsibilities for the MAN Group. Staff members adjudge the suitability and efficiency of the instruments of security assurance, the reliability of the systems of control, and the proper application of the above. A particular focus of the department's scrutiny was in 1999/2000 the dedicated system monitoring how – and how well – large-sized projects are being secured, planned and carried out. We designed and are now setting up a system addressing all aspects of operational security.

Our group-wide systems of reporting and controlling thus ensure our individual decision-makers of having a flow of up-to-date and accurate information. This allows them to have a non-stop overview of the development of our business. The analyses made of our markets and of the other companies active in them allow us to discern, at an early stage, significant changes in our business environments and, should these changes be negative, to quickly take counter-measures.

Also subject to ongoing monitoring is the risk management system itself, and particularly its capability to do the job entrusted to it, and where and how it can be improved. In accordance with the precepts laid down by Germany's Law on Corporate Controlling and Comprehensibility (KonTraG), our risk management system was included in the audit of our financial statements for the year ending on June 30, 2000. This audit was carried out by BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, which found that our system meets the legal requirements. This audit was based on the examinations already carried out of the group divisions' risk management systems.

Application of the precepts of corporate governance

MAN Aktiengesellschaft will apply the basic principles approved by the Corporate Governance Commission in July, 2000. These principles govern the actions of joint stock companies, and delineate the responsibilities incumbent upon the executive and supervisory boards. The company's articles of association and the supervisory board's code of procedure contain the appropriate formulations, which will also be implemented by our business actions.

The publishing of our consolidated financial statements and of the other chapters comprised in this annual report constitutes our way of meeting the legally-imposed obligations to report and disclose financial and other information, as does the submission of annual accounts compiled according to internationally-accepted standards of accounting, and of reports on our portfolio of holdings.

MAN has instituted systems of remuneration linking, via several individual instruments, the amount of annual salaries paid out to members of the executive board, to executives and to employees whose wages are set by collective agreements to levels of personal and corporate achievement. Also set up by the MAN Group has been a scheme factoring the performance of MAN's stock versus that of the Euro Stoxx index as a whole into the remuneration paid to members of executive and management boards. This scheme is designed to foster an increase in corporate worth.
The remuneration paid to the members of the executive board is reported in two discrete categories. One lists their regular salaries; the other, the results-determined pay-outs.

2000 so far

Now being prepared: a rescheduling of the financial year
MAN Aktiengesellschaft and its subsidiaries plan on rescheduling their financial year from July 1 – June 30 to January 1 – December 31. This will cause the next, short financial year to extend from July 1 – December 31, 2000. The requisite resolutions are now being prepared. The final decision on this matter will be made by the annual general meeting of MAN Aktiengesellschaft's shareholders, to take place on December 15, 2000.

This rescheduling will make it easier for our company and for investors to compare our figures with those recorded by its sector, and by other companies, most of whose financial years run from January 1 – December 31. Also being eased will be the compiling of analyses of trends manifesting themselves in markets and in business sectors. Promulgated in 2000, the reforming of Germany's tax code has yielded considerably-sized opportunities. Among them: taxes do not have to be paid on gains resulting from the sale of holdings. Another one: the maximum amount of corporate income tax has been lowered to 25% of taxable income. The rescheduling of our financial year will enable us to exploit these opportunities six months earlier.

Planned: a repurchase of shares
MAN AG is planning to institute a repurchasing of its ordinary and/or preference shares. The executive and supervisory boards will ask the annual general assembly of shareholders, meeting on December 15, 2000, to provide them with the requisite authorization. The details of this plan are to be found in the chapter »MAN's stock«, which begins on page 34.

New financial year has gotten off to a great start
The MAN Group has gotten off to a great start in 2000. The Group secured new orders worth €2.5 billion during the first two months of 2000, up 26% on a year-to-period basis. All of the Group's business divisions recorded rises in new orders. The gains registered by the printing machines and Diesel engines divisions were especially large.

At €1.8 billion, sales were up 21%: All divisions recorded double-digit rises. At €11.6 billion, the orders on hand were up 9% over June 30, 2000's figure.

Forecast for 2000: further growth ahead

Upswing set to gather strength
The world's economy should proceed upon its upswing in the remaining months of 2000 and, according to current forecasts, throughout 2001. The rate of growth of the world's economy will, however, abate, if the USA's current performance is any indication. In accordance with most of the forecasts made, we expect the USA's slow-down to mutate into a soft landing. The majority of the emerging markets in Asia and Latin America have overcome the crises gripping their financial sectors and the rest of their business communities, and are now experiencing economic growth. There are signs that Japan will soon manage to get out of its economic doldrums. With the encumbrance constituted by the crisis in Russia now fading, the upswing gripping central and eastern Europe will gather strength. Stimulated by the impetus issuing from the rest of the world's economy and by the low rate of exchange prevailing for the euro, western Europe's upswing should continue.

The above-mentioned conditions prevailing on the world market should cause the demand for capital goods to remain strong, a trend that might be of particular benefit to the MAN Group and its portfolio of products. It is hard, at this point in time, to assess the effects of the last few months' sharp rise in the prices levied for energy and the controversies they have unleashed on the propensity to invest, and thus on the amount of growth recorded.

By way of comparison:
Figures for the first six months of 1999/2000
in € million

	new orders	sales	earnings
Commercial vehicles	2 779	2 534	121
Industrial services	1 077	1 067	33
Printing machines	972	796	19
Diesel engines	505	485	10
Industrial equipment and facilities	1 349	1 463	32
Financial Services	126	126	4
holding and other companies	(159)	(181)	9
MAN Group	**6 649**	**6 290**	**228**
taxes on income			(83)
Consolidated net income for the six months			**145**
earnings per share (in €)			0,88
return on capital employed (in %)			12,0
net operating margin (in %)			3,6
capital expenditure for tangible fixed assets (€ million)			366
cash flow (€ million)			413

Business divisions: forecasts
It is generally the case that the results recorded by the MAN Group's companies in the period stretching from July to December are less than the ones pro-rated for the financial year as a whole. That's particularly due to the period's coinciding with summer vacations. The large amount of orders on hand will temper this effect in the current, short financial year 2000. The key developments expected to occur in the group divisions during its six months and in 2001 are summarized below:

– The amount of orders on hand and sales recorded by the commercial vehicles division at the beginning of the new financial year were, continuing a trend, up substantially on a year-to-period basis. The very high rate of employment prevailing among the division's facilities is set to extend well into 2001. The large amount of orders on hand is one main reason why we expect to further increase our sales and our share of western Europe's market in 2000. The controversies surrounding the current price of energy should temper – at least during the next few months – demand for trucks.

The program we have instituted to further improve our cost-incurring structures will offset the downward pressures prevailing on the prices levied for our products. We are confident of recording in this short, financial year earnings greater than those registered in the first six months of 1999/2000. We view ourselves as being well equipped to set forth this performance in the years to come.

– We assume that our industrial services division will continue to profit from the economic upswing and from the stable prices prevailing for raw materials. The large amount of new orders secured and of projects implemented during the last few months are causing us to predict that the division will record new orders, sales and earnings figures greater than those registered in the first half of 1999/2000. This trend will continue in 2001.

– The printing machines division, too, has continued to record increases in new orders and sales during the first few months of 2000 short financial year (s.f.y.). We are predicting that the volume of business and earnings registered by the division in 2000 s.f.y. will be up on a year-to-period basis. Should the current upswing continue, we expect 2001 to bring further growth and greater earnings.

– Because of the exeptionally strong position held by our Diesel engines division, it will fully profit from the continuing growth of the world economy and of worldwide trade. This will cause demand for transoceanic transport and electricity to rise, increasing the investments made in facilities and vehicles producing both. The division will record in 2000 s.f.y. rises in its new orders, sales and earnings figures as compared to the first half of 1999/2000. Should demand continue to run strong, this trend will continue in 2001.

– The strengthening of demand experienced by the industrial equipment and facilities division should persist. We expect the division, viewed as a whole, to register new orders and sales figures in 2000 s.f.y. above those recorded in the first half of 1999/2000. The possibility that several group divisions may record falls – the products of the stop-and-go awarding of orders for large-sized projects – in their new orders total can not be excluded. As matters now stand, the earnings registered by the industrial equipment and facilities division in 2000 s.f.y. look to be up over those of the first half of 1999/2000. The division will probably proceed upon its course of growth – referring to both volume of business and earnings – in 2001.

Forecast for the Group

The prognoses rendered for our divisions and the large amounts of orders processed during July and August 2000 make us confident of securing new orders worth somewhere around €7.8 billion in 2000 s.f.y., translating into a rise of 15% over the first half of 1999/2000's €6.6 billion.

Of decisive importance in determining whether or not this objective is attained will be the way the commercial vehicles market develops. This market has been operating at a very high level for nearly two years. Affecting it positively has been the impetus issuing from IAA 2000. Countervailing this is the current discussion on the prices prevailing for energy. Another determinant will be the division's ability to nail down several large-sized orders in the making.

The large amount of orders on hand should enable our sales figure to overcome the decline in production manifesting itself in July and August (the two main months for the taking of vacations) and stage a rise equal in size to that of our new orders. We are predicting that sales will amount to €7.4 billion in 2000, as compared to the €6.3 billion recorded during the first six months of 1998/99.

Current plans foresee the volume of investments to be undertaken by the MAN Group in 2000 s.f.y. (pro-rated) and 2001 remaining at the level reached in 1999/2000. The main objects will continue to be the commercial vehicles division and the financing of sales. How much will be invested in financial assets and in equity stakes will depend on which opportunities present themselves.

We foresee our continuing to have an ample amount of financial resources in our current, short financial year and in 2001. This amount will enable us to make – in some cases, considerably-sized – investments. Along with our existing financial funds and sources of refinance, the increase registered in our cash flow will easily suffice to finance the rise in our volume of business, the undertaking of the scheduled investments, and the repurchasing of shares. MAN AG disposes, in addition to all this, over authorized tranches of capital amounting to a nominal €192.8 million.

Assuming that the above-mentioned preconditions and expectations materialize, we are confident of achieving in 2000 s.f.y. a considerable rise in earnings before taxes on income, as compared to those recorded during the first half of 1999/2000. We are striving to attain a corresponding gain in net income. This will be accompanied by a slight increase in our total tax ratio.

MAN's stock – combining soundness and momentum

The across-the-board rises recorded by all of the Group's key figures in 1999/2000 brought the total increases achieved during the last five financial years to 53% (sales), 265% (earnings from ordinary business activities), 205% (net income) and 196% (earnings per share). In 1999/2000, we attained a return on capital employed of 15.9% and earnings per share of €2.52. Both figures were up substantially over 1998/99's 15.4% and €2.23 respectively. Implementing our policy of linking the amount of dividend pay-out to the size of earnings, the executive and supervisory boards are proposing that the dividend be raised to €1.00 per share (in 1998/99: €0.82 plus a bonus of €0.10).

MAN's stock: facts and figures

	1999/00	1998/99
earnings per share (in €)	2.52	2.23
dividend per share (in €)	1.00	0.92*
tax credit per share (in €)	0.04	0.00
quotation as of June 30		
ordinary shares (in €)	31.66	33.30
preference shares (in €)	21.45	22.12
market capitalization (in € million)	4 435	4 644
highest quote		
ordinary shares (in €)	40.01	39.63
preference shares (in €)	25.01	27.87
lowest quote		
ordinary shares (in €)	28.20	21.20
preference shares (in €)	17.90	14.90
price-earnings ratio (as of June 30)		
ordinary shares	12,6	14.9
preference shares	8.5	9.9
cash flow per share (in €)	6.00	5.50
shareholders' equity per share (in €)	17.20	15.40
dividend yield**) of		
ordinary shares (%)	3.1	3.9
preference shares (%)	5.2	5.5
total yield***)		
ordinary shares (%)	(2.2)	(3.9)
preference shares (%)	1.6	(7.4)
DAX yield (%)	28.3	(8.8)
fixed-income yield REXP (%)	0.8	5.9
number of shares (as of June 30)		
ordinary shares (thousands)	110 280	110 280
preference shares (thousands)	43 920	43 920

*) including €0.10 bonus
**) referring to cash pay-outs and according to the quotes prevailing on the day after the previously-held annual general assembly
***) assuming the reinvestment of dividend pay-outs on the day after the annual general assembly

Stock performs well until May, drops in June

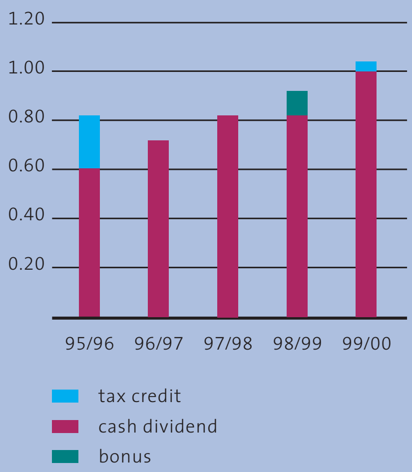
The rises in our key figures were paralleled by an increase in the value of MAN's stock. This upswing continued until May, 2000. The more than 11% and 13% rises recorded by our ordinary and preference stock respectively placed us in the upper half of the DAX-30 companies. The 14% fall recorded in June left us with a total change in stock value of –2% (ordinary stock) and +2% (preference stock). As of June 30, 2000, our ordinary stock had a price-earnings ratio of 12.6; the comparable figure was 8.5 for our preference stock. These ratios are below the market-wide averages and below those of comparable companies. These facts indicate that MAN's stock is seriously undervalued.

Positive evaluations by financial analysts

These figures fly in the face of the largely positive evaluations of MAN's stock formulated by the financial analysts staffing banks and brokerages. More than 75% of all analyses published between February 29, 2000 (the date of our release of our figures for the first six months) and the end of the financial year recommended buying MAN's stock.

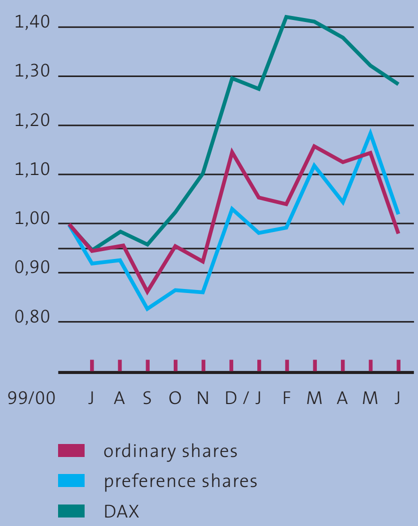
MAN's dividends per share

€



MAN's stock vs. the DAX 1999/00

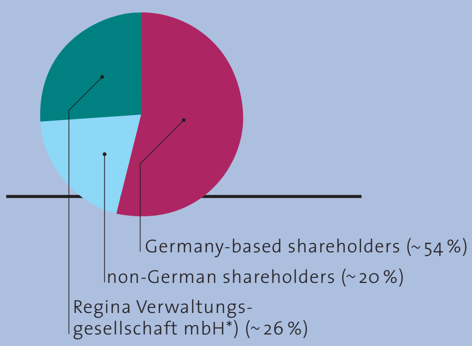
June 30, 1999 = 1



MAN's stock: highs, lows, and final quotes

€

MAN's shareholders



*) Allianz AG, Allianz Lebensversicherungs-AG, Commerzbank AG and Münchener Rückversicherungs-Gesellschaft each hold a 25 % stake.

Further increase in dividends

The rise in earnings enables us to propose the raising of our dividend to €1.00 per share, up 9% over 1998/99's pay-out of €0.92 (including a bonus of €0.10) per share, and the sixth such annual increase in a row. Our German shareholders will also receive a tax credit accruing from €0.10 of the per-share dividend, causing the gross amount paid to them to be 13% greater than that of 1998/99. Calculated using the quote recorded after 1999's general assembly of shareholders, the dividend yield came to 3.1% for our ordinary stock and 5.2% for our preference stock.

A further increase in our investor relations activities

Proactive communication with analysts and investors constitutes a major component of MAN's efforts to boost corporate worth. We stepped up our investor relations-related activities in 1999/2000, staging, in addition to the meetings with analysts scheduled well in advance of their occurrence, telephone conferences, as dictated by the need to elucidate ongoing developments. We had a large number of face-to-face encounters with analysts and investors. The special-purpose events which we staged met with a great deal of interest and positive feedback. We premiered in Munich the new »Trucknology Generation«, and showcased products at Düsseldorf's drupa, the trade fair of the printing and paper industries.

In October, 1999, an investor relations (IR) expert was dispatched to New York, to serve as the designated person of contact for American-based analysts and investors. MAN is thus one of the very few German companies maintaining an IR office located in the world's largest market for capital, a market showing an increasing level of interest in our company.

Authorization to purchase proprietary shares

The executive and supervisory boards will propose to the annual general meeting of shareholders, taking place on December 15, 2000, that an authorization to purchase the company's own shares be granted. This will give these boards the right to repurchase MAN's ordinary and/or preference shares.

The maximum price to be paid for a preference shares-only repurchase is to be 80% of the ordinary stock's quote. This ceiling corresponds to the differential prevailing between the quotes of our ordinary and preference stock. Calculated using the quote recorded for preference shares, this differential amounted to around 20% until the end of 1997. Over the next two years, this differential progressively grew, exceeding 40% on occasions. The company's executive and supervisory boards view this trend as not being justified by the facts of ownership. The preference shares and the ordinary shares come with the same proprietary rights. The former enjoys a preference as to the paying out of a dividend – a right that has, however, never been exerted. The only thing which the preference shares don't bear with them is voting rights.

Also to be created is the authority to deploy proprietary shares as 'payment' for equity stakes and for complete takeovers of companies, with such actions to come in conjunction with mergers.

Our employees: an engine of innovation

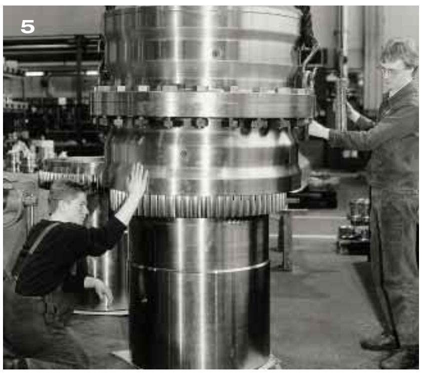
The attaining of the objectives we have established for our Group is dependent on our having a staff displaying a great deal of dedication and deploying qualifications of an ever-higher nature. We are systematically working on upgrading the systems ensuring and producing both qualities. These efforts are being impelled by the substantial rise in the size of our workforce. We are also going to launch initiatives reshaping our employee suggestion system.

End-of-the-financial-year comparisons emphasize the strong increase in the number of persons working for the MAN Group. As of June 30, 2000, 74,324 worked for the MAN Group around the world, up 11% or 7,486 persons over June 30, 1999's total. Changes in the line-up of companies consolidated into the group accounted for an increase of 6,507 persons.

Factoring out the new companies leaves a rise of 1.3% or 979 staff members. This rise is the net of the substantially-sized increases in workforce size registered by several group companies and the declines recorded by others. The largest rise was registered by the commercial vehicles division.

As a portion of the newly-acquired operations were consolidated at the end of 1999/2000, the above comparison overstates the relative – vis-à-vis the increase in sales, which increased 10% – rise in workforce size. Expressed as an annual average, the MAN Group employed 71,239 persons, up 6% over 1998/99. Expenditures for personnel rose 7.8%, going from 1998/99's €3,345 million to €3,606 million.

Participating in the group's successes
In a corporate first, all of the employees working for MAN's manufacturing companies and whose remuneration is determined by the collective wage scales received a special payment for 1998/99.



With their sizes linked to the net operating margins achieved by the individual Group companies, such payments will be made in 1999/2000 again. The return on sales achieved by the MAN Group's manufacturing companies went from 4.6% to 4.9% in 1999/2000.

Our executives' remuneration includes a component whose size is determined by three 'floating' factors: the executive's level of performance, the return on capital employed and return on sales achieved by his or her company. The launching of the above special payment, the floating remuneration schemes, and of the new system linking the amount of pay received by executive board members to the performance of the MAN share price has been undertaken to boost, on a sustainable and long-term basis, the value of our Group. The new uniformity of remuneration brought by these launchings to all parts of the MAN Group has eased the making of in-Group personnel transfers.

New guidelines for our suggestion system

The ideas and innovations developed by our employees as to new products and possible improvements of operation procedures constitute a pool of creativity often only inadequately untapped. To improve this 'tapping', we have compiled a set of guidelines governing the operations of the MAN Group's suggestion system. One of its precepts is that executive board members are to get involved in this exploitation. Each of the systems operated by group companies is to be mentored by a board member.

What their suggestion systems are to achieve will be specified in the face-to-face talks held to set the objectives to be achieved by our executives. The processing of these suggestions is to be greatly speeded up. Awareness-raising and other special-purpose events are also planned. The amount of suggestion submitted in 1999/2000 – some 8,000 –

3


4


1 The manufacturing of the body flaps, made out of fiber-reinforced ceramics, for NASA's X-38/CRV program
2 These young persons are being trained to be specialists in energy-related electronics. Their particular area of expertise: operating systems
3 Flat hierarchies make MAN a good place to work
4 This staff member is operating an extruder

7


8


5 Curved teeth coupling being assembled
6 This chemist works for MAN Roland
7 Learning how to use a digital-based altimeter
8 This staff member of MAN B&W Diesel is testing a fuel injection pump

was at the previous year's level. Of these suggestions, 42% were realized (1998/99: 40%).

Group-wide labor market

To enhance its flexibility of recruiting and intermeshing of operations, MAN has launched the group-wide publishing of 'help wanted ads'. This measure enables us to satisfy employees seeking new jobs, for either professional or private reasons. These jobs are often found at other group facilities. This measure also helps facilitate intra-Group reassignments of personnel necessitated by fluctuations in facility utilization. To gear up our recruitment of qualified personnel, we have improved the listings of jobs contained in our Website.

Ongoing occupational education

The MAN Group places a great deal of importance on the cultivation of the talents and expertise possessed by its senior and trainee executives. The executives' ability to effectively lead their staff members, to be a role model to them constitute one of the major engines of long-term corporate success. These talents are cultivated in seminars prepared executives for the assumption of managerial responsibilities and in workshops attended by department heads and area directors. Subjects covered at these events are techniques of management, communication and conflict resolution.

Vocational training

In 1999/200, 1,383 (1998/99: 1,325) young persons commenced attending programs of vocational training staged at and by MAN. Any excess capacities manifested by our educational facilities are exploited by other companies and local offices of labor. We check to make sure that the professions for which the young persons are being trained are still in demand in today's world, adding on new courses of study when needed.

We also provide students and other young persons with internships and other opportunities for in-operations learning. The number of young persons being trained at our operations in Germany was equivalent to 6% of our total workforce, a level probably well above that dictated by need.

To our employees and their representatives: thanks!

Our thanks go to all of the persons working for Group companies. A product of their sense of identification with their jobs and their companies, their dedication to their ever-more complex responsibilities formed the basis of our successes. We would also like to thank the members of the bodies – found at all levels of corporate operation – representing our employees' interests for the productive and discerning way in which they worked for us, and for the many good ideas with which they provided us.

Number of staff members

	June 30, 2000	June 30, 1999
in Germany	49 487	47 520
outside germany	24 837	19 318
	74 324	66 838
percentage working (in %)	33	29
consolidated-caused increases	6 507	2 878

Staff members employed by business division

	June 30, 2000	June 30, 1999
Commercial vehicles	33 814	29 391
Industrial services	7 145	6 811
Printing machines	10 056	9 860
Diesel engines	6 966	6 010
Industrial equipment & facilities	15 600	14 071
Financial Services	36	14
holding & other companies	707	681
	74 324	66 838

MAN: working the old and new economies into a new force for business

The MAN Group has been using the Internet since 1996. Today, more than 90% of all desk-top PCs found in the group's facilities are on-line to both the Web and to corporate Intranets. The executive board is managing the creation of a group-wide E-Business platform.

The »New« Economy is currently shooting up alongside the »old« one, comprised of manufacturers and providers of traditional services. The members of the New Economy are primarily the IT community's Internet specialists. The New Economy has already eclipsed the old one in importance – according to the reports published in the world's media.

The use of the above terms indicates a – non-existent – dichotomy. The companies comprising the New Economy are not going to take the place of the members of the elder one, as both groups need each other to operate. Many of the Internet companies need venture capital, they live from advertisements, from E-Commerce – the on-line sale of goods or services or the securing of same – or from the provision of Internet-based knowhow. Virtually every E-Commerce-based transaction ends with the provision and transporting – usually by a truck – of a manufactured product. It is thus the world's freight forwarders and other members of the logistics industry – and concomitantly truck manufacturers – which are profiting from the advent of E-Commerce.

The Internet speeds up business
What's really going on is that the New Economy is energizing the traditional one. The efficacious employment of Internet-based and other new modes of communication has become an essential factor of competition. The Internet expedites interchanges – while also expanding their range – of data and other components of knowledge between staff members, and between them and third parties. The Internet imparts a new efficiency to business operations, and thus causes a corresponding cut in costs. It provides companies and their potential customers and suppliers with new and greater access to each other.

Needed to get full benefit out of these technologies successfully is the deployment of the requisite expertise and the retaining of a sense of proportion.

MAN Nutzfahrzeuge: the Group's pioneer
Over the last few years, MAN AG and its subsidiaries have developed and launched a wide range of E-business and other Internet-based operations. Intranets have also been set up.

1

1 »MAN2B« is the tag affixed to the E-Business systems created by MAN

MAN Nutzfahrzeuge commissioned in 1996 an Internet-based platform of communication. »MANTED« was – and is – linked to manufacturers of superstructures and related components. The Website provides manufacturers of coolers, dumpsters and or special-purpose structures added on to trucks with the basic vehicles' design data. MANTED also serves as a platform, upon which these manufacturers can communicate and undertake joint product development with MAN.

Two of the first of the Websites maintained by MAN since 1996 were those of MAN AG itself: www.man.de or www.man-group.com. Since then, other Internet-based internal and external applications have been created. Intranets dedicated to the management of knowledge and to the reporting of accounts within and by the MAN Group have been set up. The Intranets are complemented by so-called »extranets«, which are used as platforms of communication with project partners, service providers, customers and suppliers.

MAN has created a number of other Websites, with more to follow soon.

Some of MAN's open-access E-business

MAN Nutzfahrzeuge AG's E-shop for spare parts	**http://www.man-nutzfahrzeuge.de/** »Sales & Services«
MAN Nutzfahrzeuge AG's MANTED system provides manufacturers of superstructures with data on chassis	**http://manted.man-nutzfahrzeuge.de/**
MAN Nutzfahrzeuge's E-shop for used vehicles	**http://www.man-nutzfahrzeuge.de/** »Used Vehicles«
MAN Roland Druckmaschinen AG's programs of computer-based training	**http://www.man-roland.de/** "Computer Based Training"
MAN Roland Druckmaschinen AG's E-market for used printing machines	**http://www.man-roland.de/** »Second hand machines«

The on-line platforms created by MAN Roland Druckmaschinen, MAN B&W Diesel and MAN Turbomaschinen AG are used in the remote-access controlling and maintenance of machines.

A MAN-wide network

MAN has maintained a group-wide network since 1994. It links all of the companies' production facilities and IT centers into dedicated grids. Today, twice upgraded and extended, it constitutes the platform upon which the Group's forthcoming E-business activities will be conducted.

All of the MAN Group's companies have set up proprietary Websites (listed on the back cover of this report). All of the employees using a PC at work have E-mail and Intranet link-ups; some 90% of them have direct access to the Web. In 1999/2000 alone, the MAN Group invested some €190 million in information technologies. Of that, a large portion went to create or expand Internet-based applications.

E-Business on the rise

We define E-business to be the application of Internet-based technologies to the daily work of each and every one of our employees, with this applying to both their intra-Group operations and to their dealings with outside partners.

Involved in the latter are our procurement, logistics, simultaneous engineering, product development, joint manufacturing operations, distribution, order processing and service provision areas.

The establishment of a universally applicable standard for the Internet and other conduits of communication provides world-spanning companies with a new opportunity: the ability to work closely with partners around the world. We are currently exploiting this opportunity. To MAN, as a manufacturer of capital goods, the B2B – business-to-business – applications created by the Internet market are of especial importance.

Several of the open-access applications provided by the MAN Group are listed in the charts on page 42.

Growing investment in »MAN2B«
The Group has been accumulating a stock of Internet knowhow ever since 1994 and the launching of its proprietary network. This stock of expertise and the IT capacities extant in the Group suffice for the launching of a full range of E-businesses. This move will cause the share of our IT investments going to Internet-enabling processes to rise to some 50% in the coming years.

In July, 2000, the company's executive board assumed the responsibility for the MAN Group's further development of E-Business platforms and other Internet-based systems, many of which had been created, on a decentralized basis, by the group's companies. The chairman of MAN AG's executive board, who is also CTO (chief technological officer), has commissioned Dr. Wolfgang Brunn, chairman of MAN Technologie's executive board, with the chairing of a group-wide working group. It will coordinate the Group's ongoing deployment of Internet-based technologies. This move will enable the Group to avoid duplications of projects and to speed up the dissemination of expertise.

To bear the name »MAN2B«, a platform is currently being created. An increasing part of the MAN Group's procurement of materials and other supplies will be transacted upon it in the future. The use of such Internet-based platforms produces a bundling of purchases. This, in turn, cuts the cost of the supplies – and of procuring them. Our annual purchases of supplies come to €8 billion, meaning that we expect this E-business-based application to result in considerably-sized savings in the years to come.

1 MAN AG's redesigned home page
2 The home page of our E-store for used commercial vehicles
3 This panel controls the operations of a printing machine. It is on-line to MAN Roland's service desk

MAN Nutzfahrzeuge – a further increase in market shares

In 1999/2000, we further increased the share which we hold of western Europe's market for commercial vehicles, powering our new orders, sales and workforce figures even higher in the process. Our earnings also increased. The launching of our new »Trucknology« line has substantially strengthened our range of products and put us in a position to achieve further growth.

The upswing gripping western Europe in 1999/2000 was the prime cause of the strong rise in demand for transport services and, correspondingly, commercial vehicles. The number of trucks of 6 t total weight or more newly registered in western Europe rose 4% in 1999/2000, to 340,000 units, a new annual record.

MAN Nutzfahrzeuge group division
in € million

	1999/00	1998/99
New orders	6 274	4 950
Sales	5 755	4 931
Earnings before taxes (EBT)	269	231
Employees (number as of June 30)	33 814	29 391
ROCE (%)	16.7	16.2
Return on sales (ROS) (%)	4.7	4.7

Steady growth in unit sales

The MAN Nutzfahrzeuge group division delivered nearly 60,000 trucks of 6 t total weight or more in 1999/2000, up 18% over 1998/99's total and a new corporate record for unit sales. We registered a 1.3 percentage point rise – to 15.0% – in the share which we hold of western Europe's market for commercial vehicles, propelling us to second place among the continent's manufacturers. This rise was partially attributable to the purchase of ERF, a British manufacturer of trucks, in 1999/2000. For the first six months of 2000, our share of western Europe's market came to 15.9%. We also registered better-than-market increases in unit sales in Germany. We held a 27.1% share of the country's market in 1999/2000, up 2.2 percentage points over 1998/99's total.

The achieving of technological advances yields successes on markets.

Our bus division also set forth its upswing, selling 4,650 vehicles, 11% more than in 1998/99, to customers based around the world. With unit sales in Germany remaining at the previous year's level, the division retained its nearly 21% share of the country's market for buses. The division did, however, register a substantial, 17% increase in number of buses delivered to customers based outside Germany.

New orders and sales set records

We secured new orders worth a record €6.3 billion in 1999/2000. Of that, €2.7 billion – up 15% over 1998/99 – stemmed from Germany-based customers. Including those booked by Great Britain's ERF and Poland's STAR (both companies were taken over in 1999/2000), the amount of non-German orders secured by the group division rose 37%, to €3.6 billion. Our customers ordered more than 71,000 vehicles from us – 66,100 trucks and 4,950 buses. Our sales in 1999/2000 came to €5.8 billion, also a new corporate high. Of that, €2.5 billion – up 5% over 1998/99 – was earned in Germany, with €3.3 billion – up 27% – stemming from customers based outside the country.

Increase in staff size

The rise in output and the further build-up of our network of sales and service outlets caused us to increase – by 2,400 – the number of persons working for the group division on a permanent basis, to set forth the use of time-of-work 'savings accounts', and to step up the use of temps.

The incorporation of companies based in Great Britain, Poland and elsewhere into the group division caused our workforce to rise by a further some 2000 persons. As of June 30, 2000, the MAN Nutzfahrzeuge group division employed 33,814 persons. Of them, 21,856 worked for the group division's Germany-based operations; the rest – 11,958 – outside the country.

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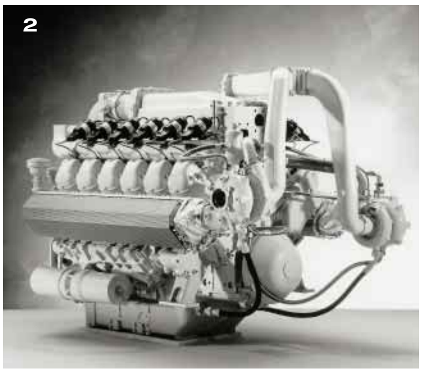
1 Shown is the XL version of TG-A's cab
2 The Lion's Coach is both highly comfortable and highly economical

To meet our responsibility of equipping young persons with professional skills, we devote considerable resources to staging vocational training programs. The number of persons attending these programs was equivalent to 8.6% of our total workforce, a percentage well above the sector-wide average in Germany.

We view the education of young persons as one of our key responsibilities for the future.

Keeping us at the forefront of our markets: R & D

The successes we enjoy on our markets stem from the technologies incorporated into our vehicles. Including both new and further developed ones, these technologies have increased the vehicles' efficiency and safety of operation, and their environmental compatibility. Entailed in the latter, for instance, is the ongoing configuration of our existing models of engines to meet the ceiling on permissible emissions of air pollutants placed by the new Euro 3 standards. Our further development of propulsion systems powered by alternative kinds of fuels has been centered around fuel cells, set to be one of tomorrow's prime sources of motion. We premiered a bus powered by a fuel cell-based system in 1999/2000. Gases are also gaining in importance as a fuel of the future. MAN-made hydrogen-powered buses are plying the aprons of Munich's airport. Our liquefied gas-fueled buses now form part of Vienna's mass transit system. Our natural gas-powered buses are operating highly successfully in a number of municipal fleets. The electronics developed by our R & D department form the heart of the wide range of advanced features and capabilities – of which many have been grouped into expert systems of driver assistance – now available to our vehicles' operators. The electronics also form the cornerstones of our market-making



melds of communication and transport networks.

We expended €199 million – equivalent to 3.5% of our total sales – for research and development in 1999/2000, €35 million or 21% more than in 1998/99.

The TRUCKNOLOGY® Generation
We debuted our new TG-A line of heavy duty trucks in spring, 2000. Forming part of our »Trucknology Generation«, the line is the successor to the F2000 one, whose trucks combined well-proven technologies with a high standard of performance. The TG-A line features a design and technologies meeting the highest of standards of modernity. Thanks partially to its wrap-around deployment of electronics, the line offers the highest possible levels of driver comfort and safety (both driver-operated and built-in features and capabilities), of serviceability and operational economy. The sales successes already achieved by the new vehicle indicate that we are on the right track.

Further extension of our network of service provision outlets
The services we provide to and for commercial vehicles were assigned in our Munich-based subsidiary, MAN Trans Com GmbH. In addition to serving as consultants to logistics operations, we also provide communication systems; rent, lease and maintain vehicles, the latter under full-service contracts; and supply a full range of fleet management services.

Our service provision division also set forth the previous year's upswing. It expanded its operations outside Germany. This was achieved through the setting up of working relationships with other providers and by the expanding of the proprietary range of services provided on-the-spot. To this end, the Great Britain-based MAN TransCom UK

1 The flatbed model of the L2000 Evolution line
2 Used in stationary applications, this 12 cylinder, gas-powered motor produces 350 kW (476 hp)
3 The ÜL is both a scheduled service bus and a travel coach
4 The five-axis tipper model of the F2000 Evolution line

5 The TG-A plying the roads in Morocco
6 These turntable ladder vehicles and triple combination pumpers belong to Munich Airport's fire department

1 The three way tipper model of the M2000 Evolution line
2 Part of the F2000 Evolution line, this garbage truck is powered by natural gas
3 The TG-A transporting goods in Finland

Ltd. commenced its active business operations in 1999/2000.

The years of systematic expansion into Germany's eastern neighbors and other European countries have given us a network of some 1,200 outlets. It provides our customers with the services they require. Our network in Germany comprises 168 proprietarily-owned service centers as well as a further 220 ones operated by providers with which we have contractual arrangements.

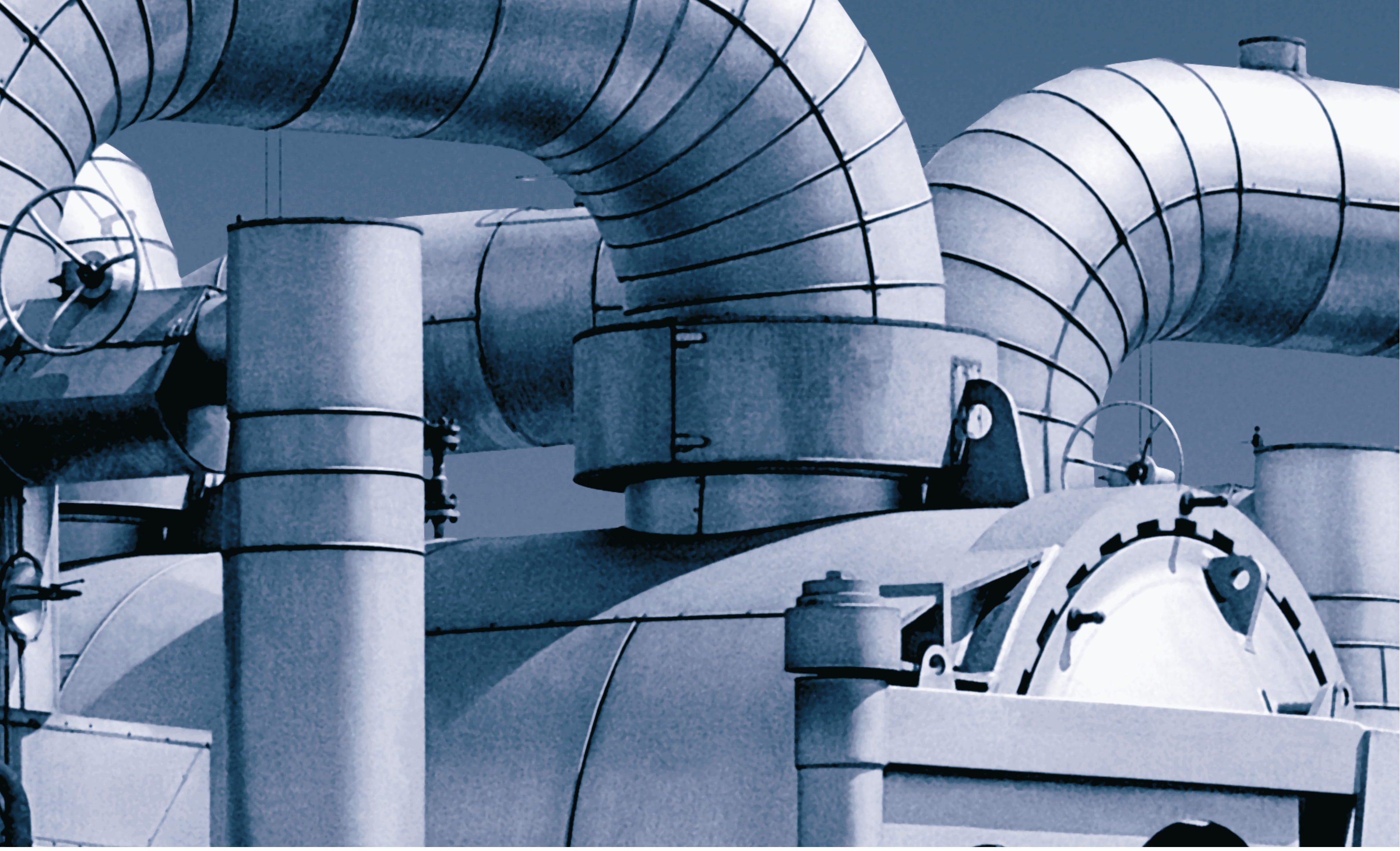
The advent of E-business
The ever-greater deployment of E-Business applications are interlinking our business procedures in ways producing unprecedented speeds and efficiencies of operation. Such electronic links are maintained between our design, procurement and distribution departments and important customers and clients. The content flowing through these links includes blueprints of chassis, furnished by us and accessible to authorized dedicated manufacturers, and catalogues of our stocks of spare and ancillary parts. The latter are orderable, on-line, by our service providers. MAN Nutzfahrzeuge-made used vehicles can also be purchased on-line, via a dedicated Website equipped with a special-purpose search engine and order system.

Further rise in earnings
The upswing boosting our markets kept our facilities well employed but did not reduce the pressures depressing our margins and worsening our terms of sale. Also affecting our earnings were the costs arising from the introduction of the Trucknology Generation. Expenditures made in 1999/2000 for the reconfiguration of the existing and starting-up of the new production operations and for marketing came up to more than €60 million. These outlays and effects notwithstanding, we did manage in 1999/2000 to increase our pre-tax earnings by €38 million, to €269 million. As the above results indicate, 1999/2000 was the most successful year of operation in the history of the MAN Nutzfahrzeuge group division.

Promising prospects
Continuing recent trends, our new orders total for the first two months of this current, short financial year showed a substantial year-to-period rise. The volume of orders on hand at the beginning of the year suffices to assure our facilities of working at capacity for more than four months. This large amount of orders on hand is causing us to forecast that we will further increase our sales and will augment the position which we hold on western Europe's market for commercial vehicles. The persistent rise in fuel prices has given rise to uncertainties as to the placing of new orders.

To counter the prevailing downward price-related pressures, we are pursuing a program designed to reduce our cost-incurring structures. For the six months of the current, short financial year, we are confident of being able to record a year-to-period increase in earnings. We view ourselves as being well equipped to grow in the following years.


MAN



Ferrostaal – carring out large-sized projects all over of the world

The higher levels of demand for steel and industrial facilities led to a satisfactory year of business. Ferrostaal's new orders and orders on hand totals as well as its earnings surpassed the levels recorded in 1998/99. We expect Ferrostaal's key indicators to stage further rises in the current, short financial year and in 2001.

The coming to an end of the economic crises afflicting Southeast Asia, Russia and Latin America enabled the Ferrostaal group division to return to its previous, successful form, and – after a decrease in the previous year – to secure a volume of new orders at 1997/98's record level. In a countervailing development, the scheduling of invoicing caused the group division's sales to be lower than those of 1998/99.

To further augment Ferrostaal's ability to compete on the international scale, the building up of its segments was set forth in 1999/2000. The responsibility for managing the business operations of MAN TAKRAF Fördertechnik GmbH (MAN TAKRAF), Leipzig, was transferred to the Saarlouis-based DSD Dillinger Stahlbau GmbH (DSD). This move was carried out in such a way as to maintain the corporate identity of MAN TAKRAF. Part of the Ferrostaal group division, the Geisenheim-based Fritz Werner

Ferrostaal group division

in € million

	1999/00	1998/99
New orders	2 927	2 228
Sales	2 541	2 668
Earnings before taxes (EBT)	75	71
Employees (number as of June 30)	7 145	6 811
ROCE (%)	14.9	15.5
Return on sales (ROS) (%)	3.0	2.7

Industrie-Ausrüstungen GmbH (Fritz Werner) acquired Sagexport S. A., a Paris-headquartered company supplying medical equipment to hospitals located around the world. In a further move, Ferrostaal and ThyssenKrupp Materials & Services AG (TKMS), Düsseldorf, joined in founding a company providing project management services. TKMS and Ferrostaal each hold 50% of the new company's equity.

Rise in facility construction and contracting segment's order levels
Working as either a general contractor or as a consortium member, this segment provides a full range of project implementation services, including the design, supply, assembly, commissioning, maintenance and financing of industrial facilities.

The bulk of the segment's business was done in the emerging markets of Latin America, Africa and Asia. The timing of invoicing caused the sales registered by the segment to decline in 1999/2000. However, the level of new orders developed positively. Among them: Ferrostaal secured an order from the Caribbean Nitrogen Company Ltd., Port of Spain, for the turnkey construction of a facility located in Trinidad with a capacity of 1,850 t/day of ammonia.

A consortium comprising Ferrostaal and Bad Hersfeld-based Babcock-BSH GmbH signed a contract for the turnkey construction of a facility manufacturing plasterboard in Mexico.

Ferrostaal secured an order from Chile's ETAL S.A. to build, on a turnkey basis, a facility producing di-isopropyl-ether (DIPE) in that country. Loma Negra Compañía Industrial Argentina S.A., the largest manufacturer of cement in Argentina, commissioned DSD to supply and assemble steel structure for a new cement manufacturing line. DSD also secured an order from ABB Alstom Power, Windsor (USA), to supply engineering services and steel structure to a power plant to be located in Malaysia.

Industrial equipment and systems segment registers growth
This segment distributes industrial equipment and components worldwide. It also provides a complete range of planning, implementation and financial services for and to transport systems and other infrastructure-related projetcs. This segment also delivers merchant vessels and related equipment as well as equipment for ports and shipyards. As a member of the German Naval Group, the segment delivers ships to the world's navies. This segment also recorded a substantial rise in new orders. The decline in sales it registered was a product of

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1 Ferrostaal modernized this steel mill, owned by Zimbabwe Iron & Steel Co. A water treatment plant constructed by DSD is to be seen in the foreground

2 Shown is the launch of the »Sloman Provider«. The container ship was built at Istanbul's Pendik shipyards for Sloman Neptun, a shipping company

1 This pipeline will transport gas. Shown are the pipes, delivered by Ferrostaal, awaiting assembly in Bulgaria
2 Located in Paguthan, India, this combined cycle power plant was invoiced in 1999/2000. DSD supplied the plant's ancillary facilities
3 Located near the city of Magdeburg, this steel-based bridge is being built over the Elbe

the low amount of new orders secured in 1998/99.

The business done by the segment's printing machines division developed positively. Intergrafica Print & Pack Druckmaschinenvertrieb GmbH, Ferrostaal's Essen-based corporate subsidiary, provides a range of distribution services for MAN Roland Druckmaschinen AG, a member of the MAN Group and headquartered in Offenbach, and for other companies. The systems-related business carried out by Fritz Werner developed as foreseen. The business area building trading ships notched a rise in new orders. The area's total sales were, however, below those of 1998/99. The maritime systems division recorded a year of strength.

We further strengthened our position on the market for systems-related logistics.

Steel trading and logistics segment successful
This segment procures and distributes steel products in Germany and abroad. Employing advanced IT (information technology), B2B-scope systems, the segment also provides logistics-based services, including the pre-assembly and in-line sequence supplying of products.

In 1999/2000, the world's demand for steel products recovered from the slump it had experienced in 1998. Ferrostaal's steel trading and logistics segment benefited from this upturn, recording rises in both new orders and sales. The restructuring of the Essen-based Ferrostaal Bewehrungstechnik GmbH was continued.

The systems logistics division recorded large rises in sales and earnings. After the successful commissioning of a supply in-line sequence center located in Gliwice, Poland, Adam Opel AG placed a further order with Ferrostaal for the construction and operation of Rüsselsheim's Business Mall. The takeover of S&V Logistics GmbH has strengthened the market position in this business sector and extended the range of products and customers.

Earnings stage further rise
Continuing to maintain a good level of profitability, the Ferrostaal group division had earnings before taxes on income of €75 million, an improvement of €4 million over 1998/99's €71 million.

Positive prospects
Based on the large amount new orders secured and the increase of business activity in the last few months, we anticipate that Ferrostaal's new orders, sales and earnings will stage moderately-sized increases in the current, short financial year and in 2001. This assumption is based on the expectation that the world's economy will continue to grow and world prices levied for raw materials will remain stable.

MAN Roland Druckmaschinen – strong growth in all areas of business

For MAN Roland, a financial year of success was capped by the setting of new orders and sales records. The company's earnings exceeded previous forecasts. We expect a sustainably positive development in the period to come.

New orders and sales records
Stoked by the staging of drupa 2000, the world's demand for printing systems rose strongly in 1999/2000. The MAN Roland group division parlayed this boost into a 17% rise in new orders, which came to €2.1 billion. All three of MAN Roland's divisions – sheetfed presses, webfed presses as well as trading and services – played their parts in this rise.
At €1.8 billion, sales were up 10%.

MAN Roland group division
in € million

	1999/00	1998/99
New orders	2 095	1 792
Sales	1 848	1 680
Earnings before taxes (EBT)	79	69
Employees (number as of June 30)	10 056	9 860
ROCE (%)	19.1	15.7
Return on sales (ROS) (%)	4.3	4.1

PrintCity blazes the way at drupa 2000
For the world's print media, drupa is the largest and most important trade fair. The May, 2000 installment of the event featured especially large numbers of visitors and volumes of orders placed. We secured orders worth nearly €500 million – equivalent to one quarter of an annual total – during the trade fair, making it the highlight of our financial year.

The cornerstone of our exhibit was Print-City, which showcased the hardware, software and services provided by 69 associated companies, active in the logistics, pre-printing, post-processing and materials handling businesses. The companies' number and range of offerings evidenced MAN Roland's role of being an architect of open, fully-integrated systems. The carrying out of real-life publishing, advertising and packaging-related operations on our systems gave our customers the opportunity to experience the linkages existing among the offerings, which can be purchased on a 'build your own system' basis.

Also on display at drupa were MAN Roland's classic-type products, including the ROLAND 200, featuring a brand-new design, and the ROLAND 500. They complete the company's line of half-size sheetfed systems. One of drupa's highpoints was the premiering of the REGIOMAN. This newspaper offset press is the first double-width, single-circumference 8-page machine to be serially produced. The large number of orders secured for this model testifies to the success it is enjoying on its markets.

New area of business: digital printing systems

Garnering the most attention among the products we premiered at drupa was DICOweb, the world's first truly digital technologies-based printing system. Also the first digital-based machine produced by MAN Roland, DICOweb does without printing plates. Images are directly imprinted, removed and re-imprinted upon its printing cylinders. The system achieves an unexcelled cost-efficiency in runs ranging in size from 1,000 to 20,000 copies. Its first-on-the-market digital-based technologies enable DICOweb to perform all of the individual activities – ranging from pre-printing to post-processing – comprised in the chain of printing.

The importance which these new technologies are assuming in our operations has led us to set up the »digital printing systems« business division, whose main activities are to be the development, construction and distribution of DICOweb systems, plus the provision of related services. Also marketed by the division are three other digital-based printing systems: DICOpress, DICOpack and DICOpage. The latter is an OEM (»original equipment manufacturer«) product produced by Xeikon. It has been sold

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1 The Roland 500 is a completely new product for the printing of packaging materials

2 The volume of orders secured at drupa far exceeded our expectations

1 REGIOMAN prints newspapers. It is the first double-width, single-circumference 8-page, serially-produced machine
2 This console controls the operations of a digital, fully-networked system turning out print media
3 PrintCity was a big hit

under the MAN Roland trademark since May, 2000. The new division's systems are being sold and serviced by more than 100 specialists. These persons had been employed by Agfa Digital Printing Systems (DPS), which MAN Roland acquired. It is foreseen that this rapidly-growing division will some day account for 10 % of MAN Roland's total turnover.

We will systematically pursue our policy of providing open, fully-integrated systems.

Trading and services division achieves further growth
At €355 million, the segment's new orders total was up 41% over that of 1998/99. This achievement kept us on course to achieve our objective of doing an annual volume of business of €500 million by 2002. Our strategy is to have the subsidiaries which we maintain in various local markets offer their customers a full-scale portfolio of pre-press, press and post-press systems as well as wear material. These subsidiaries have been given, within the parameters set by the company, the complete responsibility for the running of their own affairs. Our focus is on local, expert distribution and after-sales service and on a rapid spare parts supply. This two-tier arrangement has been established to put MAN Roland in close touch with the wishes and needs of its customers.

All of MAN Roland's divisions are making a major move into E-business. We are currently planning the setting up, implementation and operation of extensive electronic platforms. We are also busy interlinking our in-house IT systems of management and transaction with those maintained by our international-level customers and clients.

Earnings once more exceed expectations
As had been the case in 1998/99, our earnings exceeded the amounts specified in our optimistic forecasts. The MAN Roland group division's earnings before taxes on income came to €79 million (1998/99: €69 million).

Promising prospects
We expect the markets in which our divisions operate to remain strong, or to even record further growth. This positive situation will cause MAN Roland's new orders and sales figures to stage further rises. We view our trading and service provision and digital-based printing systems divisions as having great potential for further growth. We expect the next, short financial year's earnings to be at 1998/99's high level. We are forecasting that all of our business divisions will grow and our earnings will stage a further rise in 2001, should economic conditions remain positive during the year.

3

MAN B&W Diesel – full steam ahead

Impelled by an increase in international demand for large-sized Diesel engines, by the quality of its stock of proprietary technologies and by the expansion of its range of products and in the scope of its distribution activities, MAN B&W Diesel resumed its upswing in 1999/2000. The company's earnings rose strongly. The future is promising.

The world's economy recovered from 1997/98's business crises more quickly than had been expected. This upswing produced an increase in the world's volume of ship-building and in the demand for Diesel engine-powered energy stations.

MAN B&W Diesel group division
in € million

	1999/00	1998/99
New orders	1 192	969
Sales	1 106	1 026
Earnings before taxes (EBT)	54	37
Employees (number as of June 30)	6 966	6 010
ROCE (%)	12.5	11.4
Return on sales (ROS) (%)	4.9	3.6

Maintaining and improving its standing on the world market

The MAN B&W Diesel group division parlayed its advanced technologies and its ability to adapt to the divergent and changing conditions prevailing on its markets into a consolidation – or, in a number of cases, improvement – of and in the positions it holds on world markets. We and our licensees held in 1999/2000 a more than 70% (1998/99: 61%) share of the world's market for two-stroke (our MC line) engines powering ships. This rise was primarily due to the breakthrough successes achieved by our new K98MC-C and

S90MC-C lines of engines. They propel large-sized container ships and VLCC (very large crude carrier) tankers.

Overcoming difficult conditions, we managed to maintain our position of leadership on the world's market for four-stroke maritime engines, recording a 10% rise in new orders secured. We (with this also comprising S.E.M.T. Pielstick, our subsidiary, and our licensees) attained a 21% share of the world's market for large-sized, medium-speed engines incorporated into ships of 2,000 DWT (deadweight tons) or more in size. We secured a 40% share – the best result in our company's history – of the market for heavy oil-fueled gensets.

We provide state-of-the-art Diesel power plants and stationary gensets forming the heart of turnkey and other energy supply systems. The modernity of our products enabled us to insulate ourselves, at an early stage, from the after-effects of the crisis in Asia, and to secure a large number of important orders. This division's new orders total was up 23% over 1998/99's strong figure. We and our family of licensees held in 1999/2000 47% of the world's market for two and four-stroke engines with specific outputs greater than 7.5 MW

Large portfolio of products for a greater range of markets
We acquired ALSTOM Engines Ltd. in 1999/2000. The British company manufactures Mirrlees Blackstone, Ruston and Paxman-brand Diesel engines. This acquisition represented a further step towards the strengthening of our competence as a systems provider of new applications and services in existing and new markets. Our range of products and services now spans the gamut between high-speed engines producing 500 kW and more power to two-stroke ones turning out up to 68,640 kW.

Ready to take on the future
We have taken into account market needs and wishes when pursuing the further development of our – already extensive – MC line of two-stroke engines. This further development was focused in 1999/2000 on the creation of an electronically-powered engine controlling the lubrication of cylinders and the operation of their valves, and of the Intelligent Engine. We came up with a new design for combustion chambers producing a reduction in our engines' specific fuel consumption and emissions.

The forthcoming generations of ultra-large container ships – ones with carrying capacities of 12,000 TEU (transport equivalent units = containers) and more – will have a great need for motile

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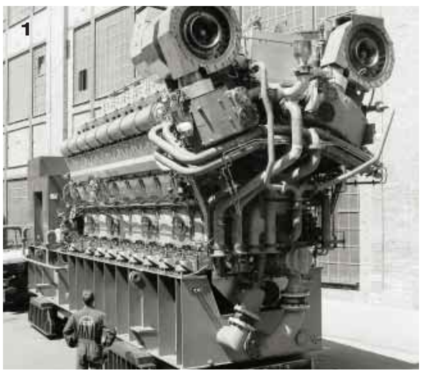


2

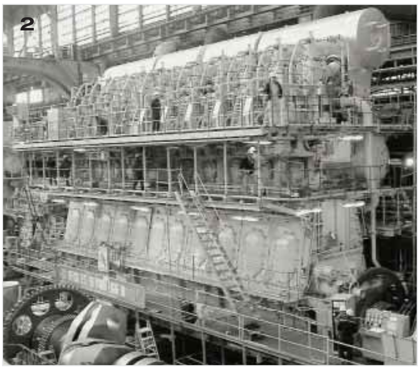

1 Our supplying of a total of 12 16V32/40 gensets – producing a total of 92 MW – forms part of an aid program run by the UN for northern Iraq

2 Demand for cruise and other ships rose in 1999

1 The volume of orders placed by customers for our Diesel-fueled power plants rose some 23% in 1999/2000

2 We and our licensees now hold more than 70% of the world's market for two-stroke engines

3 A crankshaft is being prepared for installation into a large-sized medium-speed engine



power. We are working to develop engines capable of satisfying this need. The engines will have specific outputs of up to 100,000 kW.

The newest member of our range of low-power, four-stroke engines, the L27/38, was successfully launched on to its markets. At latest count, 400 of these engines had been sold. The focus of our development work is the L21/31 engine. It will incorporate the design which made its predecessors so successful. Completing the line of medium-speed engines able to combust heavy oil on an unrestricted basis, the new product will be manufactured in both genset and propulsion unit versions. The marketing of it will be launched in 2001.

The extensiveness of our range of products positions us to achieve further growth on the markets to come.

To satisfy the ever-lower ceilings placed on maximum emissions, we have developed a system combusting an emulsion of fuel and water. This system reduces emissions of nitrogen oxides and of underload-produced soot, improves engine performance and lowers operating costs.

The further development of our exhaust gas superchargers is being undertaken to enable our line of axial superchargers to operate in higher pressure ratios.

E-business provides the sector building large-sized Diesel engines with a range of B2B-based opportunities. To exploit them, we are setting up a dedicated portal. It will strengthen the ties we maintain to our customers.

Earnings up

In 1998/99, we experienced a drop in earnings. The undertaking of cost-cutting measures and the successful expansion of our distribution network into new regional markets sufficed to offset this drop, and to cause a rise in our volumes of business and earnings putting us back on the previous years' track. In 1999/2000, the MAN B&W Diesel group division registered earnings before taxes on income of €54 million (1998/99: €37 million).

Promising prospects

We expect the world's economy to continue to grow, causing a corresponding rise in the demand for oceangoing transport services and for electricity. These rises, in turn, will further increase outlays for new ships and Diesel-fueled power plants. By coming up with new models, we have expanded our full-line range of offerings. This breadth of products will enable us to fully partake in this increase. We will set forth our program of cutting operating costs and of expanding our distribution network. This will permit us to register a further rise in earnings during the next, short financial year. This upward trend will set itself forth in 2001, assuming that demand remains strong during this period.

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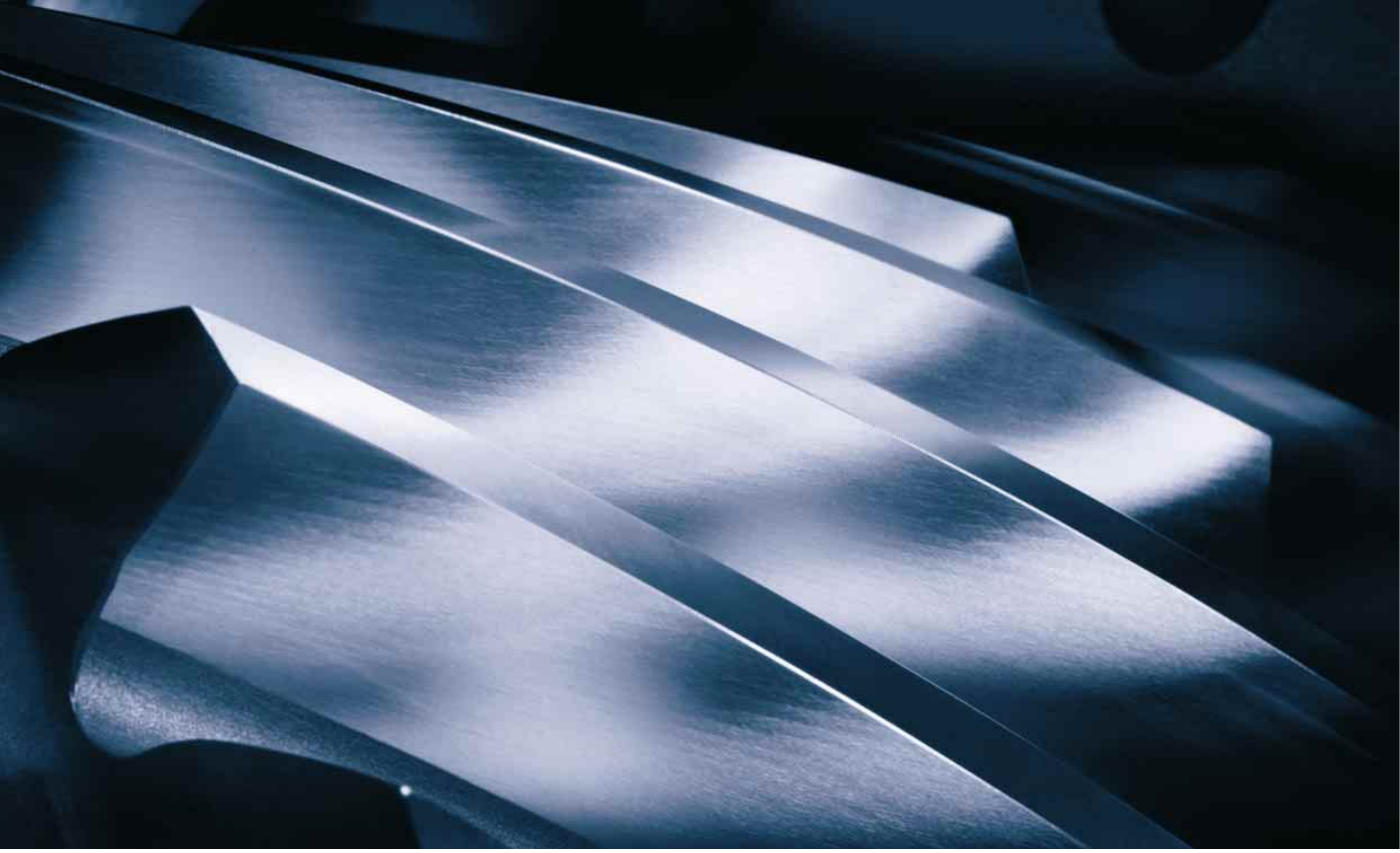


MAN Turbomaschinen GHH BORSIG – overcoming weaknesses on its markets

In 1999/2000, we prevailed over the low level of demand and consolidated, even improved our standing on our markets. The downward pressures exerting themselves on prices were the main cause of the drop in earnings. We expect a turnaround to manifest itself in 2001.

In 1999/2000, MAN AG sold its 50% holding in America's New Elliott Corporation to the Tokyo, Japan-based Ebara Corporation, holder of the rest of the equity. Based in Jeannette, PA, the manufacturer of turbomachines had been consolidated into the accounts of the MAN Turbomaschinen group division on a pro rata basis.

The sale was occasioned by New Elliott's ownership structure, which precluded the realization of the business plan originally formulated for the company. Viewed from the financial point of view, the taking of a stake in New Elliott was, however, a success. Our new objective is to beef up the operations of our turbomachine business by entering into other working arrangements.
The sale of Elliott cut the MAN Turbomaschinen group division's consolidated turnover by nearly 30%. The figures on

MAN Turbomaschinen AG GHH BORSIG *
in € million

	1999/00	1998/99
New orders	360	358
Sales	360	392
Earnings before taxes (EBT)	15	18
Employees (number as of June 30)	1 671	1 684
ROCE (%)	17.4	25.0
Return on sales (ROS) (%)	4.2	4.6

* 1998/99's figures do not include Elliot

MAN Turbomaschinen AG GHH BORSIG's performance in 1998/99 generally do not comprise Elliott.

Strong on its markets
After having weakened in 1998/99, demand for turbomachines consolidated – albeit at a low level – in 1999/2000. The downward pressures on prices strengthened. Uncertainties as to the implementation of market liberalization policies caused the demand issuing from the energy sector to be lower than originally foreseen. A tentative recovery began manifesting itself on the company's markets during the last few months of the year. Contending well with these difficult operating conditions, MAN Turbomaschinen AG GHH BORSIG (MGB) secured new orders worth €360 million.

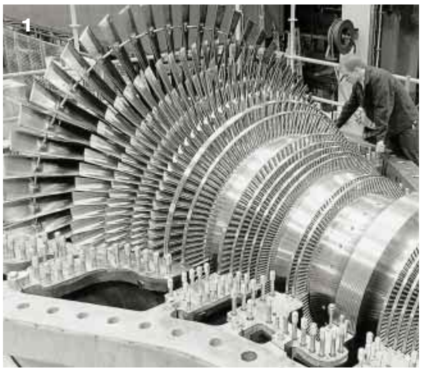
MGB's success stemmed from its having put together a comprehensive range of products making it a »one stop supplier«. The products are deployed to handle all of the operations comprised in a broad spectrum of industrial processes. We offer, to give an example, full-scale compressor trains. These are equipped with proprietary propulsion units.

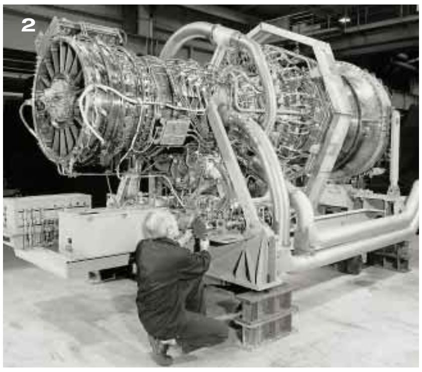
The world's gas supply sector continued to grow in 1999/2000 – and with it, MGB's operations, with this especially applying to the field of gas transport. After having been further upgraded, our THM gas turbine has sold particularly well. We vended 13 of the turbines – each of them equipped with its own compressor – in 1999/2000 alone.

Earnings decline
The weak demand for turbomachines prevailing on the world market sometimes forced us to offer our products at substantially lower prices, and to accept tight deadlines. These factors caused earnings before taxes on income to decline from 1998/99's strong €18 million to 1999/2000's €15 million.

2001: improvement in prospects
We expect the demand for turbomachines to pick up slightly in the current, short financial year. The time-lag prevailing in our business between sales and profits rises will keep our earnings only slightly in the black in 2000. From today's point of view we are forecasting that our company's new orders, sales and earnings in 2001 will be greater than those registered in 1999/2000.

* The companies portrayed on pages 62–72 form our industrial equipment and facilities business area.





1 This steam turbine has an output of 39 MW and drives a generator
2 This FT8 gas turbine is used in industrial applications and has Dry-Low-NO_x-combustion chambers

MAN Technologie – strengthening its standing in Europe's aerospace sector

All of Europe's major space projects feature products and services provided by MAN Technologie, which has also expanded the volume of its aviation-related business. The company is processing a large amount of orders, and is facing an intensification of competitive pressures. The pooling of operations and the cutting of operating costs are enabling us to counter the accompanying downward pressures being exerted on product prices.

MAN Technologie proceeded with the restructuring of its portfolio of holdings in 1999/2000. In a move taking effect on July 1, 1999, the company transferred its holdings in MAN Turbomaschinen AG GHH BORSIG – which had belonged to it since July, 1997 – to MAN AG. In July, 1999, MDE Gasturbinen GmbH was sold to TUMA MDE GmbH, a company jointly held with BORSIG Energy GmbH. The latter will take a 100% stake in TUMA MDE on October 1, 2000.

MAN Technologie's order situation staged a further improvement in 1999/2000. Its new orders and sales totals were up slightly over those of 1998/99. Launchers accounted for a majority – 62% – of the company's sales.

ARIANE 5 gets off to a successful start

The decision of ARIANESPACE to wind up the ARIANE 4 program has caused MAN Technologie to close down its dedicated operations, in a step-by-step process to cease in November 2001. The company will configure all of its launcher-related operations to supplying the ARIANE 5 program, with which we entered in 1999/2000 into an agreement setting the framework of the series-type provision of booster casings, and from which we secured an initial, €75 million production lot. ARIANE 5's missions have been successful, strengthening the launcher's standing on the world market. The ever-greater number of players competing for business in this sector has, however, forced us to make substantial reductions in prices.

MAN Technologie AG*

in € million

	1999/00	1998/99
New orders	206	201
Sales	210	205
Earnings before taxes (EBT)	13	16
Employees (number as of June 30)	1 127	1 106
ROCE (%)	22.5	30.6
Return on sales (ROS) (%)	6.0	7.6

* Not comprised in 1998/99's figures is MAN Turbomaschinen AG GHH BORSIG

1

2

Strengthening of position on the market for space transport systems
ESA and NASA are jointly undertaking projects designed to create space vehicles capable of supplying the International Space Station. Our participation in these projects has strengthened our position on the market for space transport systems. A number of programs have commissioned us with the development of re-entry technologies and with other activities.

We are also participating in Europe's Galileo program, which is creating an alternative to the satellite-based navigation systems created by America and Russia and deployed to determine position with a great degree of precision.

Our infrastructural systems division set forth its upswing, securing a particularly important order to produce quick-deploying bridges used to transport tanks. It was also commissioned with ancillary work on the satellite assembly building forming part of the Kourou-based ARIANE launch complex.

Aviation business on an upswing
We secured orders to provide the entire Airbus fleet with its potable water provision systems, and to develop and produce units for the new A340-500/600 aircraft. These orders further established us as a major supplier to the Airbus program. The stepping up of our sales activities yielded orders for tanks and structures. These are being incorporated into the airplanes being manufactured by Fairchild Dornier and into the family of aircraft produced by Brazil's Embraer.

Earnings decline
The drop in the prices paid for components incorporated into launchers joined with the expenditures made to provide for the relocation of operations from Karlsfeld and from Friedrichshafen to Augsburg and with the lower amount of revenues issuing from the ARIANE 4 program in causing our earnings before taxes on income to decline from 1998/99's strong €16 million to this year's €13 million.

What's in store: an improvement in cost-incurring structures
The grouping of MAN Technologie's operations in Augsburg will result in a company-wide optimising of costs. We will pursue the measures designed to lower the per-unit expenditures incurred in the production of components for ARIANE 5. All of the company's divisions will continue to experience improvements in their orders situations. We expect earnings to be at a high level in the current, short financial year and in 2001.


3


4

1 In a very few seconds, this ARIANE 5 launcher will take off from Kourou (please also see the picture on page 72)
2 Shown is the assembly of an ancillary tank. It will be incorporated into a Fairchild Dornier Do 328 JET ER
3 A heating system and insulating mats are being added on to a tank. It will supply potable water in an Airbus 340
4 This high-pressure dome will form part of ARIANE 5's new, cryogenic-based ESC upper stage

RENK – staying on a course of success

In 1999/2000, RENK broke the previous year's new orders record and substantially increased its dividend. Further growth is in store.

RENK group division
in € million

	1999/00	1998/99
New orders	335	302
Sales	228	226
Earnings before taxes (EBT)	24	24
Employees (number as of June 30)	1 500	1 510
ROCE (%)	29.9	29.6
Return on sales (ROS) (%)	10.5	10.6

Nearly all of RENK's divisions recorded growth in 1999/2000. At €335 million, the company's new orders total broke 1998/99's record. Sales also rose.

Upswing for vehicle transmissions
1999/2000, we further consolidated our position of being the world's leading manufacturer of propulsion units incorporated into chain-riding vehicles. An essential contribution to this came from large-sized orders as one, among others, for the supplying of transmissions incorporated into Austria's ULAN armored personnel carriers.

Our operations serving the maritime industry were particularly successful in securing a number of orders to supply technically advanced gearing units incorporated into high speed frigates. The booking of a number of important orders enabled us to strongly increase the share which we hold of the – still difficult – market for stationary-use gearing units.

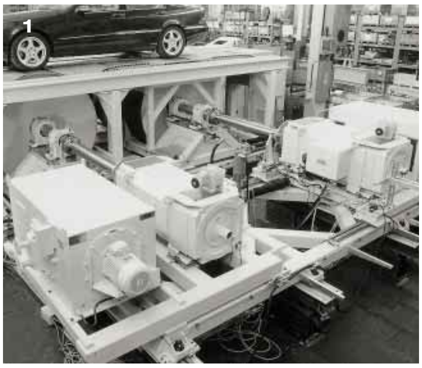
Testing rigs division expands into USA
To establish ourselves on the attractive American market we purchased the testing rig operations of the LABECO Corporation, Mooresville/Indiana. The operations – now forming the LABECO Division and complementing our existing activities in the field – have been placed under the management of the RENK Corporation, our subsidiary in America.

Strong earnings
At €24 million, our earnings before taxes on income and an income bond's paying off reached 1998/99's exceptionally high level. This strong result joined with the completion in 1998/99 of the paying back of the income bond advanced to RENK by MAN AG in enabling the company to pay out a dividend of €1.00 per share, up substantially from that of 1998/99.

Prospects
We expect RENK to continue to secure a large amount of orders and to proceed upon its upswing in the current, short financial year and in 2001. Earnings will remain very high.

1 This roller-type test rig measures the amount of noise heard in automobile interiors

2 A CODAD marine gearing unit capable of transmitting 15 MW



Deggendorfer Werft und Eisenbau – attaining a new level in the building of heavy-duty industrial equipment

The total amount of new orders secured by DWE rose substantially. Its sales declined slightly. Earnings were also down, but remained at a high level. The company's business is set to grow during the current, short financial year and in 2001.

DWE group division
in € million

	1999/00	1998/99
New orders	83	47
Sales	84	106
Earnings before taxes (EBT)	8	12
Employees (number as of June 30)	507	514
ROCE (%)	29.5	46.4
Return on sales (ROS) (%)	9.4	11.1

Recovery of business in Asia
The strong recovery staged by Asia's markets in 1999/2000 boosted the new orders total of our division – the world's leader in the field – producing reactors for the chemical industry. Also benefiting from the recovery was the division manufacturing floating dredgers. Among the orders secured by the division was one, placed by a customer based in Thailand, for a large-sized suction dredger with a carrying capacity of 1,400 m³. The DWE group division's new orders total nearly doubled in 1999/2000. Sales were down slightly. Corporate facilities worked at capacity.

Supplied: the world's heaviest tube reactor
Our industrial equipment division supplied on schedule a tube reactor weighing 1,000 t – the heaviest in the world – to a customer based in Malaysia. We also secured an order to build and assemble the world's largest electromagnet for the Geneva-based CERN (Europe's center for research into particle physics). These orders have boosted DWE on to a new, higher level of operation, one in which very few of the world's companies are active.

Continuing to operate in the black, Franc-Comtoise Industrie S.A. (FCI), our France-based subsidiary, secured large-sized orders for reactors, keeping its facilities' rate of employment high during the second half of 1999/2000.

Strong earnings
DWE's sales declined, as did its earnings before taxes on income, which went from 1998/99's €12 million to €8 million. This result remained, however, on a still high level.

Set to be implemented during the current, short financial year and in 2001 are several large-sized projects involving reactors. Further orders for floating dredgers will be secured. We expect earnings to remain strong.

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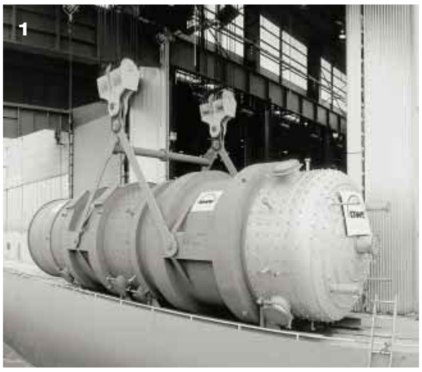


2


1 This 590 t reactor is being shipped to a customer in the USA
2 Loading of a reactor weighing 1,000 t by a new, heavy-duty crane manufactured by MAN TAKRAF. The reactor is being shipped to a customer in Malaysia

SMS – equipped to take on the future

The SMS group contended well with the weakness of demand prevailing on its markets. The recovery manifesting itself in the industrial facilities sector will further boost the group's new orders and earnings totals.

SMS group
in € million

	1999/00	1998/99
New orders	2 068	1 323
Sales	2 353	1 631
Earnings before taxes (EBT)	68	60
Employees (number as of June 30)	9 446	6 331
ROCE (%)	14.1	14.7
Return on sales (ROS) (%)	2.9	3.7

The substantial rise in new orders recorded by the SMS group in 1999/2000 stemmed from the completion of the consolidation of Mannesmann Demag Metallurgie into the corporate accounts, and from the purchasing of Cincinnati Extrusion. In addition, the group's plant and rolling mills and plastics processing divisions are also now reporting improved new order totals. At €2,068 million, the SMS group's new orders total was up 56% in 1999/2000. Sales also rose substantially.

Reconfiguring of plant and rolling mills division

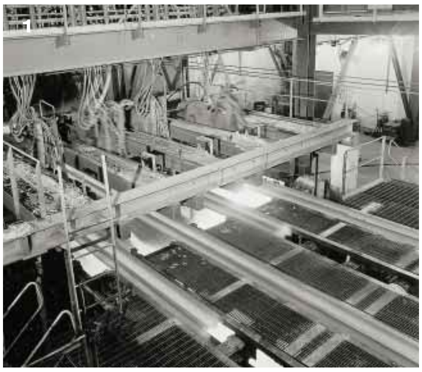
Creating the new SMS Demag AG, the carrying out of September 1, 1999's merger increased our long-term ability to secure business. We audited the quality and profitability of the equipment and facilities manufactured by the two predecessor companies. Working on a unit-by-unit basis, we then selected the best of the lot, creating a range of customer-pleasing products of superlative quality and affordable prices in the process.

Important large-sized orders secured

The pay-off for this process came in the form of our succeeding in beating out very strong competitors for a number of important orders. Our steel mills division secured a large-sized order from the USA's North American Stainless Inc. for a turnkey electrosteel mill turning out stainless steel slabs.

Now in its eleventh year, our CSP (compact strip production) technology's success story recorded another crowning achievement in 1999/2000. Italy's Acciai Speciali Terni S.p.A. commissioned us with the building of the world's first CSP-based machine used in the casting of stainless steel.

We led consortia securing orders from Brazil's Companhia Siderúrgica de



Tubarão and the PR of China's Wuhan Iron and Steel Group Co. to supply complete, CVC-based lines turning out ultra-thin hot rolled strip. We successfully launched a new system. It features a combination of pickling and galvanizing operations, and represents the further development of our CSP system.

By enhancing our competitive edge, we strengthened our position of being the world's leading manufacturer of plants used by the metals processing industry.

Plastics processing division expands
All of this division's key indicators showed above-average rises in 1999/2000. The acquisition of the Austria-based Cincinnati Extrusion on January 1, 2000, greatly expanded the division's scale of operations and gave it another company – beside American Maplan Corporation – not conducting business under the 'Battenfeld' trademark. This fact led the division to change its name from Battenfeld to SMS Plastics Processing.

In a gratifying development, the injection molding technologies division overcame the considerable weakness prevailing in its sector until the end of 1999 and recorded a slight rise in new orders.

The presses and forging machines division grows
With all of the markets served by it showing an increase in demand, the division recorded a substantial rise in new orders.

Earnings stable
The encumbrances ensuing from the incorporation of the newly-acquired companies into the group notwithstanding, SMS recorded a slight rise – to €68 million – in earnings before taxes on income. All of the group's divisions contributed to the good result.

Prospects
During the previous few years, the world's manufacturers of industrial facilities had to contend with the difficult economic conditions caused by the crisis in Asia. In the second half of 2000, the sector did, however, show more and more signs of recovering.

We expect our new orders and earnings totals to stage further, year-to-period rises in the current, short financial year. We are forecasting that 2001 will bring further growth.

3

4

1 Nucor's beam blank facility
2 Mega Steel's CSP facility
3 The chairs being set up in Sydney's Olympia SuperDome were manufactured using a Battenfeld Airmould
4 SMS Eumuco supplied this extruding machine to Thöni

Page 71: This CST blast furnace is located in Brazil

Schwäbische Hüttenwerke – the upswing continues

Our divisions serving the automobile industry continued to record high rates of facility employment. Meanwhile our industrial component sector's orders totals rose substantially. Earnings stayed on a high level.

Schwäbische Hüttenwerke GmbH

in € million

	1999/00	1998/99
New orders	216	207
Sales	211	213
Earnings before taxes (EBT)	13	16
Employees (number as of June 30)	1 349	1 315
ROCE (%)	19.1	24.1
Return on sales (ROS) (%)	6.0	7.4

By continuing to offer advanced systems at attractive prices, Schwäbische Hüttenwerke GmbH contended well with its competitors and set forth its upswing.

Stable level of car supply business

We maintained the large-sized shares gained during the past few years of the world's steadily growing markets for oil pumps, sintered formed parts and ventilated brake disks incorporated into automobiles. The starting-up of serial production of newly-developed components and the expansion of manufacturing capacities (the product of capital investments) have given us the potential for further growth.

Industrial equipment business on the rise

The divisions providing industrial equipment recorded a rise in new orders. Sales did not to keep pace. Especially gratifying was the rise in new orders registered by the Wasseralfingen-based foundry. It ensued from the facility's starting up of production of heavy-weight (up to 60 t) engine casings and of ventilated brake disks. SHW is the world's leading supplier of heavy-duty calender rolls used in paper machines. That market's turnaround has gathered strength over the last few months.

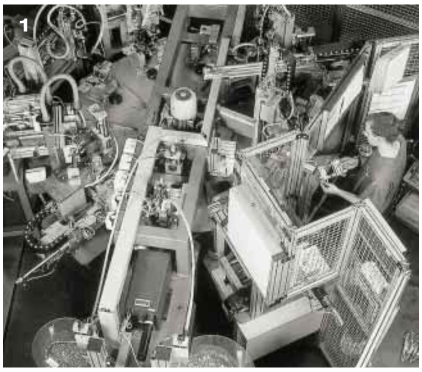
Earnings on a high level, promising prospects

SHW's pre-tax earnings came to some €13 million in 1999/2000 (1998/99: €16 million). Net income rose from €7 million in the previous year to €8 million in 1999/2000. It enables us to pay out a total of €5 million – an amount at the previous year's high level – to our shareholders, and to increase our stockholders' funds by augmenting our reserves.

Provided that the high level of automobile production is maintained and that the industrial equipment sector's upswing goes on, SHW will continue to be successful during the current financial year and in 2001. The company will continue to strengthen its earnings power.

1 Shown is the assembly of oil pumps. They will be incorporated into BMWs

2 Being processed is the upper part of a hydroforming die

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MAN Group: Consolidated financial statements as of June 30, 2000

Contents

MAN Group: Consolidated income statement

€ mill.	See Note	1999/2000	1998/1999
Net sales	[1]	**14 581**	**13 256**
Cost of sales		(11 915)	(10 710)
Gross margin		**2 666**	**2 546**
Selling expenses		(956)	(894)
General administrative expenses		(564)	(538)
Other operating income	[2]	411	362
Other operating expenses	[3]	(783)	(850)
Income from investments	[4]	10	12
Net interest result	[5]	(116)	(81)
Profit from ordinary operations		**668**	**557**
Income taxes	[6]	(244)	(186)
Net income		**424**	**371**
Minority interests		(35)	(27)
Net income after minority interests		**389**	**344**
Transfer from/(to) reserves retained from earnings		(235)	(202)
Net earnings		**154**	**142**
Earnings per share (in €)	[7]	**2.52**	**2.23**

MAN Group: Consolidated balance sheet

Assets

€ mill.

	See Note	June 30, 2000	June 30, 1999
Intangible assets		337	33
Tangible assets		2 918	2 533
Financial assets		159	169
Fixed assets	[8]	**3 414**	**2 735**
Inventories	[9]	4 353	3 531
Prepayments received		(2 536)	(1 852)
Trade receivables	[10]	3 611	2 823
Other receivables and current assets	[11]	432	348
Short-term securities	[12]	994	838
Cash and cash equivalents	[12]	457	505
Current assets		**7 311**	**6 193**
Deferred tax assets	[6]	**416**	**463**
Prepaid expenses and deferred charges		**52**	**38**
		11 193	**9 429**

Equity & liabilities

€ mill.

	See Note	June 30, 2000	June 30, 1999
Capital stock		395	394
Additional paid-in capital		675	676
Reserves retained from earnings		1 429	1 167
Unappropriated retained earnings – Group		154	142
Equity of MAN AG stockholders		**2 653**	**2 379**
Minority interests		300	244
Equity	[13]	**2 953**	**2 623**
Pension accruals	[14]	1 884	1 648
Current tax accruals		258	220
Deferred tax liabilities	[6]	452	391
Other accruals	[15]	1 877	1 542
Accruals		**4 471**	**3 801**
Financial liabilities		967	603
Trade payables		1 821	1 498
Remaining liabilities		919	846
Liabilities	[16]	**3 707**	**2 947**
Deferred income		**62**	**58**
		11 193	**9 429**

MAN Group: Cash flow statement

€ mill.	1999/2000	1998/1999
Cash and cash equivalents at beginning of year	**505**	**473**
Net income	424	371
Amortization/depreciation of fixed assets	525	466
Changes in pension accruals	66	64
Other noncash expenses and income	(4)	12
Cash flow acc. to DVFA/SG	**1 011**	**913**
Gains on disposal of fixed assets	(92)	(84)
Changes in inventories	(266)	(331)
Changes in prepayments received	120	29
Changes in trade receivables	(352)	(63)
Changes in all other accruals	(146)	3
Changes in trade payables	91	135
Other changes in working capital	35	98
Cash provided by operating activities	**401**	**700**
Increase in equipment leased to customers	(397)	(292)
Purchase of tangible and intangible assets	(537)	(486)
Purchase of financial assets	(283)	(103)
Proceeds from disposal of fixed assets	69	63
Disposal of other assets	156	140
Cash used in investing activities	**(992)**	**(678)**
Profits transferred / dividends paid	(158)	(136)
Net change in short-term securities	(156)	(1)
Net change in financial liabilities	160	106
Cash used in financing activities	**(154)**	**(31)**
Net change in cash and cash equivalents	**(745)**	**(9)**
Effect of parity changes on cash and cash equivalents	4	4
Effect of changed consolidated group on cash and cash equivalents	693	37
Cash and cash equivalents at end of year	**457**	**505**

Statement of changes in equity

€ mill.

	Capital stock	Additional paid-in capital	Reserves retained from earnings	Unappro-priated retained earnings – Group	Minority interests	Total
Balance at July 1, 1998	**394**	**676**	**965**	**126**	**184**	**2 345**
Dividends paid for the previous year				(126)	(11)	(137)
Net income for 1998/99				344	27	371
Transfer to reserves retained from earnings			202	(202)		
Currency translation effects			2		1	3
All other changes			(2)		43	41
Balance at June 30, 1999	**394**	**676**	**1 167**	**142**	**244**	**2 623**
Dividends paid for the previous year				(142)	(16)	(158)
Net income 1999/2000				389	35	424
Transfer to reserves retained from earnings			235	(235)		
Currency translation effects			16		5	21
All other changes	1	(1)	11		32	43
Balance at June 30, 2000	**395**	**675**	**1 429**	**154**	**300**	**2 953**

Notes to the consolidated financial statements
General principles

The consolidated financial statements of MAN AG have been prepared according to the International Accounting Standards (IAS) in force and effect as of balance sheet date and established by the International Accounting Standards Committee (IASC).

The IAS applied conform with the 7^{th} EC Directive. Pursuant to Art. 292a German Commercial Code (»HGB«), IAS-based consolidated financial statements exempt MAN from the obligation to publish group accounts according to German accounting regulations.

Subject to the exceptions below, the accounting and valuation principles applied to and underlying these IAS consolidated accounts are, moreover, equivalent to those permitted under HGB regulations. The following accounting and valuation methods used in MAN's Group accounts depart from German Commercial Code regulations:

– Long-term manufacturing or construction contracts are recognized according to their percentage of completion (PoC).
– Development costs of new products and series are capitalized from the fiscal year of their market launch.
– Deferred maintenance is not provided for.
– Deferred tax assets have been capitalized for tax loss carryovers.

Disclosures and explanations required by the German Commercial Code for group accounts are either made or given on the face of the financial statements or in these notes, all in line with our corporate precept of transparency of presentation and materiality of disclosures.

In contrast to the previous year, intercompany receivables and payables under P&L transfer agreements (including tax apportionment) are shown as cash and cash equivalents or as financial payables, because they are due on or after July 1 of the succeeding fiscal year. Deferred tax assets are disclosed in a separate line. The prior-year data has been restated accordingly.

Methods of consolidation

Group of consolidated companies

Besides MAN AG as the parent, in line with IAS 27 all subsidiaries (i) in which MAN AG holds (whether directly or indirectly) the majority of voting rights, or (ii) whose financial and business policies can be controlled by MAN AG under the articles of association of, or an intercompany or other contractual agreement with, any such subsidiary; case (ii) applies to SMS AG and its subsidiaries, as well as to Schwäbische Hüttenwerke GmbH, in which MAN AG holds 50% of the voting rights. Companies acquired during the fiscal year are included p.r.t. as from the date of their acquisition, while those divested or intended to be disposed of during the fiscal year are not consolidated.

Number of consolidated companies:

	Germany	Abroad	Total
Included as of June 30, 1999	88	104	192
Newly included in 1999/2000	8	33	40
Excluded in 1999/2000	(9)	(6)	(15)
Included as of June 30, 2000	**87**	**131**	**218**

Selected consolidated companies of the MAN Group are listed on the inside back cover page of this annual report. A complete listing of the MAN Group's shareholdings will be filed with the Commercial Register of the Local Court of Munich under no. HRB 78 706.

In fiscal 1999/2000, altogether 41 companies were newly consolidated, while 15 companies left the group of consolidated companies, either through divestment, merger with other consolidated entities, or due to minor significance.

No company (down from 1) is consolidated pro rata. A total 17 associated affiliates (up from 2) are included at equity.

The subsidiaries which according to IAS 27 were not consolidated are in the aggregate of minor significance for the presentation of the MAN Group's net-asset and financial position and its result from operations.

Acquisitions & divestments

The following major acquisitions were consummated in the fiscal year 1999/2000:

– The merger of SMS Schloemann-Siemag AG and Mannesmann Demag Metallurgie, agreed with economic effect as of January 1, 1999, to form SMS Demag AG, was consummated at the beginning of fiscal 1999/2000. A 72-percent stake in SMS Demag AG is held by Düsseldorf-based SMS AG, the remaining 28 percent being owned by Mannesmann Demag Krauss-Maffei AG, Munich. The 28-percent stake is subject to reciprocal call/put options exercisable on or before December 31, 2005.

– By agreement dated September 28, 1999, Fritz Werner Industrieausrüstungen GmbH, a Geisenheim-based Ferrostaal subsidiary, acquired the entire stock of Sagexport S.A., Paris, France, at an undisclosed price, as agreed between the parties. The company mainly markets hospital equipment in non-EU countries.

– On December 17, 1999, through the previously formed STAR Trucks Sp. z o.o., Starachowice, Poland, MAN Nutzfahrzeuge AG purchased the assets (excluding any debts) of the truck operations from the Polish manufacturer STAR.

– As of January 1, 2000, Battenfeld Extrusions-Holding GmbH, an SMS subsidiary based in Bad Oeynhausen, acquired all of the shares in Cincinnati Extrusion Ges.m.b.H., Vienna, Austria, at an undisclosed price, as agreed between the parties. The company produces and markets extrusion plant and equipment.

– By agreement dated January 25, 2000, MAN Nutzfahrzeuge AG acquired from Canadian Western Star Trucks Holdings Ltd. all of the shares in ERF (Holdings) plc, a British truck manufacturer based in Sandbach, UK, at a purchase price of €102 million.

– With economic effect as of April 1, 2000, MAN B&W Diesel AG took over all of the shares in ALSTOM Engines Ltd., a British Diesel engine manufacturer based in Stockport, UK, at an undisclosed price, as agreed between the parties, and renaming the company MAN B&W Diesel Ltd.

The acquisitions were funded in the case of SMS Demag by raising this company's capital stock and transferring a stake to Mannesmann Demag Krauss-Maffei AG and, in all other cases, by using available cash or raising financial debts.

New Elliott Corporation, Jeannette, USA, which had been consolidated at 50 percent the year before, was sold and transferred in fiscal 1999/2000 to the joint venturer Ebara Corporation, Tokyo.

MAN Nutzfahrzeuge AG sold and transferred its Australian and New Zealand operations to Western Star Australia Pty. Ltd.

In comparison to the year before, the acquisitions, divestments and other changes in the group of consolidated companies affected the Group accounts as follows:

€ million

Company	Date of (de)consolidation	Segment	Net sales in fiscal 1999/2000 or 1998/99	Total assets*)	Employees*)
SMS Demag AG **)	7-1-1999	Industrial Equipment & Facilities	650	1 129	3 471
Sagexport S.A.	10-1-1999	Industrial Services	17	4	37
STAR Sp. z o.o.	1-1-2000	Commercial Vehicles	20	12	903
ERF (Holdings) plc. **)	1-1-2000	Commercial Vehicles	177	140	1 008
Cincinnati Extrusion Ges.m.b.H	1-1-2000	Industrial Equipment & Facilities	29	48	333
MAN B&W Diesel Ltd.	4-1-2000	Diesel Engines	42	331	1 333
Elliott ***)	7-1-1999	Industrial Equipment & Facilities	(183)	(161)	(986)
Automotive Australia **)	7-1-1999	Commercial Vehicles	(34)	(41)	(136)
All other changes			58	61	544
Total impact, net			**776**	**1 523**	**6 507**

*) At the date of initial consolidation or deconsolidation
**) Incl. subsidiaries
***) Consolidated pro rata the year before

Consolidation principles

The consolidated financial statements are based on MAN AG's and its consolidated subsidiaries' annual financial statements as prepared in accordance with groupwide uniform accounting and valuation principles and certified by independent auditors.

The purchase method is used for capital consolidation, with due recognition in net income, by offsetting the purchase cost of an equity investment against its prorated equity at the date of acquisition. Where based on hidden reserves or burdens, any difference between cost and prorated equity is assigned to the subsidiary's assets and liabilities, as appropriate. Any remaining net equity under cost is capitalized as goodwill under intangible assets and amortized on a straight-line basis as a rule over eight to twelve years, in exceptional cases even over a maximum of 20 years.

Any reserves earned after the date of initial consolidation and not distributed are shown in the Group's reserves retained from earnings or as minority interests, as appropriate.

The minority interests held by nongroup parties in the equity of consolidated subsidiaries are disclosed in a separate line within the MAN Group's equity.

All intercompany accounts (profits, losses, income, expenses, receivables and payables) among companies included in the Group accounts are eliminated. Deferred taxes are calculated for consolidation transactions recognized in net income.

Affiliates carried at equity are included on the basis of their latest annual accounts (mostly June 30, 2000). The equity proratable to the Group is shown under financial assets. The Group's shares in their EBT and in income taxes are recognized in the Group's income from investments and in tax expense, respectively.

Currency translation

The individual financial statements of Euroland companies are mostly prepared in euros (€). The respective national currency subunits are translated into € at the official final rate, which for German companies is DM 1.95583 = €1.00. The Group accounts are prepared in €, too.

In the individual financial statements of consolidated companies, receivables and payables denominated in foreign currencies and hedged are valued at the rate covered. The other foreign-currency receivables and payables are translated at the historical or the current rate.

For the consolidated financial statements, the concept of functional currency is used to translate the annual accounts of non-German companies.

Since the subsidiaries are economically independent entities in their own right, balance sheet lines are translated at the current, and income statement captions at the annual average, rates. Differences from currency translation versus the prior year of balance sheet captions are recognized in equity only.

In the fixed-asset schedule, the fiscal year's opening and closing balances are translated at the applicable current rates, while for the remaining fixed assets, the annual average rates are used. Currency translation differences are shown separately in the currency adjustment column. The accumulated difference in equity from the currency translation of non-euro financial statements totaled €24 million, there of €21 million from fiscal year 1999/2000.

The euro exchange rates of major currencies are as follows:

	Current rate of €1 at		Annual average rate of €1 in	
	June 30, 2000	June 30, 1999	1999/2000	1998/1999
US dollar	0.9556	1.0328	0.9993	1.1106
Pound sterling	0.6323	0.6563	0.6268	0.6775
Danish krone	7.461	7.434	7.444	7.439
Swiss franc	1.558	1.603	1.594	1.609
Swedish krona	8.421	8.747	8.532	9.008
Polish zloty	4.184	4.058	4.165	4.101
Turkish lira (1,000)	591.61	434.30	523.82	354.45
Japanese yen	100.57	124.62	107.22	138.26
Hong Kong dollar	7.466	8.008	7.763	8.602
Singapore dollar	1.655	1.753	1.693	1.886
Australian dollar	1.589	1.560	1.598	1.786
Canadian dollar	1.416	1.526	1.473	1.679
Egyptian pound	3.318	3.520	3.417	3.787
South African rand	6.538	6.223	6.328	6.700

Accounting and valuation principles

Intangible assets

Intangible assets purchased are capitalized at cost and amortized on a straight-line basis over their useful lives, generally three to five years.

Pursuant to IAS 38, R&D costs are expensed. Excepted from this practice are the expenses incurred for the development of new products and series as from the fiscal year of their market launch: under the terms of IAS 38, such expenses are capitalized since from that year onwards, the technical completion of the new development and its future marketability are secured. Amortization is charged per unit or on a straight-line basis over the estimated useful life of four to ten years.

Tangible assets

Tangible assets are valued at purchase or production cost, less depreciation and, where appropriate, write-down. The production cost of internally manufactured tangible assets includes all direct costs, as well as reasonable portions of necessary indirect materials and indirect labor, besides production-related depreciation. Maintenance and repair costs and interest costs are expensed in the period of their incurrence.

Except for assets leased out, tangible assets are depreciated according to the straight-line method over their estimated useful lives. Most of the machinery, production plant and factory & office equipment purchased up to 1997/98 are depreciated on a declining-balance basis. Low-value assets (defined in Germany as assets at cost auf €409 or less) are fully written off in the year of their purchase.

The groupwide uniform asset depreciation ranges are based on the following useful lives:

Buildings	20 to 50 years
Land improvements	8 to 20 years
Machinery and production plant	5 to 15 years
Factory and office equipment	3 to 10 years

In accordance with IAS 36, tangible assets whose recoverable amount has decreased below net book value are written down accordingly.

Leasing

Pursuant to IAS 17, tangible assets used under capital leases (»finance leases«) are capitalized and depreciated.

Products leased out under operating leases are recognized by the lessor at cost and, due to the higher impairment in the initial lease years, depreciated primarily according to the declining-balance method over the underlying lease term.

Financial assets

Under the terms of IAS 28, investments in major associated affiliates are stated at equity. The remaining investments in associated affiliates and the other investments are carried at the lower of acquisition cost or fair value. Long-term loans are stated at face values or, if non- or low-interest, discounted and shown at their present values at balance sheet date. Long-term securities are stated at the lower of cost or market.

Current assets

Inventories are stated at the lower of cost or realizable market values. Production cost includes all direct costs, as well as reasonable portions of necessary indirect materials and indirect labor, besides production-related depreciation. Selling and general administrative expenses are not capitalized, nor are any interest costs. Raw materials and merchandise are generally valued at average purchase cost. Risks resulting from slow-moving items and from the obsolescence or reduced utility of inventories are adequately and sufficiently allowed for while uncompleted contracts that involve impending losses are stated at their net realizable values.

Pursuant to IAS 11, long-term manufacturing and construction contracts are recognized according to the percentage-of-completion method by apportioning pro rata temporis the agreed revenues earned from, and costs incurred for, contract progress and showing such net revenues, after deduction of customer prepayments, as trade receivables. Such progress, or percentage of completion, is determined either from the ratio the costs incurred by balance sheet date bear to the expected total contract costs, or on the basis of agreed milestones.

The other current assets are carried at their face or par values. Due allowances are charged for bad debts and accounts due from countries involving transfer risks; non- or low-interest receivables are discounted. A flat allowance for doubtful accounts provides for the general collection risk on the basis of empirical data. Prepayments, whether made or received, are shown net excluding value-added tax.

Short-term securities are carried at the lower of cost or market.

The original values of fixed or current assets are reinstated wherever the grounds for any write-down in prior periods do not exist any longer.

Accruals and liabilities

Under the terms of IAS 19, pension accruals provide for future pension obligations according to the projected unit credit method, duly taking into account future payroll and pension trends. In line with IAS 37, the remaining accruals provide for all identifiable risks and uncertain commitments in the amount expected to be realized or utilized. Accruals that include an interest portion are discounted.

Liabilities are stated at the higher of face value or amount repayable.

Deferred income allocates interperiod income by prorating it to the year when earned; examples are rents received, investment grants or allowances.

Deferred taxations

In accordance with IAS 12, deferred taxes are determined for differences in the valuation of assets and liabilities between the financial statements and the tax accounts, for consolidation transactions recognized in income, as well as for realizable tax loss carry-overs. Deferred tax assets are not recognized unless the attendant tax credits or reductions will probably materialize. They are shown in a separate line after current assets, while deferred tax liabilities are included in accruals.

Income, gains, expenses and losses

Net sales are recognized as and when the underlying products or goods have been delivered or the services rendered, always net after all sales deductions, such as cash and other discounts, customer allowances granted, etc.

Revenues from long-term construction contracts are recognized on a percentage-of-completion basis.

Operating expenses are recorded when the underlying products or services are utilized, whereas expenses for advertising and sales promotion and other sales-related expenses are recognized when incurred. We provide for warranty accruals when products are sold. Interest expense and other cost of debt are expensed in the period.

Estimates

Preparing the consolidated financial statements requires certain assumptions and estimates to be made for the valuation of some assets and liabilities and the disclosure of contingent liabilities, as well as for the disclosure of income and expenses. Actual values may differ from those estimates.

Segment reporting

in € million

	Commercial vehicles		Industrial services		Printing machines	
	1999/2000	1998/99	1999/2000	1998/99	1999/2000	1998/99
Total sales of the segments	5 755	4 931	2 541	2 668	1 848	1 680
thereof Germany	2 457	2 336	598	665	473	353
thereof other Europe	2 872	2 259	464	501	782	753
thereof other regions	426	336	1 479	1 502	593	574
less intercompany transfers	(43)	(18)	(67)	(58)	(63)	(75)
External net sales	5 712	4 913	2 474	2 610	1 785	1 605
EBT (earnings before taxes)	269	231	75	71	79	69
Total assets at June 30	3 889	3 324	1 670	1 501	989	1 064
Capital employed (average)	2 131	1 874	686	631	572	637
Capital expenditures	416	312	46	36	49	95
Amortization/depreciation	170	156	26	26	36	42
Employees at June 30 (number)	33 814	29 391	7 145	6 811	10 056	9 860
ROS (return on sales)	4.7%	4.7%	3.0%	2.7%	4.3%	4.1%
ROCE (return on capital employed)	16.7%	16.2%	14.9%	15.5%	19.1%	15.7%

Segment details

The Commercial vehicles, Industrial services, Printing machines and Diesel engines corporate divisions are identical with the subgroups MAN Nutzfahrzeuge, Ferrostaal, MAN Roland Druckmaschinen, and MAN B&W Diesel.

Under the umbrella of Industrial Equipment & Facilities, the following subgroups are subsumed: MAN Turbomaschinen GHH BORSIG, MAN Technologie, RENK, Deggendorfer Werft und Eisenbau, Schwäbische Hüttenwerke, and the SMS Group. As from fiscal 1999/2000, MAN TAKRAF Fördertechnik has been managed by DSD Dillinger Stahlbau and assigned to the Industrial services corporate division; previously, it was a subgroup within Industrial equipment & facilities.

Self-explanatory, MAN Financial Services comprises the MAN Group's financial services on behalf of customers and subsidiaries, mainly sales financing/factoring and capital investment funding. The »Holding Company, Others, Consolidation« segment includes besides MAN AG the directly managed other enterprises and covers consolidation transactions at Group level.

The subgroup allocation corresponds to the MAN Group’s breakdown by and into corporate divisions used for internal management reporting purposes.

For more detailed subgroup information, see pages 106–109 of this annual report.

Diesel engines		Industrial equipments and facilities		MAN Financial Services		Holding Company, Others		MAN Group	
1999/2000	1998/99	1999/2000	1998/99	1999/2000	1998/99	1999/2000	1998/99	1999/2000	1998/99
1 106	1 026	3 446	3 091	267	224	(382)	(364)	14 581	13 256
170	187	769	909	250	213	(299)	(336)	4 418	4 327
392	380	973	750	17	11	(19)	27	5 481	4 681
544	459	1 704	1 432	–	–	(64)	(55)	4 682	4 248
(40)	(39)	(31)	(107)	(239)	(188)	483	485	–	–
1 066	987	3 415	2 984	28	36	101	121	14 581	13 256
54	37	140	154	12	15	39	(20)	668	557
976	756	2 866	2 275	1 463	755	(660)	(246)	11 193	9 429
501	391	1 109	1 055	–	–	–	–	5 393	4 728
115	35	151	107	460	329	(20)	(33)	1 217	881
31	35	93	70	158	123	11	14	525	466
6 966	6 010	15 600	14 071	36	14	707	681	74 324	66 838
4.9%	3.6%	4.1%	5.0%	–	–	–	–	4.6%	4.2 %
12.5%	11.4%	17.0%	18.2%	–	–	–	–	15.9%	15.4 %

Comments on segment data

The total sales of the segments are additionally broken down by geographical markets. Intercompany transfers are based on fair market prices as if at arm's length.

Total assets comprise fixed and current assets, as well as deferred taxes and prepaid expenses.

The capital employed includes equity plus interest-bearing debt, i.e. interest-bearing financial liabilities, pension accruals and deferred income.

Besides the additions to other fixed assets, the capital expenditures also include the outlay for acquiring shares in consolidated subsidiaries.

Amortization, depreciation and write-down are shown as charged to fixed assets.

Key rates of return

The MAN Group's objective is to increase shareholder value and, therefore, we have adopted the ROS and ROCE indicators to control and assess performance by the Group and its corporate divisions. The return on sales (ROS) is obtained by dividing EBT into net sales and used to rate the profitability of current operations.

The return on capital employed (ROCE) is a creditor-oriented indicator that mostly appeals to investors and lenders; it is determined by dividing pretax profit before interest expenses into average capital employed.

(1) Sales by geographical markets

in € million

	1999/2000	1998/1999
Germany	4 418	4 327
Other EU	4 280	3 672
Other Europe	1 201	1 009
Asia	1 592	1 436
North and Latin America	2 169	1 833
Africa	820	828
Australia and Oceania	101	151
	14 581	**13 256**

Further segment data: region-by-region breakdown

in € million

	Germany	Other Europe	All other regions	Total
1999/2000				
Total assets at June 30	6 935	3 230	1 028	11 193
Capital expenditures	768	428	21	1 217
Amortization/depreciation/write-down	411	98	16	525
Employees at June 30 (number)	49 487	19 488	5 349	74 324
1998/1999				
Total assets at June 30	5 923	2 331	1 175	9 429
Capital expenditures	658	196	27	881
Amortization/depreciation/write-down	380	70	16	466
Employees at June 30 (number)	47 520	13 862	5 456	66 838

Notes to the consolidated income statement

(2) Other operating income

in € million

	1999/2000	1998/1999
Gains from the disposal of fixed assets	96	84
Income from the release of accruals	87	75
Income from other trade business, net	51	54
Miscellaneous	177	149
	411	**362**

The income from the release of accruals refers to the portion not assigned to functional expenses.

The miscellaneous other operating income rose as accruals were utilized, such utilization contrasting with expenses within both cost of sales and other operating expenses.

(3) Other operating expenses

in € million

	1999/2000	1998/1999
Research & development expenses	319	329
Provisions for accruals	195	193
Allowances for current assets	67	107
Other personnel expenses	18	38
Amortization of goodwill from capital consolidation	20	–
Miscellaneous	164	183
	783	**850**

This caption comprises the expenses not assigned to any of the functional cost categories; R&D expenses reflect only the contract-unrelated and non-capitalized portion.

(4) Income from investments

in € million

	1999/2000	1998/1999
Income from profit & loss transfer agreements	4	4
Income from investments in associated affiliates	1	7
Income from other investments	8	9
Expenses from loss absorption	(2)	(4)
Write-down of investments	(1)	(4)
	10	**12**

The income from investments includes €11 million (down from €5 million) of income from, and €1 million (unchanged) of expenses to, nonconsolidated Group companies.

(5) Net interest result

in € million

	1999/2000	1998/1999
Other interest and similar income	76	91
Interest and similar expenses	(79)	(69)
Write-down of short-term securities	(1)	(1)
Interest portion of provision for pension accruals	(112)	(102)
	(116)	**(81)**

€11 million (up from €9 million) of the interest income and an unchanged €4 million of interest expenses are allocable to nonconsolidated Group companies.

(6) Income taxes

in € million

	1999/2000	1998/1999
Current taxes	138	119
Deferred taxes	106	67
	244	**186**

The period's income tax expense breaks down as follows:

in € million

	1999/2000	1998/1999
EBT (earnings before taxes)	668	557
Calculated corporate income tax	282	235
Trade tax on income in Germany	47	19
Foreign tax-rate differential	(18)	(20)
Tax-free income	(29)	(22)
Prorated loss carryovers	(25)	(60)
Amortization of goodwill	8	–
Nonperiod taxes	(3)	49
Other	(18)	(15)
Income taxes	**244**	**186**

The corporate income tax was calculated by using the tax rate of 40 percent applicable in Germany to retained earnings, and adding the solidarity surtax of 5.5 percent thereof, hence a total 42.2 percent, which was applied to EBT.

Deferred taxes are recognized for differences between the valuation in the consolidated financial statements and the annual accounts underlying local (non-German) taxation, as well as for tax loss carryovers.

In line with the prudence concept, deferred taxes account only for those amounts of loss carryovers for which taxable income sufficient for realizing the deferred tax assets is expected within the succeeding two fiscal years. Further loss carryovers utilizable for an indefinite period of time exist in Germany at €35 million and abroad at €30 million. Additional loss carryovers are available outside of Germany but subject to expiration.

Undistributed earnings of non-German companies are not subject to deferred tax liabilities since such earnings are expected to remain and be reinvested in the country long term.

The deferred taxes are allocable to the following balance sheet lines:

in € million

	June 30, 2000	June 30,1999
Deferred tax assets		
Pension accruals	152	137
Inventories and receivables	67	128
All other accruals	179	138
Loss carryovers	18	60
	416	**463**
Deferred tax liabilities		
Fixed assets	250	156
Inventories and receivables	126	112
Untaxed reserves in local financial statements	43	55
All other accruals	33	68
	452	**391**

(7) Earnings per share (EPS)

	1999/2000	1998/1999
Net income after minority interests (in € million)	389	344
Weighted average of shares issued (in million shares)	154.2	154.2
EPS (in €)	2.52	2.23

In accordance with IAS 33, the number of shares issued is divided into the Group's net income after minority interests to obtain the earnings per share.

Whether at June 30, 2000, or June 30, 1999, no unexercised stock options existed to dilute earnings per share.

Notes to the consolidated balance sheet

(8) Fixed-asset schedule

in € million — At cost

	Balance at June 30, 1999	Change in consolidation group	Additions	Book transfers	Disposals	Currency translation differences	Balance at June 30, 2000
Licenses, software, similar rights and assets	100	13	24	–	(9)	–	128
Development costs	–	–	71	–	–	–	71
Goodwill from consolidation	–	247	–	–	–	(1)	246
Intangible assets	**100**	**260**	**95**	**–**	**(9)**	**(1)**	**445**
Land, equivalent titles, and buildings (including buildings on leased land)	2 154	55	65	15	(18)	8	2 279
Production plant and machinery	2 015	211	174	31	(103)	13	2 341
Other plant, factory & office equipment	1 274	48	126	10	(85)	5	1 378
Assets leased out	772	–	397	(1)	(147)	–	1 021
Prepayments made, construction in progress	58	11	77	(55)	(6)	1	86
Tangible assets	**6 273**	**325**	**839**	**–**	**(359)**	**27**	**7 105**
Shares in nonconsolidated Group companies	86	(4)	18	–	(3)	–	97
Investments in associated affiliates	3	5	1	–	–	–	9
Other investments	58	–	4	–	(29)	1	34
Other long-term securities	34	3	1	–	(1)	–	37
Long-term loans	37	–	8	–	(10)	–	35
Financial assets	**218**	**4**	**32**	**–**	**(43)**	**1**	**212**
Fixed assets	**6 591**	**589**	**966**	**–**	**(411)**	**27**	**7 762**

The development costs were incurred by Commercial Vehicles, Printing Machines, Diesel Engines, as well as within Industrial Equipment & Facilities by MAN Turbomaschinen and MAN Technologie. The goodwill substantially refers to the companies listed on page 80 and newly consolidated in the year under review.

The assets leased out refer primarily to commercial vehicles. As of June 30, 2000, future rents from uncancelable operating leases amounted to €440 million, including €167 million being due within one year, €255 million after one up to five years, and €18 million after five years.

The market values of the other long-term securities totaled €26 million (down from €31 million). There are no long-term loans (down from €5 million) granted to nonconsolidated Group companies.

Write-down charged to tangible assets amounted to €1 million (down from €4 million), that to financial assets to €10 million (down from €11 million).

Accumulated amortization, depreciation, write-down | **Net book values**

Balance at June 30, 1999	Change in consolidation group	Charged in fiscal year	Book transfers	Disposals	Currency translation differences	Balance at June 30, 2000	Balance at June 30, 2000	Balance at June 30, 1999
67	8	20	–	(8)	–	87	41	33
–	–	1	–	–	–	1	70	–
–	–	20	–	–	–	20	226	–
67	**8**	**41**	–	**(8)**	**–**	**108**	**337**	**33**
961	27	63	(3)	(7)	2	1 043	1 236	1 193
1 502	169	145	(1)	(98)	9	1 726	615	513
1 019	29	114	1	(80)	3	1 086	292	255
258	–	152	–	(78)	–	332	689	514
–	–	–	3	(3)	–	–	86	58
3 740	**225**	**474**	**–**	**(266)**	**14**	**4 187**	**2 918**	**2 533**
30	3	–	–	–	–	33	64	56
–	–	–	–	–	–	–	9	3
9	1	1	–	(8)	–	3	31	49
4	–	7	–	–	–	11	26	30
6	(1)	2	–	(1)	–	6	29	31
49	**3**	**10**	**–**	**(9)**	**–**	**53**	**159**	**169**
3 856	**236**	**525**	**–**	**(283)**	**14**	**4 348**	**3 414**	**2 735**

(9) Inventories

in € million

	June 30, 2000	June 30, 1999
Raw materials and supplies	554	467
Work in process and finished products	2 928	2 438
Merchandise	479	402
Prepayments made	392	224
	4 353	**3 531**

(10) Trade receivables

in € million

	June 30, 2000	June 30, 1999
Due under long-term construction contracts	220	107
Other receivables due from customers	3 304	2 693
Due from nonconsolidated Group companies	66	16
Due from investees	21	7
	3 611	**2 823**

The accounts receivable under long-term manufacturing and construction contracts and recognized according to the PoC method have been determined as follows:

in € million

	June 30, 2000	June 30, 1999
Contract expenses incurred to date incl. net P/L	2 359	1 592
less milestones capitalized as WIP	(295)	(237)
Contract work to date shown as net sales	**2 064**	**1 355**
less prepayments received thereon	(1 844)	(1 248)
	220	**107**

The PoC method affected the period's net sales as follows:

in € million

	1999/00	1998/99
Sales accumulated by July 1	1 355	1 170
Effect of changes in consolidated group, currency	518	3
	1 873	**1 173**
Sales accumulated by June 30	2 064	1 355
Effect on the period's net sales	**+191**	**+182**

Orders and parts thereof billed to customers are shown as other receivables due from customers.

€234 million (up from €172 million) of trade receivables has a remaining term above one year.

(11) Other receivables and current assets

in € million

	June 30, 2000	June 30, 1999
Tax reclaims	108	86
Reinsurance claims	49	47
Sundry current assets	275	215
	432	**348**

€29 million (up from €26 million) of other receivables and current assets has a remaining term above one year.

(12) Short-term securities, cash and cash equivalents

in € million

	June 30, 2000	June 30, 1999
Short-term securities	994	838
Cash on hand and in bank	370	430
Due under intragroup financing from nonconsol. Group companies	39	44
Due under P&L transfer agreements with nonconsol. Group companies	6	3
Due under intragroup financing from investees	42	28
	1 451	**1 343**

The securities are held as liquid investments, their market value totaling €1,128 million (up from €951 million).

The accounts due under intragroup financing reflect receivables from MAN AG's central funding scheme for the Group. The accounts due under P&L transfer agreements with nonconsolidated Group companies include dividends, other profit shares and apportioned taxes receivable.

(13) Equity

MAN AG's capital stock amounts to €394,752,000, divided into 154,200,000 no-par shares which include 110,280,000 shares of common, and 43,920,000 shares of nonvoting preferred, stock. When changing over to euros in the year under review, the Company's capital stock was raised by €545,959.60 by transferring this amount from the additional paid-in capital.

The annual stockholders' meeting and the special meeting of preferred stockholders, both of December 10, 1998, resolved to create authorized capital I and II. The authorized capital I may be used by the Executive Board, after first obtaining the Supervisory Board's approval, to increase the Company's capital stock on or before December 10, 2003, by an aggregate maximum of €153,387,564.36 through one or several issues of bearer stock against cash contribution, while generally granting the stockholders a subscription right. The authorized capital II may be used by the Executive Board, with the Supervisory Board's prior approval, to raise the Company's capital stock on or before December 10, 2003, by an aggregate maximum of €39,420,604.04 through one or several issues of bearer no-par shares of stock against cash contribution, excluding the stockholders' subscription right.

A stake in excess of 25 percent in MAN AG's capital stock is held by Regina-Verwaltungsgesellschaft mbH, Munich (jointly owned at 25 percent each by Allianz AG, Allianz Lebensversicherungs-AG, Commerzbank AG, and Münchener Rückversicherungs-Gesellschaft AG).

The additional paid-in capital solely comprises stock premiums paid in under MAN AG's capital increases. The Group's reserves retained from earnings cover MAN AG's of €401 million (up from €376 million).

The minority interests in the equity of consolidated subsidiaries refer primarily to the SMS Group (at €235 million), to Schwäbische Hüttenwerke (€27 million), S.E.M.T. Pielstick (€13 million), RENK (€12 million), and MAN Roland (€5 million).

(14) Pension accruals

The MAN Group's pension plans include mainly direct defined benefit obligations (DBO). As a rule, service periods with the Group, pensionable pay and in exceptional cases also employee contributions will define the amounts of future pensions. These pension plans are chiefly funded by pension accruals, which are measured on an actuarial basis according to the projected unit credit method with due regard to future trends.

For MAN's German companies, the following assumptions underlie future pay and pension rises:

	1999/2000	1998/1999
Payroll trend	3.0%	3.0%
Pension trend	1.5%	1.5%
Discount rate	6.5%	6.5%

The Group's non-German subsidiaries modify these assumptions according to local circumstances.

Total pension expense breaks down as follows:

in € million

	1999/2000	1998/1999
Current service cost	48	52
Interest cost	112	102
	160	**154**

No expense or income from changes in pension entitlements and postemployment benefits or from updating the assumptions accrued in the year under review.

Pension accruals developed as follows:

in € million

	June 30, 2000	June 30, 1999
Present value of DBO from employer’s commitments	1 845	1 619
Adjustment due to unrealized actuarial gains and losses	38	10
Accrual for pension obligations	1 883	1 629
Accruals for similar commitments	1	19
	1 884	**1 648**

The present value of pension entitlements shows the defined benefit obligation to employees at balance sheet date.

In contrast, long-term actuarial assumptions underlie the accrual according to IAS 19 and hence do not account for any variations at balance sheet date if within the limits specified in IAS 19 (±10% of the DBO's present value).

Therefore, the pension accruals as of June 30, 2000, exceed the DBO's present value by €38 million (up from €10 million).

(15) Other accruals

The warranty accruals provide for implied and express warranties, as well as accommodation warranties extended to customers. The accruals for unbilled costs from contracts invoiced refer to products or services yet to be provided under contracts invoiced and to obligations under maintenance and service contracts.

The accruals for obligations to employees provide for employment anniversary allowances, termination benefits, social plans to mitigate undue hardship, early retirement, and preretirement part-time.

The remaining accruals provide for a wide range of specific risks. The period's provision due to changes in the group of consolidated companies is mostly attributable to Mannesmann Demag Metallurgie. The provisions for accrued obligations to personnel, for restructuring and for order processing costs were utilized as planned.

in U million

	June 30, 1999	Change in cons. group, currency transl.	Utilization	Provision	Release	June 30, 2000
Warranties	369	73	(57)	73	(25)	433
Unbilled costs from contracts invoiced	367	144	(277)	270	(15)	489
Other business obligations	301	74	(162)	173	(15)	371
Obligations to personnel	90	108	(104)	51	(5)	140
Remaining accruals	415	82	(219)	190	(24)	444
	1 542	**481**	**(819)**	**757**	**(84)**	**1 877**

(16) Liabilities

in € million

	remaining term*			June 30, 2000	June 30, 1999
	£1 year	>1 £5 years	>5 years		
Due to banks	783	39	25	847	502
Due under intragroup financing to nonconsolidated Group companies	75	–	3	78	30
Due under P&L transfer agreements with nonconsol. Group companies	12	–	–	12	2
Other financial payables	29	–	1	30	**69**
Financial liabilities	**899**	**39**	**29**	**967**	**603**
Trade payables	**1 793**	**27**	**1**	**1 821**	**1 498**
Liabilities to personnel	583	–	–	583	538
Liabilities for taxes	124	–	–	124	95
Order-related liabilities	4	1	–	5	55
Remaining sundry liabilities	201	4	2	207	158
Sundry liabilities	**912**	**5**	**2**	**919**	**846**
	3 604	**71**	**32**	**3 707**	**2 947**

The accounts due to banks include order- or contract-related refinancing, of which €43 million (down from €55 million) is secured through the assignment of receivables, another €11 million (up from €5 million) being collateralized by land charges and similar encumbrances.

The accounts due under intragroup financing to nonconsolidated Group companies reflect financing funds centrally provided by MAN AG to these companies. The accounts due under P&L transfer agreements include the direct obligations from P&L transfer agreements as well as the attendant tax apportionment. In the year under review, these payables did not carry interest and fall due at July 1 of the succeeding fiscal year.

The liabilities to personnel comprise wages, salaries and social security taxes not yet due at balance sheet date, accrued vacation and Christmas bonuses, as well as special year-end payments.

Trade payables include €39 million (up from €18 million) due to nonconsolidated Group companies.

Contingent liabilities

in € million

	June 30, 2000	June 30, 1999
Notes endorsed and discounted	144	167
Guaranties and suretyships	223	128
Warranty obligations	90	95
	457	**390**

The warranty obligations have primarily been entered into in favor of sales financing companies or factors in North America.

Other information

Other disclosures for the income statement

The cost of sales includes the following cost of materials:

in € million	1999/2000	1998/1999
Cost of raw materials, supplies and merchandise	6 808	6 202
Cost of services purchased	912	1 184
	7 720	**7 386**

Personnel expenses break down as follows:

in € million	1999/2000	1998/1999
Wages and salaries	2 951	2 737
Social security taxes and pension expense	655	608
	3 606	**3 345**

Pension expense excludes the interest portion of the period's provision for pension accruals.

On an annual average, the MAN Group employed:

Number of employees	1999/2000	1998/1999
Commercial Vehicles	31 788	29 191
Industrial Services	7 312	6 952
Printing Machines	9 970	9 908
Diesel Engines	6 140	6 186
Industrial Equipment & Facilities	15 291	14 205
MAN Financial Services	33	14
MAN AG, Others	705	701
	71 239	**67 157**

Other financial obligations

Future rents for the minimum lease terms fall due as follows:

in € million	June 30, 2000	June 30, 1999
Within one year	78	68
After more than one but within five years	163	160
After more than five years	225	139
	466	**367**

Purchase obligations to third parties from pending capital expenditure projects are within the scope of ordinary day-to-day business.

Mannesmann Demag Krauss-Maffei AG's 28-percent stake in SMS Demag AG is subject to reciprocal call/put options exercisable on or before December 31, 2005.

Derivative financial instruments

in € million	June 30, 2000	June 30, 1999
Currency hedges		
maturing within one year	4 124	2 562
maturing after one year	514	384
total notional volume	4 638	2 946
market values	(10)	(47)
Interest rate hedges		
maturing within one year	42	34
maturing after one year	498	173
total notional volume	540	207
market values	+4	(5)

MAN uses OTC financial derivatives to hedge against currency and interest rate risks from its business operations. The notional volume equals the sum total of agreed buying and selling contract amounts.

The market values are the repurchase values of financial derivatives at balance sheet date without regard to any opposite trends from the hedged underlying transactions. They are determined on the basis of quoted prices or standardized procedures. Most negative market values of currency hedges are attributable to US dollar derivatives but are offset by positive changes in the hedged underlying transactions' value.

Financial derivatives are throughout contracted with banks of prime standing and are subject to stringent monitoring, which is particularly ensured through the strict segregation of contracting, settlement and controlling duties.

Cash flow statement

In the cash provided by operating activities, noncash operating expenses and income, as well as the gains from fixed-asset disposal were all eliminated. The interest income of €76 million (down from €91 million), interest expense of €79 million (up from €69 million), and income taxes paid at €80 million (down from €113 million) are allocated to operating activities. The net result from investments stated at equity is not included unless distributed.

The cash used in investing activities includes the capital expenditures for intangible and tangible assets and for financial assets of €966 million (up from €826 million) as well as, payments for acquisitions eliminated in the fixed-asset analysis when consolidating the shareholdings which totaled €251 million (up from €55 million).

The cash used in financing activities mainly reflects the change in short-term securities held as liquid investments and in financial liabilities. Cash and cash equivalents comprise cash on hand and in bank, plus the receivables from intragroup financing.

Supervisory and Executive Boards

If the cash dividend distribution is resolved by the annual stockholders' meeting as proposed, the members of the Supervisory Board will receive a total remuneration of €0.960 million (down from €0.966 million), those of the Executive Board a total €4.813 million (up from €3.827 million), breaking down into €2.108 million (up from €1.927 million) of fixed, and €2.705 million (up from €1.900 million) of variable, corporate performance-related, income.

The emoluments of former Executive Board members and their surviving dependants amounted to €3.063 million (up from €2.930 million), while for the accrued pension obligations to such former members and their dependants, altogether €28.065 million (down from €29.718 million) has been provided.

One Supervisory Board member has been granted a housing loan carrying interest at the annual rate of 6 percent and maturing after an agreed term of 25 years. At June 30, 2000, the residual loan balance came to €0.039 million (down from €0.041 million).

The Supervisory and Executive Board members are listed on pages 4 to 5 and 102 to 104 of the annual report, where their memberships in other statutory supervisory boards are disclosed, too.

Munich, September 12, 2000

MAN Aktiengesellschaft
The Executive Board

Memberships in other statutory boards or equivalent
Executive Board

Dr.-Ing. E. h.
Rudolf Rupprecht

(a) Buderus AG
Salzgitter AG
Walter Bau-AG
(b) MAN Nutzfahrzeuge AG (chairm.)
Ferrostaal AG (chairm.)
MAN Roland Druckmaschinen AG (chairm.)
MAN B&W Diesel AG (chairm.)
MAN Technologie AG (chairm.)
RENK Aktiengesellschaft (chairm.)
SMS Aktiengesellschaft (chairm.)
(d) MAN B&W Diesel A/S, Denmark (chairm.)

Dr. rer. pol.
Ferdinand
Graf von Ballestrem

(a) Bayerische Versicherungsbank AG
Nürnberger Hypothekenbank AG
(b) Schwäbische Hüttenwerke GmbH (chairm.)
RENK Aktiengesellschaft (vice-chairm.)
MAN Technologie AG
SMS Aktiengesellschaft
DSD Dillinger Stahlbau GmbH

Dr. rer. pol.
Klaus von Menges

(a) Deutsche Investitions- und Entwicklungsgesellschaft mbH
Dresdner Bank Lateinamerika AG
(b) DSD Dillinger Stahlbau GmbH (chairm.)
MAN Turbomaschinen AG
GHH BORSIG (vice-chairm.)
MAN Roland Druckmaschinen AG
MAN B&W Diesel AG
SMS Demag AG
(d) MAN B&W Diesel A/S, Denmark

Dr.-Ing.
Klaus Schubert

(a) Krupp Thyssen Automotive AG
(b) MAN Technologie AG (vice-chairm.)
MAN Turbomaschinen AG
GHH BORSIG
d) Österreichische Automobilfabrik Ö.A.F.-Gräf & Stift AG, Austria (chairm.)
Steyr Nutzfahrzeuge AG, Austria (chairm.)
MAN Automotive (South Africa) (Pty.) Ltd., South Africa (chairm.)
MAN Kamyon ve Otobüs Sanayi A.S. (Manas), Turkey (chairm.)
ERF (Holdings) plc. (chairm.)
STAR Trucks Sp. z o.o. (chairm.)

Dr. jur.
Hans-Jürgen
Schulte LL.M.

(b) Drei Mohren AG (chairm.)
MAN TAKRAF Fördertechnik GmbH (vice-chairm.)
MAN Nutzfahrzeuge AG
RENK Aktiengesellschaft
(d) S.E.M.T. Pielstick, France (chairm.)
MAN B&W Diesel Ltd., UK (chairm.)

Dr. jur.
Philipp J. Zahn

(b) MAN Nutzfahrzeuge AG
Ferrostaal AG
MAN Roland Druckmaschinen AG
MAN B&W Diesel AG
MAN TAKRAF Fördertechnik GmbH
MAN Plamag Druckmaschinen AG
(d) MAN B&W Diesel A/S, Denmark

(a) member of a German company's supervisory board
(b) member of a Group company's board
(c) member of a comparable board outside of Germany
(d) member of a non-German Group company's comparable board abroad

Supervisory Board

Dr. jur. Dr. rer. pol. h. c. Klaus Götte	(a) Allianz Lebensversicherungs-AG KM Europa Metal AG	SMS Aktiengesellschaft ThyssenKrupp AG
Dr. rer. pol. Gerlinde Strauss-Wieczorek	(a) MAN Nutzfahrzeuge AG (vice-chairm.) Grammer AG	
Dr. jur. Henning Schulte-Noelle	(a) BASF AG Dresdner Bank AG Linde AG (vice-chairm.) Mannesmann AG Münchener Rückversicherungs-Gesellschaft (vice-chairm.) Siemens AG ThyssenKrupp AG E.ON AG	(b) Allianz Versicherungs-AG (chairm.) Allianz Lebensversicherungs-AG (chairm.) (c) Vodafone Airtouch PLC (d) AGF (vice-chairm.) Elvia Versicherungen Fireman's Fund RAS
Dr. jur. Friedhelm Gieske	(a) KarstadtQuelle AG National-Bank AG (vice-chairm.) RWE AG	
Dr. rer. nat. Hubertus von Grünberg	(a) Allianz-Versicherungs-AG Continental AG (chairm.)	Deutsche Telekom AG (c) Schindler Holding AG
Dr. phil. Klaus Heimann	(a) Delton AG Krones AG	
Karlheinz Hiesinger	(a) MAN B&W Diesel AG (vice-chairm.)	
Dr. Eng. h. c. Volker Jung	(a) Direktanlagebank AG EPCOS AG (chairm.)	Messe München GmbH (b) Infineon Technologies AG (chairm.)
Dr. rer. oec. Norbert Käsbeck	(a) AMB Aachener und Münchener Beteiligungs-AG Hugo Boss AG Friatec AG (vice-chairm.) HAWESKO Holding AG Salamander AG SÜBA Bau AG	(b) ADIG Allgemeine Deutsche Investment-Gesellschaft mbH (vice-chairm.) comdirect bank AG (chairm.) Commerz Grundbesitz-Investmentgesellschaft mbH (1st vice-chairm.) (d) Commerz Finanz-Management GmbH (chairm.)

Hans Jakob Kruse

(a) DaimlerChrysler Aerospace Airbus GmbH
Hapag Lloyd AG
Oceanica GmbH & Cie-KGaA (chairm.)

Dr. rer. pol. Hans Meinhardt

Beiersdorf AG (chairm.)
KarstadtQuelle AG (chairm.)
Karstadt Warenhaus AG
Linde AG (chairm.)
VARTA AG (chairm.)
(c) nv w.a. Hoek's Machineen Zuurstoffabriek Schiedam (vice-chairm.)

Peter Potrykus

(a) MAN Nutzfahrzeuge AG

Dr. jur. Hans-Jürgen Schinzler

(a) Allianz Lebensversicherungs-AG (vice-chairm.)
Dresdner Bank AG
ERGO Versicherungsgruppe AG (chairm.)
(b) MR Beteiligungen AG (chairm.)
MRE Beteiligungen AG (chairm.)
(c) Aventis S.A.
Dresdner Kleinwort Benson North America Inc.
(d) American Re Corporation (chairm.)

Prof. Dr.-Ing. Ekkehard Schulz

(a) Commerzbank AG
Hapag Lloyd AG
RAG Aktiengesellschaft (vice-chairm.)
RWE Energie AG
STRABAG AG
(b) Eisen- und Hüttenwerke AG (chairm.)
Krupp Thyssen Stainless GmbH (chairm.)
ThyssenKrupp Materials & Services AG
ThyssenKrupp Stahl AG (chairm.)
(d) The Budd Company Thyssen Inc.

Dr. rer. nat. Hanns-Helge Stechl

(a) Pfleiderer AG
Pfleiderer Unternehmensverwaltung GmbH & Co. KG

Supervisory Board committees

Standing Committee

Dr. jur. Dr. rer. pol. h. c. Klaus Götte
Dr. rer. pol. Gerlinde Strauss-Wieczorek
Dr. jur. Henning Schulte-Noelle
Dr. Eng. h. c. Volker Jung
Lothar Pohlmann

Committee for Executive Board Membership

Dr. jur. Dr. rer. pol. h. c. Klaus Götte
Dr. rer. pol. Gerlinde Strauss-Wieczorek
Dr. jur. Henning Schulte-Noelle

Auditor's report & opinion

We have audited the consolidated accounts (consisting of income statement, balance sheet, cash flow statement, statement of changes in equity, and notes) as prepared by MAN AG for the full fiscal year ended June 30, 2000. The preparation and contents of the consolidated accounts are the responsibility of the Company's Executive Board. Our responsibility is, based on our audit, to express an opinion on whether the consolidated accounts conform with International Accounting Standards (IAS).

We conducted our annual group audit in accordance with German auditing regulations and with due regard to generally accepted standards on the audit of financial statements as established by IDW, the Institute of Sworn Public Auditors in Germany, as well as additionally to the International Standards on Auditing (ISA). Said standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of any material misstatements. When planning the audit procedures, knowledge and understanding of the group's business, its economic and legal environment as well as sources of potential errors are given due consideration. An audit includes examining, largely on a test basis, the evidence supporting the amounts and disclosures in the group accounts. An audit also includes assessing the accounting principles used, and significant estimates made, by the Executive Board, as well as evaluating the overall presentation of the consolidated accounts. We believe that our audit provides a reasonable basis for our opinion.

It is our opinion that the consolidated accounts, which are in conformity with IAS, present a true and fair view of the group's financial position, the results of its operations and its cash flows in the fiscal year ended June 30, 2000.

Our audit, which also encompassed the group management report prepared by the Executive Board for the fiscal year ended June 30, 2000, has not resulted in any objections or exceptions. It is our opinion that the group management report presents fairly both the group's overall position and the risks inherent in its future development. In addition, we confirm that the group's consolidated accounts and management report for the fiscal year then ended satisfy the requirements for exempting the Company from preparing consolidated group accounts and a group management report in accordance with German law. We conducted our audit of the required consistency of the group accounting with the 7th EC Directive for the exemption from the requirement for group accounting under German Commercial Code provisions, on the basis of the interpretation of this directive by the European Commission's Contact Committee on Accounting Directives.

Munich, September 15, 2000

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff	Goppelt
Wirtschaftsprüfer	Wirtschaftsprüfer

Summarized financial statements of the MAN Group's business areas/subgroups

in € million

	MAN Nutzfahrzeuge Subgroup		Ferrostaal Subgroup	
	1999/00	1998/99	1999/00	1998/99
Fixed assets	**1 254**	**1 066**	**211**	**199**
Inventories	1 372	1 159	580	534
Prepayments received	(32)	(18)	(613)	(675)
Receivables and other current assets, prep. expenses	1 127	1 008	724	634
Securities, cash, cash equivalents	69	32	688	781
Current assets	**2 536**	**2 181**	**1 379**	**1 274**
Deferred tax assets	**99**	**77**	**80**	**28**
Total assets	**3 889**	**3 324**	**1 670**	**1 501**
Equity	**819**	**676**	**477**	**380**
Pension accruals	519	499	218	207
Current tax accr., deferred taxes	165	108	73	58
Other accruels	440	378	183	210
Fin. and remaining liabilities, deferred income	1 946	1 663	719	646
Total liabilities	**3 070**	**2 648**	**1 193**	**1 121**
Total equity and liabilities	**3 889**	**3 324**	**1 670**	**1 501**
Net sales	**5 755**	**4 931**	**2 541**	**2 668**
Costs of sales	(4 752)	(3 998)	(2 272)	(2 374)
Gross margin	**1 003**	**933**	**269**	**294**
Selling expenses	(348)	(315)	(127)	(145)
General administrative expenses	(145)	(132)	(81)	(85)
Other operating income and expenses	(157)	(187)	7	(9)
Net interest result	(84)	(68)	7	16
Profit from ordinary operations	**269**	**231**	**75**	**71**
New orders	**6 274**	**4 950**	**2 927**	**2 228**
from Germany	2 656	2 318	604	700
from outside Germany	3 618	2 632	2 323	1 528
Orders on hand at June 30	**2 168**	**1 628**	**2 458**	**1 978**
Employees at June 30 (number)	**33 814**	**29 391**	**7 145**	**6 811**
in Germany	21 856	20 910	4 104	4 050
outside Germany	11 958	8 481	3 041	2 761
Employees on an annual average (number)	**31 788**	**29 191**	**7 312**	**6 952**
Personnel expenses	**1 433**	**1 319**	**338**	**308**
Key figures				
Capital expenditures	416	312	46	36
Cash flow for the year acc. to DVFA/SG	331	314	75	63
Return on sales (ROS) before taxes on income	4.7%	4.7%	3.0%	2.7%
Return on capital employed (ROCE)	16.7%	16.2%	14.9%	15.5%

MAN Roland Subgroup		**MAN B&W Diesel** Subgroup		**MAN Industrial Equipment and Facilities***		**MAN Financial Services**	
1999/00	1998/99	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99
248	**295**	**232**	**143**	**522**	**427**	**945**	**581**
566	605	406	338	1 233	857	2	3
(403)	(291)	(62)	(55)	(1 279)	(802)	–	–
422	379	351	244	1 007	737	477	159
115	41	22	69	1 276	954	39	12
700	**734**	**717**	**596**	**2 237**	**1 746**	**518**	**174**
41	**35**	**27**	**17**	**107**	**102**	**–**	**–**
989	**1 064**	**976**	**756**	**2 866**	**2 275**	**1 463**	**755**
294	**288**	**307**	**278**	**611**	**628**	**143**	**107**
206	197	112	108	561	366	–	–
24	8	28	11	204	166	66	44
152	134	124	119	716	448	1	1
313	437	405	240	774	667	1 253	603
695	**776**	**669**	**478**	**2 255**	**1 647**	**1 320**	**648**
989	**1 064**	**976**	**756**	**2 866**	**2 275**	**1 463**	**755**
1 848	**1 680**	**1 106**	**1 026**	**3 446**	**3 091**	**267**	**224**
(1 390)	(1 233)	(850)	(825)	(2 822)	(2 464)	(237)	(197)
458	**447**	**256**	**201**	**624**	**627**	**30**	**27**
(136)	(130)	(80)	(82)	(257)	(219)	–	–
(81)	(85)	(53)	(48)	(184)	(166)	(4)	(2)
(145)	(142)	(62)	(28)	(52)	(98)	20	16
(17)	(21)	(7)	(6)	9	10	(34)	(26)
79	**69**	**54**	**37**	**140**	**154**	**12**	**15**
2 095	**1 792**	**1 192**	**969**	**3 268**	**2 647**	**267**	**224**
443	455	173	167	775	692	250	213
1 652	1 337	1 019	802	2 493	1 955	17	11
1 246	**996**	**762**	**564**	**4 004**	**3 437**	**–**	**–**
10 056	**9 860**	**6 966**	**6 010**	**15 600**	**14 071**	**36**	**14**
8 530	8 375	2 636	2 835	11 680	10 665	4	4
1 526	1 485	4 330	3 175	3 920	3 406	32	10
9 970	**9 908**	**6 140**	**6 186**	**15 291**	**14 205**	**33**	**14**
551	**527**	**310**	**306**	**919**	**823**	**1**	**1**
49	95	115	35	151	107	460	329
89	91	66	43	195	206	151	125
4.3%	4.1%	4.9%	3.6%	4.1%	5.0%	–	–
19.1%	15.7%	12.5%	11.4%	17.0%	18.2%	–	–

* The figures for 1998/99 include those of the MAN TAKRAF group division and (pro-rated) of New Elliott Corporation.
The listing of the individual group divisions forming the industrial equipment and facilities business area is found on the following pages.

MAN Industrial equipment and facilities: Subgroups

in € million

	MAN Turbomaschinen AG GHH BORSIG*		**MAN Technologie** Aktiengesellschaft**	
	1999/00	1998/99	1999/00	1998/99
Fixed assets	**13**	**12**	**64**	**101****
Inventories	76	60	128	103
Prepayments received	(8)	(15)	(125)	(138)
Receivables and other current assets, prep. expenses	152	131	48	50
Securities cash, cash equivalents	–	–	23	56
Current assets	**220**	**176**	**74**	**71**
Deferred tax assets	**8**	**4**	**8**	**3**
Total assets	**241**	**192**	**146**	**175**
Equity	**46**	**39**	**22**	**62****
Pension accruals	43	39	52	48
Current tax accr., deferred taxes	14	4	12	6
Other accruels	15	16	31	27
Fin. and remaining liabilities, deferred income	123	94	29	32
Total liabilities	**195**	**153**	**124**	**113**
Total equity and liabilities	**241**	**192**	**146**	**175**
Net sales	**360**	**392**	**210**	**205**
Costs of sales	(283)	(311)	(149)	(143)
Gross margin	**77**	**81**	**61**	**62**
Selling expenses	(35)	(34)	(7)	(4)
General administrative expenses	(19)	(18)	(13)	(18)
Other operating income and expenses	(4)	(8)	(26)	(5)**
Net interest result	(4)	(3)	(2)	(3)
Profit from ordinary operations	**15**	**18**	**13**	**32****
New orders	**360**	**358**	**206**	**201**
from Germany	94	98	61	49
from outside Germany	266	260	145	152
Orders on hand at June 30	**258**	**264**	**433**	**439**
Employees at June 30 (number)	**1 671**	**1 684**	**1 127**	**1 106**
in Germany	1 671	1 684	1 127	1 106
outside Germany	–	–	–	–
Employees on an annual average (number)	**1 678**	**1 675**	**1 119**	**1 100**
Personnel expenses	**109**	**107**	**76**	**72**
Key figures				
Capital expenditures	5	6	15	10
Cash flow for the year acc. to DVFA/SG	16	19	18	22
Return on sales (ROS) before taxes on income	4.2%	4.6%	6.0%	7.6%
Return on capital employed (ROCE)	17.4%	25.0%	22.5%	30.6%

* 1999/2000's figures do not include Elliott, since sold; the previous year's figures have been adapted accordingly

** the financial figures for 1998/99 include the effects of the holding in MAN Turbomaschinen; 1998/99's key figures have been adapted to exclude the effects of MAN Turbomaschinen

RENK Subgroup		**Deggendorfer Werft und Eisenbau** Subgroup		**SMS group**		**Schwäbische Hüttenwerke** GmbH	
1999/00	1998/99	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99
34	**33**	**20**	**18**	**340**	**197**	**51**	**42**
93	85	14	31	902	486	21	19
(72)	(43)	(12)	(25)	(1 056)	(530)	(4)	(2)
55	61	25	17	692	361	31	35
38	11	6	19	1 181	752	28	31
114	**114**	**33**	**42**	**1 719**	**1 069**	**76**	**83**
15	**10**	**2**	**1**	**70**	**60**	**4**	**6**
163	**157**	**55**	**61**	**2 129**	**1 326**	**131**	**131**
55	**39**	**20**	**17**	**415**	**348**	**54**	**52**
46	44	11	11	390	194	19	19
6	1	6	3	161	138	4	8
13	13	3	4	638	328	16	13
43	60	15	26	525	318	38	39
108	**118**	**35**	**44**	**1 714**	**978**	**77**	**79**
163	**157**	**55**	**61**	**2 129**	**1 326**	**131**	**131**
228	**226**	**84**	**106**	**2 353**	**1 631**	**211**	**213**
(173)	(176)	(76)	(80)	(1 955)	(1 303)	(185)	(189)
55	**50**	**8**	**26**	**398**	**328**	**26**	**24**
(15)	(14)	(2)	(3)	(192)	(134)	(6)	(6)
(11)	(12)	(4)	(3)	(133)	(94)	(4)	(4)
(2)	3	6	(8)	(23)	(59)	(2)	2
(3)	(3)	–	–	18	19	(1)	–
24	**24**	**8**	**12**	**68**	**60**	**13**	**16**
335	**302**	**83**	**47**	**2 068**	**1 323**	**216**	**207**
81	89	18	16	380	273	141	139
254	213	65	31	1 688	1 050	75	68
445	**338**	**73**	**75**	**2 712**	**2 050**	**84**	**79**
1 500	**1 510**	**507**	**514**	**9 446**	**6 331**	**1 349**	**1 315**
1 428	1 441	422	430	5 683	4 101	1 349	1 315
72	69	85	84	3 763	2 230	–	–
1 498	**1 518**	**513**	**519**	**9 160**	**6 355**	**1 323**	**1 358**
79	**78**	**25**	**28**	**563**	**377**	**66**	**65**
8	8	5	6	98	50	20	16
26	29	7	10	109	80	19	19
10.5%	10.6%	9.4%	11.1%	2.9%	3.7%	6.0%	7.4%
29.9%	29.6%	29.5%	46.4%	14.1%	14.7%	19.1%	24.1%

The MAN Group: a seven-year overview [1)]

in € million	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
New orders	**9 440**	**10 534**	**10 628**	**11 606**	**12 839**	**12 489**	**15 640**
from Germany	3 318	3 609	3 357	3 712	4 320	4 239	4 623
from outside Germany	6 122	6 925	7 271	7 894	8 519	8 250	11 017
New orders acc. to business areas							
Commercial vehicles	3 464	3 954	3 855	4 155	4 858	4 950	6 274
Industrial services	1 799	1 974	2 022	2 694	2 866	2 228	2 927
Printing machines	1 071	1 216	1 143	1 175	1 565	1 792	2 095
Diesel engines	848	848	871	884	921	969	1 192
Industrial equipment and facilities	2 451	2 731	2 945	2 717	2 762	2 647	3 268
Financial Services	–	–	–	–	–	224	267
Net sales	**9 278**	**9 511**	**10 364**	**10 918**	**12 634**	**13 256**	**14 581**
in Germany	3 544	3 608	3 627	3 498	4 068	4 327	4 418
outside Germany	5 734	5 903	6 737	7 420	8 566	8 929	10 163
Net sales acc. to business areas							
Commercial vehicles	3 529	3 700	4 082	4 067	4 516	4 931	5 755
Industrial services	1 844	2 059	1 962	2 206	3 228	2 668	2 541
Printing machines	1 043	1 024	1 207	1 264	1 359	1 680	1 848
Diesel engines	806	822	782	826	984	1 026	1 106
Industrial equipment and facilities	2 260	2 098	2 503	2 406	2 621	3 091	3 446
Financial Services	–	–	–	–	–	224	267
Orders on hand at June 30	**7 740**	**8 636**	**9 010**	**10 074**	**9 314**	**8 604**	**10 643**
from Germany	2 086	2 058	1 824	2 321	2 778	2 723	2 895
from outside Germany	5 654	6 578	7 186	7 753	6 536	5 881	7 748
Employees at June 30 (number)	**56 997**	**56 503**	**57 826**	**62 564**	**63 887**	**66 838**	**74 324**
employed by companies in Germany	46 164	45 085	45 919	47 161	47 347	47 520	49 487
employed by companies outside Germany	10 833	11 418	11 907	15 403	16 540	19 318	24 837
Employees on an annual average	58 527	56 112	57 648	60 824	63 006	67 157	71 239
Personnel expenses	2 538	2 547	2 797	2 844	3 067	3 345	3 606
Personnel expenses per employee (in €)	43 360	45 381	48 514	46 760	48 673	49 814	50 618
Capital expenditures and financing							
for tangible fixed and for intangible assets	352	279	315	309	405	486	537
for objects leased out	–	–	–	–	254	292	397
for financial assets and for acquisitions	31	60	20	130	91	103	283
for research and development	286	275	293	299	393	422	527
amortisation/depreciation	369	354	334	319	482	466	525
cash flow for the year acc. to DVFA/SG	394	530	563	537	861	913	1 011
Key figures in percent							
equity ratio	29.4	30.0	30.3	28.9	27.8	27.8	26.4
fixed assets to equity ratio	98.3	108.1	114.3	112.2	96.6	95.9	86.5
return on sales (ROS) before taxes on income	1.0	1.9	2.5	2.3	3.3	4.2	4.6
return on sales (manufacturing operations)	0.9	1.9	2.5	2.1	3.7	4.6	4.9
return on capital employes (ROCE)	6.9	8.9	10.8	10.4	13.7	15.4	15.9
return on equity (after taxes on income)	4.4	7.3	8.6	8.7	14.4	14.9	15.2

in € million

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Fixed assets	**1 896**	**1 780**	**1 761**	**1 849**	**2 427**	**2 735**	**3 414**
inventories	3 166	3 747	4 378	4 716	3 068	3 531	4 353
prepayments received	(2 666)	(3 026)	(3 356)	(3 591)	(1 804)	(1 852)	(2 536)
receivables and other current assets, prepaid expenses	2 920	2 646	2 707	2 940	3 090	3 209	4 095
securities, cash, cash equivalent 2)	1 035	1 265	1 163	1 255	1 306	1 343	1 451
Current assets	**4 455**	**4 632**	**4 892**	**5 320**	**5 660**	**6 231**	**7 363**
Deferred tax assets	**–**	**–**	**–**	**–**	**337**	**463**	**416**
Total assets	**6 351**	**6 412**	**6 653**	**7 169**	**8 424**	**9 429**	**11 193**
Equity	**1 864**	**1 924**	**2 012**	**2 075**	**2 345**	**2 623**	**2 953**
pension accruals	1 004	1 020	1 087	1 195	1 586	1 648	1 884
Current tax accruals, deferred taxes	58	54	70	106	422	611	710
other accruals 3)	1 536	1 570	1 709	1 834	1 486	1 542	1 877
financial liabilities 2)	651	501	394	366	421	603	967
other liabilities, deferred income	1 238	1 343	1 381	1 593	2 164	2 402	2 802
Total liabilities	**4 487**	**4 488**	**4 641**	**5 094**	**6 079**	**6 806**	**8 240**
Total equity and liabilities	**6 351**	**6 412**	**6 653**	**7 169**	**8 424**	**9 429**	**11 193**
Capital employed at June 30	**3 682**	**3 598**	**3 649**	**3 822**	**4 409**	**4 930**	**5 855**
Net sales	**9 277**	**9 511**	**10 364**	**10 918**	**12 634**	**13 256**	**14 581**
operating expenses and income	(9 184)	(9 345)	(10 116)	(10 668)	(12 145)	(12 618)	(13 797)
Earnings before interest and taxes	**93**	**166**	**248**	**250**	**489**	**638**	**784**
net interest result	1	17	9	2	(71)	(81)	(116)
Profit from ordinary activities	**94**	**183**	**257**	**252**	**418**	**557**	**668**
income taxes	(12)	(44)	(88)	(74)	(94)	(186)	(244)
Net income	**82**	**139**	**169**	**178**	**324**	**371**	**424**
Minority interests	(5)	(8)	(14)	(17)	(17)	(27)	(35)
Transfer to reserves retained from earnings	(22)	(56)	(60)	(51)	(181)	(202)	(235)
Dividend pay-out MAN AG	**55**	**75**	**95**	**110**	**126**	**142**	**154**
MAN's shares: facts and figures							
Shareholders' equity per share (€)	11.40	11.80	12.30	12.60	14.00	15.40	17.20
Quotation (as of June 30)							
ordinary shares (€)	20.12	18.18	19.37	27.61	36.12	33.30	31.66
preference shares (€)	15.77	14.11	15.03	22.50	25.26	22.12	21.45
Price-earnings ratio (as of June 30)							
ordinary shares	43.2	15.7	14.6	22.7	18.1	14.9	12.6
preference shares	33.9	12.2	11.3	18.5	12.7	9.9	8.5
Dividend per share (in €)	0.36	0.49	0.61	0.72	0.82	0.92 4)	1.00
Earnings per share acc. to IAS 33 (in €) 5)	0.47	1.16	1.33	1.22	1.99	2.23	2.52
Cash flow for the year/share acc. to DVFA/SG (in €)	2.40	3.30	3.40	3.20	5.30	5.50	6.00

1) as of 1997/98, the International Accounting Standards have been employed in the preparation of consolidated annual accounts. For this reason, the making of comparisons with previous financial years is only limitedly possible.
2) as of 1998/99, receivables and liabilities resulting from the settlement of profit and loss accounts with affiliated companies are reported in the cash equivalents and financial liabilities items; prior to that, in the other assets or other liabilities ones.
3) until 1996/97, comprised exclusively of tax-privileged reserves
4) including a bonus amounting to €0.10
5) until 1996/97, according to DVFA/SG

Glossary

Capital employed (CE)
Sum total of equity and interest-bearing liabilities, i.e. interest-bearing financial debts (excluding liabilities from P&L transfer agreements), pension accruals, and deferred income.

Deferred taxation
Under the terms of IAS 12, deferred taxes are recognized for temporary differences between the values of assets and liabilities (a) in the IAS-based accounts and (b) according to national tax legislation. If in the consolidated accounts according to IAS, assets are stated at a lower, and liabilities at a higher, value than in the tax accounts, the resultant future tax credit has to be capitalized as a deferred tax asset. In the opposite case, a deferred tax liability should be recognized.

Economic value added (EVA)
Business and financial method to review the performance of the Group's divisions and business units. It is used to measure and assess their present and future contribution to the Group's profitability, as well as to develop the potential to raise shareholder value.

Finance lease
Pursuant to IAS 17, a lease that transfers to the lessee substantially all the risks and rewards incident to ownership of an asset but not the title to the leased asset.

Financial derivatives
Instruments derived from the value of another security and used to hedge against financial risks, especially from changing exchange and interest rates.

Goodwill
Excess of the purchase price (cost) of a consolidated subsidiary at acquisition date over the subsidiary's prorated equity, after disclosing any hidden reserves and burdens.

International Accounting Standards (IAS)
Internationally harmonized and applied accounting standards of the International Accounting Standards Committee (IASC), a private-law organization of auditors and other accounting experts from over 100 countries.

Manufacturing divisions
All corporate divisions of the MAN Group other than Industrial Services and Financial Services (where the service element prevails).

Percentage-of-completion (PoC) method
Accounting method under the terms of IAS 11, requiring that sales revenues, contract costs and contract P/L under long-term contracts for customized manufacture or comparable services be recognized in line with the percentage of completion although the contract has neither been completed nor invoiced to the customer.

Projected unit credit (PUC) method
Method based on IAS 19 to measure pension obligations and according to which future pay and pension rises are provided for in addition to the vested pension rights and entitlements existing at balance sheet date.

R&D ratio
Indicator obtained by dividing the R&D expenses (including capitalized development costs) into the manufacturing divisions' net sales.

Return on capital employed (ROCE)
Earnings before taxes and interest expense, divided into the annual average capital employed.

Products and services of the MAN Group

MAN Nutzfahrzeuge

Trucks
Dropsiders, tippers, semitrailer tractors and chassis for interchangeable and fixed bodies of all types, in forward control drive; with outputs of between 83 and 440 kW; with 6 to 50 t permissible gross vehicle weight; with 2–5 axles; with leaf, leaf/air or all-air suspension; available with all-wheel drive. Highly-mobile all-terrain trucks with low torque box section-type frames and all-wheel drive, of up to 38 t gross vehicle weight, with 2 to 4 axles.

Buses
Touring coaches, inter-city coaches, scheduled service buses as single-unit or articulated buses; chassis with 2 or 3 axles; with Diesel, gas, electric or Diesel-electric propulsion systems.

Diesel engines
for automotive and industrial uses; for gensets, pumps, track-riding vehicles and maritime propulsion systems; with outputs of between 83 and 956 kW.

Gas motors
with outputs of between 47 and 350 kW, for vehicles and combined heating and power stations.

Components
Axles, transfer cases, cabs, pressed parts, tools, cast parts.

Services
MAN's EuroService is available on a 24-hour-a-day basis; spare parts supply; MAN's ComfortServiceSystem; logistics services for transport systems; fleet administration and management services; communication operations; automotive engineering and super-structures consulting services.

Ferrostaal

Facility construction and contracting
Designing, financing, supplying, assembly (including steel-based structures), starting up and maintaining of industrial facilities, with these primarily including those producing and processing steel, aluminum and other metals, as well as petrochemicals. Facilities for open-cast mines and the handling of bulk goods. Heavy-duty cranes. Supplying of components and of equipment for the chemical, natural gas and crude oil industries, and for manufacturers.

Industrial equipment and systems
Distribution of and provision of services for single-unit machines and machine-based systems, with these primarily including printing machines, equipment for printing operations. Designing and carrying out of projects involving transport and other infrastructure systems, with this comprising the supplying of equipment for vehicles and facilities forming part of road and rail systems. Machine tools and facilities used in the manufacturing of mechanical components or in the processing of foodstuffs. In the maritime sector: the supplying of ships incorporated into navies or used in trading, of packages of ship-related components, and of equipment for ports and for shipyards.

Steel trading and logistics
Trading in steel products and non-ferrous metals in both Germany and abroad, with this including the provision of related transport and financing services. Employing state-of-the-art information technologies, the supplying of steel, components and pre-assembled systems on a just-in-time and in-line-sequence basis to the automobile and other manufacturing sectors based in both Germany and abroad.

MAN Roland Druckmaschinen

Supply of systems and trading and technical services
Providing of services: the designing, building and commissioning of sheetfed and webfed-based printing operations; and of systems covering materials handling, preprinting, printing and post-printing technologies to the managing of the logistics of end-products. Main offerings: the PASUSYS paper feeding system, the AUROSYS and AUPASYS materials handling systems. Featuring a central console, PECOM is an electronics-based processing system. Worldwide network distributing and providing after-sales services to proprietary products and to devices and supplies used for and in the printing process.

Digital-based printing systems
Digital-based, highly-economical systems used in short-length runs of multi-colored items. Digital, in-press imprinting and erasing. Special-purpose computer-to-press systems used by a wide range of market segments and for a large span of run lengths.

Sheetfed offset machines
Half-format presses for job and packaging printing of small and medium-length runs; medium-format machines for the printing of brochures, illustrated books and posters; large format machines for the printing of long runs of brochures, posters and packagings. Machines available in flexible row-type assemblies, available with equipment for the converting between first forme and sheet work. Ancillary treatment equipment.

Webfed offset machines
A wide range of systems for the printing of small, medium and long runs in a large variety of formats and outputs; used in the printing of newspapers and selected commercials. Small, medium and large-format webfed offset machines with a wide variety of folding modalities and yielding high-quality illustrated products printed on high-value paper – brochures, catalogues and periodicals. Special-purpose folding and other equipment used in the production of books.

MAN B&W Diesel

Two-stroke MC Diesel engines for marine propulsion systems and power stations (1,100 to 68,640 kW).
Medium-speed, four-stroke Diesel engines for marine propulsion systems, marine auxiliary units, and for stationary power stations (500 to 23,850 kW).
High-speed Diesel engines powering high-speed ships, locomotives, and energy stations. »Paxman« engines (600 to 4,000 kW); »Ruston« engines (750 to 7,550 kW).
Four stroke dual-fuel and spark-ignition engines for power stations (405 to 8,600 kW).
Exhaust-gas turbochargers, power turbines
Propulsion systems equipped with Diesel engines, step-down gears, clutches, adjustable propellers and remote control.

Power stations
either land-based or floating ones, powered by Diesel or dual-fuel engines.
Services
Spare parts supply and maintenance services for Diesel engines and turbochargers, provided on a worldwide basis; parts reconditioning and replacement services; modernizing of engine facilities; maintenance of industrial facilities; troubleshooter services; materials testing operations.
Repair of marine propulsion systems and shipbuilding work
as general contractors at the works-owned quays in Hamburg and in Frederikshavn.
Heating technologies
Oil and gas-fueled burners. Boilers and heating facilities. Devices for measuring the output of gas burners.

MAN Turbo-maschinen GHH BORSIG

Compressors
Axial, radial and multishaft compressors; process gas turbines, radial expanders and process-gas screw compressors for the processing and fertilizer production industries, for air separation facilities, for plants producing terephthalic acid, for the petrochemical industry, for refineries, and for the oil and gas industry.
Complete machine trains

Turbines
steam turbines for industrial application (outputs up to 200 MW) driving mechanical and generator propulsion units, gas turbines for industrial applications (outputs up to 50 MW in twin-pac configuration) driving mechanical and generator propulsion units.
Energy generating facilities
Industrial equipment controlling and monitoring systems »turbolog DSP«
Reconditioning and other services

MAN Technologie

Space transport systems/ launch vehicles
Development and production of lightweight structures, tanks, and propulsion components going into Europe's ARIANE and other launchers; the planning and carrying out of systems studies.
Space transport systems/ transport components
High temperature-resistant CMC-based structural components and heat shield systems going into recoverable space transport vehicles; high-pressure vessels, tanks and structures for satellites; satellite-based navigation systems.
Aviation, transport and defense industry
Systems for water supply and waste water storage; tanks and structural components; fuel storage systems; propulsion components.
Infrastructural systems
Planning, construction, maintaining and operating of facilities forming part of space launch complexes; radio and optical telescopes; mobile, military-use bridges.

RENK

Fully automatic **transmissions for** medium and heavy-weight **chain-riding vehicles.**
Industrial gear units for cement plants and for petrochemical facilities; for the mining, plastics processing and steel industries; for wind-powered facilities. Cylindrical and planetary gear drives for turbomachines.
Marine gear units for merchant and naval ships powered by Diesel engines and / or by turbine drives, marine reversing gear units.
Horizontally and vertically-positioned **plain bearings** for electrical machines, fans, compressors, pumps and turbines.
Couplings, especially curved tooth couplings for all kinds of industrial applications, for ships, for track-riding vehicles. Steel disk, diaphragm and torsionally-elastic clutches.
Test systems used in the product development and quality assurance operations of the automotive, aviation and rail industries.

Deggendorfer Werft und Eisenbau

All kinds of **floating dredgers,** HYDROKLAPP® dump barges.
Salt bath-cooled **reactors,** gas coolers, pilot reactors, condensers.
Components for **facilities and apparatuses;** tube reactors, heat exchangers, autoclaves, pressure vessels.

SMS

Metallurgical and rolling mill technology
Machines, systems and facilities for the making and processing of steel and non-ferrous metals: coking and sintering facilities; reduction furnaces; direct reduction facilities, blast furnace facilities and components; electric and converter steel plants; ladle furnaces; vacuum treatment facilities; continuous casting facilities for slabs, blooms, billets and beam blanks; combined continuous casting and hot rolling mills for producing flat and long products (CSP, CBP and MPS); hot flat and cold rolling mills for steel and non-ferrous metals; cluster mills for stainless steel; combined tandem lines with pickling systems; section and wire rod mills; strip processing and coating lines; tube rolling and welding facilities; copper plants; straightening facilities; radial and open-die forging presses; automation and control systems.

Plastics Technology
Machinery and systems for processing of plastics. Single- and twin-screw extruders, extrusion dies and pelletizers, downstream equipment for production of pipes, profiles and sidings. Extrusion systems for the production of blown film, cast film, foam and sheet. Injection molding machines with clamping forces from 50 to 80,000 kN including automation components.

Press and forging technology
Extrusion presses and tube extruders for light and heavy metals, closed-die installations equipped with screw or eccentric presses, ring and wheel rolling machines, cold-finishing machines.

Schwäbische Hüttenwerke

Materials processing systems for slow-flowing bulk materials, sludges and similar materials.
»Königsbronn« **chilled cast iron rolls**, Äquitherm® heated cylinder rolls, coated rolls. Wear-resistant casts, grinding bodies of up to 140 t.

High complexity **cast parts** of up to 60 t.
Internally-ventilated **brake discs**, Luperlit® brand metal materials.
Pumps used by the automotive and other manufacturing sectors.
Highly durable **sintered structural parts** featuring highly-complex geometries.

MAN Financial Services

Leasing, the financing of sales and investments, insurance brokerage and other financial services.

Other companies

MAN Logistics
Material flow and warehousing systems.

MAN WOLFFKRAN
»WOLFF« tower cranes, offshore cranes, revolving cranes.

GHH Bau
Building construction and civil engineering, building of industrial and other facilities, turn-key construction.

MAN Grundstücksgesellschaft
Management of real estate.

Consolidated companies of the MAN Group – a selection

as of June 30, 2000	Shareholding %	Total assets € million	Sales € million	Employees as of June 30, 2000
MAN Nutzfahrzeuge Aktiengesellschaft, Munich	**100**	**2 640**	**5 023**	**21 625**
Steyr Nutzfahrzeuge Aktiengesellschaft, Steyr/Austria	100	295	676	2 612
ERF (Holdings) plc., Sandbach/Great Britain [1]	100	195	177 [2]	1 060
Österreichische Automobilfabrik ÖAF-Gräf & Stift AG, Vienna/Austria	100	142	241	886
MAN Kamyon ve Otobüs Sanayi Anonim Sirketi, Ankara/Turkey	99	117	150	1 632
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg/South Africa [1]	100	74	126	661
MAN Pojazdy Uzytkowe Polska, Sp. z o.o., Nadarzyn/Poland	100	65	76	601
STAR Trucks Sp. z o.o., Starachowice/Poland	100	26	20 [2]	913
MAN Truck & Bus UK Ltd., Swindon/Great Britain	100	223	435	603
ÖAF & STEYR Nutzfahrzeuge OHG, Vienna/Austria	100	225	430	997
MAN Vehículos Industriales (España) S. A., Madrid/Spain [1]	100	126	361	433
MAN Camions et Bus S. A., Evry/France	100	131	263	484
MAN Veicoli Industriali S. p. A., Dossobuono di Villafranca/Italy	100	83	209	128
MAN TransCom GmbH, Munich	100	36	178	55
MAN Truck & Bus S.A., Kobbegem (Brussels)/Belgium [1]	100	58	98	138
MAN Last og Bus A/S, Glostrup/Denmark	100	42	94	206
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen/Switzerland	100	31	83	104
MAN Last og Buss A/S, Skaarer/Norway	100	37	69	224
MAN Veiculos Industriais (Portugal) S. U. Lda., Porto/Portugal	100	45	42	103
MAN Engines & Components Inc., Pompano Beach/USA	100 [3]	16	30	26
MAN Uzitkova Vozidla Ceskarepublica spol.s.r.o., Cestlice/Czech Republic	100	11	29	45
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti/Hungary	100	11	26	64
MAN Gospodarska Vozila Slovenija d.o.o., Ljubljana/Slovenia	100	4	25	12
Ferrostaal Aktiengesellschaft, Essen	**100**	**1 128**	**1 250**	**616**
DSD Dillinger Stahlbau GmbH, Saarlouis	100	274	281	1 295
MAN TAKRAF Fördertechnik GmbH, Leipzig	100 [4]	124	94	557
Hilgers AG, Rheinbrohl [1]	98	39	47	169
SECOMETAL S. A. Société d'études et de const. métalliques, Sarralbe/F	100	36	45	420
FERROMETALCO The Egypt.-Germ. Comp. f. Met. Const. S.A.E., Cairo/ET	100	45	45	1 027
DSD-C.G.I. Compañia General de Industrias, C. A., Caracas/Venezuela	100	21	27	175
MAN GHH Öl & Gas GmbH, Essen	100	84	141	113
Ferrostaal Industrial Plant Services GmbH, Essen [1]	100	23	42	495
Fritz Werner Industrie-Ausrüstungen GmbH, Geisenheim	100	249	67	133
SAGEXPORT S. A., Paris/France	100	14	18 [2]	37
Print + Pack Australia Pty. Ltd., Alexandria/Australia	100	15	30	74
Ferrostaal Incorporated, Houston/USA [1]	100 [3]	124	522	112
Ferrostaal Bewehrungstechnik GmbH, Essen	100	31	90	32
Ferrostaal Industrie- und System-Logistik GmbH, Essen [1]	100	69	54	569
Ferrostaal Piping Supply GmbH, Essen, und B. V., Hooge Zwaluwe/NL	100	23	37	97
MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach	**98**	**792**	**1 232**	**7 131**
MAN Plamag Druckmaschinen Aktiengesellschaft, Plauen	100	70	198	989
Omnigraph Group N. V., Amsterdam/Niederlande [1], including:	100 [5]	178	391	870
Pershke Price Service Organisation Limited, Mitcham/Great Britain	100	32	73	206
MAN Roland Italia SpA, Milan/Italy	100	32	68	64
Mahez B. V., Amsterdam/Netherlands	100	32	65	183
Havlange Bonte N. V., Wemmel/Belgium	100	21	57	150
Somagra S. A., Paris/France	100	31	54	104
Maschinen AG, Kirchberg/Switzerland	100	22	45	80

as of June 30, 2000	Shareholding %	Total assets € million	Sales € million	Employees as of June 30, 2000
MAN Roland Inc., Westmont/USA [1]	100 [3]	205	268	335
MAN Roland (Hongkong) Ltd., Hong Kong	75	14	50	142
Votra S. A., Lausanne/Switzerland	100	20	50	8
MAN Roland Vertrieb und Service GmbH, Berlin	100	9	33	73
MAN Roland Vertriebsgesellschaft Bayern mbH, Munich [1]	80	18	53	110
MAN B&W Diesel Aktiengesellschaft, Augsburg	**100**	**489**	**484**	**2 606**
MAN B&W Diesel A/S, Copenhagen/Denmark	100	293	422	2 112
S.E.M.T. Pielstick, Villepinte/France	67	106	164	781
MAN B&W Diesel Ltd., Stockport/Great Britain	100	313	42 [2]	1 333
MAN B&W Diesel (Singapore) Pte. Ltd., Singapore	100	20	35	104
MAN Turbomaschinen AG GHH BORSIG, Oberhausen	**100**	**241**	**360**	**1 671**
MAN Technologie Aktiengesellschaft, Augsburg	**100**	**146**	**210**	**1 127**
RENK Aktiengesellschaft, Augsburg	**76**	**148**	**215**	**1 428**
Deggendorfer Werft und Eisenbau GmbH, Deggendorf	**100**	**47**	**76**	**422**
SMS Aktiengesellschaft, Düsseldorf	**51 [6]**	**1 532**	**–**	**5**
SMS Demag Aktiengesellschaft, Düsseldorf and Hilchenbach	72	1 007	981	3 485
SMS Demag Inc., Pittsburgh/USA	100	118	181	330
SMS Meer GmbH, Mönchengladbach	100	189	143	737
Hertwich Engineering Ges.m.b.H., Braunau/Austria	100	16	25	93
SMS Demag SpA, Genoa/Italy	100	103	120	366
S.I.M.A.C. S.p.A., Tarcento/Italy	90	69	84	239
Technaroll Ltd., Ontario/Canada	100	9	40	159
SMS MEVAC GmbH, Essen	100	28	36	73
Concast Standard AG, Zurich/Switzerland	70	59	69	96
Battenfeld Gloucester Engineering Co. Inc., Gloucester/USA	100	201	189	544
Battenfeld Gloucester Europe Ltd., Droitwich/Great Britain	100	29	32	135
Battenfeld Extrusionstechnik GmbH, Bad Oeynhausen	100	57	84	418
American Maplan Corp., McPherson/USA	100	38	41	149
Cincinnati Extrusion Ges.m.b.H., Vienna/Austria	100	46	29 [2]	335
Battenfeld GmbH, Meinerzhagen	100	106	112	558
Battenfeld Kunststoffmaschinen Ges.m.b.H., Kottingbrunn/Austria	100	48	64	332
SMS Eumuco GmbH, Leverkusen	100	45	93	380
Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen	**50**	**131**	**211**	**1 349**
MAN Leasing GmbH, Munich	100	860	235	–
MAN WOLFFKRAN GmbH, Heilbronn	100	46	38	170
Gutehoffnungshütte Baugesellschaft mbH, Oberhausen	100	19	35	117

1) The total assets, sales and number of employee figures comprise those owned, made or working for companies whose operations are under proprietary management.
2) Pro rated sales
3) Equity in companies held by MAN Capital Corporation, New York
4) Equity in company held by MAN AG
5) A stake amounting to 7 % of the company's equity is held by Ferrostaal AG.
6) Parity of voting rights

Engineering the Future.

Financial calendar

Press conference on 1999/2000	October 17, 2000
Conference with analysts on 1999/2000	October 17, 2000
Report on the first quarter of 2000 short financial year (s. f. y.)	November 22, 2000
Annual general meeting 1999/2000	December 15, 2000
Prel. figures on orders & sales of 2000 s. f. y.	January 18, 2001
Letter to MAN's shareholders on 2000 s. f. y.	March 6, 2001
Press conference on 2000 s. f. y.	April 5, 2001
Conference with analysts on 2000 s. f. y.	April 5, 2001
Report on the first quarter of 2001	May 22, 2001
Annual general meeting 2000 s. f. y.	June 1, 2001

MAN's shares

	ordinary shares	preference shares
WPK Number	593700	593703
VALOREN	340813	340814
ISIN	DE0005937007	DE0005937031
Reuters short form	MANG.F	MANGPR.F
Bloomberg short form	MAN GY	MAN3 GY

For the latest quotes on MAN's stock, please visit
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