Annual Report 1997/98

MAN Aktiengesellschaft

The MAN Group companies

Commercial vehicles

MAN Nutzfahrzeuge Aktiengesellschaft, Munich

New orders	9 502 million DM
Turnover	8 833 million DM
Export share	53 %
Earnings for the year	338 million DM
Employees	28 502

One of the leading manufacturers of commercial vehicles in Europe. Trucks of between 6 and 50 t for every kind of application. Scheduled service buses and touring coaches. “Truck of the Year” for the fourth time in 1995 (F2000 line of trucks). “Coach of the Year” in 1994 (Lion’s Star). “Deutscher Nutzfahrzeugpreis” (Germany’s prize for commercial vehicles) in 1998 (L2000 line of trucks). Engines for vehicles, boats and for the production of energy. Production facilities located in Germany, Austria, Poland, Turkey, South Africa and Australia. Assembly under licence in many other countries. International network of sales and service centers. Large range of services for customers, including MAN EuroService 24 h, MAN ComfortServiceSystem, and the provision of transport logistics, financial services, fleet management and communication services.

Industrial services

Ferrostaal Aktiengesellschaft, Essen

New orders	5 606 million DM
Turnover	6 278 million DM
Export share	73 %
Earnings for the year	136 million DM
Employees	6 813

Projecting, delivery, assembly, including steel-based structures, starting up and maintenance of industrial facilities on a worldwide scale. Worldwide distribution of and provision of after-sales services for machines used in manufacturing operations as well as for equipment and ships. Planning and carrying out of infrastructure-based projects. Trading in Germany and abroad in steel products and non-ferrous metals. Maintaining of centers providing logistics-based supply services to automobile manufacturers. Supplying of financial services facilitating investments in the industrial and infrastructural sectors. International network of operations, offices and representatives located in nearly all of the world’s countries, and including company-owned subsidiaries handling assembly work.

Printing machines

MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach

New orders	3 061 million DM
Turnover	2 820 million DM
Export share	72 %
Earnings for the year	22 million DM
Employees	8 730

Market leader in web-fed offset printing press technology worldwide; broad range of products for the printing of newspapers to suit any circulation; heat-set web offset machines for applications ranging from the monochrome printing of books to full colour products of the very highest quality such as magazines. The world’s second largest manufacturer of sheet-fed offset presses designed for printing advertising and general commercial products as well as packaging. Electronic control and integration of the printing press into the production processes. Supplier of total systems to achieve a high degree of printing economy and to manage all phases of the print shop operation. Project management, construction, and commissioning of complete printing plants. Worldwide sales and service network.

Diesel engines

MAN B&W Diesel Aktiengesellschaft, Augsburg

New orders	1 801 million DM
Turnover	1 996 million DM
Export share	82 %
Earnings for the year	135 million DM
Employees	6 281

“Where the Diesel engine was born”. The world’s leading supplier of large marine and stationary Diesel engines. A more than 60% share of the world’s market for two-stroke Diesel engines serving as main propulsion units. A 25% share of the world’s market for four-stroke engines for ships of 2000 gt or more. System provider of turnkey power generating plants and all-inclusive propulsion facilities. Exhaust-gas turbochargers for large-sized motors. Heating technologies. Production facilities in Germany, Denmark, France and Singapore; the world’s largest network of licensees in the large-sized engine sector. Provision of after-sales services for products on a worldwide scale, with these including the supplying of replacement parts and maintenance.

All data refer to the relevant group divisions. Earnings for the year before income taxes, employee figures as of June 30, 1998.

Industrial equipment and facilities

MAN Technologie Aktiengesellschaft, Augsburg

New orders	1 537 million DM
Turnover	1 154 million DM
Export share	76 %
Earnings for the year	79 million DM
Employees	2 881

Major supplier to Europe's space transport program. Provider of subsystems going into ARIANE 4 and ARIANE 5 launchers and of maintenance services for the facilities launching ARIANE at Kourou. German and ESA-initiated projects of space transport development. Lightweight tanks used in the aviation and automotive sectors. Lightweight bridges. Facilities for the decentralized production of energy. GHH Borsig Turbomaschinen: a wide range of axial, radial and multishaft geared compressors used in industrial applications. Process-gas screw compressors and turbines. Steam and gas-powered turbines for industrial applications and providing propulsion to mechanical-based units and generators.

RENK Aktiengesellschaft, Augsburg

New orders	410 million DM
Turnover	469 million DM
Export share	66 %
Earnings for the year	30 million DM
Employees	1 686

High-quality products for propulsion systems: vehicle, industrial and marine gear units, plain bearings and couplings, test systems, disk brakes. Production facilities in Germany, France, Romania and the USA.

MAN TAKRAF Fördertechnik GmbH, Leipzig

New orders	177 million DM
Turnover	341 million DM
Export share	86 %
Earnings for the year	4 million DM
Employees	677

Worldwide supplier of surface mining and bulk handling systems and equipment, and of heavy-duty cranes. A very large spectrum of customers for its range of material handling equipment, up to giant bucket wheel excavators. The development, manufacturing, delivery and servicing of devices and entire facilities used in the extraction and transporting of raw materials from open cast mines.

Deggendorfer Werft und Eisenbau GmbH, Deggendorf

New orders	190 million DM
Turnover	139 million DM
Export share	47 %
Earnings for the year	19 million DM
Employees	524

The world's leading supplier of reactors with salt-bath cooling used by the chemical industry. Apparatuses and components incorporated into facilities. The building of floating dredgers and other special-purpose ships. Production facilities in Germany and in France.

SMS

SMS Aktiengesellschaft, Düsseldorf

New orders	3 039 million DM
Turnover	2 717 million DM
Export share	82 %
Earnings for the year	112 million DM
Employees	6 359

Leading supplier of plants and equipment for all phases of the processing of iron and steel, continuous casting and rolling mill technologies. The world's leading provider of advanced CSP (compact strip production) facilities for the casting and rolling of thin strip. Machines for the processing of plastics: injection molding, extrusion blow molding and sheet processing technologies. Facilities deploying pressing and forging technologies. Group manufacturing and provision of engineering services around the world.

SHW

Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen

New orders	386 million DM
Turnover	390 million DM
Export share	40 %
Earnings for the year	25 million DM
Employees	1 367

The world's leading supplier of chilled iron calender rolls incorporated into paper production machines. Casting and processing technologies. Supplying the automobile industry with oil pumps, brake disks and sintered structural parts. Production facilities in Germany and in the USA.

At a glance

MAN Group

		1997/98	1996/97
New orders	DM mill.	25 259	22 700
Turnover	DM mill.	24 793	21 354
Employees as of June 30	number	64 054	62 564
Investments	DM mill.	967	858
Depreciation	DM mill.	695	624
Cash flow	DM mill.	1 357	1 051
Shareholders' capital	DM mill.	4 432	4 058
Balance sheet total	DM mill.	15 102	14 022
Earnings before taxes on income	DM mill.	809	493
Consolidated group income	DM mill.	612	349
Income per share acc. to DVFA / SG	DM	39.00	23.80

MAN Aktiengesellschaft

		1997/98	1996/97
Capital stock	DM mill.	771	771
Shareholders' capital	DM mill.	3 025	2 944
Dividends paid out	DM mill.	247	216
Dividend per DM 50 share	DM	16.00	14.00

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Report of the Supervisory Board

Through written reports and briefings delivered on a regular basis, the Executive Board of MAN Aktiengesellschaft kept us informed throughout the 1997/98 financial year on all of the major business developments and undertakings of MAN Group companies. We were appraised of corporate plans and of special projects being carried out by Group companies.

As had been the practice in previous years, the chairman of the Supervisory Board secured briefings, on a monthly basis, on the company's operating situation. These briefings were complemented by detailed elucidations delivered personally by members of the Executive Board, as required by the course of corporate development or by the importance of the matters at hand. The written reports were provided to all members of the Supervisory Board on a quarterly basis.

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 plenum of the Supervisory Board was convened four times in the 1997/98 financial year. The Supervisory Board's commission for Executive Board-related matters met once.

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 financial statements of MAN Aktiengesellschaft, of the MAN Group, and the review of business of MAN Aktiengesellschaft, which, in turn, is recapitulated in that of the MAN Group. BDO has affixed its unqualified auditors' examination certificate to these statements.

The Supervisory Board has taken note of the results of this audit and indorses them.

After having conducted its own examination of the financial statements 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 the conclusion of the annual general meeting held on December 12, 1997, all the members of the Supervisory Board's terms of service came to an end. Constituted according to the Law on Codetermination of 1976, the newly-elected Supervisory Board was convened on December 12, 1997. Dr. Klaus Götte was voted chairman of the Supervisory Board, with Dr. Gerlinde Strauss-Wieczorek being elected vice chairman. Dr. Henning Schulte-Noelle was voted to a further vice-chairmanship. We wish to thank all those persons whose service on our board came to an end upon the conclusion of the 117th annual general meeting for their meritorious efforts on behalf of the Group.

Mr. Paul Stötzel died on October 11, 1998. He was 56 years old. He had been a member of the Supervisory Board of this company from 1983 to 1988, rejoining it on December 16, 1992. His warmth of personality, the cooperative approach he took to his responsibilities and the many productive suggestions he offered made Mr. Stötzel a highly valued member of this board. All of Mr. Stötzel's working life – one marked by professional success and competence – was spent in the employment of SMS Schloemann-Siemag AG, and thus of the MAN Group as a whole. We will commemorate and honor his life and times.

To fill Mr. Stötzel's position, the employees have elected Mr. Nicola Lopopolo, who will now belong to the Supervisory Board for the remaining term of office.

Professor Dr.-Ing. Karlheinz Kaske died on September 27, 1998. He was a member of this board from February 11, 1988, to December 12, 1997. From December 16, 1992, to December 10, 1996, he served as chairman of the Supervisory Board. Our working relationship was productive and marked by a sense of mutual trust. During his many years of service, Professor Kaske provided our board with many of the ideas impelling the Group's development, ideas stemming from his great command of technical matters and large trove of experience. Our gratitude will commemorate his life and times.

On January 31, 1998, Mr. Gerhard Thulmann retired. We thank him for his many years of successful endeavors for the MAN Group.

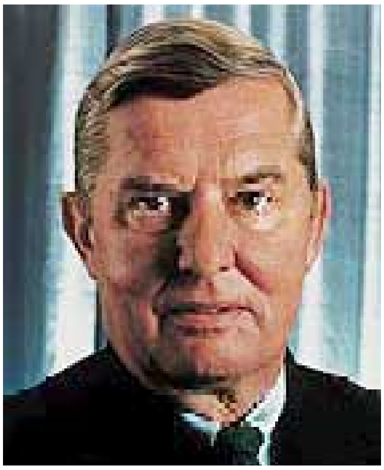
In a move taking effect on February 1, 1998, Dr. Hans-Jürgen Schulte was named to be a member of MAN Aktiengesellschaft's Executive Board.

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 have displayed. Our thanks also go to the representatives of the Group's workforce for the issue-oriented and constructive spirit they have shown in working with us towards furthering the interests of our company.

Munich, October 14, 1998

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. jur. Michael Blank*
Frankfurt/Main
Secretary of the Union of German Metalworkers
(until December 12, 1997)

Dr.-Ing. Hanns-Günther Bozung*
Augsburg
Director, MAN B&W Diesel AG

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

Dr. phil. Klaus Heimann*
Frankfurt/Main
Secretary of the Union of German Metalworkers
(as of December 12, 1997)

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
(as of December 12, 1997)

Dr. rer. oec. Nobert Käsbeck
Frankfurt/Main
Member of the Executive Board, Commerzbank AG
(as of December 12, 1997)

Prof. Dr.-Ing. Karlheinz Kaske
Munich
former Chairman of the Executive Board, Siemens AG
(until December 12, 1997)

Hans Jakob Kruse
Hamburg
Member of the Supervisory Board, Hapag-Lloyd AG

Nicola Lopopolo*
Hanover
fitter, RENK AG
(as of October 11, 1998)

Dr. rer. pol. Hans Meinhardt
Wiesbaden
Chairman of the Supervisory Board, Linde AG

Wolfgang Ossenkop*
Karlsfeld
Chairman of the Works Council, MAN Nutzfahrzeuge AG's facilities in Munich
(until December 12, 1997)

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

Peter Potrykus*
Lengede
Chairman of the Works Council, MAN Nutzfahrzeuge AG's facilities in Salzgitter
(as of December 12, 1997)

Hermann Regal*
Augsburg
Member of the Works Council, MAN Roland Druckmaschinen AG's facilities in Augsburg
(as of December 12, 1997)

* elected by group employees

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

Klaus Schmidt*
Frankfurt/Main
Chairman of the Works Council, MAN Roland Druckmaschinen AG's facilities in Offenbach
(until December 12, 1997)

Dr.-Ing. Ekkehard Schulz
Duisburg
Chairman of the Executive Board, Thyssen AG
(as of December 12, 1997)

Helmut Schumacher*
Bergkirchen-Günding
Deputy Chairman of the Works Council, MAN Nutzfahrzeuge AG's facilities in Munich
(as of December 12, 1997)

Dr. jur. Walter Seipp
Frankfurt/Main
Chairman of the Supervisory Board of Commerzbank AG
(until December 12, 1997)

Dr.-Ing. Dieter Soltmann
Munich
Personally Liable Partner of Gabriel Sedlmayr Spaten Franziskaner-Bräu KGaA
(until December 12, 1997)

Dr. rer. nat. Hanns-Helge Stechl
Ludwigshafen
Deputy Chairman of the Executive Board, BASF AG
(as of December 12, 1997)

Paul Stötzel*
Hilchenbach
lathe operator, SMS Schloemann-Siemag AG
(died on October 11, 1998)

Hermann J. Strenger
Leverkusen
Chairman of the Supervisory Board of Bayer AG
(until December 12, 1997)

Karl-Heinz Vowinkel*
Ginsheim-Gustavsburg
Chairman of the Works Council of MAN Nutzfahrzeuge AG's facilities in Gustavsburg
(until December 12, 1997)

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

Dr.-Ing. Klaus Schubert
Munich

Dr. jur. Hans-Jürgen Schulte LL.M.
Augsburg
(as of February 1, 1998)

Gerhard Thulmann
Augsburg
(until January 31, 1998)

Dr. jur. Philipp J. Zahn
Munich

Executive Vice President

Dr. jur. Gerd Federlin
attorney at law
Munich

Executive and management boards of the MAN Group's consolidated companies and major affiliates

MAN Nutzfahrzeuge AG, Munich

Dr.-Ing. Klaus Schubert
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
Dr. jur. Hans-Georg von Heydebreck
Helmut Julius
Dr.-Ing. Axel Wippermann

MAN Roland Druckmaschinen AG, Offenbach

Dipl.-Ing. (FH) Gerd Finkbeiner
Dipl.-Ing. Martin Lange
Dr.-Ing. Rainer Opferkuch
Dipl.-Ökonom Anton Weinmann

MAN B&W Diesel AG, Augsburg

Dr. jur. Hans-Jürgen Schulte LL.M.
Chairman
Dipl.-Ing. Lars Holmblad
Dipl.-Ing. Fritz Pape

MAN Technologie AG, Augsburg

Dr. rer. nat. Wolfgang Brunn
Chairman
Dr.-Ing. E.h. Wulf Bohnenkamp
Dipl.-Ing. Carl F. Kolbow
Dipl.-Ing. Horst Rauck

RENK Aktiengesellschaft, Augsburg

Prof. Dr.-Ing. Manfred Hirt
Speaker of the Executive Board
Ulrich Sauter

MAN TAKRAF Fördertechnik GmbH, Leipzig

Dipl.-Ing. Claus D. Fortkord
Chairman
Dr. rer. pol. Mathias Kretzschmar
Dipl.-Ing. Gerhard Nies

Deggendorfer Werft und Eisenbau GmbH, Deggendorf

Ing. (grad.) Walter Laber
Speaker of the Management Board
Dr.-Ing. Lothar Hauck

SMS Aktiengesellschaft, Düsseldorf

Dipl.-Ing. Heinrich Weiss
Chairman
Dipl.-Ing. Wilfried Bald
Dr. rer. nat. Helmut Eschwey
Dr.-Ing. Michael Hanisch

Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen

Dr.-Ing. Manfred Heinritz
Chairman
Dr. jur. Stefan Söhn

as of October, 1998

To MAN's shareholders

Dear shareholders,

Financial year 1997/98 proved to be highly successful for the MAN Group. I would like to use several key figures to elucidate this statement:

❐ Our turnover and new orders total grew at double-digit rates, attaining new all-time highs.

❐ By expending large amounts for research and development and for capital investments and by successfully carrying out measures improving our cost-related structures, we have further augmented our ability to compete. This, in turn, allowed us to consolidate and strengthen the position of leadership we occupy on many markets in the world.

❐ Our efforts have paid off in a rise of Group earnings – 75% over 1996/97 – outpacing those of the other key indicators. This rise allows us to propose to you a dividend of DM 16.00 per share, representing the largest net pay-out in MAN's history and the fourth time in a row that this pay-out has been increased.

❐ Our commercial vehicles group division outperformed its strongly-growing market. The result was an increase in the share held by our division of the western European market. The division increased its earnings, which came to DM 338 million, by DM 156 million.

❐ MAN Roland also experienced strong rises in demand and in the shares it holds of its markets. Accomplishing a turnaround of DM 137 million, the group division recorded a profit of DM 22 million, a result putting an end to MAN Roland's long years of being in the red. We have returned this company back to the black for good.

❐ Growing strongly were also our manufacturers of industrial equipment and facilities. Their earnings came to DM 244 million, a rise of DM 77 million. Our sectors supplying industrial services and Diesel engines proved once more to be reliably-performing 'profit centers'.

A total of 85% of the turnover earned by the MAN Group's manufacturing companies stems from the sale of products and systems which are number one, two or three on their respective markets. These facts detail that we are ensured of having the requisite strength of action. But we are not stopping there. We are working purposefully on further improving our standing on the markets, be it by inducing the further growth of our existing operations or by making acquisitions, moves for which we possess the necessary financial resources.

The answer to the question as to the extent to which the crises currently being experienced by various regions of the world will impact upon the MAN Group is as follows: The direct business relationships we maintain with customers in Southeast Asia and the CIS – two regions of crisis – account for a relatively small portion of our total volume of business. Further, the increases in business done elsewhere in the world have more than offset the shortfalls arising from these regions. According to the view currently prevailing, the crises' indirect effects on the economic growth of and demand for capital goods from Europe and America – our two main areas of sales – will remain minor. Should this view be borne out, the MAN Group will set forth its upswing. The number of experts considering it possible that the cooling off of demand for capital goods will spread to our core markets is, however, growing. Despite this, I remain optimistic about what will transpire in the medium-run and beyond. I am convinced that Asia's countries will start growing again and that the economies of the countries belonging to the CIS will, sooner or later, achieve stability. These regions have a large-sized need for capital goods. It is precisely this need which has led us to expand our presence in these markets.

In addition to carrying out business on a day-to-day basis, we have established a set of long-term objectives for the Group, objectives which I would like to briefly outline in the following remarks.

1. Increasing the Group's net worth

In the mid-80's, we restructured the MAN Group's business activities into group divisions. We employ target figures to measure their respective levels of success. For ten years, our group divisions have been putting out annual financial statements and reports, thus providing detailed and comprehensive information on our business sectors. We are increasing, on a step-by-step basis, the deployment of these instruments, which maintain the link between corporate actions and increases in asset value.

One constituent element of our compiling of corporate plans is the setting of target rates of return for and with the group divisions. The rates are calculated so as to account for the group divisions' standings on their markets and to reflect the profitability the units could potentially realize. These targets are also set at levels assuring the MAN Group as a whole of reaping an appropriate yield on the capital it has employed, 'appropriate' meaning that the yield is of an amount well above the costs of procuring the capital. The achieving of such yields is the only way we can meet the expectations of our shareholders, who wish to see their investments appreciate in value. Last but certainly not least, achieving yields of this size also means that we can provide our employees with jobs of sustainable existence and that we can satisfy their entitlements for old-age pensions.

At our last annual meeting, I indicated what objectives we have set for the Groups's level of earnings, based on the averaging of the results achieved during individual cycles of economic and product development: For the Group's manufacturing operations we strive for a net operating margin (calculated on the basis of earnings before taxes on income) of around 5%. Concerning the rate of return on capital employed, as it is described in our annual report, we have set ourselves the goal of achieving a minimum 15 %. In 1997/98, we made faster-than-expected progress towards realizing those objectives, with a 14.0% rate of return on capital employed, plus a 3.7% one on the sales achieved by our manufacturing divisions.

2. Augmenting our core areas of expertise

We will continue to orient our activities towards augmenting our core areas of expertise. Our objective in doing so is to facilitate our in-company growth. This, in turn, will put us in the position of being able to grow out of our traditional ranges and markets, and to thus expand into new, complementary ones. We have already successfully implemented the related and requisite restructuring measures. Over the last ten years, we have sold off companies with a total turnover of DM 4.2 billion. These companies did not form part of our plans. During this period, we made a number of strategically-sound acquisitions. Now accounting for DM 4.8 billion of the Group's total turnover, these acquisitions have augmented the operations of our core areas.

A further, important component of our set of objectives is the furthering of the developing of our products and services from single-unit items into full-range systems. This transition is far advanced. Today, our commercial vehicles, printing machines, marine propulsion units, Diesel power stations or metallurgical plants and rolling mills are complex, interlinked systems featuring advanced technologies. This process of transition will be stepped up in the years to come. It will enable us to meet our customers' ever-more complex needs and wishes.

3. Focusing on conducting research and development and undertaking investments

The further developing of our lines of products, systems and services and of our production processes and business operations – and the coming up with new ones – constitute the key to the MAN Group's capacity to continue to augment its ability to compete successfully on its markets. For that reason, we will increase our outlays for projects of capital investment and for research and development. Along with our companies manufacturing industrial equipment and facilities, our commercial vehicles, Diesel engines and printing systems sectors have turned out a range of new and modernized products and systems. These have allowed us to successfully contend with the fierce competitive pressures prevailing on the world's markets. This success is detailed by our stable and, in many cases, increasing shares of the markets.

4. Worldwide distribution networks

We will step up our implementing of the policy of further extending our world-spanning network of distribution and service centers. Showing that these efforts are well-conceived have been the successes achieved on markets in Europe and America, and particularly the increases in the shares of their individual markets held by our products and services.

When so indicated by the markets concerned, we enter our areas of sales, relying on many and various forms of cooperation, which extend to the producing in these areas. We will pursue this successful policy on a stepped-up basis over the next few years. The share of the Group's turnover stemming from our companies located outside Germany will increase accordingly.

5. Further development of the services provided to customers in Germany and abroad

Investors launching projects in a world ever-more replete with interlinking, complex causalities expect to receive a wide range of expert and support services from the pre-planning phase on. These investors increasingly expect us to work with them on a basis of partnership, with this entailing our helping them finance and operate their facilities and distribute their products. We will meet these expectations by systematically expanding and extending our range of services and by furthering the intermeshing of the regions' individual activities and of the staffs providing the services.

6. Greater role for employees in decision-making processes, larger amount of participating in Group success

The attaining of the corporate objectives we have set is predicated upon our employees possessing advanced qualifications and showing a great deal of motivation. The Group's success on its markets and its profits stem from the persons working in its facilities' fully identifying with their activities at and for MAN. To enhance this process of self-identification, we intend to extend the special plan of remuneration, already being offered to executives and linking the making of special payments to the Group's results, to all other persons working for the Group.

In addition to this, we are also rendering our corporate structures and methods of working capable of adapting to today's markets, which are in a state of permanent flux. This process is being complemented by our imparting greater degrees of flexibility to our ways of scheduling work, thus also better satisfying our staff members' individual needs. In addition, we are deploying forms of operation and interchange – with these including workgroups and workshops – more efficiently exploiting the stock of experience possessed by our employees than before. This change is facilitating the joint strivings to realize our objectives. It goes without saying that we – setting forth a long tradition – continue to place a high priority on training young persons, and on upgrading the qualifications held by our staff members.

Dear shareholders, the perusing of our annual report will no doubt further strengthen your conviction that MAN has taken another major step forward on the path of progress it has delineated for itself, that the Group's resources have been further augmented, and that we will be able to continue, in the years to come, to provide attractive and secure yields on the capital you have entrusted to us. Achieving all of the above is the responsibility which we have committed ourselves to fulfilling.

R. Rupprecht

Rudolf Rupprecht
Chairman of the Executive Board
MAN Aktiengesellschaft

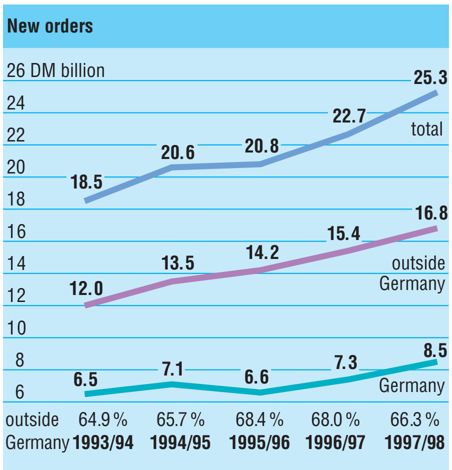
Review of business

The 1997/98 financial year proved to be highly successful for the MAN Group. The Group secured new orders worth DM 25.3 billion, up 11% over 1996/97. The Group's turnover rose 16% to DM 24.8 billion. The Group's earnings outgrew both of these figures. The earnings before taxes on income increased 64% to DM 809 million, with the consolidated net income amounting to DM 612 million, a rise of 75% over 1996/97. Calculated according to the precepts of the DVFA/SG professional associations, the Group's earnings per share came to DM 39.00, a rise of 64%. The number of persons working for the Group rose 2.4% to 64,054 persons. We substantially exceeded the figures forecast a year ago.

Economic conditions

The upswing manifesting itself on Germany's economy continued to gather force during the course of 1997/98. As had been expected, this upswing also spread to further sectors in the second half of the financial year. The economy's upswing, increasingly supported by domestic demand, had previously been largely impelled by demand from outside Germany. Germany's manufacturers of capital goods recorded a total rise of 11% in new orders in 1997/98.

During the period under view, domestic demand for capital goods picked up strongly, showing a 6% rise over 1996/97. Outgrowing that once more was demand from outside Germany, which was up 17%. The rise was largely attributable to the upswing gripping Europe's economy. Joined by the maintaining of strong demand from North America, the upswing has more than sufficed to offset the shortfalls being experienced in Southeast Asia.



New orders

New orders break the DM 25 billion mark for the first time

Buoyed by the generally good economic conditions, the MAN Group registered a substantial increase in new orders secured in 1997/98. The rise of DM 2.6 billion or 11% over 1996/97 brought the total to DM 25.3 billion, the first time in corporate history that this total had been above DM 25 billion. This rise is attributable to the 21% increase registered in orders of DM 30 million or less in value.

The volume of orders for large-sized orders (of more than DM 30 million in value respectively) came to DM 2.8 billion, down from 1996/97's DM 4.2 billion. This decline had been expected. Secured in 1996/97 had been a number of orders for exceptionally large-sized projects in Germany, the USA and Africa.

German customers placed orders worth DM 8.5 billion, up an especially strong 17% over 1996/97. Orders from customers based outside Germany came to DM 16.8 billion, a rise of 9% over 1996/97's total. The individual regional markets showed divergences in development. We recorded above-average increases in new orders secured in Europe (+17%) and the Americas (10%). Accounting for 84% of the Group's total orders, these are our two most important markets.

The economic difficulties gripping several of the countries in Southeast Asia and Japan had, viewed as a whole, only a limited impact on the Group's business. The MAN Group secured orders worth a total of DM 0.7 billion in 1997/98 from customers based in these countries. Down from 1996/97's DM 1.3 billion, this total represented only 2.6% of the total amount of the new orders secured by the Group. We booked orders worth DM 1.9 billion from the other countries in Asia, DM 0.5 billion more than in 1996/97. The amount of orders booked from the CIS member countries declined from 1996/97's 0.3 billion to this year's DM 0.1 billion. This represents 0.5% of the Group's total.

All business areas record rises in new orders

All of the Group's business areas registered increases in their volumes of business and in their new order totals.

❒ The commercial vehicles sector recorded a 17% rise in new orders, which came to DM 9.5 billion. Of this, DM 5.0 billion – or 52% – stemmed from customers based outside Germany. They thus, as had been the case in 1996/97, accounted for more than half of the sector's new order total.

In 1997/98, demand for trucks of 6 t total weight or more increased 13.6% in western Europe, our main market. We outgrew our market, recording a rise of 17% in the new registrations of our trucks. This caused our share of the market to increase from 13.1% to 13.5%, a performance consolidating our position of being Europe's third largest manufacturer.

Also registering good new orders totals were our sectors producing buses and 'stand-alone' engines and providing services. Orders were placed for 4,250 buses, representing a rise of 20%. We increased our share of Germany's market for buses of 10 t total weight or more from 18.4% to 19.7%. Also showing two-digit rises were the new orders totals for stand-alone engines and components.

❒ The rise in the volume of world trade and the extending of its range of services boosted our industrial services business area, which secured new orders worth DM 5.6 billion, up 6% over 1996/97. As had been expected, the volume of large-sized orders, which had been exceptionally high in 1996/97, returned to more normal levels. Offsetting this was the additional volume of orders ensuing from the complete consolidation of DSD Dillinger Stahlbau into the area's accounts. In the 1996/97 accounts, DSD's figures had been incorporated on a prorated basis, for the period starting on January 1, 1997. Also causing the area's new order total to rise were the taking over of MAN GHH's oil and gas-related activities and the substantial growth turned in by the steel trading operations.

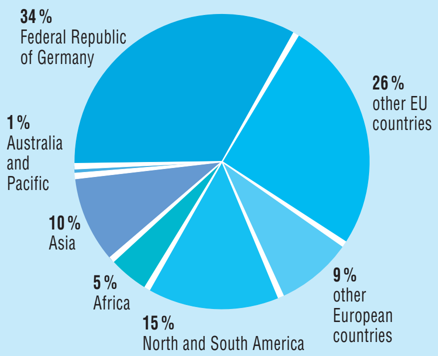
❒ After having been mired in a long-drawn recession, the printing industry has been experiencing an upswing since the first half of 1997, an upswing helping cause the 33% rise in new orders – which came to DM 3.1 billion – recorded by MAN Roland in 1997/98. Of that total, DM 1.7 billion stemmed from the sheetfed sector, which experienced strong demand throughout 1997/98. The webfed sector secured orders worth DM 1.4 billion. In addition to machines for the printing of illustrations, customers purchased large-sized facilities for the printing of newspapers, a market which had been weak in 1996/97.

❒ Demand for Diesel engines going into new ships showed a further increase in 1997, only to drop in the first half of 1998, which is when the crises in Southeast Asia and in Japan started making their presence felt. Also negatively affected by the financing-related difficulties being experienced by the region's customers was the market for stationary facilities used to produce electricity. The business area secured orders worth DM 1.8 billion, a figure up 4% over 1996/97 and one allowing it to consolidate its position of being the leading supplier of low and medium-speed Diesel engines.

❒ The companies producing industrial equipment and facilities booked orders worth DM 5.4 billion, up 1% over 1996/97. Substantial increases were recorded by MAN Technologie's space transport operations and by the company's subsidiary, GHH BORSIG, in the turbomachinery area. Its lower amount of large-sized orders notwithstanding, the SMS group recorded new orders totals at 1996/97's levels. The declines in their volumes of large-sized orders caused the new orders totals registered by RENK, MAN TAKRAF and DWE to be under 1996/97's marks.

❒ The 'other companies' referred to in the charts comprise those subsidiaries of MAN AG engaged in providing financial services, MAN GHH's remaining operations and Schwäbische Hüttenwerke GmbH (SHW), a company whose main activity is supplying the automobile industry. SHW was proportionally consolidated into the Group's accounts for the first time in 1997/98. Fifty percent of SHW's total rise of 5% in new orders – which came to DM 0.4 billion – is comprised in the Group's figures.

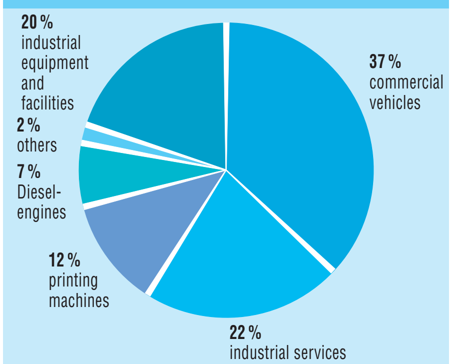
New orders in 1997/98 according to regions



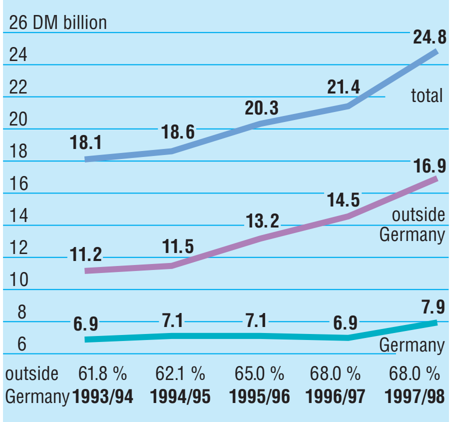
New orders according to areas of operation

in DM mill.	1997/98	1996/97
commercial vehicles	9 502	8 126
industrial services	5 606	5 269
printing machines	3 061	2 298
Diesel engines	1 801	1 730
industrial equipment and facilities	5 353	5 314
others	682	700
intra-Group orders	– 746	– 737
	25 259	**22 700**

New orders in 1997/98 according to areas of operation



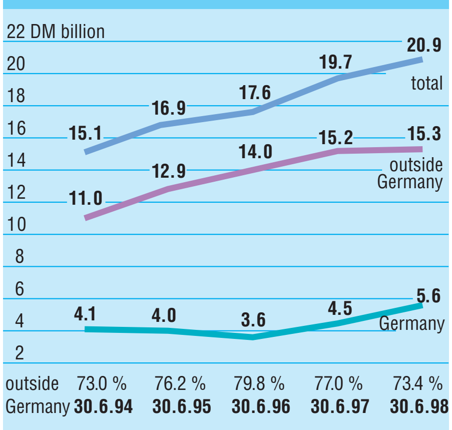
Turnover



Turnover according to areas of operation

in DM mill.	1997/98	1996/97
commercial vehicles	8 833	7 955
industrial services	6 278	4 315
printing machines	2 820	2 471
Diesel engines	1 996	1 616
industrial equipment and facilities	4 820	4 706
others	775	910
intra-Group sales	– 729	– 619
	24 793	**21 354**

Orders on hand



Turnover up 16%

Showing a 16% rise, the MAN Group's turnover came to DM 24.8 billion. The rise is particularly attributable to our ordinary business activities (a term excluding large-sized orders), which recorded a 19% increase in turnover, one almost as large as the rise in new orders. The amount of large-sized orders invoiced was at 1996/97's level.

❒ The commercial vehicles sector's large amount of orders on hand has already partially manifested itself in its turnover, which came to DM 8.8 billion in 1997/98, a figure representing a new all-time high for a single financial year.

❒ The increase of DM 2 billion or 45% in the industrial services sector's turnover – which came to DM 6.3 billion – is attributable to DSD and the oil and gas-related activities, which jointly supplied a further DM 1 billion of turnover, and the sector's steel-trading operations and the areas engaged in supplying long-term, large-sized projects. The increases recorded by these areas boosted the sector's turnover by a further DM 1 billion.

❒ The printing machine sector increased its total invoicings by 14% to DM 2.8 billion. The increase stemmed from the sheetfed sector. The low amount of orders for newspaper printing systems prevailing at the beginning of the year caused the webfed sector's turnover to be slightly below 1996/97's total.

❒ The Diesel engine sector registered a 24% rise in turnover, which came to DM 2.0 billion. This was a corporate first.

❒ The total turnover achieved by the companies manufacturing industrial equipment and facilities rose 2% to DM 4.8 billion. The turnovers achieved by RENK and SMS were close to those recorded in 1996/97. Increases were recorded by MAN Technologie, MAN TAKRAF and DWE.

The other companies had a total turnover of DM 0.8 billion. SHW's turnover rose 13%, coming to DM 0.4 billion.

Further increase in orders on hand

At DM 20.9 billion, the amount of orders on hand staged a 6% rise. Profiting from the large amount of orders placed, the commercial vehicles sectors showed a particularly pronounced, 27% rise. The DM 3.2 billion in orders on hand represents around a third of the total turnover figure targeted by the sector for 1998/99. The industrial services sector's orders on hand total came to DM 4.8 billion, down a slight 3% over the previous year. The Diesel engine sector's DM 1.3 billion was at the previous year's level. The printing machines sector had DM 1.8 billion in orders (up 13%). The companies manufacturing industrial equipment and facilities had orders worth DM 9.8 billion on their books, a rise of 5%.

Earnings

Strong increase in earnings

The Group's earnings from ordinary business activities in 1997/98 came to DM 809 million, up DM 316 million or 64% over 1996/97's results. Substantial increases in profits were registered by the commercial vehicles, printing machines and industrial equipment and facilities sectors. All of MAN's operative group divisions were in the black.

❒ The commercial vehicles sector's earnings before taxes on income rose by DM 156 million to DM 338 million. The strength of demand led to the sector's facilities recording a good rate of utilization throughout the entire year. The downward pressure on prices, however, did not abate. The good rate of facility employment joined with the implementing of design-related measures, the making of further improvements in production procedures, and the employing of flexible schedules of work to cause a further reduction in product costs, and to keep the rise in costs well below the increase in output.

❒ The industrial services sector's earnings came to DM 136 million, down DM 7 million over 1996/97's figure, in which special-source earnings were comprised.

❒ The printing machines sector's earnings before taxes on income came to DM 22 million, thus putting an end to several years of losses, ones caused by general economic conditions and by corporate structures. Largely causing this turnaround were the measures implemented during the previous years to improve and further develop our products and to trim costs in a thoroughgoing way, and the good rate of utilization recorded by the sheetfed area's production facilities.

❒ The Diesel engine sector's earnings amounted to DM 135 million, up DM 4 million over 1996/97. Its facilities in Denmark recorded, generally speaking, good rates of utilization. The lower rates registered by the ones in Germany and in France were due to the weakness of the business in stationary engines. Caused by the depreciation of their currencies, shipbuilders in Korea and Japan are experiencing drops in revenues, depressing the prices charged for large-sized Diesel engines.

❒ The companies manufacturing industrial equipment and facilities had earnings of DM 244 million, DM 77 million more than in 1996/97, once the results recorded by MAN GHH (which was included in this segment in the previous year) are factored out. The strength of their business activities caused the MAN Technologie and RENK group divisions to record sharp rises in earnings. Also increasing their earnings were the SMS group and DWE. The persisting of facility employment-related problems notwithstanding, MAN TAKRAF was able to stay in the black.

❒ The profit earned by SHW and accruing to the Group came to DM 13 million, more than twice 1996/97's figure. This sum has been assigned to the "holding company, others, consolidation procedures" segment, which includes the results emanating from MAN AG. Comprised in these are the provisions made and not assigned to any business areas, the results achieved by the companies providing financial services, the effects of consolidation procedures and the losses arising from follow-up expenditures necessitated by the carrying out of MAN GHH's remaining activities. Offsetting earnings from these activities are to start accruing to the segment in the years to come.

Rates of profitability rise strongly

The substantial increase in earnings manifested itself in the Group's rates of profitability. Calculated before factoring out taxes on income, the Group's rate of return on sales rose from 2.3% in 1996/97 to 3.3% in 1997/98. The rate was 3.7% for the Group's manufacturing operations (in 1996/97: 2.1%). The return on the capital employed by the MAN Group staged a substantial rise, going from 10.4% to 14%. The return on equity (calculated after taxes on earnings had been levied) climbed from 1996/97's 8.7% to 14.4%.

The Group paid DM 197 million in taxes, a rise of DM 53 million. The ratio of taxes on income to total earnings fell from 29.2% to 24.4%, a drop caused by the effect of the lack of expenditure for same-year taxes on the income earned by the Group companies subject to German taxation. This lack arose from the companies having carried losses forward. Outlays for taxes on income not having accrued during the financial year came to DM 29 million.

At DM 349 million in 1996/97, the Group's consolidated net income rose DM 263 million or 75% to DM 612 million. After factoring out the special effects arising from the expenditures for taxes on income not having accrued during the financial year, the earnings per share came to DM 39.00, as calculated using the precepts of the DVFA/SG professional associations. This represents a rise of DM 15.20 or 64% over 1996/97's DM 23.80 per share.

Dividend increased by DM 2 to DM 16

DM 40 million of the consolidated net income accrues to minority interests, and DM 325 million will be transferred to the corporate reserves. That leaves an unappropriated profit of DM 247 million.

Implementing our policy of linking pay-outs to the results achieved, we will propose to the general meeting of shareholders that 1996/97's dividend of DM 14 per share be raised to DM 16 per share of DM 50 par value. As had been the case in 1996/97, the dividend will be exclusively financed from proceeds emanating outside of Germany,

Net income according to areas of operation

in DM million	1997/98	1996/97
commercial vehicles	338	182
industrial services	136	143
printing machines	22	– 115
Diesel engines	135	131
industrial equipment and facilities	244	167
holding company, others, consolidation procedures	– 66	– 15
earnings before taxes on income	**809**	**493**
taxes on income	– 197	– 144
net income for the financial year	**612**	**349**

Sources and application of capital
(abridged form)

in DM mill.	1997/98	1996/97
cash flow	1 357	1 051
other funds accruing from business activities	– 346	110
inflow of funds from business activities	1 011	1 161
outflow of funds going for investments	– 855	– 704
outflow of funds going for financing activities	– 230	– 349
operative changes in the amount of financial funds	**– 74**	**108**
net liquidity as of June 30th	**1 686**	**1 738**

Accounting of real net output

in DM mill.	1997/98	1996/97
total operating performance	25 542	22 186
cost of materials	– 15 225	–12 901
other purchased materials and services	– 3 194	– 2 898
real net output from operations	**7 123**	**6 387**
personnel costs	6 012	5 563
lenders	260	265
public sector	239	210
shareholders	287	249
transfers to retained profits reserves	325	100
total distributed	**7 123**	**6 387**

ones which are therefore not liable to German taxation. This means that the dividend does not come with a tax credit.

Finances, net output, personnel

No change in the Group's solid finances

The Group's finances remain strong. The company's equity ratio amounts to 29%. The fixed assets are fully covered by the stockholders' equity. Some DM 3.2 billion of the stockholders' and creditors' equity available on a long-term has gone to finance current assets.

The MAN Group's financial situation also remains good. The Group's net liquidity amounts to DM 1.7 billion, a figure at 1996/97's level. The company was able to finance the increase in the overall volume of business and in the outlays for projects requiring capital investment out of its own funds.

The cash flow amounted to DM 1.4 billion, up DM 0.3 billion over 1996/97. A reduction in the prepayments by customers for long-term, large-sized orders caused the amount of funds committed to inventories and accounts receivable to be DM 0.5 billion higher than in 1996/97. All told, we accrued DM 1 billion in funds from our business activities. After subtracting the proceeds arising from the sale of fixed assets and holdings no longer needed by the Group, we expended DM 0.9 billion for investments.

Real net output up strongly

Including interest-related and other earnings, the MAN Group's total operating performance rose 15% to DM 25.5 billion in 1997/98. The real net output came to DM 7.1 billion, a rise of 12%, and one attributable to the thoroughgoing increase in our facilities' rates of utilization and to the setting forth of measures to cut expenditures for goods and services. Proprietary manufacturing accounted for 38.4% of total production output, a figure one percentage point lower than in 1996/97. The net output per employee rose 7.4% to DM 113,000. Of the Group's net output, DM 6 billion or 84% (in 1996/97: 87%) went to our employees.

Increase in workforce size

As of June 30, 1998, the MAN Group employed 64,054 persons – 1,490 persons or 2.4% more than a year earlier. Changes in the roster of companies – with these primarily being located outside Germany – caused an increase of 1,339 persons. As of June 30, 1998, 26% (June 30, 1997: 25%) of the Group's employees worked for companies based outside Germany.

Its high rates of production facility utilization and the growth of its service provision activities led the commercial vehicle sector to increase its workforce by 1,471 persons. This was offset by MAN GHH's reduction of its workforce size by 474 persons, with this occurring according to pre-set plans. The company is wrapping up its remaining activities. MAN Roland Druckmaschinen's reduction of workforce size came to 653 persons. The company has completed a comprehensive program of cost-cutting and efficiency-raising. The incorporating of new areas of business into the industrial services sector caused its staff size to increase by 276. The consolidation of S.E.M.T. Pielstick increased the Diesel engines' workforce by 862 persons. The number of persons working for the industrial equipment and facility sector remained at the previous year's level.

The expenditure per employee came to DM 95,153, a rise of 4%. In addition to the rises in wage scales stipulated by the collective bargaining agreements and those arising in the legally-mandated social benefits, this increase is primarily attributable to the greater amount of work (as measured in hours on the job) rendered in 1997/98 vis-à-vis 1996/97. We have imparted an even greater degree of flexibility to the agreements governing times of work and the operating of „accounts", into which hours worked are paid. These measures allow us to cushion the Group from the negative effects of fluctuation in employment.

Expansion of our areas of business, research and development, investments

Group's areas of business systematically enlarged

In 1997/98, the MAN Group systematically strengthened the operations of its areas of business.

❒ MAN Nutzfahrzeuge expanded its operations outside Germany, commissioning a new bus factory in Poznan, Poland. To open up new markets in eastern Europe, the company has entered into a close working relationship with STAR, Poland's largest producer of trucks. The objective informing the founding of the Minsk-based MAZ-MAN-SAO, a joint venture entered into with Belarus' MAZ, is the covering of what is potentially the largest market in the former East Bloc: the CIS. Our technical departments helped create a MAZ-MAN truck from individual, MAN-made modules. This new truck went into serial production in July, 1998. An agreement allowing the construction under license of an engine was reached with China National Heavy Truck Corporation, a long-time licensee of STEYR Nutzfahrzeuge AG.

We restructured our areas of business in Germany. Since July 1, 1998, the distribution of and provision of services for trucks is being managed by a unified chain of command. As of September 1, 1998, the buses area of business – including its related operations – was set up as an independent unit, one separate from the truck manufacturing operations, and the company's truck-related services were grouped under the management of MAN TransCom GmbH.

❒ Major developments in the industrial services business area were the further incorporation of DSD Dillinger Stahlbau's operations and of the oil and gas-related activities taken over from MAN GHH. The area's maintenance-related activities were grouped under the management of Ferrostaal Industrial Plant Services. In cases where doing so made business sense, Ferrostaal's and DSD's foreign-based networks were merged.

❒ MAN Roland took steps in 1997/98 to become more involved in the distribution of its products in Southeast Asia and Europe, doing so to get in better touch with its customers and to substantially strengthen its proprietary distribution and service provision networks.

❒ In a move taking effect on January 1, 1998, MAN B&W Diesel increased its holdings in the Saint Denis, France-based S.E.M.T. Pielstick, which it had previously jointly and equally owned with MTU Friedrichshafen GmbH, to 66.6%. This move stepped up the joint development, distribution and manufacturing activities being undertaken by the companies for the common family of engines.

❒ In 1997/98, the MAN Group acquired further stakes of the equity of New Elliott Corporation. This American manufacturer of turbomachines is based in Jeannette, Pennsylvania. The Group and Japan's Ebara Corporation will each hold 50% of Elliott's equity. The change in ownership has created a strategic alliance comprised of GHH BORSIG, Elliott and Ebara. This alliance is already one of the world's three largest suppliers of turbomachines.

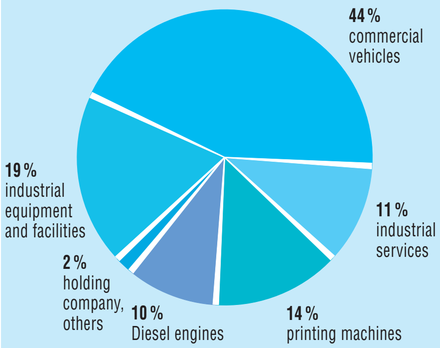
Personnel

	June 30, 98	June 30, 97
in Germany	47 514	47 161
outside Germany	16 540	15 403
	64 054	**62 564**
share, outside Germany	26%	25%

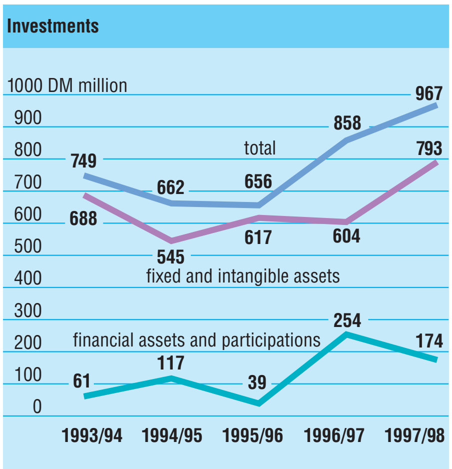
Persons employed by business sectors

	June 30, 98	June 30, 97
commercial vehicles	28 502	27 031
industrial services	6 813	6 537
printing machines	8 730	9 383
Diesel engines	6 281	5 419
industrial equipment and facilities	12 127	12 157
holding company, others	1 601	2 037
	64 054	**62 564**

Persons employed as of June 30,1998 according to business sectors



Research and development		
in DM million	1997/98	1996/97
Expenditures for R & D	672	585
in % of the turnover earned by Group companies active in manufacturing	3,7	3,5
R & D funds from Group	567	518
R & D personnel (June 30)	3 651	3 300



A substantial increase in expenditures for R & D

As of June 30, 1998, 3,651 persons worked in the Group's R & D departments, 11% more than in 1996/97. Expenditures for R & D came to DM 672 million, a rise of DM 87 million or 15% over 1996/97. That is equivalent to 3.7% (1996/97: 3.5%) of the total turnover earned by the MAN Group's manufacturing companies. Of that, DM 567 million (+9% over 1996/97) or 84% were financed from internal sources. DM 105 million (+56% over 1996/97) involved projects carried out for third parties.

Some 60% of the Group's R & D resources were devoted to basic research and to the development of new products. The remainder went to the ongoing upgrading and extending of existing ranges of products. The chapter on research and development (which starts on page 23 of this annual report) delves into the innovations ensuing from our R & D activities.

Volume of investments reach the DM 1 billion mark

In 1997/98, the MAN Group's investments came to DM 1.0 billion, up 13%. Of that DM 0.8 billion went to fixed and intangible assets, 31% more than in 1996/97. We stepped up the modernizing of our production facilities. We deployed innovative technologies and implemented measures to 'tighten up' our processing procedures. As had been the case in the past financial years, more than half of the above sum went to our commercial vehicles sector, whose investments came to DM 0.4 billion – or 56% of the total.

We invested DM 174 million in financial assets. In addition to our acquisition of further equity stakes in Elliott, these expenditures primarily went to take our share of the first tranche of ARIANE-SPACE S.A.'s increase of share capital and to acquire equity in Group companies held by minority interests.

Developments at the beginning of the current financial year and prognosis for 1998/99

Economic conditions

At the beginning of the 1998/99 financial year, economic conditions remained positive in western Europe. The picking up of domestic demand and the ongoing strength of exports buoyed Germany's economy. The current forecasts foresee further impetus for economic growth ensuing from the growth in investment in the EU's member countries. North America is expected to set forth its long economic rise, albeit at a lower rate of growth, with this being a ramification of Southeast Asia's problems.

Presaging itself in the Asia-Pacific region is a marked drop in growth. This is a consequence of the financial crises in several countries and of Japan's recession. Russia is also experiencing a financial crisis, one giving rise to uncertainties as to the courses of development of the other CIS countries and to the prospect of growth being impaired in several countries in eastern Europe. These negative developments are impacting upon the world's financial markets. Several countries have been forced to address these problems by instituting sweeping regulations affecting their currencies and capital markets. Further measures of control are being considered. What effect these developments will have on the world's markets for products is difficult to determine at the moment.

The number of experts considering it possible that the developments in the world's regions of crisis will lead to a cooling off of demand for capital goods in Europe and North America is growing. In accordance with most of the current forecasts, we still do not see any convincing indications that the crises being experienced in these regions are leading to a sharp readjustment of economic growth. In the situation described above, the European Union's member countries and those belonging to the North American Free Trade Association constitute the locomotives of the world economy. As these regions are the MAN Group's main markets, we are expecting our volume of business to stage a further rise in 1998/99.

The economic and financial crises affecting several countries could be detrimental to the overall development of the MAN Group, with this particularly being the case in its new orders total. Some customers are experiencing financing-related difficulties in the countries in crisis, difficulties which could cause delays in the processing of long-term orders for facilities and in the placing of ones for new projects. As a matter of basic corporate policy, we take all necessary precautions to protect ourselves – as far as this is possible – against processing, production and payment-related risks.

Prospects for the Group's business divisions

❒ During the first few months of 1998/99, our commercial vehicles sector has continued to secure a large amount of new orders. It is hard to judge what the ramifications of the problem regions' financial crises will be on Europe's market for commercial vehicles; as of this writing, the forecasts have continued to foresee demand in western Europe remaining strong in this sector. We expect therefore to further increase our output and turnover. Thanks to our lines of trucks and buses, our recently reconfigured distribution network and the growth of our service provision business, we are well equipped to contend with our competitors, who show an undiminished strength. Our ongoing efficiency-raising measures will lead to a further drop in costs. Joined with the large amount of orders currently on hand, these facts and factors are leading us to predict that our increase in turnover will cause a further rise in earnings in 1998/99.

❒ The amount of orders secured during the first few months of 1998/99 by the industrial services sector was near the previous year's level. We don't expect the difficulties being experienced by several of our important markets to be without effect on our new orders totals. The amount of orders for long-term projects currently on hand is, however, sufficient to assure this business area of a good rate of employment. We have been doing business in the world's rapidly industrializing countries for many years. This length of on-site activity should enable us to tap new, competitively-priced sources of supply. Viewing the situation as a whole, we expect to realize earnings in 1998/99 at the previous financial year's level.

❒ The printing machines sector recorded a further rise in new orders during the first few months of 1998/99. According to a contract initialed on October 2, 1998 by MAN Roland and Buhrmann N.V., the former will acquire a majority stake in Omnigraph and will take over the VOTRA group. Omnigraph is the largest multi-make distributor and service provider on Europe's market for printing systems and ancillary products. Providing everything needed by printing operations, VOTRA is a trading and service provision company active throughout Asia. Both of these companies distribute MAN Roland's products. These takeovers will substantially strengthen our proprietary distribution and service provision networks. We assume that the contracts entered into with Buhrmann N.V. will take effect sometime during the next few weeks.

We expect demand to be sustainedly strong in Europe and North America, two markets of especial importance for MAN Roland, and that the volume of business done on the market segments we serve will be at the previous year's level, the negative developments in Southeast Asia notwithstanding. These operating conditions and the large amount of orders on hand will combine to yield increases in our output and turnover in 1997/98. We will set forth the measures already implemented to reduce costs and to further develop our products, and to build up our distribution and service provision activities. Assuming that no unexpected slumps occur on our markets, we expect profits to stage a substantial rise in 1998/99. This will put our earnings close to the targets set for the MAN Group companies producing industrial equipment and systems.

❒ The securing of several large-sized orders in the first few months of 1997/98 has substantially boosted the Diesel engines division's new orders totals. The economic difficulties being experienced by several countries in Southeast Asia will probably cause a slump on the market for two-stroke Diesel engines. In the four-stroke area, we see ways of offsetting the lack of projects in Asia through the securing of business from other areas.
The downward pressure on prices will not abate. The expansion of our line of products, the implementing of cost-cutting measures and the extending of our distribution networks will facilitate our strivings to attain in 1998/99 profits of the same magnitude of those of 1997/98.

❒ The drops in large-sized orders being recorded by the metallurgical plant and rolling mill technologies area is the primary cause of the decline in the new orders secured by the industrial equipment and facilities sector during the first few months of 1998/99. As matters now stand, we are forecasting that the group divisions comprised in the industrial equipment and facilities sector will register a stable level of new orders in 1998/99 as a whole. We hold positions of leadership on most of the markets we are involved in. These positions yield the opportunity of increasing market shares and sales in various segments and regions, so as to offset the slumps in demand being recorded in other market segments, slumps caused by the difficulties being experienced in various parts of the world. The large amount of orders on hand and the promising projects should secure the division a good rate of facility employment in 1998/99. Viewed from today's vantage point, we are forecasting that the sector will attain profits at 1997/98's level.

Prospects for the MAN Group

The MAN Group's finances are strong, a strength facilitating the individual group divisions' further development. Using the existing thrusts of development as a basis, we will continue to implement our programs of capital investment and research and development, increasing the resources devoted to them in the process.
The Group's cash flow is at the high level of the previous financial year. Its level of liquidity remains comfortably ample. The value of our assets is solid, as is that of our capital. These facts and factors will allow us to further expand our operations.

It currently appears as if the crises will have only a limited affect on demand for our capital goods in Europe and North America – our key markets. We therefore expect the MAN Group to record a further rise in its volume of business in 1998/99, and a corresponding growth in earnings.

The balance sheet of MAN Aktiengesellschaft for 1998/99 shows a net income of DM 246,723,999.56.

The proposal from the Executive and Supervisory Boards to be submitted to the annual general meeting of shareholders on December 10, 1998 is that this profit be appropriated as follows:

– Dividend pay-outs to shareholders DM 16.00 per share of DM 50 par value for both ordinary and preference shares, yielding a total par value of DM 771,000,000 and a pay-out of DM 246,720,000.

– Balance to be carried forward: DM 3,999.56

This dividend does not come with a tax credit.

The MAN Group: a leader on its markets

The MAN Group is one of Europe's leading suppliers of capital goods. It concentrates its efforts on pursuing its core areas of operations, which are the manufacturing of commercial vehicles, Diesel engines, printing systems and industrial equipment and facilities, and the providing of industrial services.

The range of products and services emanating from these sectors has been configured to satisfy criteria assuring our Group of achieving long-term growth and high rates of facility employment and profitability. The following statements apply to our range of products and services:

❒ We supply capital goods incorporating and deploying high-quality technologies, goods for which we perceive a long-term potential of technological and market development.

❒ A sustained demand exists for our products and services. No 'heavy-weight' substitutes are likely to vie for business with them in the years to come.

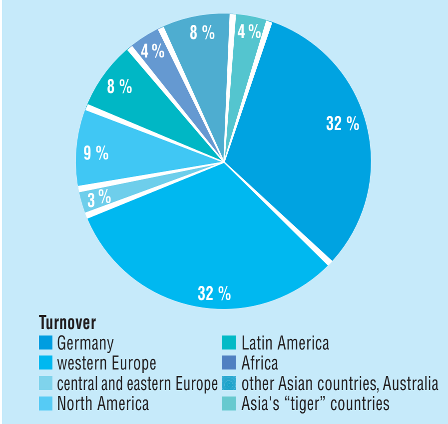
❒ We provide full-range systems and services directly to the customers deploying and employing them.

❒ Our products are leaders on their individual world markets. In cases in which these markets are comprised of regional ones evincing sharply divergent sets of demands, our products hold a position of leadership on the European one.

Augmenting of core areas of activities

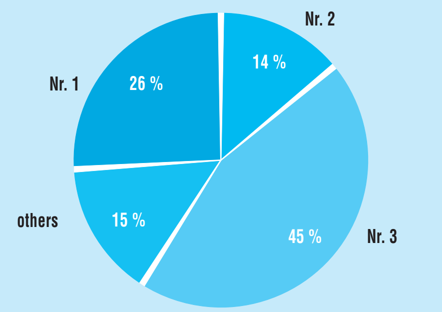
Over the last few years, we have systematically built up the MAN Group's core areas of activities. This has occurred through the acquiring of several companies since 1990/91. Today, more than DM 4.8 billion of the Group's turnover stems from these companies. During that time, we have, on the other hand, disposed of businesses not forming part of our core areas, and with a total turnover of DM 4.2 billion. This has been accompanied by large-scale outlays for the further development of our line of products, for the ongoing modernization of our manufacturing facilities, for the step-by-step expanding of our distribution network, and for the building up of our portfolio of financial and other services.

A group spanning the world market



The offset printing of newspapers has seen many advances over the past few years. Many of them have stemmed from MAN Roland and its high-performing COLORMAN line of printing systems, whose quality, efficiency, flexibility and security of operation have made it a best-seller among the world's newspaper printers. Featuring state-of-the-art, module-based technologies, COLORMAN produces full-color, large-circulation newspapers of the highest print quality.

MAN: a leader on its markets



The percentages pertain to the turnover (DM 18.2 billion) earned by Group companies engaged in manufacturing

MAN – a leader on its markets

The success of this strategy is shown by the Group's position on its markets. MAN is one of the world's top three suppliers in areas accounting for some 85% of the business volume transacted by its manufacturing companies. For our commercial vehicles sector, this "one-of-the-top-three rule" applies to Europe, for the rest of our sectors, to the entire world market.

MAN's 'number ones' on the world market are MAN Roland's webfed printing systems, MAN B&W Diesel's two-stroke, large-sized Diesel engines and the SMS group's range of metals processing and rolling mill technologies, with the latter also leading various segments of the plastics processing market. We are also the leading manufacturer in the world in other, smaller-sized markets, with these including those for transmissions for heavy-duty vehicles and for plain bearings (RENK), for special-purpose reactors used in the chemical industry (DWE) and hard cast rolls incorporated into paper manufacturing machines (SHW).

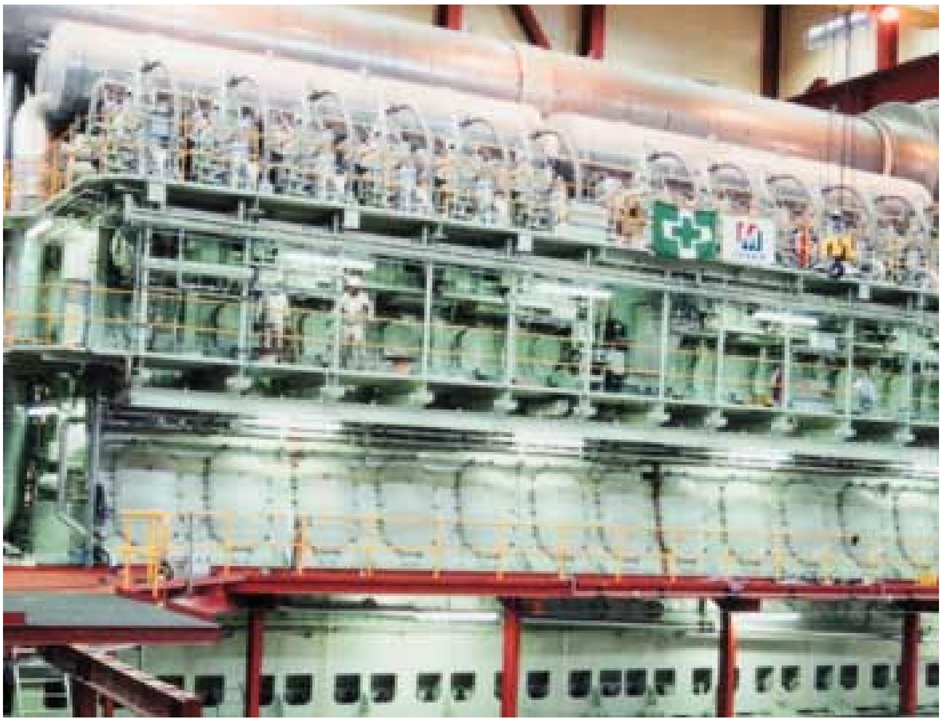
MAN Roland is also the world's second leading supplier of sheetfed printing systems. Also number two on the world market is MAN B&W Diesel in the area of four-stroke marine Diesel engines.

The share of the components supplied to Europe's ARIANE program by MAN Technologie has been rising steadily over the past few years. MAN Technologie is providing some 13.5% of the items incorporated into ARIANE 5 – a percentage ranking MAN Technologie second behind a French company with which it works.

Primarily focusing its activities on the European market, MAN Nutzfahrzeuge is western Europe's third largest supplier of trucks of more than 6 t total weight.

Boosted by the addition of Elliott's activities, GHH BORSIG Turbomaschinen has become the world's third largest manufacturer of turbocompressors.

We want to maintain and augment these positions of market strength. One third of our business is done in Germany, one third in the rest of Europe, and the remainder in other parts of the world. We have all of the essentials – including this global spread of activity – requisite for well-founded growth in attractive areas of business.



The world's leader in the field of two-stroke, large-sized Diesel engines. Shown here is the new compact model of the super long-stroke version of MAN B&W Diesel's highly successful MC line of two-stroke engines.

Personnel

Increase in number of employees

As of June 30, 1998, the MAN Group employed 64,054 persons, 1,490 or 2.4% more than at the end of 1996/97. This increase has largely stemmed from the Group's non-German operations, whose total workforce comes to 16,540 persons, up 1,137 or 7.4% over 1996/97. The number of persons working in Germany rose by 353 – or 0.7% – to 47,514 persons. The share of persons working for non-German companies came to 26% as of June 30, 1998, up one percentage point over the previous year.

Changes in the roster of companies consolidated into the Group accounts caused the number of persons employed to rise by 1,339 persons. Put on a basis comparable to 1996/97's roster, the MAN Group experienced a rise in employment of 151 persons. The Group's new hirings ensued primarily in the commercial vehicles sector. Experiencing declines in the number of persons employed were MAN GHH, which is wrapping up its remaining activities, and MAN Roland Druckmaschinen, which is carrying out a successful and comprehensive set of cost-reduction and efficiency-raising measures.

Personnel costs rose from 1996/97's DM 5,563 million to DM 6,012 million, an increase of DM 449 million or 8.1%. On an expenditure per employee basis, this represented a rise of 4.0% to DM 95,153. In addition to the rises in wage scales stipulated by the collective bargaining agreements and those arising in the legally-mandated social benefits, this increase is primarily attributable to the greater amount of work (as measured in hours on the job) rendered in 1997/98 vis-à-vis 1996/97.

Operating flexibility further augmented

Our corporate structures and forms of work determine how effectively we operate and how well we compete. We want to assure our operations of maintaining the requisite flexibility even in times of rising rates of facility utilization. To achieve this, we and the representatives of the workforce have extended the agreements governing times of work and the use of "accounts", into which employees "pay" the hours worked. Along with the hiring on of persons employed under limited-term contracts and the use of "loan workers", this has largely cushioned the Group from feeling the effects of fluctuations in rates of facility employment.

Personnel as of June 30

	1997/98	1996/97
persons on wages	36 455	35 368
persons on salary	27 599	27 196
total	**64 054**	**62 564**
share of persons working for non-German Group companies	26%	25%

Expenditures for personnel

in DM mill.	1997/98	1996/97
wages and salaries	4 958	4 566
benefit payments	919	847
old-age pensions and related support	135	150
	6 012	**5 563**
in DM per employee		
wages and salaries	78 475	75 062
benefit payments	14 542	13 921
old-age pensions and related support	2 136	2 471
	95 153	**91 454**

Providing its employees with safe places to work has always been a prime concern of the MAN Group. The success of the Group's efforts in this regard is illustrated by the fact that the number of accidents at MAN Roland's facilities in Augsburg – to give but one example – has been cut by two thirds over the past few years.

Learning how to use the turner's lathe. MAN TAKRAF Fördertechnik is currently providing, at its facilities in Lauchhammer, Brandenburg, 23 young persons with vocational education. Most of them will become design and cutting mechanics.

Ongoing education for executives. On the agenda are workshops on how to manage projects and change, and how to effectively communicate and come to grips with conflict. Also on the agenda are tours of corporate facilities – including this one, at a factory maintained by MAN Nutzfahrzeuge – and discussions with the company's Executive Board on changes occurring in the group division.

A new course of vocational education for a new profession: „mechatronicians". Mechatronics is a melding of the advanced components of electronics and mechanics. Since that's a good description of today's printing systems, mechatronicians are to be found in this sector, installing and maintaining printing systems on-site.

Several Group companies have reached agreements with their works councils. These set up part-time work arrangements for elder (55 and older) employees, providing them with an interim period between work and retirement, and the opportunity to retire at an early stage. These arrangements also allow the Group to offer the positions thus becoming available to new applicants. In 1998/99, the first of such arrangements were concluded with employees.

Vocational education: the way to ensuring the Group of being successful in the years to come

The fostering of a supply of highly-qualified and motivated young employees remains an important focus of our personnel-related policies. To that end, we concluded contracts of education with some 1,400 young persons. This means that the total number of young persons receiving vocational education at the MAN Group comes to 5.4% of the total number of persons working for our companies in Germany. This percentage means that we are educating more persons than our current need would dictate. By doing so, and by providing internships to persons earning advanced degrees and to others, we are precluding the possibility of experiencing a shortage of skilled personnel some time in the future. We view our rate of education – which is high by the standards prevailing in Germany's manufacturing sector – as our way of paying our due to society and to the young generation.

We offer our employees a wide range of occupational education courses. Executives attend in-house seminars and workshops designed to hone their management skills. We also rotate employees throughout the Group, so as to prepare them for the assuming of new positions within the Group's management echelons. We reached our objective to fill vacant positions in these echelons from the ranks of our employees in 1997/98.

We have merged MAN's Studienstiftung (foundation for education) with several others. The new foundation has been provided with further funds. These measures have put the foundation in a position to foster the development of young persons in an even more effective and focused way, and to enlist them for careers at MAN.

Relations of trust with workforce representatives

In 1997/98, as in years past, there was a good and open-minded working relationship with the bodies charged with codetermining the Group's conducting of its affairs. Solutions were sought to questions pertaining to operating procedures. These solutions always took into account all of the parties' interests in a fair way.

The Executive Board thanks all the persons employed by the Group and the representatives of the workforce for the high degree of motivation they showed in carrying out their work.

Research and development

Our carrying out of research and development activities oriented towards customer needs and wishes and the further developing of our lines of products and services constitute the key to the MAN Group's ability to compete successfully on its markets on a sustained basis. The fundamental objectives of these efforts are the creating of commercial vehicles, machines and facilities providing an ever-greater economy, reliability, security and ease of operation, and evincing ever-higher degrees of quality and environmental compatibility.

MAN Aktiengesellschaft coordinates the Group companies' research and development activities, doing so by making sure the individual R & D plans are "in sync" with us and by organizing the interchanging of results. MAN AG promotes the deploying of advanced methods of development and design in and by the Group. In 1997/98, this primarily entailed the improving of the managing of model diversity. This was achieved by designing lines of products featuring the lowest number possible of limited-use parts, and by further standardizing the components going into them.

Substantial increase in expenditures for R & D
In 1997/98, MAN Group further stepped up its R & D activities. As of June 30, 1998, 3,651 persons worked in the Group's R & D departments, 11% more than in 1996/97. Expenditures for R & D came to DM 672 million, a rise of DM 87 million or 15% over 1996/97. That's equivalent to 3.7% (1996/97: 3.5%) of the total turnover earned by the MAN Group's manufacturing companies. Of that, DM 567 million (+9% over 1996/97) or 84% were financed from internal sources. DM 105 million (+56% over 1996/97) involved projects carried out for third parties.

Some 60% of the Group's R & D resources were devoted to basic research and to the development of new products. The remainder went to the ongoing upgrading and extending of existing ranges of products. The results of our R & D activities are to be witnessed in all areas of the MAN Group:

❐ A focus of the commercial vehicles sector's R & D activities was the further increasing of our entire range of trucks' cost-efficiency and environmental compatibility. We launched new engines at September 1998's IAA international automobile exhibition, held in Hanover. With outputs of between 310 and 460 HP, the engines feature higher levels of performance, lower rates of fuel consumption, and longer intervals of maintenance. Vehicles covering long distances can be equipped with „direct-drive" transmissions, which feature a lower rate of friction-caused losses of energy. The transmissions are thus even more fuel-efficient. We offer a range of special features to customers running their vehicles over great distances or periods of time. All told, these measures cut fuel consumption by more than 5%.

Occupying center stage in the bus sector were newly-developed models of vehicles. Showcased at 1998's IAA were a new generation of scheduled-service buses (now available in all versions) and a new low-floor inter-city coach. It has three axles and is 15 meters long. This model is designed to allow regional-based transport authorities to accommodate a large volume of passengers. It has filled a gap in our range of products, one between our two-axle, 12 meter long vehicles and our 18 meter-long articulated buses. The buses in our Lion's Family line of touring coaches were equipped with a newly-developed front axle increasing the buses' passenger comfort and maneuverability. Now available, the EBS (electronic braking system) has given the buses an even greater degree of safety, something also achieved by all of the buses' axles being equipped with disk brakes.

An ample amount of space, an attractive exterior – that's the NG 313. This low-floor articulated bus is 18 meters long. It was recently redesigned.

Carrying out R & D on a team-wide basis resulted in a 7% reduction in costs. Comprised of a machine operator, programmer and an operations planner, plus a master craftsperson and a technician from the large-sized parts sector of activities, a team of MAN Roland's staff members changed the design of the inking fountain's cross-ties in the LITHOMAN's ink box and improved the method of tightening employed. The team also introduced the use of new tools and optimized production operations. The team members reaped the fruits of their initiative, having received recompense linked to the amount of savings achieved.

This laboratory is owned and operated by GHH BORSIG Turbomaschinen. It has been certified as meeting the DIN 45001 standard. A precondition for the achieving of long lives of operation for the company's turbomachines is the precise determination of the make-up of the materials going into their components.

In conjunction with a joint environmental technologies project supported by the state government of Bavaria, MAN Nutzfahrzeuge developed two hydrogen-powered, low-floor, articulated buses. In operation on Munich Airport's apron, the buses are powered by gaseous hydrogen, produced on-site and available from a "gas station" in the airport. Tested in this project are the use of hydrogen, regarded as an important fuel of the future, in vehicles, and the production of the gas on a "stand-alone" basis.

❐ Over the last few years, MAN Roland Druckmaschinen developed a new range of sheetfed printing machines featuring advanced technologies. The lines were equipped with such new features as a multiple sheet-feed (for the R 700) and a double inking unit for the R 900.

In the webfed area, the company launched the new UNISET 70. The shaft-less UNISET 70 is used in the printing of newspapers. It is a single-width system capable of printing any size of run or of sheets, with a maximum output of 70,000 copies an hour.

Designed to reduce operating costs, work on developing automatization modules is proceeding on an ongoing basis in both the sheetfed and webfed sectors. A further focus of development work is upgrading the logistics of the flows of information and other data among the constituent elements of the printing process. MAN Roland is also working with suppliers of industrial software in this area.

Important breakthroughs were achieved in the field of digitalized printing. These were primarily achieved in the area of thermal transfer technologies, in the in-press imposing and erasing of print cylinders. MAN Roland will showcase the breadth and depth of its expertise in this area at the DRUPA 2000 trade fair.

❐ An especially important focus of MAN B&W Diesel's development work was and is the reducing of pollutants emitted by its two-stroke and four-stroke engines. Promulgated in autumn 1997 were the International Maritime Organization's regulations on marine engines' emissions. All the engines ordered in the future will have to meet the ceilings set by the regulations, something already fully achieved by MAN Diesel's two-stroke and four-stroke motors.

In 1996, the new MAN B&W Diesel L16/24-model Diesel engine won the "Sea Trade Award for Innovation". In 1998, this award was conferred upon the company again, this time for a technology allowing volatile hydrocarbons (VOC) to be combusted in tanker engines.

The first engine from the company's new family of four-stroke engines – the 16/24 model – has been marketed successfully. The company is now focusing its R & D activities on the 21/31 and 27/38 models of engines. Prototypes of the latter are undergoing trial runs. The first of the serially-manufactured engines will be supplied to customers in mid-1999. In the two-stroke engine area, the first orders – from three customers – were booked for the recently developed K98MC engine, the most powerful Diesel in the world. Trial runs on the initial engine from this line will begin in mid-1999.

❐ MAN Technologie carried out a number of important space transport-related R & D projects. These involved the development of alternative versions of ARIANE 5's boosters, the developing of welding technologies for boosters (in conjunction with ESA's "ARIANE 5 Evolution" program) and the developing of a cryogenic tank for ARIANE 5's new upper stage.

MAN Technologie has been entrusted with the managing of the manufacturing side of TETRA, a German program of technological development. Germany's entire space transport sector and a wide number of research institutes are participating in TETRA, which is designed to produce advanced space transport systems.

Investments

A focus of the work is the development of new methods of manufacturing heat-resistant components from fiber-composite ceramics. These parts will allow reusable space transport vehicles to operate within the extreme conditions prevailing during the re-entry phase.

GHH BORSIG's R & D activities are designed to further raise the rates of energy efficiency evinced by its turbines and compressors, which have to be able to satisfy widely varying operating requirements. The company is also striving to reduce the costs of manufacturing its current lines of turbines and condensers. In 1997/98, the company developed and deployed a number of improvements in design, with these involving the impellers for the radial stages of compressors and a new end stage and adjustable guide vanes for steam turbines.

❐ In the metals processing and rolling mill technologies area, SMS is working full force on developing existing technologies and on coming up with new ones. The former activities are concentrated around the upgrading of the highly successful CSP and MPS technologies (casting processes for hot band and section steels). Focuses were the improving of various processes and of components, and the joining of various phases of processing, hitherto separate, into single, integrated entities. The importance of control, regulating and automatizing technologies keeps on growing in this sector. Such technologies are increasingly becoming integral components of full-range systems.

❐ Their customers' concrete wishes have been the main driving force behind the products further developed and newly created by RENK, MAN TAKRAF, DWE and SHW. By manufacturing such products, the companies are assured of producing technological solutions precisely tailored to their customers' individual needs and that the improvements created directly boost the companies' ongoing manufacturing activities.

Substantial increase in investments in tangible fixed assets

In 1997/98, the MAN Group invested DM 967 million in capital assets, up 13% over 1996/97.

A total of DM 793 million went to tangible fixed and intangible assets, DM 189 million or 31% more than in 1996/97. We increased our investments going for new technologies helping upgrade our production facilities, increasing their operating efficiency in the process. Set forth at the same pace were the ongoing measures to "lean down" operating procedures. Other focuses were the expanding of our networks in non-German markets and the extending of our range of services.

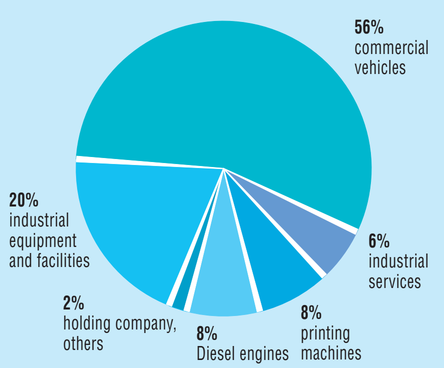
The MAN Group expended DM 174 million (1996/97: DM 254 million) for investments held as financial assets, a figure comprising the costs of acquiring further stakes of the equity of New Elliott Corp. (Jeannette, Pennsylvania), of which the MAN Group and Ebara Corp. (Tokyo, Japan) will each hold half. The objective behind these acquisitions is the creating of a strategic alliance comprised of GHH BORSIG, Elliott – an American manufacturer of turbomachines – and Ebara. This alliance already ranks as one of the world's three largest suppliers of turbomachines.

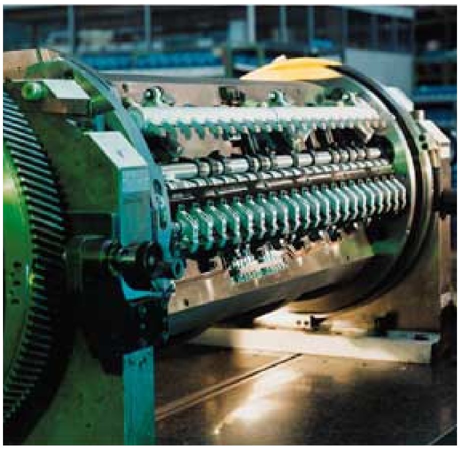
❐ The preponderance of MAN Nutzfahrzeuge's investments went to the further modernizing of its array of production facilities, imparting a greater degree of flexibility to it in the process. Other objects of investment were testing facilities, information technologies, and the expanding of the company's Europe-wide network of sales and technical service centers. Implemented were comprehensive measures designed to upgrade the manufacturing operations of the facility in Munich, enhancing its flexibility and output in the process. Our facility in Nuremberg invested in flexible-use equipment used in the manufacturing of key components going into engines. Completed was the automatization of a press working line in Gustavsburg, which now cost-efficiently produces sheet metal parts. The Steyr-based facility for the painting of drivers' cabs was modernized.

Investments

in DM mill.	1997/98	1996/97
intangible assets	44	29
tangible fixed assets	749	575
	793	**604**
equity stakes acquired and other financial assets	174	254
	967	**858**

Investments in tangible fixed and intangible assets according to business divisions





MAN Roland's Offenbach-based facilities, which manufacture cylinders, have been reconfigured. Individual phases of work have been integrated in ways cutting costs and times of production. The reconfiguration cost the company an amount in the two-digits million range and involved the procuring of state-of-the-art machinery and programming technologies.

Recently completed, the bus manufacturing facility in Poznan, Poland, was put into operation on schedule. It has been fully intermeshed into the group division's network of production facilities. The facility intends to parlay its cost-efficiency of operation into strong positions on the markets for finished buses in Poland and in the rest of eastern Europe. The facility also manufactures labor-intensive components for the production operations in Salzgitter. The expanding of its production buildings has given the Ankara, Turkey-based MANAS a great deal more space in which to produce. The expansion made it possible to completely reconfigure its bus assembly operations and to achieve an increase in capacities.

❒ Ferrostaal proceeded with the introducing of state-of-the-art standard software. The new programs are designed to optimize business operations and flows of information. A new logistics center was constructed in Cologne. The outfitting of the center has largely been completed. By using an intelligent supply chain management system, we maximize the output of the procedures jointly operated by our partners – manufacturers of automobiles and their suppliers.

❒ MAN Roland proceeded with its program of capital investment, which primarily focused on the carrying out of projects cutting times of development and costs of production, and allowing the company to respond to customer wishes in a flexible way. Primary objects of investment were the upgrading and modernizing of the machine tools, and the design and development departments. The reconfiguring of the facilities manufacturing cylinders and located in Offenbach and Augsburg was set forth. Being deployed is a new, turning lathe-based manufacturing technology allowing for reductions in times and costs of operation.

❒ MAN B&W Diesel continued to implement measures designed to cut production costs on a sustained basis. Used in the machining of crankcases, two new portal milling machines have been put into full operation. The logistics-related equipment at the company's facility in Augsburg was optimized and modernized. The rejuvenation of the facility manufacturing crankshafts and located in Holeby, Denmark, has largely been completed.

❒ The primary focus of MAN Technologie's investments was the further expanding and upgrading of the infrastructure of its property and buildings in Augsburg, and the maximizing of the operating output of the production facilities there.
GHH BORSIG invested in its production facilities in Oberhausen and Berlin. These investments yield a greater precision of machining and further savings in times of operation.

❒ As compared to 1996/97, RENK doubled its volume of investments. The single most important investment was in CNC-controlled machine tools and in test rigs. These items are used in the manufacturing of plain bearings.

❒ At the end of 1997, MAN TAKRAF moved into its new office building in Leipzig. Also resident in the building are MAN Roland's operations handling distribution and providing technical sales services. Launched was the construction of an assembly hall. It is located at MAN TAKRAF's facility in Lauchhammer.

❒ DWE has substantially increased its volume of investment. It has launched construction of a new factory building.

❒ The focuses of investment at SMS were new, production-related machines and the modernizing of IT (information technologies) facilities. The increased use of standard-issue hardware and software has augmented the company's potential for the realizing of savings, something also being strengthened by the proceeding with the networking of SMS's worldwide operations.

❒ The large-scale investments made by SHW in its facilities producing oil pumps, sintered formed parts and brake disks allowed the company to fully partake of the growth recorded by the automobile industry.

Protecting the environment

A system of environmental management serves to assure a company of surviving on a sustained basis
An effective protection of the environment is the basis for the sustaining of life. It is thus a precondition for the carrying out of production. This principle of precautionary environmental protection mandates that all corporate activities foster a minimizing of encumbrances to the environment. This entails the configuring of our products and production processes so as to reduce their impact on the environment and their consumption of resources.

Our products are developed so as to cause them to produce, when put into operation by our customers, the lowest amounts possible of emissions and of wastes, when the time comes for them to be disposed of. The innovations listed in the chapter on research and development provide examples of how this comes about at the MAN Group.

The protection of the environment is also an integral component of our technological processes. The improvements achieved in the Group's production processes include:

❒ the step-by-step revamping of the facilities painting drivers' cabs. The facilities now use a powder-based technology when painting thin-walled parts, a move greatly reducing their emissions of solvents.

❒ the extraction of heat yielded by engines, rigs for the testing of gears, and building ventilation systems. The heat is then employed in operating processes or in heating the facility.

❒ the development of surface hardening technologies (plasma nitride processing), reducing the consumption of energy.

❒ the large-scale recycling of foundry sand, a measure minimizing waste disposal-caused expenditure.

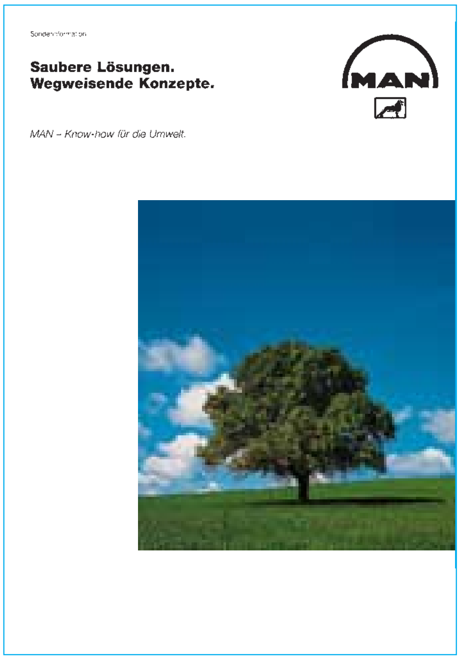
❒ cascade-type rinsing of parts. This type of cleansing saves large quantities of water, and minimizes the amount of waste water produced.

The measures taken to assure the protection of the environment also affect how corporate procedures are organized. Over the last few years, through the promulgation of EU's Eco-Audit regulation and of DIN ISO 14001, standards for the evaluating of corporate environmental management systems have been created. These standards provide companies with instruments rendering highly visible how their operations impact on the environment. The standards also give companies ways of continually upgrading these operations and of disseminating the precepts and actions forming their systems of environmental management throughout the company and to the outside world.

In Spring, 1996, we issued our first report on the environment. It detailed our activities to protect the environment and presented, in a set of guidelines, the principles guiding our environmental policies. The report also listed the ideas and concepts associated with the protecting of the environment at the corporate level. It presented examples of investments in systems protecting the environment and of measures carried out by Group companies.

Three of our largest production facilities are those producing commercial vehicles in Munich, Steyr and Nuremberg. All three have been certified as meeting the stipulations of the EU's Eco-Audit, with Steyr and Nuremberg also holding the DIN ISO 14001 certification. Germany's production facilities were recently ranked by the quality of their environmental reports. MAN Nutzfahrzeuge's facility in Munich finished second.

Adhered to by our Group, "sustainable development" is the new paradigm of environmental protection in both the business and academic communities. Going beyond the previous concepts of precautionary and end-of-the-pipe protection, it intermeshes economic, ecological and societal imperatives into a single entity. Practical suggestions arising from the dialogues on how to attain sustainable development will be incorporated into our system of environmental management.



Anyone wishing to be prepared to take on the challenges of the future has to be ready to start thinking in new ways. This statement doesn't apply only to economic or societal matters, but also to the protection of the environment. MAN is devoting a great deal of effort and resources to further improving the environmental compatibility of its methods of production.

Sources and state of finances and earnings

No change in the Group's solid finances
As listed in its financial accounts, the Group's assets and liabilities continue to be well-balanced, as do its capital resources. Also strong are the relevant rates of coverage.

The Group's balance sheet total increased by DM 1.1 billion or 8% to DM 15.1 billion. It was possible to keep this increase lower than that of business volume, which rose – using the Group's turnover as its indicator – 16%.

Shareholders' funds rose by DM 0.3 billion to DM 4.4 billion. The company's equity ratio comes to 29.3% (1996/97: 28.9%). Adding on the long-term capital from outside sources, which amounts to DM 2.6 billion (of which DM 2.4 billion is comprised of reserves accrued for pensions), the MAN Group disposes of DM 7.0 billion in capital funds, DM 0.5 billion more than in 1996/97.

Amounting to DM 3.8 billion, the fixed assets figure showed a rise of DM 0.2 billion. Investments amounted to DM 1.0 billion. They were offset by DM 0.7 billion in writeoffs and DM 0.1 billion in asset disposals. The excess cover of fixed assets by shareholders' funds amounts to 118% (in 1996/97: 112%).

After subtracting prepayments made by customers, the net amount of funds committed to inventories rose DM 0.6 billion to DM 2.8 billion. This increase is primarily attributable to the lower volume of direct financing by customers – through prepayments – of their orders for large-sized industrial facilities. The Group's inventories of serially produced items in the commercial vehicles and printing systems business divisions remained nearly unchanged vis-à-vis 1996/97, the substantial increases in business volumes notwithstanding. The accounts receivable rose DM 0.2 billion or 5% to DM 4.9 billion. This was a much smaller increase than that of turnover. The Group's total current assets – with this not including its financial ones – rose DM 1.0 billion to DM 8.9 billion.

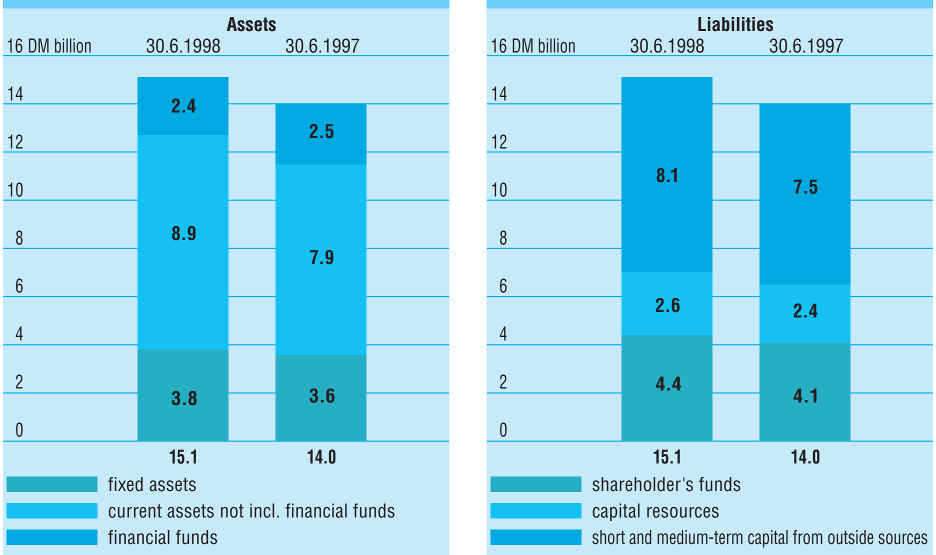
Some DM 3.2 billion of the capital available on a long-term basis has gone to finance current assets. This covers some 42% of the net funds committed to inventories and receivables.

The short and medium-term capital from outside sources rose DM 0.6 billion to DM 8.1 billion. Corresponding to the expansion in business volume, the other reserves increased DM 0.4 billion to DM 4.2 billion, with the trade accounts payable rising DM 0.2 billion to DM 2.0 billion.

Finances remain strong
The MAN Group's financial situation remains good. The Group's net liquidity amounted to DM 1,686 million as of June 30, 1998 (June 30, 1997: 1,738 million). This represented the balance of DM 2,412 million in liquid funds and securities, and DM 726 million in financial liabilities.

The increase in business volume, the greater amount of funds committed to inventories and receivables and the further increase in investments were financed with the company's own funds. Our cash flow amounted to DM 1,357 million, a rise of DM 306 million.

Structure of assets and capital



Our funds accruing from business activities provided us with DM 1,011 million (1996/97: DM 1,161 million). We devoted DM 967 million to investments, of which DM 793 million went to tangible fixed and intangible assets. DM 174 million was invested in financial assets, with this primarily comprising the acquisition of further tranches of equity in companies in which the Group already had a participatory interest. These acquisitions were made to develop the MAN Group's core areas of business. Revenues from the disposal of assets came to DM 112 million. These assets were property, plant and equipment no longer needed in the carrying out of corporate operations and participations in companies not active in the MAN Group's core areas of expertise.

The balancing of the Group's business and investment activities produced a surplus of DM 156 million. A main item in the funds employed in financing activities was the paying out of 1996/97's dividend of DM 227 million.

The balancing of the flows of payments yielded a reduction in the Group's financial funds of DM 74 million. Changes in the roster of companies consolidated in the Group and in the rates of exchange produced a rise of DM 31 million. The net of operative and non-operative changes in the Group's financial funds was, therefore, – DM 43 million.

We foresee our continuing in 1998/99 to have a comfortably ample amount of financial capital. We expect no substantial changes in the Group's key ratios of coverage. The Group has large amounts of capital funds. Its liquidity is good. Our cash flow will be at least of 1997/98's magnitude. These facts form the basis of our current prediction that we will have no problems financing the investments to be made in 1998/99 and the further rise in funds committed, to arise from the increase in business transacted by the Group. In addition, MAN Aktiengesellschaft has an approved capital amounting to DM 300 million on a nominal basis.

MAN AG: responsible for the Group's finances
MAN Aktiengesellschaft serves as the central source of finance for the MAN Group and its operating companies. MAN AG is responsible for the formulating of financial strategies, the setting of financial policies and the carrying out of all treasury operations. This centralization of responsibility provides the MAN Group with a standing of strength in the financial sector and assures it of having the ability to promptly react to changes in its markets.

The Group's central financial department assures that the Group has the requisite financial flexibility. It does so by maintaining a level of liquidity commensurate with the Group's volumes of business, with this responsibility entailing the arranging of lines of credit from banks. The department facilitates export sales by utilizing financing instrumentalities provided on the national and international levels.

Both the Germany-based and non-German companies in the MAN Group are integrally linked into these central "cash management" operations. MAN Aktiengesellschaft and its closely-associated financing companies are responsible for the investing of surplus liquidity as well as the precisely orchestrated refinancing of customer orders and investments.

Derivative financial instrumentalities are only employed to secure against risks arising from changes in interest and currency exchange rates. As of June 30, 1998, DM 534 million (June 30, 1997: DM 615 million) in basic transactions carried out by the MAN Group had been secured against changes in rates of interest, and DM 5,786 million (June 30, 1997: DM 4,914 million) had been secured against changes in rates of foreign exchange. Some 85% of the latter have a term of less than one year. All derivative-related financial transactions are only undertaken with banks of unimpeachable financial standing and are conducted within the bounds of set limits. The use of these instrumentalities is strictly monitored. This monitoring assures that distribution, invoicing and controlling operations are strictly separated.

Sources and application of funds (abridged form)

in DM mill.	1997/98	1996/97
Cash flow acc. to DVFA/SG	1 357	1 051
Additions to/reductions in net funds committed to inventories and receivables	– 514	106
Other funds from ordinary business operations	168	4
Total funds from business activities	**1 011**	**1 161**
Investments in tangible fixed and intangible assets	– 793	– 604
Investments in financial assets	– 174	– 254
Proceeds from asset disposals	112	154
Reduction in funds through investments	**– 855**	**– 704**
Dividend pay-outs	– 227	– 197
Changes in minority interests	– 7	– 27
Increase/decline of financial liabilities	4	– 125
Reduction in funds employed in financing activities	**– 230**	**– 349**
Operative changes in financial funds affecting group accounts	**– 74**	**108**
Non-operative increases resulting from changes in rates of exchange and in the line-up of consolidated companies	31	72
Changes in financial funds	**– 43**	**180**
Financial funds as of June 30	**2 412**	**2 455**
Financial liabilities as of June 30	– 726	– 717
Net liquidity as of June 30	**1 686**	**1 738**

A comprehensive table of the Group's sources and application of funds is to be found on page 60, in the notes to the Group's accounts.

Accounting of real net output

in DM mill.	1997/98	1996/97
Turnover	24 793	21 354
changes in inventories of finished and unfinished products	– 125	– 138
Net income from interest	256	269
Other output	618	701
Total operating performance	**25 542**	**22 186**
cost of materials	15 225	12 901
depreciation	699	624
other operating expenditures	2 495	2 274
Real net output from operations	**7 123**	**6 387**
Personnel costs	6 012	5 563
Lenders	260	265
Taxes	239	210
Shareholders, MAN AG, and minority interests	287	249
transfers to retained profits reserves	325	100
Total distributed	**7 123**	**6 387**

Profits and rates of profitability

in DM million	1997/98	1996/97
Earnings before taxes on income	809	493
Net income	612	349
Net operating margin (before taxes on income)	3.3%	2.3%
Rate of return on interest-bearing capital	14.0%	10.4%
Rate of return on shareholders' equity (after taxes on income)	14.4%	8.7%

The Group's real net output up substantially
The MAN Group's volume of business staged a further rise in 1997/98. Group turnover increased 16% to DM 24.8 billion. The MAN Group's total operating performance amounted to DM 25.5 billion, up 15% over 1996/97's figure.

At DM 7.1 billion, the real net output of the MAN Group was up 12%, an increase arising from the thoroughgoing improvement over 1996/97 in the rate of utilization of the Group's large-sized facilities, and from the implementing of further measures for the reducing of costs arising from purchased materials and supplies. At DM 113,000, the real net output per employee was up 7.4%.

Our employees received DM 6 billion, equivalent to 84% of 1997/98's real net output, translating into rises of DM 0.4 billion or 8% over the corresponding figures for 1996/97. Expenditures per employee rose 4% to DM 95,000. This rise is attributable to the increases stipulated by collective bargaining agreements in wages and arising in legally-mandated social benefits, and to the greater number of hours worked, as compared to 1996/97.

As elucidated in the review of business above, we expect a setting forth of stable economic conditions in 1998/99, the crisis-like situations unfolding in several regions notwithstanding, and that the MAN Group will record rises in production and total performance. We will set forth our concerted efforts to reduce the share of our output stemming from the acquisition of materials and other supplies. This will be accomplished by making further improvements in our products and production operations, and through changes in procurement techniques. These efforts will further increase the Group's total real net output and that per employee.

A further, substantial rise in Group earnings
The Group's earnings before taxes on income came to DM 809 million, up DM 316 million over 1996/97's DM 493 million. After deducting taxes on income, the Group's consolidated net income amounted to DM 612 million, up from DM 349 million in 1996/97. Of this year's net income, DM 287 million will be paid out to MAN Aktiengesellschaft's shareholders and to minority interests. DM 325 million will go to augment the MAN Group's inner resources.

The Group's net operating margin (before taxes on income) came to 3.3% in 1997/98, a rise of one percentage point over the previous financial year. The Group's rates of return on investment were also well above those of 1996/97. The rate of return on interest-bearing capital is derived from dividing the sum of the earnings before taxes on income and outlays for interest into that of the average shareholders' equity and interest-bearing capital employed, with the latter item particularly comprising reserves compiled for old-age pensions and financial liabilities. This rate amounted to 14% in 1997/98, up strongly from 1996/97's 10.4%. The rate of return on shareholders' equity is net, being calculated after taxes on income have been allowed for. The rate is the ratio of the net income for the year to the amount of shareholders' capital (expressed as an annual average). This rate showed a similarly large rise, climbing from 1996/97's 8.7% to this year's 14.4%.

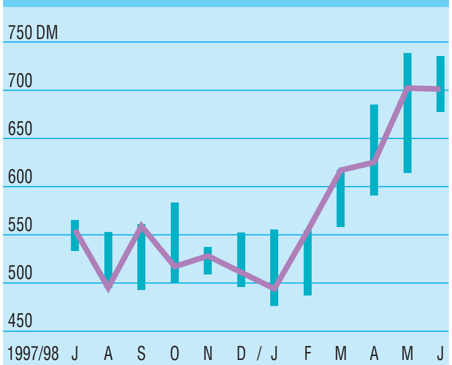
The profitability of each of the Group's business areas is detailed by the group divisions' sets of rates of return. These are presented on page 78, which forms part of this annual report's "facts and figures" section.

MAN's shares

Attractively high rates of return

MAN's shares were once more able in 1997/98 to provide their holders with attractively high rates of return. Those investors immediately reinvesting their dividend pay-outs realized a 34% rise in return on their holdings of MAN ordinary shares in 1997/98, with the holders of preference shares realizing an increase of 16%. With this also applying to those issuing from non-Group sources, the reports on the Group's business activities and profits became more and more positive during the course of the year. Despite this, MAN's shares did not climb as quickly as the DAX (Deutscher Aktien-index – Germany's Dow Jones Average), which registered an extraordinarily large – 54% – increase.

MAN's ordinary shares



Stepping up our investor relations activities

We want to provide the players on the world's financial markets with comprehensive and up-to-date briefings allowing them to accurately evaluate their investments in MAN's shares whenever they so wish. The MAN Group's objectives and strategies, corporate structures and areas of forthcoming growth are elucidated in presentations we make – on a one-to-one or group-wide basis – to investors and financial analysts based in both Germany and abroad. The Group's annual reports join those of the group divisions in providing a source of detailed information. This is complemented by reports on current business developments and important events. Information on the MAN Group is also available on-line at our Website – http://www.man.de.

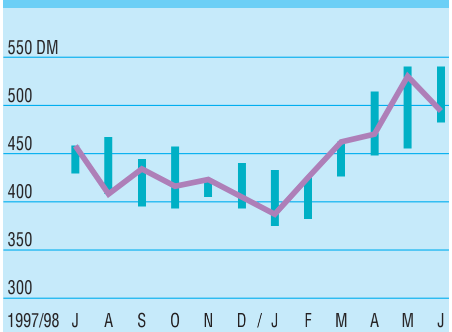
More and more non-German shareholders

A survey conducted of MAN's shareholders revealed that nearly 15% of MAN's shares were held by non-German institutional investors as of December 31, 1997. According to the latest information available, this share has risen further since then.

A policy of linking dividend pay-outs to operating results

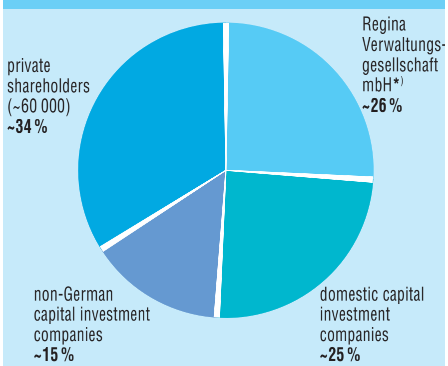
The increase in consolidated net income allows us to propose the raising of the dividend pay-out from DM 14.00 to DM 16.00 per share of DM 50 par value. As was the case in 1996/97, no tax credit accrues from this dividend. The dividend

MAN's preference shares



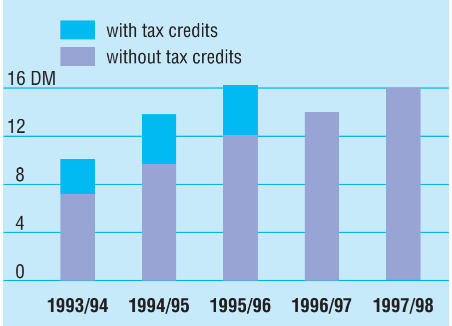
yield as of the date of dividend pay-out came to 3.1% (for ordinary shares) and 3.9% (for preference shares). These yields are, once more, among the best registered by the companies listed in the DAX.

MAN's shareholders



*) in whose subscribed capital Allianz AG, Allianz Lebensversicherung-AG, Commerzbank AG and Münchener Rückversicherungs-Gesellschaft each hold 25 %.

MAN's dividend pay-outs: course of development



MAN's shares: facts and figures

Facts and figures		1997/98	1996/97
quotation as of June 30			
ordinary shares	DM	706.50	540.00
preference shares	DM	494.00	440.00
market capitalization	DM mill.	9 961	7 888
Earnings per share acc. to DVFA/SG	DM	39.00	23.80
Cash payout per share	DM	16.00	14.00
shareholders' funds per share	DM	268.25	246.70
price-earnings ratio (as of June 30)			
ordinary shares		18.1	22.7
preference shares		12.7	18.5
rate of return*)			
ordinary shares	%	34.2	49.2
preference shares	%	16.1	57.7
DAX rate of return	%	54.4	47.7
REXP rate of return	%	7.7	10.4
cash flow per share acc. to DVFA/SG	DM	82.00	63.00
numer of shares (as of June 30)			
ordinary shares (thousands)		11 028	11 028
preference shares (thousands)		4 392	4 392

*) assuming the reinvestments of dividend payouts

MAN Nutzfahrzeuge –

MAN Nutzfahrzeuge group division

in DM million	1997/98	1996/97
New orders	9 502	8 126
Turnover	8 833	7 955
Personnel (as of June 30)	28 502	27 031
Net income	338	182

The „F2000 Evolution" has a new, distinctive radiator. The truck is setting new, higher standards of security, economy and environmental compatibility in its field.

We never stop upgrading and extending our lines of products. Shown is an advanced semi-trailer train from our F2000 line. It is being operated as a test vehicle on Spain's superhighways.

The economic upswing affecting most of western Europe caused the need for transport services to rise, boosting the demand for commercial vehicles in a correspondingly strong way. In Germany, 77,700 trucks of 6 t and more total weight were newly registered in 1997/98, a rise of 14.8% over 1996/97, with the total for western Europe as a whole coming to 277,500 vehicles, up 13.6%

Record amount of new orders
The MAN Nutzfahrzeuge group division took full advantage of this upswing on its market, securing DM 9.5 billion – an all-time corporate record – in new orders. This rise of DM 1.4 billion or 17% eclipsed that of its sector as a whole. More than DM 4.5 billion of these orders stemmed from customers in Germany, up 19% over 1996/97's figure. We received DM 5.0 billion in orders from outside Germany, an increase of 15% over 1996/97's figure. All told, our customers ordered 53,650 vehicles in 1997/98. Of these, 49,400 were commercial vehicles and 4,250 buses.

Greatest volume of turnover in company history
1997/98's turnover of DM 8.8 billion was the largest one ever earned in a single financial year by the company. It was up 11% over 1996/97. The greatest increases were recorded outside Germany, where a turnover of DM 4.7 billion – up 13% – was earned. Our turnover in Germany came to DM 4.1 billion, a substantial increase of 9% over the previous year.

Further increase in share of truck market
We delivered a total of 45,200 trucks of 6 t total weight or more, an increase of 21% over 1996/97 and another all-time high. This rise of nearly 8,000 vehicles stemmed equally from Germany and abroad.

Accounting for 84% of the vehicles we delivered, western Europe is our home market. Our new registrations in western Europe rose 17%, to 37,500 vehicles. This rise was higher than that of the market as a whole, causing our share of it to increase from 13.1% to 13.5%. This allowed us to consolidate our position of being Europe's third largest manufacturer of trucks, and

to substantially close the gap between us and the number two. Our share of Germany's market came to 25.1%, up slightly over 1996/97.

Our new lines of buses successful on their markets

Our bus sector also enjoyed success in 1997/98. The across-the-board rejuvenation of our line of products and the efficiency-raising measures carried out caused the sector's new orders and turnover totals to rise. We produced 4,200 buses – a new high for the sector. We increased our share of Germany's market – whose overall size remained nearly unchanged – from 18.4% to 19.7%.

The 23% rise accruing from outside Germany was above the prevailing averages, and stemmed from the sale of 3,250 buses and chassis. Gaining in importance – along with the exporting of complete buses – is the bus chassis business. Covering all needs, our range of chassis starts with models of 8 t total weight and extends to those for articulated buses and three-axle models used in double deckers.

Gratifying rise in employment

The good rate of utilization recorded by our production operations and the growth of our service provision activities led to an expansion of our work force. As of June 30, 1998, 28,500 persons – or some 1,500 more than at the end of 1996/97 – worked for the company. Of our total workforce, some 20,600 persons were employed in Germany and approximately 7,900 outside the country. The growth in employment was split fairly equally among our domestic and non-German operations. This wave of hiring was accompanied by a further developing of schedules apportioning work in highly flexible ways and by the operating of our facilities on a multi-shift basis.

Young persons undergoing vocational training accounted for 9.0% of our workforce, a percentage at the past's high levels, and one making us the leader in Germany's metal-working industry. This percentage is an expression of the need to make sure that the young enter their working lives with the appropriate qualifications.

Further growth in our service provision activities

In 1997/98, we made MAN TransCom GmbH responsible for all of our distribution-related services. Configured to meet customer needs, these include the consulting on logistics, the furnishing of communications systems, the supplying of leasing and full-service contracts and rental arrangements, and the all-inclusive managing of fleets.

As of the beginning of 1998/99, we rearrayed our distribution activities in Germany. Previously handled by discrete organizations, our sales and service provision operations were joined. The unified network covers the whole country, which has been apportioned into 30 territories. They manage a total of 48 sales centers and 170 service stations. This "tightening up" of corporate structures has provided us with short times of decision, easy-to-understand methods of operation and the direct, profit center-like accountability. It has also put us in closer touch with our customers and their needs. Our customers can also avail themselves of the services of 220 repair shops in Germany. These are linked to us by contractual arrangements.

We further increased our share of western Europe's market for trucks.

This four-axle three-way tipper is a real "mover". Its three-axle drive gives it the traction requisite for operating in muddy construction sites.

Shown is a vehicle from the L2000 line of models. Equipped with an elongated platform, it is being used to carry out the maintenance of Leipzig's fairgrounds.

This M2000 fire truck has a cab large ↗ enough to accommodate an entire fire-fighting team. It also has all-wheel drive.

Luxury on wheels. The Lion's Star is a long-distance, high-rise bus. Now featuring a new, striking front end, the bus offers its passengers the utmost in comfort.

Expansion of our operations in carefully targeted non-German markets

We expanded our proprietary distribution network in western Europe by adding on outlets in Spain, Great Britain and Denmark, and by assuming responsibility for handling the importing of our products into Portugal, where we founded a subsidiary. We also stepped up our operations in several carefully selected markets in eastern Europe. At the end of 1997, we commissioned a new facility for the handling of imports. It is located in Warsaw. We successfully put a new, Poznan-based bus factory into operation in April, 1998. We signed a memorandum of understanding with STAR, Poland's largest producer of trucks. The agreement foresees a two-phase working relationship in the area of trucks of between 7 and 12 t total weight. Other focuses of the expanding

Shown is a low-floor articulated bus powered by natural gas. Its emissions are below the ceilings set by the Euro-3 norms, to go into effect in 2000.

of our network of distribution outlets and centers of service were Hungary, the Czech Republic and Slovakia.

The CIS has the potential to become the largest market in the former East Bloc. To set up operations covering this market, we and our partner MAZ (Minsk, Belarus) joined to found MAZ-MAN-SAO. This joint venture has been carrying out the series-type production of vehicles since July, 1998. The current difficulties being experienced in the region notwithstanding, we are proceeding with the expansion of our proprietary networks of sales and service outlets in Russia and the Ukraine.

We have been active and successful on the Chinese market since 1984, acting as a licenser via STEYR Nutzfahrzeuge, our Austrian subsidiary. We have concluded agreements with a number of local manufacturers on the producing of travel coaches and engines. These agreements form the basis for the further developing of working relationships with our Chinese partners. China remains a market with a great deal of potential.

Substantial rise in earnings

The upswing gripping the commercial vehicles sector caused our production facilities to operate at a good rate of utilization throughout the entire financial year. The downward pressures on prices, however, remained strong. By deploying flexible schedules of work, it was possible to raise our output to meet the rise in demand. The making of further improvements in production procedures put us in the position of being able to realize further cuts in our products' costs. These trends and factors joined to cause a substantial rise in earnings. Earnings before taxes on income came to DM 338 million (in 1996/97: DM 182 million).

Prospects

Demand has remained strong during the first few months of 1998/99. The forecasts for the western European market remain positive. Thanks to our lines of trucks and buses, our recently reconfigured distribution network and the growth of our service provision business, we are well equipped to contend with our competitors, who show an undiminished strength. Our efficiency-raising measures will lead to a further drop in costs. Difficult to evaluate is how the financial crises affecting several of the world's regions will impact on our business in the months to come. During the first few months of 1998/99, the amount of new orders received was above that of the previous year. Should this differential be maintained, we expect to be able to further increase our turnover and profits in 1998/99.

The NÜ 313 is our new low-floor bus. With three axles and room to accommodate 120 persons (both sitting and standing), the bus is designed for regional service in areas featuring a large volume of passengers.

We have created 1,500 new jobs.

A clean-burning fuel for the buses of tomorrow. Shown is a hydrogen-powered bus in operation at Munich Airport. The bus emits virtually no pollutants.

Ferrostaal –

Ferrostaal group division

in DM million	1997/98	1996/97
New orders*)	5 606	5 269
Turnover*)	6 278	4 315
Personnel (as of June 30)	6 813	6 537
Earnings	136	143

*) not including the group division's share of brokerage revenues

Supplying the entire world. Shown is the loading of sheet metal in Shanghai, China. It will be delivered to a customer in France.

The volume of the world's trade in products and services showed a further rise in 1997/98.
We systematically extended the range of services we provide for the facilitating of investments in industrial projects and infrastructure. These facts and factors led the **Ferrostaal group division** to set forth the past few years' upswing in business transacted. The group division's new orders and turnover totals rose 6% and 45% respectively over those of 1996/97. A large part of the increase in the volume of business stemmed from DSD Dillinger Stahlbau, which was acquired on January 1, 1997, and whose results had been included on a prorated basis in Ferrostaal's accounts for 1996/97. Also causing the rise was the sector taken over from MAN GHH as of July 1, 1997, and providing facilities for the oil and gas industries. As had been expected, the volume of new large-sized orders was lower than that of the previous year. The latter figure had been of an exceptional size.

Facility construction and contracting segment shows large-sized potential for further growth
Working on a world-spanning scale and acting as a general contractor or as a member of a consortium, our facility construction and contracting segment processes orders for industrial facilities. This entails the providing of design, financing, assembly – including that of steel-based structures – and commissioning and subsequent maintenance services.

Sixty percent of the segment's turnover stemmed from outside Germany, with the main areas of activity being, as in the past, the rapidly developing and newly industrialized countries in Africa, Asia and Latin America, and in the reform-minded countries of eastern Europe.

Zimbabwe Iron & Steel Corporation Ltd. placed an order for the turnkey modernizing of its steel mill in Redcliff, Zimbabwe. The components going into the mill will largely be supplied by SMS Schloemann-Siemag and by DSD Dillinger Stahlbau, which will also carry out the mill's assembly.

Based in Shanghai, PR China, Shanghai No. 1 Iron & Steel (Group) Co., a long-time customer of ours, placed an order for the supplying of a coal dust inblowing facility. It is scheduled to go into operation in mid-1999.

Working with a German construction company, DSD Dillinger Stahlbau secured an order for the constructing of a canal bridge. It will span the Elbe at a confluence of waterways situated near Magdeburg.

A company in Brazil commissioned Ferrostaal with the construction of a blast furnace. With a rolling stand eight meters in diameter, the furnace can turn out up to 1.2 million tons of pig iron a year. With this including that of ancillary facilities, construction work on the furnace was completed in 21 months, a record for such a project. In June 1998, custody of the completed facility was

transferred to its owner. A further order was received from a customer in Iran. It was for the construction of a facility for the processing of ores and of workshops. The order has been completed, speaking technologically.

After undergoing an enlargement, the Ferrostaal group division grouped its maintenance activities in the Essen-based Ferrostaal Industrial Plant Services GmbH, in a move taking effect on July 1, 1998. The non-German networks of Ferrostaal and DSD have been joined, in cases where doing so makes business sense.

Business remains strong in the industrial equipment and systems segment

Operating on a worldwide scale, our industrial equipment and systems segment distributes single-unit printing, packaging, plastics and textiles processing, and other machines, plus machine tools, compressors, turbines and Diesel engines. The segment also provides related services. We also supply our customers undertaking infrastructural projects with planning and implementation services, with equipment for road, rail or sea-based transport systems, and with facilities producing mechanical components or used in the processing of foodstuffs. The segment's business developed well in 1997/98, with its new orders and turnover totals showing further substantial rises.

Year of success for the steel-trading and logistics segment

Business developed strongly for our international

We offer our customers a one-stop range of services, with these ranging from the planning and assembly (including that of steel-based structures) of the facilities ordered by our customers to the commissioning and maintenance of the completed plants.

These fitters are completing a turbine's impeller. They work for Ferrostaal Industrial Plant Services, which provides maintenance and other services to companies in the metallurgical and petrochemical sectors.

Electrolysis cell carrying out manufacturing activities. Ferrostaal is constructing an aluminum production facility in Ikot Abasi, Nigeria. The first group of the plant's smelting chambers went into operation at the end of 1997. In spring, 1998, an initial batch of aluminum ingots was exported to Europe.

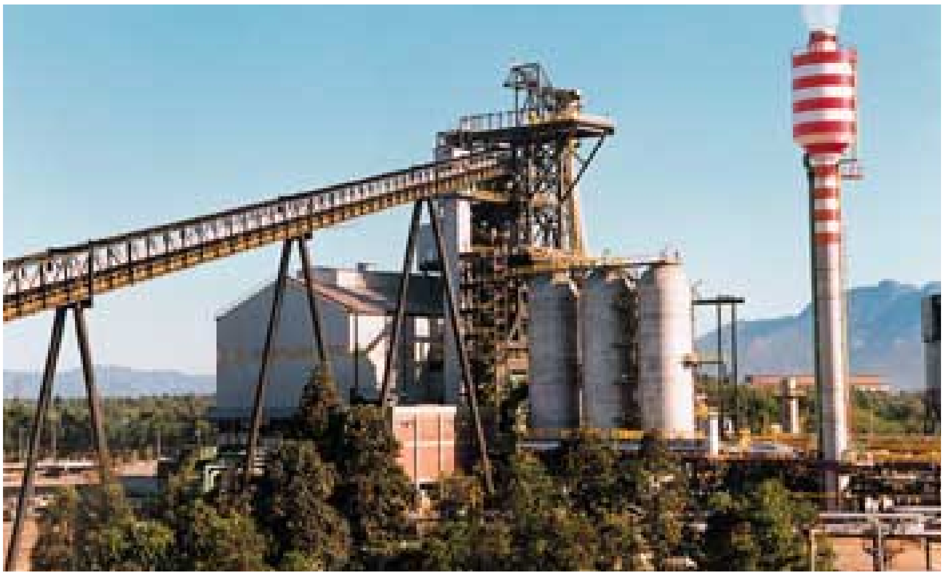
steel-trading operations, which recorded a 23% rise in new orders and a 33% one in turnover. The stepping up of our activities in North America and in Latin America more than offset the drop-off in sales resulting from the crisis in Asia. Our Germany-based operations were negatively affected by the prolonged slump being experienced by the country's construction sector.

We stepped up the operations of the logistics business area, which is primarily involved in supplying, on an in-process basis, steel products and pre-assembled systems to the automobile industry. Another dedicated logistics warehouse was put into operation in August, 1998. Located in Cologne, the warehouse serves Ford's production facilities in the city. Launched has been the expansion of the facility in Genk, Belgium, a move which will give it greater capacities.

Strong profitability

In 1997/98, the Ferrostaal group division had

Dining cars for the inter-regional trains operated by Uzbekistan's state rail authority. The cars sold by Ferrostaal have a gauge of 1,520 mm and are equipped to handle the operating conditions particular to the country.



It was a record. It took a consortium comprised of Ferrostaal, MAN GHH and Didier M & P Energietechnik only 21 months – measured from the time that the contracts came into effect to when the facility was put into operation and custody was transferred to the customer – to construct a blast furnace and all related ancillary facilities. Ordered by Brazil's Siderúrgica de Tubarão (CST), the furnace has an annual output of up to 1.2 million t.

earnings before taxes on income of DM 136 million (1996/97: DM 143 million). This drop is entirely attributable to the fact that the previous financial year's results contained special-source earnings.

Prospects

We don't expect the difficulties being experienced by several of our important markets to be without effect on our new orders total. The amount of orders for long-term projects currently on hand is, however, sufficient to assure this business area of a good rate of employment. We have been doing business in the world's rapidly industrializing countries for many years. This length of on-site activity should enable us to tap new sources of supply, ones whose low prices – often a product of currency devaluation – will allow us to successfully contend with competitors. Viewing the situation as a whole, we expect to realize earnings in 1998/99 of a magnitude of the previous financial year's result.

Outfitted with the TC 40 operations control system, this Battenfeld extruder also has an automatic weighing mechanism. Ferrostaal supplied 32 of these extrusion facilities to Brazil.

The "AURELIA" is a bulk goods freighter.
It was built under contract from Ferrostaal, which also supplied all of the components, the design, and engineering and technical services, by a shipyard in Turkey.
Two more such ships are to follow.

MAN Roland Druckmaschinen –

MAN Roland group division

in DM million	1997/98	1996/97
New orders	3 061	2 298
Turnover	2 820	2 471
Personnel (as of June 30)	8 730	9 383
Earnings	22	– 115

After having been mired in a long-drawn recession, the printing industry has been experiencing a marked upswing since the first half of 1997. In 1997/98, the market segments for printing systems which we serve had a volume of more than DM 10 billion, a level not attained since the end of the '80s. The **MAN Roland group division** outgrew its fast-rising sector, increasing its share of the markets for new sheetfed and webfed machines from 20% to 24%.

Record amount of new orders

In 1997/98, MAN Roland secured new orders worth DM 3,061 million, up 33% over 1996/97 and an all-time corporate high. Of that total, DM 1,666 million stemmed from the sheetfed and DM 1,395 million from the webfed sector. Seventy-two percent of our sales were made outside Germany, a figure about the same as 1996/97's. The sheetfed sector's order volume was the highest in MAN Roland's history. It comprised several package deals, each of great individual size, and a large number of orders for individual units. Demand was also lively for webfed machines, with customers showing an interest in machines for the printing of illustrations, and a newly revived proclivity for purchasing large-size systems for the turning out of newspapers. The market for the latter had been weak in 1996/97.

Substantial increase in turnover

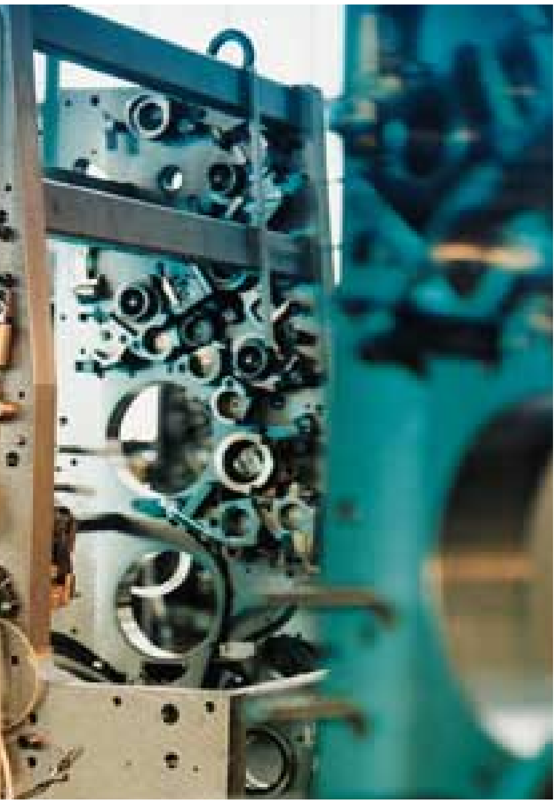
In 1997/98, our turnover came to DM 2,820 million. This rise of DM 349 million or 14% accrued solely from the sheetfed sector, with the webfed one recording a slight drop in turnover. The lower amount of new orders secured in the past few financial years by this sector – with this especially applying to the newspapers segment – kept the rate of facility utilization relatively low at the beginning of 1997/98. It will take some time for the large increases in new orders to be parlayed into higher sales, thanks to the orders' long times of processing.

Stepping up of our systems provision activities

In order to strengthen our standing on our market, we have strongly pursued the further development of our operations providing full-range systems and services. We are expert in providing our customers all of the services they require during the lifetime of their printing systems, with these including planning, putting into operation and maintenance ones. Our systems manage and facilitate the flows of materials and data, and integrate pre-printing and printing into a single operation, also doing the same for printing and finishing. The systems also secure and manage operating data, and allow for the making of preliminary and final accounting of costs. Our services also comprise the planning of production runs, the provision of management information systems and the supplying of other printing operation-related services.

The Roland 700 model printing press is assembled at our facility in Offenbach, which, like the rest of MAN Roland's operations, is now 'see-through'. At these facilities, everyone knows – and can see – what everybody else is doing. And that's thanks to the changes made in how MAN Roland operates, changes which have networked every department and every area of responsibility into a unified entity. Objective of these changes: the transforming of MAN Roland from a supplier into a partner providing entire systems.

Shown is an MAN Roland ink zone control. It allows for the section-by-section micro-adjusting of the ink to be carried out from the printing system's central console. The networking of the individual components of printing machines is also gaining in importance in the sheetfed sector. This network leads to a maximizing of throughput.

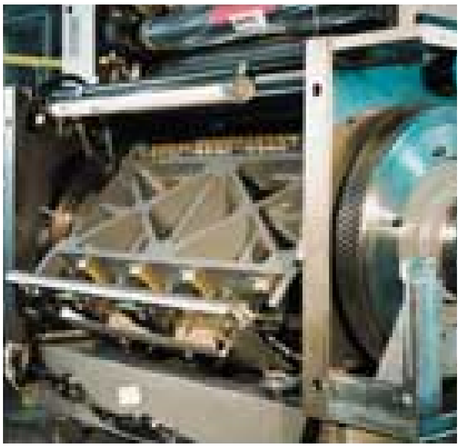


The Roland 300 keeps on gaining in "customer appeal". Sold to a Japanese printer of securities, the line's 2000th printing unit was incorporated into an eight-color machine featuring a special, USA-type format (590 x 740 mm).

The breadth of this range of our systems provision activities is exemplified by an order booked from Luxembourg's Imprimerie Saint-Paul S.A., which we supplied with the first ten-cylinder COLORMAN facility to have individual printing unit power drives and automated operations. The facility offers a number of new features, including that the elements guiding the web are, as is the case with the main printing units, powered by individual units, whose synchronization of operations is provided by digital technologies. The supply and deploying of paper is handled by MAN Roland's AUROSYS system. The printing system's operations feature a high degree of automatization, something resulting from the monitoring, controlling and managing of the flows of materials and other procedures by a dedicated computer and by the PECOM system.

Strengthening of distribution and service provision activities

To get in closer touch with our customers' needs and to augment the availability of our on-site services, we are going to substantially build up our network of distribution outlets and service centers. To that end, we signed an agreement with the Buhrmann Group (formerly NV Koninklijke KNP BT). It stipulates that MAN Roland would take over KNP BT Graphic Systems Division Asia (Votra Group) as of July 1, 1998. Employing 600 persons and with a turnover of DM 400 million in 1997, the latter has long been MAN Roland's distribution partner in Asia.



The Roland 700: a hit with the world's printers. More than 8,000 of these printing units have been sold. Of them, some 600 were convertible eight and ten-color machines. The number of units sold details the virtually unlimited range of applications of this line of multi-color perfecting presses.

A universal control and dispatch system routes electrical, electronic and mechanical components to synchronized assembly belts, upon which the modules forming the printing machines are produced.

We are going to further increase the amount of business done by our systems and service provision operations, and by other areas.

A worldwide success, the POLYMAN line was completely overhauled over the past two years. The new generation of models has outputs of up to 40,000 cylinder revolutions per hour. The new models extend MAN Roland's range of 16-page machines used in printing illustrations in small and medium-sized runs.

In addition to that move, we have also agreed to acquire from Buhrmann their shares in Omnigraph Group N.V., in which we already hold a minority stake. This move will thus give us a majority holding. It will also consolidate our position on the western European market.

Employing 800 persons, Omnigraph has an annual turnover of nearly DM 700 million. It is the largest distributor of our products in the world. In a move taking effect on July 1, 1998, we took over Grafisk Maskinimport A/S, our distributor in Denmark, and also acquired the remaining shares not previously in our possession of two distributors in Germany.

Turnaround in profitability

In 1997/98, we recorded a profit before taxes on earnings of DM 22 million, thus putting an end to several years of losses, ones caused by general economic conditions and by corporate structures. Largely causing this turnaround were the measures implemented during the previous years to improve and further develop our products and to trim costs in a thoroughgoing way, and the good rate of utilization recorded by the production facilities (with this especially holding true for the sheetfed sector). After having recorded considerable losses in the previous financial years, the sheetfed sector returned to the black.

Prospects

The new orders totals have remained strong in the first few months of 1998/99. We expect economic growth to be sustained – albeit at a lower level – on the markets of importance to us in western Europe and North America. The negative developments in Southeast Asia notwithstanding, the volume of business achieved by the world's printing industry should, therefore, very nearly attain the previous year's level. These operating conditions and the large amount of orders on hand will combine to yield increases in our output and turnover in 1997/98.

We will set forth the measures already implemented to reduce costs and to further develop our products. We will enhance our standing on our markets by building up our distribution and service provision activities. Assuming that no unexpected slumps occur on our markets, we expect profits to stage a substantial rise in 1998/99. This will put our earnings close to the targets set for the MAN Group companies producing industrial equipment and systems.

Shown is the assembly of LITHOMAN machines at the company's facilities in Augsburg. The LITHOMAN has a speed of paper processing of up to 15 meters a second, allowing the machine to turn out more than 2.5 million DIN A 4-format pages an hour.

This GEOMAN is located in the Druckhaus Dresden printshop. Some 80% of MAN Roland's webfed offset machines – a sector in which the company leads the world – go to customers outside Germany.

MAN B&W Diesel – engines for ships and for stationary power plants

Demand for new ships – and thus for ship's engines – further increased in 1997. The crises roiling East Asia's financial and other sectors had a negative impact on the amount of orders placed in the first six months of 1998. The result has been a sharp drop in the prices charged for new ships and for ship's engines, causing a further, substantial intensification of competitive pressures.

The financial difficulties being faced by customers in Southeast Asia also strongly and negatively affected the market for stationary electricity generating facilities with outputs of more than 1 MW. The strength shown by a number of other regions – particularly Central America – provided opportunities to offset this weakness.

Position of leadership maintained
Operating under these conditions in 1997/98, the **MAN B&W Diesel group division** consolidated its position of being the leading supplier of slow and medium-speed Diesel engines on the world market. The company in fact increased its lead over competitors in several segments.

The strong demand for our line of MC engines was maintained on the market for two-stroke engines used to power ships. In 1997/98, we secured orders for 483 units. They have a total output of 8.2 million HP, a figure breaking 1996/97's all-time high. To date, nearly 5,000 of these engines, with a total output of 75 million HP, have been sold. As of June 30, 1998, we had orders on hand for engines (manufactured by us and by our licensees) producing more than 11 million HP – a figure at the previous year's level.

The world's shipyards pass all of the pressures to reduce the prices of their ships on to their suppliers. Notwithstanding the resultant exacerbation of competitive pressures, MAN B&W Diesel and its licensees once more attained a more than 60% share of the world's market for two-stroke Diesel engines in 1997/98.

MAN B&W Diesel group division

in DM million	1997/98	1996/97
New orders	1 801	1 730
Turnover	1 996	1 616
Personnel (as of June 30)	6 281	5 419
Earnings	135	131

This electronics-based stand is used to balance out our turbo-superchargers. This has to be done with the utmost of precision. The turbo-superchargers work at speeds of up to 75,000 revolutions/minute. Each impeller is precisely balanced out at this stand.

This 6L50MC engine was produced at our facilities in Frederikshavn. Our MC line of engines has put together some very impressive figures. Five thousand engines have been sold. Their collective output: 75 million HP.

By holding more than 60% of the world's market for two-stroke Diesel engines, MAN B&W Diesel and its licensees maintained their position of leadership on it.

We sold the first of our K98MC two-stroke engines to be incorporated into large-sized container ships. This represented a major breakthrough for us, coming as it did in the uppermost segment of the market for two-stroke engines.

As had been the case in 1996/97, the total output of the four-stroke engines sold in 1997/98 was greater than that of the previous year. This rise was partially attributable to the orders booked for a total of 12 engines, with a collective output of 140 MW, and incorporated into luxury-range cruise ships. Among the orders processed by us is one for two 8L40/54 and two 7L40/54 engines. They will be part of the Diesel-electric unit propelling a ship ordered by a German shipper. The new ship will replace the MS Europa, also powered by our engines.

Through our line of 32/40 engines, we have gained a toehold in the market for off-shore facilities. We will supply a total of sixteen 9L32/40 engines – with a total output of 69 MW – to two drilling ships now being built in a shipyard in Northern Ireland.

As of this writing, we have sold more than 750 of our medium-speed engines, with a total output of 5.4 million kW. We are one of the world's leading manufacturers of four-stroke engines. In 1997, together with our licensees and our subsidiary S.E.M.T. Pielstick, MAN B&W Diesel held a 25% share of the world's market for engines used in ocean-going ships of more than 2,000 gross t, a class of ships employing our large-sized medium-speed engines.

The economic crisis persisting in important countries of Southeast Asia has caused the local market for Diesel power plants to slump. This has stoked the competition to gain orders for the world's remaining power plant projects, causing a concomitant drop in the levels of prices prevailing. Partially offsetting this has been Central America's strong demand for Diesel power plants.

We have embarked upon a new and promising business: floating power plants (so-called 'power barges'). In developing this special-purpose area of application, we will deploy our store of experience in serving as the general contractor for projects involving the building of complete power plants. In 1998/99, we have secured an order from a customer in Nicaragua for a 70 MW facility, to be used to generate electricity.

Acquisition of a majority stake in Pielstick

As of January 1, 1998, we increased our holdings in the equity of S.E.M.T. Pielstick from 50% to 66.6%. This move represents our taking into account the medium-speed engines business area's shift in importance at Pielstick. Going hand-in-hand with the increase in our holdings is a stepping up of the joint development, distribution and manufacturing activities being undertaken for the common family of engines.

To augment our ability to contend with competitors, we have grouped the distribution networks maintained in the area of Diesel power plants by MAN B&W Diesel and S.E.M.T. Pielstick in a unified "power plant division". The family of products

An important responsibility: as is the case with the rest of the components going into engines, the installing of connecting rods demands the utmost in precision on the part of the employees handling the job.

The employing of ultrasonic technologies to test engine stands and other components exposed to extreme operating conditions also requires employees' showing the utmost in perfectionism and professionalism.

The MS Wilma's main engine is a 9L48/60 producing 9,450 kW. The use of compact propulsion units featuring four-stroke engines represents the ideal way of powering fast-speed ships carrying heavy loads.

jointly produced by MAN B&W Diesel and S.E.M.T. Pielstick will thus be distributed by a single, uniformly structured organization around the world.

We will, in addition, maintain and strengthen our standing in the world's most important markets by forging partnerships with our licensees and with other companies.

Profits remain good

The MAN B&W Diesel group division's profitability showed a further increase in 1997/98. Earnings before taxes on income amounted to DM 135 million, a figure slightly above 1996/97's DM 131 million.

Prospects

The securing of several large-sized orders in the first few months of 1997/98 has substantially boosted the Diesel engines division's new orders totals. The economic difficulties being experienced by several countries in Southeast Asia will probably cause a slump in 1998/99 on the market for two-stroke Diesel engines. In the four-stroke area, we see ways of offsetting the lack of projects in Asia through the securing of new orders for marine engines and Diesel power plants from other areas. The downward pressure on prices will not abate.

We are stepping up the activities jointly conducted with S.E.M.T. Pielstick, are expanding our worldwide network of distribution and technical services centers, and are undertaking measures to increase the efficiency and output of our product development, orders processing and production operations. Thanks to these efforts, we expect to be able to contend with the increasingly strong competitive pressures and their attendant effects on prices. In doing so, we will consolidate our position of being the world's leading supplier of slow and medium-speed Diesel engines. These efforts and factors form the basis of the MAN B&W Diesel group division's striving to attain in 1998/99 profits of the same magnitude as those of 1997/98.

To date, we've sold more than 750 of our medium-speed engines. They have a total output of 5.4 million kW.

Shown is the Diesel power station owned by India's Bushan Steel. For the rapidly industrializing countries, an adequate supply of energy is an important precondition of growth.

The L27/38 is a cutting-edge line of engines. It can be employed as a source of propulsion or in gensets.

MAN Technologie –

MAN Technologie group division

in DM million	1997/98	1996/97*)
New orders	1 537	1 140
Turnover	1 154	1 089
Personnel (as of June 30)	2 881	2 844
Earnings	79	43

*) 1996/97's figures have been put on a comparable basis. They include the activities taken over on July 1, 1997 from MAN GHH.

We will continue to develop our capabilities of serving as a lead supplier of subsystems and systems for space transport projects.

On July 1, 1997, we transferred several of MAN GHH's business areas to MAN Technologie, greatly expanding the group division in the process. The division at MAN GHH providing mechanical and technical facilities and systems was incorporated into MAN Technologie AG, becoming the latter's infrastructural systems product division. Fully consolidated into the group division have been GHH BORSIG Turbomaschinen GmbH and GHH BORSIG France S.A., its French distribution subsidiary. Consolidated at equity has been the 48% stake held by the MAN Group in the USA's New Elliott Corporation. In a move also taking effect on July 1, 1997, MAN Technologie AG acquired Zeppelin Technologie GmbH from Zeppelin GmbH. On April 1, 1998, MAN Technologie's electronics systems business area was sold to MAN Systemelektronik GmbH.

Rises in new orders and turnover

All of the product divisions of the **MAN Technologie group division** recorded rises in their new orders, reaching a total of DM 1,537 million. Of that, DM 584 million accrued to MAN Technologie AG (1996/97: DM 403 million, including the company's infrastructural systems division), DM 807 million to GHH BORSIG (1996/97: DM 604 million) and DM 149 million to MAN Dezentrale Energiesysteme (1996/97: DM 134 million).

13.5 percent of all products supplied to the ARIANE 5 program stem from MAN Technologie, making the company the largest supplier in Germany and the most important one outside of France. MAN Technologie was the general contractor handling the construction of the ELA 3 space station, located in Kourou, French Guiana. MAN-made vehicles transport the rockets to their launching pad.

Its space transport sector accounted for the bulk of MAN Technologie AG's activities. Demand for launches of satellites by ARIANE 4 rockets remained strong, causing ARIANESPACE to commission the manufacturing of sets of components for 20 launchers. For MAN Technologie, this order means that its facilities producing items for ARIANE 4 are assured of working at capacity until mid-2001.

Its markets' upswing boosted GHH BORSIG, which secured a number of high-profile orders in 1997/98. The rises in new orders recorded by MAN Dezentrale Energiesysteme were primarily in the sector manufacturing CHP (combined heat and power) facilities powered by gas turbines and in the one providing services.

All product divisions also recorded rises in turnover, especially MAN Technologie AG, whose volume of business increased 22%. As in the past, main sources of turnover were sales of subsystems to the ARIANE 4 and ARIANE 5 programs.

Continuing success in space transport

The focus of the space transport business division's activities remains the processing of series-type orders from the ARIANE 4 and ARIANE 5 programs and the participating in projects of development, assuring ARIANE 5 of successfully contending with its competitors on a long-term basis. The final placement of the second production lot for ARIANE 5 is expected to occur upon the successful carrying out of the next qualification flight of the launcher, in October, 1998.

The acquisition of Zeppelin Technologie GmbH, which manufactures tanks and related components incorporated into the ARIANE 4 and 5 and non-European launchers, further consolidated MAN Technologie's standing on Europe's market for space transport systems. The taking over of MAN GHH's infrastructural systems product area has made MAN Technologie directly responsible for providing equipment-related and maintenance services at ARIANE's launching facilities, which are located in Kourou, French Guiana.

Focus of development efforts: recoverable transport systems

The main objective of our development efforts in the orbital systems and satellite navigation product division is the augmenting of MAN Technologie's ability to serve as a lead supplier of subsystems and systems incorporated into recoverable space transport systems and comprising heat shield systems, structural components and tanks. This work is currently centered around the company's participating in the CTV (crew transport vehicle/ NASA's X-38 program), TETRA (program of technological development for reusable space transport systems) and ATV (automated transfer vehicle) projects.

New areas of business: bridge-laying systems and antenna technologies

The infrastructural systems product division is mainly processing orders for the LEGUAN bridge-laying system. The take-over of Krupp Fördertechnik's lightweight bridge activities on January 1, 1998 augmented the division's expertise in the field of folding floating bridges. Also experiencing a rise in demand was the division carrying out the developing and planning of radio telescopes.

Increase in demand for lightweight tanks

The lightweight systems division develops, manufactures and distributes lightweight components for the transport, defense and capital goods industries. Rises in new orders for tanks going into Airbuses and for tanks storing the natural gas fueling buses boosted the division's overall total.

Market for CHP facilities remains difficult

MAN Dezentrale Energiesysteme GmbH's main areas of activity are the planning, supplying and commissioning of decentralized, combined heat and power (CHP) facilities powered by gas engines and gas turbines, and the providing of related services.

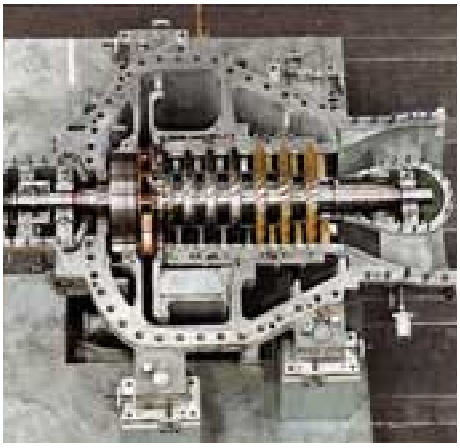
The difficulties persisting on Germany's market resulted from the restraint shown by potential customers – municipal authorities and manufacturers – in making investments, a restraint arising from uncertainties as to how energy prices will develop. The amount of orders secured for CHP facilities powered by gas engines was unsatisfactory. The new order totals for CHP facilities powered by gas turbines, however, beat corporate expectations.

MAN Technologie has assumed the responsibility for managing the manufacturing side of TETRA, a German program of technological development focusing on advanced space transport systems, for which MAN Technologie is developing heat-resistant components made out of fiber-composite ceramics. They will be used to protect space vehicles during their re-entry into the Earth's atmosphere.

The final inspection of high-pressure tanks incorporated into the MSG (Meteosat Second Generation) weather satellites occurs in a special clean room, thus assuring the tanks, which hold 35.5 liters, of not being contaminated.

SILEX is an experiment setting up laser-based communications links between satellites in GEO (geostationary earth orbit) and LEO (low earth orbit). For the experiment, MAN Technologie developed structures for the optic receptors and other electric equipment.

GHH BORSIG Turbomaschinen – a comprehensive line of compressors and turbines for the world market



Shown is a GHH BORSIG axial compressor. It has a suction flow rate of 102,733 cubic meters/hour and forms part of a Great Britain-based refinery producing kerosine, gasoline, Diesel and other fuels.

Now hard at work in one of Brazil's natural gas fields: five identical two-casing centrifugal compressors manufactured by GHH BORSIG. Every day, they compress one million Nm^3 of natural gas from 9 bar to 177 bar.

GHH BORSIG is one of the leading manufacturers of steam turbines powering generators, and especially those used in gas-and-steam power plants with outputs of between 30 and 40 MW. The turbines' technical features, which include axial discharge, adjustable vanes and a newly-developed end stage, have been a major factor in making it successful.

GHH BORSIG – a trove of technologies

At its facilities in Oberhausen and Berlin, GHH BORSIG Turbomaschinen GmbH develops, manufactures, supplies and assembles axial, centrifugal and multi-shaft compressors, axial and radial-design process gas turbines, process-gas screw compressors, and industrial-use steam and gas turbines for mechanical drives and generators.

In 1997/98, the company's main markets were western Europe, Southeast Asia, Central and South America. Worthy of mention is an order worth DM 100 million for an air separation plant in Mexico, the largest single order received by GHH BORSIG since it was founded in 1996. It comprises the supplying of four axial and eight centrifugal compressors, four steam turbines for propulsion units and four electrical motors. Invoiced was a large-scale project in India. It consisted of two full-range machine trains and four steam turbines for generators (produced in Oberhausen), plus nine centrifugal compressors equipped with electrical motors (from Berlin). Thus we completed the first important large-scale order involving the deploying of combined capabilities of BORSIG and GHH.

Forging a strategic alliance for turbomachines

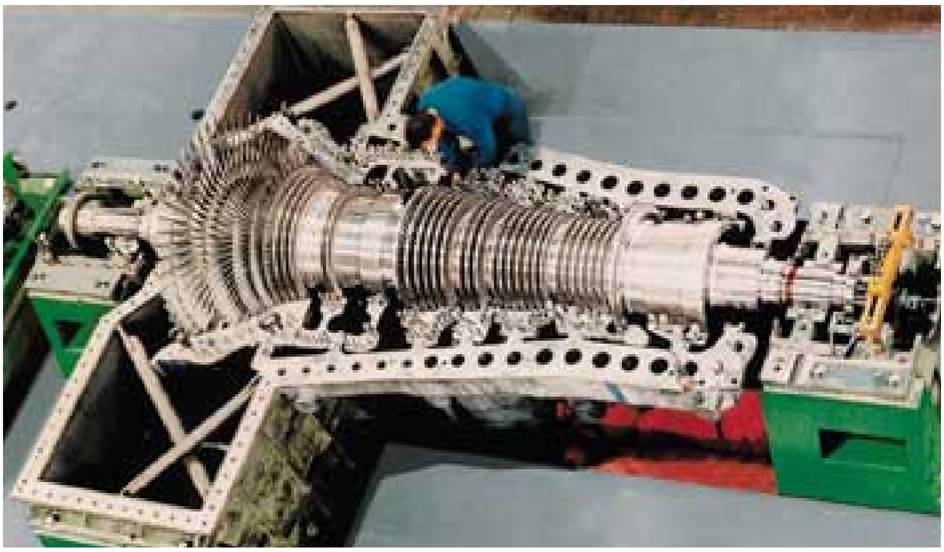
In 1997/98, the MAN Group acquired further stakes of the equity of New Elliott Corporation. This American manufacturer of turbomachines is based in Jeannette, Pennsylvania. The Group and Japan's Ebara Corporation (based in Tokyo) will each hold 50% of Elliott's equity. The objective of this move is the forging of a strategic alliance comprised of GHH BORSIG, Elliott and Ebara's division manufacturing turbomachines. This alliance is already one of the world's three largest suppliers in its sector. Together, the three companies have facilities producing turbomachines in Europe, North America and Asia. Their thermal turbomachine activities employ 4,000 persons and have a collective turnover of some DM 1.7 billion.

Results and prospects

In 1997/98, the MAN Technologie group division had earnings before taxes on income of DM 79 million. We expect business to continue to develop positively in 1998/99. Regarding the space transport division, we expect the level of facility utilization to remain stable, and the orders secured to increase, with this being primarily based on the assumption that the ARIANE 5 program will place its second production lot. GHH BORSIG's markets are, viewed as a whole, stable. The company has a large amount of orders on hand. Its project-related activities show a great deal of promise. For these reasons, we are forecasting that the company will record another year of good order totals and rates of employment in 1998/99.

We are expecting the conditions on MAN Dezentrale Energiesysteme's markets to remain difficult in 1998/99. This is due to the parameters of competition prevailing on them.

Viewing the situation as a whole, we expect the MAN Technologie group division to register increases in its new orders and turnover totals in 1998/99. Our rate of facility employment seems likely to remain high, giving us a good chance of further increasing the MAN Technologie group division's profitability.



RENK – products for propulsion systems

In 1997/98, demand from outside Germany for propulsion systems showed a further rise, with orders primarily issuing from customers in western Europe and North America. Domestic demand also increasingly picked up during the course of 1997/98.

Business continues to develop well

The demand for RENK's products remains exceptionally strong, with this holding especially true for the company's propulsion elements and clutches. The **RENK group division** secured new orders worth DM 410 million. This was below 1996/97's DM 550 million. This drop is, however, largely ascribable to two large-sized projects' delays in placing their orders for vehicle transmissions, with this now to occur in 1998/99.

The group division's turnover came to DM 469 million, slightly above the previous year.

Boosting ability to compete on market for vehicle transmissions

After having started up the series-type manufacturing of the medium and heavy-duty lines of tracklaying vehicle gears, we are now capable of rapidly supplying all of the output segments of the tracklaying vehicles sector, with this extending up to 1,200 kW in engine output. For that reason, we expect to record a substantial increase in orders for such products in 1998/99.

In addition, we have entered into a working relationship with ZF Friedrichshafen AG in the sector of transmissions for military-use vehicles. This foresees ZF concentrating on the wheeled and light tracklaying vehicles segments of the market, with RENK handling the medium and heavy-duty tracklaying vehicles segments. We expect this arrangement to enhance our ability to compete on international markets.

The business done in propulsion elements showed a further, gratifying rise, with both exports and domestic sales increasing substantially. Our take-over of Desch Antriebstechnik GmbH & Co. KG's plain bearings product division on July 1, 1997 has considerably strengthened our position on our markets. We produced new kinds of special-purpose bearings. These are for customer-specific applications, and have resulted in our gaining greater shares of our markets.

The market for marine transmissions continued upon its upswing. Large-sized cruise ships are increasingly using Diesel-electric propulsion systems instead of marine transmissions. Notwithstanding this trend, the total volume of orders received for transmissions going into ferries (including high-speed ones), trading ships and patrol boats nearly attained 1996/97's high levels. The business done in industrial-use gearing units was depressed by the restraint shown in the carrying out of international facility construction projects, a restraint especially felt by our sector serving facilities used in the cement industry. Our sector supplying turbogears to energy production facilities recorded a better amount of orders.

The general industrial equipment sector is increasing its capital investments, causing a gratifying rise in demand for our broad-based line of clutches. The total amount of new orders secured by our testing systems sector was once more substantially greater than its revenues, causing an exhausting of existing capacities, a situation braking the furthering of the sector's transformation into a supplier of special-purpose stands for development work and testing.

Our French subsidiary, Société Européenne d'Engrenages (SEE), recorded a gratifying rise in new orders. The stepping up of its implementation of restructuring measures and an increase in turnover caused the company's turnaround to be completed earlier than had been expected. SEE's restructuring is still resulting in expenditures. Despite this, the company was able to transfer an appropriate share of its earnings to RENK AG.

Société d'Equipements, Systèmes et Mécanismes (SESM), our French associate, recorded a satisfactory amount of new orders. A further job lot was secured from France's Leclerc tank program in 1996/97, assuring SESM's facilities of working at a satisfactory rate of employment throughout 1998/99 and beyond.

RENK group division

in DM million	1997/98	1996/97
New orders	410	550
Turnover	469	466
Personnel (as of June 30)	1 686	1 685
Earnings	30	7

Shown are the KPAV 280 gear unit's thrust bearings.

This TAD 4/250 multi-shaft turbogear unit will be incorporated into an air compression unit driven by 15 MW of power.

The preconditions for the resumption of dividend payments have been met.

Shown is an HSWL 106 hydrodynamic mechanical powershifting transmission being put through tests. This transmission is incorporated into medium-duty tracklaying vehicles, where it relays outputs of 450 kW.

Tested at this stand are the main rotor gearing units of helicopters powered by gas turbines turning out 2 x 1,350 kW. The stand features a control system allowing for the carrying out of automatic final inspections.

Gratifying growth in profitability

The RENK group division recorded profits of DM 30 million from its ordinary business activities, up DM 23 million from 1996/97. This rise is attributable to the good operating results turned in by nearly all business divisions, and to the lower amount of encumbrances incurred through holdings in associates. RENK AG transferred DM 19 million to MAN Aktiengesellschaft, partially paying back the funds advanced by the latter in previous years. By doing so, RENK has met the preconditions for the paying out of a dividend in 1998/99.

Prospects for the future

RENK's operating environment is generally positive. As of June 30, 1998, the company had a large amount of orders on hand. These factors lead us to expect stable levels of orders and employment. Our concentrating on our core areas of business – and their being augmented whenever doing so seems sensible – should enable us to record earnings from ordinary business activities at the gratifyingly high level of 1997/98.

This KPAV 280-model bevel helical gearing unit will be incorporated into one of the world's largest vertical raw cement mills. The unit relays an output of 4,800 kW and revolves 21 times a minute.

MAN TAKRAF Fördertechnik – Facilities for surface mining and for the transporting of materials

Difficult operating environment

MAN TAKRAF group division's operating environment became more difficult in 1997/98. A number of orders – with this pertaining particularly to large-sized projects – were postponed. This was due to the financial problems being experienced by our customers in Asia, the CIS and other areas. All this caused MAN TAKRAF's new orders total to drop considerably. This statement does not, however, apply to the surface mining technologies and heavy-duty cranes business sectors, which secured a number of large-sized orders, including ones from Southeast Asia. Our services and spare parts provision sectors were also able to increase their new orders totals. The invoicing of large-sized orders caused the company's turnover to stage a some 19% rise.

Developing of distribution activities

The difficulties currently prevailing on its markets impart a great importance to the company's distribution activities. The maintaining of our sales offices in the CIS countries is for us a matter of course, the countries' financial problems notwithstanding. The offices will also allow us to profit from the region's demand for surface mining and bulk goods handling equipment, a demand bound to manifest itself over the medium and long runs.

We are expanding our presence in the South American market by setting up with Ferrostaal a company based in Chile and responsible for the providing of services and of spare parts. In addition, in a move taking effect on January 1, 1998, we took over the former MAN GHH Australia. Formerly a subsidiary of MAN GHH, the company, now renamed MAN Industrial Plant & Service Australia Pty. Ltd., is based in Sydney. It has been incorporated into the MAN TAKRAF group division.

Rise in profits

The MAN TAKRAF group division recorded earnings before taxes on income of DM 4 million, a further year of profitability achieved notwithstanding the tenuous state of facility employment.

The unsatisfactory amount of new orders is shaping the prospects for 1998/99. We are therefore continuing to implement measures cutting costs by adjusting our workforce size. Viewing the situation as a whole, we are confident that, once the current phase of business difficulties is over, the upswing in corporate profitability will be set forth.

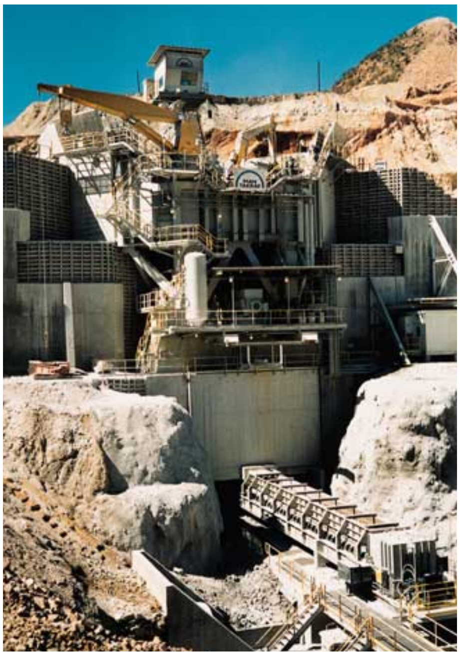
MAN TAKRAF group division

in DM million	1997/98	1996/97
New orders	177	324
Turnover	341	280
Personnel (as of June 30)	677	678
Earnings	4	1

We will systematically step up our international distribution activities.

Shown is a compact-model bucket wheel excavator on the job in Macedonia's Oslomej surface mine. The excavator has a digging output of 3,100 cubic meters/hour. It was supplied to the operators of Macedonia's electricity grid.

MAN TAKRAF moved into its new office building, which it shares with MAN Roland's Leipzig-based distribution operations, on January 1, 1998.



← Transporting 3,600 t of materials an hour. MAN TAKRAF supplied this semi-mobile crushing facility, which is equipped with a discharge conveyor, to Mexicana de Cananea.

DWE – reactors and special-purpose ships

DWE group division

in DM million	1997/98	1996/97
New orders	190	246
Turnover	139	119
Personnel (as of June 30)	524	503
Earnings	19	15

On its way from Deggendorf to Taiwan. To form the heart of a refinery in Taiwan, this reactor processes crude oil into all kinds of mineral oil, with these including heavy and light heating oil, petroleum for aircraft, kerosine and other petrochemical products.

For the **DWE group division,** 1997/98 brought a continuation of 1996/97's good results. DWE's new orders total was once more at a high level, causing its facilities to work at full capacity. DWE's turnover recorded a slight increase.

We have consolidated our position of being the world's leading provider of salt bath-cooled chemical reactors.

Demand for apparatuses and reactors remains strong

Twelve large-sized reactor-based systems were ordered by chemical companies, powering this division to a new orders total higher than 1996/97's large amount. Also developing positively were the division's other areas of equipment supply and the area supplying start-up services to refineries which have broken down. The Zurich-based Swiss Technical University placed an order – the most comprehensive ever of its kind – for the constructing of the world's largest magnet. It will be incorporated into the Geneva-based CERN's new, supraconducting particle accelerator. Also comprised in this order are the yoke and vacuum chamber of the experimental chamber's central facility.

The division manufacturing floating dredges experienced the postponing of projects in the Far East, projects which had been about to be undersigned. The reason: the economic problems prevailing in the region. In addition to those in Asia, the bulk of DWE's current projects is situated in the Near and Middle East and North Africa.

FCI's business develops gratifyingly well

Franc-Comtoise Industrie S.A. (FCI), our French subsidiary, recorded an altogether satisfactory level of new orders. Its turnover and earnings were substantially up over those of 1996/97, allowing the company, for the first time, to pay out a portion of its profits.

Further rise in turnover

The large amount of new orders manifested itself in the rise in the group division's turnover. Primarily invoiced were completed ships, chemical reactors and switch condensers, with these going to customers in the Far East and Europe. To process this large amount of orders, it has become necessary for the first time in a long time to expand the group division's operating facilities by investing in property, plant and equipment. We purchased a new boring mill and are building a further production facility. The adding on of employees working on limited-term contracts has caused the DWE group division's workforce to grow. The introducing of flexible schedules of work over a year will complement the measures taken to cause a short-term increase in operating capacity.

Profits rise, prospects for the future

The DWE group division had earnings before taxes on income of DM 19 million in 1997/98 (1996/97: DM 15 million). The large amount of orders on hand, the continuing strength shown by the company's project-related activities, and the failure of the Asian crisis to substantially impact on DWE's ordinary business are the reasons why DWE is being forecast to turn in another year of good profitability in 1998/99.

The most advanced tanker holding liquefied gas and plying Europe's inland waters, the „LRG GAS 84" is a product of DWE's shipyards.

SMS – engineering, facilities and systems for plant and rolling mills technologies

Business continued to develop well for the **SMS group** in 1997/98, with its new orders and turnover figures maintaining their high levels. By further developing our range of products and services, by continuing to raise the efficiency of our corporation's operating structures, and by upgrading the qualifications of our employees, we have created the prime preconditions for the engendering of further growth.

Plant and rolling mills technologies sector successful around the world

The steel and aluminum industries profited from the strength of the world's economy, with each of them further raising their total output. The weakening of demand from Asia was offset by a picking up of business issuing primarily from western Europe and the Americas.

We were able to successfully maintain our standing on the world market. Through the further developing of existing technologies, the purchasing of licenses and the making of acquisitions, the plant and rolling mills technologies business division has extended its range of products. The division's new orders total was just slightly below 1996/97's all-time corporate record.

In demand in the plant technologies sector were facilities producing electric steel and components modernizing blast furnaces or going into their cooling systems.

Our hot rolling mills technologies sector continued to be very successful. As of this writing, we have sold 19 CSP (compact strip production) facilities, making this technology by far the world's leading system for the casting and rolling of thin slabs. The spectrum of processed steels was further extended. It is now possible to produce – on a stable basis – band widths of less than 0.9 mm. Cold-rolling strip has already been replaced by CSP-produced hot rolled strip in a variety of applications.

Deploying the innovative concast-convex technology, our billet continuous casting facilities are used to produce high-grade and special steels. These facilities are provided by Concast Standard, our subsidiary in Switzerland, which consolidated its leadership of its segment of the world market in 1997/98.

Demand was strong for the section rolling mills sector's "multipurpose section" (MPS) rolling mills. This procedure offers both near-to-final results

SMS group

in DM million	1997/98	1996/97
New orders	3 039	3 054
Turnover	2 717	2 752
Personnel (as of June 30)	6 359	6 447
Earnings	112	101

This twin shell electric arc furnace has a tapping weight of 165 t. It produces steel in a cost-efficient way.

Shown is a 22 MN light metal extruder in operation in facilities maintained by Belgium's EMAX.

SMS – machines for the plastics processing industry and for pressing and forging operations

To date, 19 CSP facilities have been sold, a number making this – by far – the world's best-selling process for the casting and rolling of thin slabs.

casting and a patented rolling technology allowing its operators to produce an extraordinarily broad range of heavy-duty section steels at low costs.

Demand for the products from our cold rolling mill/strip processing sector was centered around high-performance facilities carrying out the coating of strip and those cost-efficiently producing galvanized hot rolled strip.

Plastics processing technologies division increases its shares of markets

Segments of the world's market for plastics processing machines recorded drops in volume. Notwithstanding this, the Battenfeld group's new orders total was at 1996/97's high level. The injection molding business sector recorded large-sized rises in its new orders and turnover totals, allowing it to increase its shares of several markets. The film and sheeting technologies and extruding technologies sectors (tube and section extrusion) were able to consolidate their number one positions on their markets. These positive developments are attributable to the sectors' having incorporated innovative technologies into their products, which have been designed to meet market wishes and needs, to the stepping up of distribution activities and to the sectors' world-wide span of manufacturing activities. The sectors maintain facilities in Europe, the Americas and Asia.

Picking up of activities in the pressing and forging technologies division

The pressing and forging technologies division secured a satisfactory amount of new orders. Our range of products, which comprises hydraulic and drop forging presses and ring-rolling facilities, are highly popular in the niche markets they serve. These markets include those for the processing of steel and non-ferrous metals. The extending of our range of bright steel machines has joined with the implementing of measures designed to optimize the throughput of corporate structures to strengthen our position on world markets.

A rise in earnings

The SMS group's earnings before taxes on income rose from 1996/97's DM 101 million to DM 112 million, results largely attributable to the plant and rolling mills technologies division and to the plastics processing technologies division, which recorded large-sized profits. In spite of the special encumbrances resulting from restructuring measures, the pressing and forging technologies division's results improved.

Prospects

The crisis in Asia should be one of the factors causing the world's economic growth to weaken, making it difficult to secure new orders at the previous years' levels. However, the large amount of orders on hand provides the basis for achieving stable amounts of turnover and profits in 1998/99.

Proven performers, Battenfeld's line of round table machines has been adapted to meet the changing needs of the world's markets. The new "Vertikal R" generation of machines is primarily designed for insert molding. It operates cost-efficiently and reliably. The generation has a clamping force of up to 2,000 kN.

Shown is the Eisenhüttenstadt-based EKO Stahl's line for the manufacturing of hot rolled strip. With an initial capacity of 900,000 t a year, the line features high-performance adjusting mechanisms. They allow the strip's gauge, section and surface evenness to be precisely determined and controlled. The facility produces strip ranging in widths from 600 to 1,640 mm, and in final widths from 2.0 to 13 mm. The data emerging from the facility's runs detail its great flexibility of operation and show the merits of its "schedule-free rolling" technology.

SHW – components for manufacturers of vehicles and industrial systems

The **Schwäbische Hüttenwerke GmbH** set forth its upswing in 1997/98, recording substantial rises in its new orders totals and turnover. Its production facilities worked at a high rate of employment. Efficiency-raising measures were carried out on an ongoing basis. These facts and factors joined to enhance the company's ability to compete on its markets and to cause a substantial rise in earnings.

Increased amount of automobile supplies
Developing gratifyingly well was the company's business with Europe's automobile manufacturers. Our oil pump, sintered formed parts and brake disks divisions are suppliers of components and constituent parts to this industry, in whose strong growth we fully participated. The strong rise in sales of oil pumps was primarily due to the launching of new series of engines by the manufacturers.

Also registering an increase in sales was our division supplying sintered formed parts.
It launched the mass production of newly-designed components unique to the world and supplied to the automobile industry. The gratifying rise in new orders recorded by our brake disk sector was a manifestation of the trend towards models featuring internal ventilation. The increase in overall demand registered by our divisions supplying the automobile industry led to their investing in facilities expanding their operating capacities.

All-time turnover record for calender rolls
Our sales of calender rolls used by the paper manufacturing industry reached an all-time high in 1997/98, further consolidating our position of leadership on the world market. While maintaining our share of the market, our new orders total was lower than that of 1996/97. The same holds true for the processing technologies sector.

In 1997/98, we invested large amounts in the Wasseralfingen-based facility's high-performing hand molding operations. Thanks to these investments, we were able to greatly increase our sales of large-sized cast parts used in energy generating facilities and in engines. At the end of 1997, we closed down the foundry located in the Wilhelmshütte facility. Notwithstanding this shut-down, the total numbers of employees and trainees in the company increased.

Further rise in earnings
SHW's good level of facility utilization combined with the taking of effect of the measures initiated in previous years to raise operating efficiency, causing the company's earnings to stage a further rise. SHW's earnings before taxes on income came to DM 25 million (1996/97: DM 11 million). This profit allows us to raise the dividend – resumed in 1996/97 – provided to the company's shareholders, and to augment the shareholders' equity through transfers to the reserves.

The large amount of orders on hand and the positive prospects prevailing in the world's automobile industry lead us to forecast that SHW's business will continue to develop positively, viewed as a whole, in 1998/99.

Schwäbische Hüttenwerke GmbH

in DM million	1997/98	1996/97
New orders	386	369
Turnover	390	344
Personnel (as of June 30)	1 367	1 339
Earnings	25	11

The company's sales of calender rolls achieved a new all-time high, one detailing our position of leadership on the world market.

Produced by our new foundry in Wasseralfingen, these heavy-duty Diesel engine frames are for V and R-configuration engines.

← Shown is the new line for the machining of internally-ventilated brake disks. It forms part of our facility in Ludwigstal.

Major affiliated and associated companies of the MAN Group

as of June 30, 1998	Shareholding %	Stockholders' equity DM mill.	Turnover DM mill.	Employees as of end of financial year
MAN Nutzfahrzeuge Aktiengesellschaft, Munich	**100**	**1 060**	**7 719**	**20 329**
Österreichische Automobilfabrik ÖAF-Gräf & Stift AG, Vienna/Austria	100	68	384	894
STEYR Nutzfahrzeuge Aktiengesellschaft, Steyr/Austria	100	178	1 037	2 252
MAN Kamyon ve Otobüs Sanayi Anonim Sirketi, Ankara/Turkey	92	50	238	1 338
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg/South Africa	100	18	145	393
ÖAF & STEYR Nutzfahrzeuge OHG, Vienna/Austria	100	72	681	1 025
MAN Truck & Bus UK Ltd., Swindon/Great Britain	100	62	531	336
MAN Camions et Bus S. A., Evry/France	100	42	403	393
MAN Vehículos Industriales (España) S. A., Madrid/Spain	100	28	398	218
MAN Veicoli Industriali S. p. A., Verona/Italy	100	11	260	106
MAN Pojazdy Uzytkowe Polska, Sp. z.o.o., Gora Kalwaria/Poland	100	11	99	246
Ferrostaal Aktiengesellschaft, Essen	**100**	**417**	**3 696**	**695**
DSD Dillinger Stahlbau GmbH, Saarlouis[1)]	100	174	1 641	4 538
Deutsche Industrieanlagengesellschaft mbH (DIAG), Essen[1)]	100	229	166	391
MAN GHH Öl & Gas GmbH, Essen	100	20	132	340
Ferrostaal Bewehrungstechnik GmbH, Essen	100	30	230	103
Franz Kirchfeld GmbH & Co. KG, Düsseldorf	100	15	23	37
Ferrostaal Incorporated, Houston/USA	100	44	719	108
MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach	**98**	**555**	**2 308**	**7 196**
MAN Plamag Druckmaschinen Aktiengesellschaft, Plauen	100	57	285	985
MAN Roland Inc., Westmont/USA[1)]	100	59	521	373
Omnigraph Group N. V., Amsterdam/The Netherlands[1) 4)]	21	127	660	814
MAN B&W Diesel Aktiengesellschaft, Augsburg	**100**	**259**	**900**	**2 881**
MAN B&W Diesel A/S, Copenhagen/Denmark	100	202	937	2 361
S.E.M.T. Pielstick, St. Denis/France[2)]	67	52	185	914
MAN Technologie Aktiengesellschaft, Augsburg	**100**	**29**	**400**	**1 065**
GHH BORSIG Turbomaschinen GmbH, Oberhausen	100	75	606	1 636
New Elliott Corporation, Jeannette/USA[1) 4)]	48	211	638	2 029
MAN Dezentrale Energiesysteme GmbH, Augsburg	100	2	149	167
RENK Aktiengesellschaft, Augsburg	**76**	**56**	**396**	**1 456**
MAN TAKRAF Fördertechnik GmbH, Leipzig	**100**	**130**	**305**	**645**
Deggendorfer Werft und Eisenbau GmbH, Deggendorf	**100**	**23**	**106**	**440**
SMS Aktiengesellschaft, Düsseldorf	**51**[3)]	**349**	**–**	**5**
SMS Schloemann-Siemag Aktiengesellschaft, Düsseldorf and Hilchenbach	100	86	1 171	2 678
Battenfeld GmbH, Meinerzhagen	100	39	214	541
Battenfeld Kunststoffmaschinen Ges. m. b. H., Kottingbrunn/Austria	100	23	135	352
Battenfeld Extrusionstechnik GmbH, Bad Oeynhausen	100	25	138	372
SMS Eumuco GmbH, Leverkusen	100	14	141	398
SMS Capital Corporation, Pittsburgh/USA[1)]	100	110	670	1 049
Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen	**50**	**87**	**390**	**1 366**

Shareholders' capital held in non-German companies has been translated at the mean rate quoted at the balance sheet reporting date, sales figures of these companies at the average annual exchange rate.
1) sales and employee figures including those of operating subsidiaries 2) short financial year 1.1.–30.6.1998 3) parity of voting rights 4) deviating financial year

MAN Group: Consolidated financial statements as of June 30, 1998

MAN Group: Consolidated balance sheet as of June 30, 1998

TDM = DM thousands

Assets	See notes no.	June 30, 1998 TDM	June 30, 1997 TDM
intangible assets		57 509	43 674
tangible fixed assets		3 306 341	3 105 241
financial assets		408 201	467 080
Fixed assets	(1)	**3 772 051**	**3 615 995**
inventories	(2)	9 343 245	9 224 285
prepayments received		– 6 576 309	– 7 024 611
		2 766 936	2 199 674
trade accounts receivable	(3)	4 898 668	4 666 779
other receivables and miscellaneous assets	(3)	1 131 257	991 848
securities	(4)	1 629 672	1 475 901
liquid funds	(5)	782 573	978 922
Current assets		**11 209 106**	**10 313 124**
Prepaid expenses	(6)	**121 293**	**92 479**
		15 102 450	**14 021 598**

Liabilities	See notes no.	June 30, 1998 TDM	June 30, 1997 TDM
subscribed capital		771 000	771 000
capital reserves		1 321 792	1 321 792
retained profits		1 796 959	1 495 178
minority interests		295 030	253 956
unappropriated profit		246 724	215 885
Shareholders' equity	(7)	**4 431 505**	**4 057 811**
Tax-privileged special reserves	(8)	**45 531**	**33 501**
provisions for pensions		2 414 375	2 337 838
other provisions		4 182 232	3 761 229
Provisions	(9)	**6 596 607**	**6 099 067**
financial liabilities		726 035	716 774
trade accounts payable		2 035 685	1 764 897
miscellaneous liabilities		1 164 878	1 258 448
Liabilities	(10)	**3 926 598**	**3 740 119**
Deferred income	(12)	**102 209**	**91 100**
		15 102 450	**14 021 598**

MAN Group:
Consolidated profit and loss accounts 1997/98

TDM = DM thousands

	See notes no.	1997/98 TDM	1996/97 TDM
Revenue from sales	(13)	**24 793 352**	**21 354 118**
changes in inventories, and other capitalized internal supplies and services	(14)	– 94 898	– 93 452
Total operating performance		**24 698 454**	**21 260 666**
other operating income	(15)	494 714	574 843
cost of materials	(16)	– 15 225 053	– 12 901 196
personnel costs	(17)	– 6 011 750	– 5 562 600
depreciation of intangible assets and tangible fixed assets	(18)	– 666 245	– 609 388
other operating expenditure	(19)	– 2 528 855	– 2 335 309
net income/loss from holdings	(20)	85 586	76 572
depreciation of financial assets and of securities held as current assets	(21)	– 33 075	– 14 231
income from interest-paying investments	(22)	– 4 379	3 606
Income from ordinary activities		**809 397**	**492 963**
taxes on earnings	(23)	– 197 285	– 143 743
Consolidated net income for the financial year		**612 112**	**349 220**
profits carried forward from previous year		5	5
profits accruing to other interests		– 40 734	– 35 590
losses accruing to other interests		544	1 906
transfers to retained earnings		– 325 203	– 99 656
Unappropriated profit		**246 724**	**215 885**

MAN Group:
Sources and application of funds in 1997/98

TDM = DM thousands

	See notes no.	1997/98 TDM	1996/97 TDM
net income		612 112	349 220
writedowns of fixed assets		695 388	623 619
transfers to pension reserves		58 375	80 677
other non-operative expenditures and earnings		– 8 419	– 2 611
Cash flow for the year acc. to DVFA/SG		**1 357 456**	**1 050 905**
changes in inventories		184 042	– 28 956
reduction in prepayments received		– 675 612	– 33 134
changes in accounts receivable		– 22 150	168 269
Increase/decline in net funds committed to inventories and receivables		**– 513 720**	**106 179**
increase in other reserves		230 207	208 110
other changes resulting from business activities		– 62 937	– 203 853
Funds accruing from business activities		**1 011 006**	**1 161 341**
investments in tangible fixed and intangible assets		– 792 464	– 603 917
investments in financial assets		– 174 354	– 253 755
revenues from asset disposals		111 558	153 588
Outflow of funds to investments		**– 855 260**	**– 704 084**
dividend payouts		– 227 046	– 197 087
changes in minority interests’ holdings in consolidated companies		– 7 329	– 27 008
changes in financial obligations		3 976	– 124 776
Outflow of funds from financial activities		**– 230 399**	**– 348 871**
Operative changes in financial funds		**– 74 653**	**108 386**
exchange rate-caused increases in financial funds		669	10 333
consolidation-related increases in financial funds		31 406	61 142
Changes in financial funds	(25)	**– 42 578**	**179 861**

Composition of financial funds and net liquidity

	June 30, 1998 TDM	June 30, 1997 TDM
liquid funds	782 573	978 922
securities held as current assets	1 629 672	1 475 901
Financial funds	**2 412 245**	**2 454 823**
financial obligations	– 726 035	– 716 774
Net liquidity	**1 686 210**	**1 738 049**

Notes to the accounts of the MAN Group 1997/98

Fundamental principles of the consolidated accounts

The annual accounts of MAN Aktiengesellschaft have been prepared in accordance with the provisions of Germany's Commercial Code.

To enhance the comprehensibility of the balance sheet and of the profit and loss accounts, individual items have been combined. These items are explained in these notes. Profit and loss have been calculated using the total costs accounting method.

The methods of balancing of accounts, valuation and consolidation applied in the previous financial year have been set forth unchanged in this financial year, with the exception of the using of proportional consolidation procedures for Schwäbische Hüttenwerke GmbH, with this occurring on a first-time basis. This proportional consolidation has not diminished the comparability of the figures issuing from the past and present financial years.

Consolidated companies

Consolidated in these accounts are a total of 164 companies. They all operate under the central direction of MAN Aktiengesellschaft:

Number of companies consolidated	in Germany	outside Germany	total
consolidated as of June 30, 1997	72	72	144
initially consolidated in 1997/98	14	14	28
departing in 1997/98	4	4	8
Consolidated as of June 30, 1998	**82**	**82**	**164**

A listing of the major affiliated and associated companies of the MAN Group is to be found on page 56 of this report. A complete listing of the shareholdings of the MAN Group has been filed with the commercial registry of Munich's district court, HRB 78 706.

28 companies were added to the Group's roster of consolidated companies since 1996/97. Of them, 17 companies belong to DSD Dillinger Stahlbau GmbH, Saarlouis. Another important company being consolidated for the first time is S.E.M.T. Pielstick, St. Denis, France. We acquired a majority holding in this company as of January 1, 1998. In 1996/97 and until December 31, our holdings were valuated at equity.

Thanks to their being sold or being of negligible importance, 8 companies are no longer included in the roster of companies consolidated in these accounts.

In 1996/97, Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen, was listed as a 50% participation and valuated at equity. As of July 1, 1997, the company was proportionally consolidated into these accounts.

The initial consolidations of these companies into the Group increased the consolidated balance sheet total by some DM 500 million. These moves have also added on some DM 700 million in turnover.

9 affiliated companies (in 1996/97: 2), of which 7 are companies distributing printing systems and 2 participations (in 1996/97: 3) – including, for the first time, New Elliott Corp., Jeannette/USA – are listed as associates and consolidated using the equity method.

Subsidiaries not included in the consolidated financial statements are of negligible importance as regards the statements of the MAN Group on its assets, finances and earnings. These account for less than 3% of the Group's turnover.

Principles of consolidation

The financial statements of subsidiaries are comprised in the consolidated annual accounts according to the methods applied by MAN AG in preparing balance sheets and valuating assets. This assures a uniformity of reporting.

Capital consolidation, for both companies fully and proportionally consolidated, is made according to the book consolidation method. The prices of acquisition of subsidiaries are calculated at the value of the portion held of the subsidiaries' total share capital at the time of the initial consolidation. Should the costs of acquisition be higher than the value of the portion of the company acquired's shareholders' equity, the resulting surplus is assigned to the subsidiary's assets, in case in which this differential consists of hidden reserves. Any remaining positive differences accruing are directly charged as goodwill to the Group's retained earnings reserves. Deficits arising from the consolidation of companies are assigned to either the Group's liability reserves or to its reserves, according to the balance-sheet character of the deficits.

Third-party shares in the equity of consolidated companies are listed separately, as minority interests, in the reporting on the shareholders' equity of the Group.

Eliminated are intermediate profits and offsetting expenditures and earnings as well as receivables and liabilities arising from transactions between Group companies. Accruals and deferrals are made for deferred taxation incurred through consolidation activities affecting operating results.

Principles of currency exchange

In the individual financial statements of consolidated companies, receivables and liabilities denominated in foreign currencies and secured by rates of currency exchange agreements are reported at the covered rate. Other receivables and liabilities denominated in foreign currencies are translated at the course prevailing on the date of their initial incorporation into corporate accounts, or, for receivables, at the lowest rate and, for liabilities, at the highest rate prevailing on the balance reporting date.

The financial statements of non-German companies are translated according to the reporting date method. The items in their annual accounts and their results for the financial year are translated at the mean currency exchange rate prevailing on the balance sheet date. The annual average rate is used for the other items in the non-German companies' profit and loss accounts. This results in a translation-caused discrepancy in the profit and loss accounts, which is provided for in the "other operating expenditure" item. In the 1997/98 financial year, this difference amounted to DM 2 million.

In the tables showing the development of fixed assets, the balances at the beginning and at the end of the financial year are translated at the exchange rates prevailing on the respective date. All other items are translated at the average annual rate of exchange. Changes in the rate of exchange produce a difference, which is reported separately in the currency adjustment item.

During the financial year, the rates of exchange between the German mark and the most important other currencies changed as follows:

		rate of exchange on reporting date		average rate of exchange for the financial year	
		June 30, 1998	June 30, 1997	1997/98	1996/97
1	US dollar	1.809	1.744	1.792	1.595
1	pound sterling	3.009	2.901	2.959	2.583
100	French francs	29.83	29.66	29.80	29.56
1000	Italian lire	1.015	1.024	1.018	1.002
100	Spanish pesetas	1.178	1.183	1.181	1.183
100	Austrian schillings	14.21	14.21	14.21	14.21
100	Danish crowns	26.25	26.27	26.25	26.11

Principles of accounting and valuation

Intangible assets are capitalized at the cost of their acquisition. They are depreciated on a linear basis, according to the schedule imposed by their prospective term of utility.

Tangible fixed assets are valued at the cost of their acquisition or production, less scheduled and, in some cases, also extraordinary depreciation. The manufacturing costs of proprietarily-produced items include the direct costs of materials and of manufacturing as well as the portions of capitalized indirect costs liable to taxation. Costs of repair and interest payment arising from capital from outside sources is reported as expenditure.

Building depreciation is calculated in accordance with the principles of § 7 of Germany's Income Tax Act at the highest rates allowed. The prospective terms of utility amount to between 25 and 50 years. Additions since January 1, 1995, are depreciated, as stipulated by the rates of taxation, on a linear basis over a term of utility generally amounting to 25 years. Other depreciation methods constituted by taxation codes are exploited.

Movable tangible assets are largely depreciated using the declining balance method and mostly using a prospective term of utility of 8 years as a basis. Additions made during the first six months are depreciated at the full rate of depreciation; those in the second half of the year, at half the rate. Assets are depreciated using the straight line method from the year on in which the depreciation amount realized by this method is greater than that of the declining balance sheet method. Assets of minor value are completely written down in the year of acquisition. The table showing the development of fixed assets presumes their having been disposed of.

Special tax-related writedowns made in the individual balance sheets of the Group's consolidated companies in Germany are taken over in the consolidated balance sheets without any changes being made. No increases are made in the valuation of fixed assets in cases in which it is possible to retain the lower valuation in tax balance sheets.

In the accounting of **financial assets,** holdings in major associated companies are valued at equity, according to the capital share method, which incorporates the amount corresponding to the proprietary portion of the shareholders' equity. Other shareholdings in affiliated and associated companies are valued at whichever is lower: the cost of their acquisition or current market prices. Loans are listed at either their nominal value or at the current cash value prevailing on the balance sheet date, should that be lower.

Inventories are reported at the cost of acquisition or production, or at the current market value, should that be lower. Production costs include direct costs as well as appropriate portions of the requisite costs of materials and manufacturing-related overhead, plus the amount of depreciation caused by manufacturing; the valuation corresponds to the capitalized costs of manufacturing liable to taxation. Adequate adjustment in value is made for the risk of reduced asset utility and for impending losses from pending transactions. **Prepayments** made and received are reported without inclusion of the proportionate value added tax.

Receivables and miscellaneous assets are reported at their nominal value. Adjustments in value are made on receivables threatened with non-payment, on those bearing low rates of interest and on those due from countries in which risks of transfer prevail. In addition, general credit risks are allowed for by a lump-sum valuation adjustment.

Securities are reported at the cost of their acquisition or their current quoted value, should that be lower. Lower valuations are retained.

Company **pension reserves** have been constituted to satisfy the claims of employees and pensioners to old-age and other forms of care. These reserves are calculated using the going concern values method stipulated in § 6a of Germany's Income Tax Act and are based on an interest rate of 6%.

Other reserves have been calculated to provide for indeterminate liabilities and for impending losses from pending transactions. These reserves have been calculated to provide for all identifiable risks.

Liabilities are reported at their nominal value or the amount repayable, should that be higher.

Notes to the consolidated balance sheet

(1) Development of fixed assets

in DM thousands	Acquisition and production costs						
	balance on July 1, 1997	initial consolidations	additions	transfers	disposals	currency adjustments	balance on June 30, 1998
Intangible assets	**151 407**	**12 492**	**44 153**	**–**	**– 35 208**	**181**	**173 025**
Tangible fixed assets							
real estate, equivalent titles and buildings, including buildings on land owned by others	3 717 553	155 799	99 130	41 443	– 46 992	398	3 967 331
plant and machinery	3 234 470	192 938	327 814	49 522	– 262 269	1 708	3 544 183
other facilities, fittings and fixtures	2 250 591	54 205	200 776	7 623	– 164 062	– 1 349	2 347 784
prepayments made and work in progress	87 690	1 203	120 591	– 98 588	– 11 954	– 270	98 672
	9 290 304	**404 145**	**748 311**	**–**	**– 485 277**	**487**	**9 957 970**
Financial assets							
shares in affiliated companies	192 179	– 18 424	25 273	– 156	– 11 213	47	187 706
loans to affiliated companies	19 757	1 058	13 771	–	– 9 799	– 176	24 611
shares in associated companies	151 665	– 108 122	82 645	–	– 1 270	231	125 149
other holdings	80 760	– 209	9 716	34 674	– 15 689	256	109 508
loans made to companies in which there is a participating interest	855	–	571	–	–	– 184	1 242
securities	73 102	– 10	3 902	– 34 518	– 123	921	43 274
other loans	48 912	– 28	9 633	–	– 6 953	– 34	51 530
	567 230	**– 125 735**	**145 511**	**–**	**– 45 047**	**1 061**	**543 020**
Fixed assets	**10 008 941**	**290 902**	**937 975**	**–**	**– 565 532**	**1 729**	**10 674 015**

The intangible assets consist of the concessions acquired, of software and of similar rights and properties.

(2) Inventories

in DM thousands	June 30, 1998	June 30, 1997
raw materials, indirect materials and supplies	919 809	781 971
work in process	5 433 334	5 401 047
finished products, merchandise	2 038 322	1 954 426
prepayments made	951 780	1 086 841
	9 343 245	**9 224 285**

(3) Receivables and miscellaneous assets

in DM thousands		June 30, 1998	June 30, 1997
	falling due in more than one year	total	total
trade accounts receivable	681 299	4 898 668	4 666 779
receivables from affiliated companies	7 081	186 186	147 046
receivables from companies in which there is a participating interest	315	27 283	28 902
miscellaneous assets	159 716	917 788	815 900
	848 411	**6 029 925**	**5 658 627**

Accumulated depreciation							Net book value	
value as of July 1, 1997	initial con-solidations	depreciation during the year	transfers	disposals	currency adjustments	value as of June 30, 1998	as of June 30, 1998	as of June 30, 1997
107 733	**9 898**	**31 401**	**–**	**– 33 742**	**226**	**115 516**	**57 509**	**43 674**
1 764 652	80 268	120 947	4 506	– 35 952	197	1 934 618	2 032 713	1 952 901
2 632 120	158 692	288 206	4 281	– 255 063	1 644	2 829 880	714 303	602 350
1 785 326	35 712	225 691	– 5 846	– 153 378	– 383	1 887 122	460 662	465 265
2 965	–	–	– 2 941	– 15	–	9	98 663	84 725
6 185 063	**274 672**	**634 844**	**–**	**– 444 408**	**1 458**	**6 651 629**	**3 306 341**	**3 105 241**
71 005	6 415	17 667	–	– 4 987	3	90 103	97 603	121 174
1 538	1 058	1 218	–	– 685	– 46	3 083	21 528	18 219
–	8 087	–	–	–	–	8 087	117 062	151 665
17 387	–	8 705	–	– 3 287	59	22 864	86 644	63 373
805	–	66	–	–	– 182	689	553	50
123	–	19	–	–	– 2	140	43 134	72 979
9 292	19	1 468	–	– 958	32	9 853	41 677	39 620
100 150	**15 579**	**29 143**	**–**	**– 9 917**	**– 136**	**134 819**	**408 201**	**467 080**
6 392 946	**300 149**	**695 388**	**–**	**– 488 067**	**1 548**	**6 901 964**	**3 772 051**	**3 615 995**

(4) **Securities held as current assets**

This item consists of funds invested in fixed interest-bearing securities. These are largely available at short notice.

(5) **Liquid funds**

These consist of funds at credit institutions, including time deposits, checks, cash on hand as well as deposits at the Bundesbank (Germany's central bank) and at the Post Office's girobank.

(6) **Prepaid expenses**

in DM thousands	June 30, 1998	June 30, 1997
discounts	70	286
tax accruals	51 502	26 773
other accruals	69 721	65 420
	121 293	**92 479**

Tax accruals comprise taxes deferred in the course of consolidation processes and reserves formed by subsidiaries to provide for deferred taxes.

(7) **Development of shareholders' equity**

in DM thousands	total as of June 30, 1997	net income 1997/98	dividends	other changes	total as of June 30, 1998
subscribed capital MAN AG	771 000				771 000
capital reserves MAN AG	1 321 792				1 321 792
retained earnings reserves	1 495 178	325 203		– 23 422	1 796 959
minority interests	253 956	40 190	– 11 166	12 050	295 030
unappropriated profit	215 885	246 719	– 215 880		246 724
	4 057 811	**612 112**	**– 227 046**	**– 11 372**	**4 431 505**

The **share capital** of MAN Aktiengesellschaft amounts to DM 771,000,000 divided into ordinary shares totaling DM 551,400,000 in value, and preference shares, which do not come with voting rights and which have a total value of DM 219,600,000. The par value of the shares is DM 50, or a multiple of DM 50.

Resolutions passed on December 13, 1994 by the general meeting of shareholders and by a special meeting, held on the same day, of shareholders owning preference shares created an approved capital. Subject to indorsement by the Supervisory Board, the Executive Board of MAN Aktiengesellschaft is empowered to increase, by December 13, 1999, the company's share capital by up to DM 300,000,000 through the issuing – on a one-time or repeated basis – of shares made out to the bearer in receipt of cash.

A share greater than 25% of MAN Aktiengesellschaft's subscribed capital is held by Regina-Verwaltungsgesellschaft mbH, Munich (in which Allianz AG, Allianz Lebensversicherungs-AG, Commerzbank AG, Münchener Rückversicherungs-Gesellschaft each hold 25%).

The Group's **retained earnings reserves** include those of MAN Aktiengesellschaft, as well as net differences arising from the initial consolidation of Group companies, the Group's share of gains in the retained reserves of subsidiaries accrued after the date of their initial consolidation as well as the share capital portion of other consolidation procedures.

The **minority interests** hold equity stakes in consolidated subsidiaries, with this largely comprising the holdings of outside interests in the SMS group, amounting to DM 249 million, in S.E.M.T. Pielstick, amounting to DM 17 million, and in RENK AG, amounting to DM 13 million.

The **other changes** in the retained earnings reserves and the minority interests items contain the charging of goodwill of companies being consolidated for the first time or of companies being valuated at equity, with this amounting to – DM 23 million; the increasing of the minority interests' holding in shareholders' funds, with this coming to + DM 17 million, non-operative initial consolidation procedures, with this amounting to + DM 8 million, the reduction in shareholders' funds resulting from the purchasing of the holdings of outside interests in subsidiaries already consolidated into the Group and amounting to – DM 15 million; and currency-caused adjustments amounting to + DM 2 million.

The **unappropriated profit** corresponds to the net income shown on the balance sheet of MAN Aktiengesellschaft and has been proposed for distribution in dividend pay-outs.

(8) **Tax-privileged special reserves**

This item consists of reserves largely constituted following the stipulations of § 6b of Germany's Income Tax Act.

(9) Provisions

in DM thousands	June 30, 1998	June 30, 1997
reserves for pensions	2 414 375	2 337 838
tax-related reserves	319 587	206 888
personnel-related reserves	780 303	752 773
business-related reserves	1 881 176	1 621 045
other reserves	1 201 166	1 180 523
	6 596 607	**6 099 067**

The reserves for pensions have been primarily constituted to satisfy the claims, arising from contractual agreements, for old-age and other care held directly by employees and pensioners. These reserves are calculated using the going concern values stipulated by § 6a of Germany's Income Tax Act and based on an interest rate of 6%.

The reserves for personnel-related matters are primarily comprised of accruals made for employees' vacation time still outstanding, for annual gratuities, for expenditures for work-related anniversaries as well as for termination-of-employment and related compensation.

The reserves for business-related expenditures have been largely constituted to provide for obligations arising from guarantees and warranties, for losses arising from pending transactions and for accounts payable outstanding.

The other reserves have been constituted to provide for a large number of identifiable one-off risks and for indeterminate obligations entered into by the Group.

(10) Liabilities

in DM thousands		June 30, 1998	June 30, 1997
	due within one year	total	total
liabilities to credit institutions	531 138	726 035	716 774
trade accounts payable	2 029 617	2 035 685	1 764 897
liabilities to affiliated companies	109 359	109 505	128 652
liabilities to companies in which there is a participating interest	63 465	80 379	203 578
miscellaneous liabilities	955 137	974 994	926 218
	3 688 716	**3 926 598**	**3 740 119**

DM 295,941,000 of the liabilities to credit institutions are secured through assignment of claims, and another DM 23,236,000 through encumbrances on real property.

The miscellaneous liabilities include tax liabilities amounting to DM 223,857,000 (in 1996/97: DM 219,940,000) and DM 155,137,000 (in 1996/97: DM 149,353,000) accruing from social account payments.

Of the liabilities, a total of DM 140,707,000 has a remaining term of between one and five years. Of that, DM 124,643,000 is due to credit institutions. DM 97,175,000 has a remaining term of more than five years, of which DM 70,254,000 is due to credit institutions.

(11) Contingent liabilities and other financial obligations

in DM thousands	June 30, 1998	June 30, 1997
notes payable	200 794	188 858
obligations arising from suretyships	188 341	195 172
obligations arising from warranties	136 619	238 330
	525 754	**622 360**

The obligations arising from warranties have primarily been entered into with financial corporations providing financing for sales of products in North America.

The other financial obligations are comprised of rent, hiring and leasing contracts. As of June 30, 1998, these obligations amounted to a total of DM 797,217,000. Divided according to due dates, the obligations amounted to:

falling due within one year	DM 132,546,000
falling due within two to four years	DM 257,273,000
falling due after more than four years	DM 407,398,000

Obligations to order arising from investments are of a size within the bounds of normal business practice.

(12) Deferred income

This item serves to assign income from leasing installments, rentals, hire arrangements and interest over an appropriate period of time.

Notes to the profit and loss accounts

(13) Revenues from sales

in DM thousands	1997/98	1996/97
Federal Republic of Germany	7 937 453	6 841 661
other EU countries	6 457 368	5 216 214
other European countries	2 161 380	1 822 185
Asia	2 833 044	2 362 136
North and South America	4 040 045	3 416 371
Africa	1 081 586	1 530 065
Australia and Pacific	282 476	165 486
	24 793 352	**21 354 118**

The reporting on the Group's individual segments details the turnover earned by each of our areas of business in Germany, the rest of Europe and other countries.

(14) Changes in inventories and other capitalized costs of internal supplies and services

in DM thousands	1997/98	1996/97
decreases in inventories of finished products and of works in process	– 125 272	– 137 732
other capitalized internal supplies and services	30 374	44 280
	– 94 898	**– 93 452**

(15) Other operating income

This item includes income accruing from the retransferring of reserves, amounting to DM 100 million (in 1996/97: DM 85 million); from the disposal of fixed assets, amounting to DM 52 million (1996/97: DM 104 million); from rental, hire and leasing agreements, amounting to DM 52 million (in 1996/97: DM 33 million); from the charging on of expenditures, amounting to DM 43 million (in 1996/97: DM 33 million) and from the retransferring of tax-privileged special reserves, amounting to DM 5 million (in 1996/97: DM 4 million).

(16) Cost of materials

in DM thousands	1997/98	1996/97
expenditures for raw materials, indirect materials, supplies and goods purchased	13 448 189	11 251 642
expenditures for services purchased	1 776 864	1 649 554
	15 225 053	**12 901 196**

(17) Personnel costs

in DM thousands	1997/98	1996/97
wages and salaries	4 958 070	4 565 592
contributions to social accounts and expenditures for old-age pensions and benefit payments	1 053 680	997 008
	6 011 750	**5 562 600**

The expenditures for old-age care amounted to DM 107,435,000 (in 1996/97: DM 134,632,000). Not comprised was the interest paid on transfers to reserves for pensions. This amounted to DM 135,636,000 (in 1996/97: DM 123,838,000), which is listed in the income from interest-paying investments item.

Expressed as an annual average, the number of **employees** was

	1997/98	1996/97
employees paid on an hourly basis	35 762	34 433
salaried staff	27 418	26 391
	63 180	**60 824**

S.E.M.T. Pielstick employed an average of 909 persons during its short financial year (January 1 – June 30, 1998). This figure has been incorporated into the MAN Group's number of persons employed on a prorated basis, adding 454 persons to it. Expressed as an annual average, 1,352 persons worked for Schwäbische Hüttenwerke GmbH. This is included on a proportional basis, adding 676 persons to the Group's figure.

(18) Depreciation of intangible assets and of tangible fixed assets

in DM thousands	1997/98	1996/97
depreciation of intangible assets	31 401	24 915
depreciation of tangible fixed assets	634 844	584 473
	666 245	**609 388**

The depreciation of tangible fixed assets item contains special tax depreciation of DM 12,647,000 (in 1996/97: DM 9,272,000) and non-scheduled depreciation of DM 3,645,000 (in 1996/97: 6,123,000).

Viewed as a whole, the results of the MAN Group were only marginally affected by tax-related depreciation, and by the balance of transfers to and retransfers from tax-privileged special reserves and the changes in taxation ensuing from it. Due to the exploiting of tax allowances, we expect to have a lower rate of expenditures in the forthcoming years, which will be coupled with larger amounts of taxes on income, paid according to the tax brackets to be applied at the time.

(19) **Other operating expenditures**

This item primarily contains operating expenditures arising from distribution and administrative activities, amounting to DM 1,613 million (in 1996/97: DM 1,507 million); from rentals, hire arrangements, and leasing installments, amounting to DM 234 million (in 1996/97: DM 226 million); from writedowns on receivables, with these costs including accruals from interest payments incurred from long-term transactions, amounting to DM 179 million (in 1996/97: DM 81 million); expenditures for other taxes, amounting to DM 41 million (in 1996/97: DM 67 million), as well as transfers to tax-privileged special reserves, amounting to DM 9 million (in 1996/97: DM 4 million).

(20) **Income from investments in affiliates**

in DM thousands	1997/98	1996/97
income from profit transfer agreements	11 733	2 744
income from associated companies	54 648	36 763
income from other shareholdings	26 778	42 410
expenditures arising from assumption of loss	– 7 573	– 5 345
	85 586	**76 572**

Of the income from this item, the following accrued from affiliated companies

in DM thousands	1997/98	1996/97
income from profit transfer agreements	10 791	1 436
income from other shareholdings	16 827	32 041
expenditures arising from assumption of loss	– 7 573	– 5 345

The operating results of associated companies have been reported before deducting income taxes. The proportionate income tax payments of DM 20 million (1996/97: DM 11 million) have been included in the Group’s tax expenditure total.

(21) **Depreciation of financial assets and of securities held as current assets**

in DM thousands	1997/98	1996/97
depreciation of financial assets	29 143	14 231
depreciation of securities held as current assets	3 932	–
	33 075	**14 231**

The depreciation of financial assets and of securities held as current assets were non-scheduled (in 1996/97, this figure came to DM 8,649,000).

(22) Income from interest-paying investments

in DM thousands	1997/98	1996/97
income from other securities and from loans held as financial assets	4 425	4 204
other interest earned and similar income	251 529	264 400
interest paid and similar expenditures	– 124 697	– 141 160
interest paid on transfers to pension reserves	– 135 636	– 123 838
	– 4 379	**3 606**

Of the income from interest-paying investments, the following accrued from affiliated companies

in DM thousands	1997/98	1996/97
income from loans held as financial assets	865	483
other interest earned and similar income	6 487	3 639
interest paid and similar expenditures	– 6 634	– 5 057

(23) Taxes on income

DM 28,757,000 in taxes on income and revenues was incurred in previous financial years.

(24) Derivative financial instruments

MAN employs derivative-based financial instruments exclusively to secure itself against risks arising from changes in rates of interest and foreign exchange. As of June 30, 1998, the volume of instruments securing against changes in interest carried by basic transactions made by the MAN Group came to DM 534 million (in 1996/97: DM 615 million) and the volume of instruments securing against changes in rates of foreign exchange amounted to DM 5 786 million (in 1996/97: DM 4 914 million). Some 85% of the latter have a term of less than one year.

All derivative-related financial transactions are only undertaken with banks of unimpeachable financial standing. The use of these instrumentalities is strictly monitored. This monitoring's effectiveness is especially assured through the separation of trading, invoicing and controlling operations.

(25) Sources and applications of funds

Following a pronouncement of the main governing body of Germany's institute of auditors, the Group's flows of funds have been segmented into three categories: those accruing from and going to ordinary business activities, investments and financing.

Excluded from the funds accruing from ordinary business activities are non-operative expenditures and earnings. Results accruing from participations valuated at equity are only included to the extent that they were paid out.

Reported in the funds going to investments category are investments in financial assets. These include payments made to purchase holdings. In conjunction with the processes of consolidation, these are excluded from the table detailing the development of fixed assets.

The effects of changes in the line-up of companies consolidated in the Group's accounts are not comprised in each of the items upon which they impact. Rather, like the effects of the changes in rates of exchange on the financial funds, these changes are reported separately.

Comprised in the financial funds are the liquid funds and the securities held as current assets, as reported in the Group's balance sheet. These funds can be made available in less than three months. Also reported is the net liquidity, which is the balance of the Group's financial funds and financial liabilities. This is done because the net liquidity figure provides a more cogent indication of the state of the MAN Group's finances.

Information on the Group's segments

in DM thousands	financial year	commercial vehicles	industrial services
turnover earned by the segments	1997/98	8 832 891	6 277 790
	1996/97	7 954 722	4 315 333
intra-Group sales	1997/98	33 095	108 887
	1996/97	31 246	75 549
Consolidated turnover	1997/98	8 799 796	6 168 903
	1996/97	7 923 476	4 239 784
of which in Germany	1997/98	4 098 881	1 604 256
	1996/97	3 776 122	787 726
in the rest of Europe	1997/98	3 990 195	1 046 974
	1996/97	3 521 098	659 293
in other regions	1997/98	710 720	3 517 673
	1996/97	626 256	2 792 765
Earnings before taxes on income	1997/98	338 088	135 599
	1996/97	182 240	142 950
Assets as of June 30	1997/98	5 320 992	2 606 408
	1996/97	4 856 205	2 528 838
Investments	1997/98	451 930	64 685
	1996/97	341 747	157 507
Depreciation	1997/98	296 546	52 771
	1996/97	274 485	27 830
Personnel as of June 30	1997/98	28 502	6 813
(number)	1996/97	27 031	6 537

Categorized by region of activity

in DM thousands	financial year	in Germany	other European countries	other regions	**total**
Assets as of June 30	1997/98	10 074 771	3 531 211	1 496 468	**15 102 450**
	1996/97	9 516 674	3 016 668	1 488 256	**14 021 598**
Investments	1997/98	654 193	169 631	142 994	**966 818**
	1996/97	616 907	187 252	53 513	**857 672**
Depreciation	1997/98	550 435	118 418	26 535	**695 388**
	1996/97	499 135	108 720	15 764	**623 619**
Personnel as of June 30	1997/98	47 514	12 919	3 621	**64 054**
(number)	1996/97	47 161	11 028	4 375	**62 564**

printing machines	Diesel engines	industrial systems and facilities	holding company, miscellaneous, intra-group consolidations	**MAN Group**
2 820 085	1 995 590	4 820 626	775 319	25 522 301
2 471 215	1 616 022	4 705 261	910 656	21 973 209
163 572	90 899	97 301	235 195	728 949
177 727	81 440	43 763	209 366	619 091
2 656 513	1 904 691	4 723 325	540 124	**24 793 352**
2 293 488	1 534 582	4 661 498	701 290	**21 354 118**
634 880	273 866	957 504	368 066	7 937 453
609 426	293 480	1 005 911	368 996	6 841 661
958 401	763 623	1 736 145	123 410	8 618 748
772 752	581 983	1 431 012	72 261	7 038 399
1 063 232	867 202	2 029 676	48 648	8 237 151
911 310	659 119	2 224 575	260 033	7 474 058
22 342	134 556	244 408	– 65 596	**809 397**
– 115 418	131 336	167 553	– 15 698	**492 963**
1 574 738	1 397 517	3 148 762	1 054 033	**15 102 450**
1 920 448	1 135 431	3 170 942	409 734	**14 021 598**
51 828	74 685	246 841	76 849	**966 818**
55 655	86 692	175 438	40 633	**857 672**
75 214	65 110	144 200	61 547	**695 388**
78 158	58 378	114 386	70 382	**623 619**
8 730	6 281	12 127	1 601	**64 054**
9 383	5 419	12 157	2 037	**62 564**

The commercial vehicles, industrial services, printing systems and Diesel engines segments are identical to the MAN Nutzfahrzeuge, Ferrostaal, MAN Roland Druckmaschinen and MAN B&W Diesel group divisions. The industrial equipment and facilities segment is comprised of the MAN Technologie, RENK, MAN TAKRAF Fördertechnik and Deggendorfer Werft und Eisenbau group divisions, as well as of the SMS group. The previous financial year's figures are comparable with those of 1997/98. The apportioning of the Group's areas of business into these segments is in accordance with the MAN Group's internal methods of reporting.

Intra-Group sales are made according to the prices prevailing for the products and services. The assets are comprised of the segments' respective fixed and current assets, plus their financial funds, with these also including those funds deployed by MAN AG for intra-Group financing activities.

Further financial information on the group divisions is to be found on pages 78–81 of this annual report.

Other information

Remuneration of the Supervisory Board and of the Executive Board

Under the provision that the proposed dividend pay-out will be approved by the general meeting of shareholders, the members of the Supervisory Board will receive a total of DM 1,680,000 (in 1996/97: 1,470,000) in remuneration. The corresponding figure for the members of the Executive Board will be DM 6,694,000 (in 1996/97: DM 7,162,000). Payments to former members of the Executive Board or their surviving dependents came to DM 6,210,000 (in 1996/97: DM 6,076,000). Some DM 49,786,000 (in 1996/97: DM 47,874,000) has been allocated to meet pension obligations involving former members of the Executive Board or their surviving dependents.

A loan has been made to a member of the Supervisory Board. This loan bears a 6 % annual rate of interest and an agreed-upon term of 25 years. On June 30, 1998, the amount outstanding was DM 83,000 (a year earlier: DM 85,000).

Listings of the members of the Supervisory Board and of the Executive Board are to be found on pages 4 and 5 of this report.

Membership in other boards with supervisory responsibilities

The following members of the Supervisory Board of MAN Aktiengesellschaft are members in other legally-constituted Supervisory Boards:

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

Chairman of the Supervisory Board:
Bayerische Hypotheken- und Vereinsbank AG

member of the Supervisory Board:
Allianz Lebensversicherungs-AG
KM Europa Metal AG
SMS AG
Thyssen AG

Strauss-Wieczorek, Dr. rer. pol. Gerlinde
secretary of the Union of German Metalworkers

deputy chairman of the Supervisory Board:
MAN Nutzfahrzeuge AG

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

member of the Supervisory Board:
BASF AG
Dresdner Bank AG
Linde AG
Mannesmann AG
Münchener Rückversicherungs-Gesellschaft
Siemens AG
Thyssen AG
VEBA AG

Blank, Dr. jur. Michael (until December 12, 1997)
secretary of the Union of German Metalworkers

member of the Supervisory Board:
ZF Getriebe GmbH

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

deputy chairman of the Supervisory Board:
National-Bank AG

member of the Supervisory Board:
Karstadt AG
RWE AG
Thyssen AG

Heimann, Dr. phil. Klaus (as of December 12, 1997)
secretary of the Union of German Metalworkers

member of the Supervisory Board:
Delton AG
Krones AG

Hiesinger, Karlheinz
education officer of the Union of German Metalworkers

deputy chairman of the Supervisory Board:
MAN B&W Diesel AG

Käsbeck, Dr. rer. oec. Norbert
(as of December 12, 1997)
member of the Executive Board of Commerz-bank AG

deputy chairman of the Supervisory Board:
Friatec AG

member of the Supervisory Board:
Hugo Boss AG
HAWESKO AG
Salamander AG
SÜBA Bau AG

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

member of the Supervisory Board:
Deutsche Aerospace Airbus
Hapag-Lloyd AG
Mobil Oil AG

Meinhardt, Dr. rer. pol. Hans
former Chairman of the Executive Board of Linde AG

chairman of the Supervisory Board:
Beiersdorf AG
Karstadt AG
Linde AG
VARTA AG

member of the Supervisory Board:
Allianz Lebensversicherungs-AG

Potrykus, Peter (as of December 12, 1997)
Chairman of the Works Council of
MAN Nutzfahrzeuge AG's facility in Salzgitter

member of the Supervisory Board:
MAN Nutzfahrzeuge AG

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

Chairman of the Supervisory Board:
ERGO Versicherungsgruppe AG

member of the Supervisory Board:
Degussa AG
Dresdner Bank AG
Hoechst AG

Schulz, Dr.-Ing. Ekkehard
(as of December 12, 1997)
Chairman of the Executive Board of Thyssen AG

chairman of the Supervisory Board:
Hüttenwerke Krupp Mannesmann GmbH

deputy chairman of the Supervisory Board:
RAG Aktiengesellschaft

member of the Supervisory Board:
Commerzbank AG
Hapag-Lloyd AG
Krupp Thyssen Stainless GmbH
Mannesmannröhren-Werke AG
STRABAG AG

Seipp, Dr. jur. Walter
(until December 12, 1997)
former Chairman of the Executive Board of Commerzbank AG

Chairman of the Supervisory Board:
Commerzbank AG
Parker Hannifin GmbH

member of the Supervisory Board:
Linde AG
Thyssen AG

Soltmann, Dr.-Ing. Dieter
(until December 12, 1997)
Personally Liable Partner of Gabriel Sedlmayr Spaten Franziskaner-Bräu KGaA

Chairman of the Supervisory Board:
Meggle GmbH

member of the Supervisory Board:
BMW AG
Deutsche Postbank AG
Bankhaus Maffei & Co. KGaA
Messe München GmbH
Münchener Rückversicherungs-Gesellschaft

Stechl, Dr. rer. nat. Hanns-Helge
(as of December 12, 1997)
deputy Chairman of the Executive Board of BASF AG

member of the Supervisory Board:
Pfleiderer AG

Stötzel, Paul
lathe operator, SMS Schloemann-Siemag AG

member of the Supervisory Board:
SMS AG

Strenger, Hermann J.
(until December 12, 1997)
former Chairman of the Executive Board of Bayer AG

chairman of the Supervisory Board:
Bayer AG
VEBA AG

member of the Supervisory Board:
Commerzbank AG
Degussa AG
Karstadt AG
Linde AG

Munich, September 30, 1998
MAN Aktiengesellschaft

The Executive Board

Auditors' report

We have audited the MAN Group's consolidated annual financial statements in accordance with professional standards and have found these statements in compliance with German laws and regulations. With due regard to generally accepted principles of accounting, the annual accounts give a true and fair picture of the assets, finances and earnings of the MAN Group. The review of business of the Executive Board accords with the accounts.

Munich, October 6, 1998

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Dyckerhoff
Independent
Public Accountant

Goppelt
Independent
Public Accountant

Financial statements of MAN Aktiengesellschaft (abridged version)

MAN Aktiengesellschaft: balance sheets

(TDM = DM thousands)	June 30, 1998 TDM	June 30, 1997 TDM
Assets		
intangible assets	155	374
tangible fixed assets	42 447	48 272
financial assets	2 512 511	2 343 070
Fixed assets	**2 555 113**	**2 391 716**
receivables from affiliated companies	2 599 187	2 926 643
other receivables and miscellaneous assets	138 866	68 273
securities	10 176	34 890
liquid funds	299 519	553 536
Current assets	**3 047 748**	**3 583 342**
Accruals and deferrals	**374**	**542**
	5 603 235	**5 975 600**
Liabilities		
subscribed capital	771 000	771 000
capital reserves	1 321 792	1 321 792
retained earnings	685 108	635 108
unappropriated profit	246 724	215 885
Shareholders' equity	**3 024 624**	**2 943 785**
Tax-privileged special reserves	**8 646**	**4 246**
provisions for pensions	130 221	129 249
other provisions	585 018	395 906
Provisions	**715 239**	**525 155**
Liabilities to affiliated companies	1 822 941	2 470 078
other liabilities	31 785	32 336
Liabilities	**1 854 726**	**2 502 414**
	5 603 235	**5 975 600**

The annual financial statements of MAN Aktiengesellschaft have been audited by BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich, which has affixed its unqualified auditors' examination certificate to them. These statements have been published in Germany's Federal Gazette and have been filed at the commercial registry of Munich's district court. They can be procured by writing MAN Aktiengesellschaft, Ungererstr. 69, D-80805 Munich.

MAN Aktiengesellschaft: profit and loss accounts

(TDM = DM thousands)	1997/98 TDM	1996/97 TDM
income from investments in affiliates	334 644	271 975
income from interest-paying investments	46 397	46 387
other operating income	118 773	139 929
personnel costs	– 43 046	– 49 714
depreciation and other operating expenditures	– 126 823	– 121 702
Income from ordinary business activities	**329 945**	**286 875**
taxes on income	– 33 226	– 50 995
Net income	**296 719**	**235 880**
profits brought froward from previous year	5	5
transfers to retained earnings	– 50 000	– 20 000
Unappropriated profit	**246 724**	**215 885**

Proposal for the distribution of profits

The financial statements of MAN Aktiengesellschaft as of June 30, 1998 show an unappropriated profit of DM 246,723,999. It will be proposed to the general meeting of shareholders that this sum be distributed as follows:

pay-out of a dividend of DM 16 per share of DM 50 par value	246 720 000 DM
profit carried forward	3 999 DM
net profit for the year	246 723 999 DM

The dividend does not come with a tax credit.

Munich, September 28, 1998

The Executive Board

Summarized financial statements of MAN Group companies

in DM mill.	MAN Nutzfahrzeuge group division		Ferrostaal group division	
	1997/98	1996/97	1997/98	1996/97
Fixed assets	**1 564**	**1 427**	**352**	**347**
Inventories	1 965	1 821	1 634	1 878
Receivables and other assets (incl. accr. and def.)	1 773	1 610	2 330	2 701
Securities and liquid funds	55	52	670	687
Current assets	**3 793**	**3 483**	**4 634**	**5 266**
Total assets	**5 357**	**4 910**	**4 986**	**5 613**
Shareholders' funds	**1 207**	**1 030**	**756**	**672**
Tax-privileged special reserves	–	1	24	22
Provisions for pensions	697	668	325	299
Other reserves	1 041	877	566	513
Prepayments received	36	53	2 380	3 084
Other liabilities (incl. accr. and def.)	2 376	2 281	935	1 023
Capital from outside sources	**4 150**	**3 880**	**4 230**	**4 941**
Capital resources	**5 357**	**4 910**	**4 986**	**5 613**
Revenues from sales	**8 833**	**7 955**	**6 278**	**4 315**
Changes in inventories and other capitalized costs of internal supplies and services	103	– 99	– 235	59
Total operating performance	**8 936**	**7 856**	**6 043**	**4 374**
Cost of materials	– 5 285	– 4 532	– 4 908	– 3 665
Personnel costs	– 2 405	– 2 240	– 632	– 327
Depreciation of tangible fixed and intangible assets	– 295	– 273	– 52	– 25
Other income and expenditures	– 521	– 507	– 398	– 322
Income/loss from interest	– 92	– 122	83	108
Income from ordinary activities	**338**	**182**	**136**	**143**
Taxes on income	– 144	– 57	– 57	– 56
Net income/loss	**194**	**125**	**79**	**87**
Transfers to (–) / withdrawals (+) from reserves	– 184	– 5	– 40	– 55
Income (–) / losses (+) accruing to minority interests	–	– 1	–	–
Profit/loss transferred to MAN AG	**10**	**119**	**39**	**32**
New orders	**9 502**	**8 126**	**5 606**	**5 269**
of which from Germany	4 545	3 809	1 638	1 001
of which from outside Germany	4 957	4 317	3 968	4 268
Orders on hand as of June 30	**3 164**	**2 491**	**4 828**	**4 978**
Personnel as of June 30 (number)	**28 502**	**27 031**	**6 813**	**6 537**
in Germany	20 563	19 849	4 565	3 908
outside Germany	7 939	7 182	2 248	2 629
Personnel expressed as annual average (number)	**27 677**	**27 319**	**6 954**	**4 024**
Investments in tangible fixed and intangible assets	441	293	49	25
Cash flow for the year acc. to DVFA/SG	520	426	150	122
Return on sales (before taxes)	3.8%	2.3%	2.2%	3.3%
Return on capital employed	14.6%	10.3%	15.4%	18.4%
Ratio of annual cash flow acc. to DVFA/SG to turnover	5.9%	5.4%	2.4%	2.8%

	MAN Roland group division		MAN B&W Diesel group division		MAN Technologie group division	
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
	432	**466**	**287**	**294**	**187**	**83**
	989	1 206	695	621	526	222
	590	534	518	388	263	140
	7	4	28	7	1	–
	1 586	**1 744**	**1 241**	**1 016**	**790**	**362**
	2 018	**2 210**	**1 528**	**1 310**	**977**	**445**
	526	**528**	**422**	**397**	**91**	**29**
	–	–	6	–	–	–
	274	268	156	155	115	60
	322	278	413	272	138	59
	443	289	131	175	359	241
	453	847	400	311	274	56
	1 492	**1 682**	**1 106**	**913**	**886**	**416**
	2 018	**2 210**	**1 528**	**1 310**	**977**	**445**
	2 820	**2 471**	**1 996**	**1 616**	**1 154**	**461**
	– 224	– 120	– 88	90	27	12
	2 596	**2 351**	**1 908**	**1 706**	**1 181**	**473**
	– 1 258	– 1 196	– 989	– 886	– 595	– 257
	– 871	– 883	– 535	– 492	– 339	– 141
	– 75	– 78	– 65	– 56	– 26	– 14
	– 326	– 258	– 177	– 137	– 133	– 38
	– 44	– 51	– 7	– 4	– 9	–
	22	**– 115**	**135**	**131**	**79**	**23**
	– 7	– 3	– 72	– 42	– 38	– 12
	15	**– 118**	**63**	**89**	**41**	**11**
	– 1	–	– 13	– 22	– 6	–
	– 1	– 1	– 2	–	–	–
	13	**– 119**	**48**	**67**	**35**	**11**
	3 061	**2 298**	**1 801**	**1 730**	**1 537**	**422**
	843	639	361	369	450	153
	2 218	1 659	1 440	1 361	1 087	269
	1 815	**1 612**	**1 278**	**1 281**	**1 756**	**740**
	8 730	**9 383**	**6 281**	**5 419**	**2 881**	**1 194**
	8 357	8 991	2 913	3 014	2 868	1 194
	373	392	3 368	2 405	13	–
	8 899	**9 681**	**5 805**	**5 429**	**2 858**	**1 144**
	48	53	62	75	31	31
	96	– 32	126	151	71	32
	0.8%	– 4.7%	6.7%	8.1%	6.9%	5.0%
	5.7%	– 3.2%	25.4%	26.2%	32.8%	32.1%
	3.4%	– 1.3%	6.3%	9.3%	6.1%	7.0%

in DM mill.	RENK group division		MAN TAKRAF group division	
	1997/98	1996/97	1997/98	1996/97
Fixed assets	**72**	**79**	**40**	**29**
Inventories	159	166	160	204
Receivables and other assets (incl. accr. and def.)	148	131	181	233
Securities and liquid funds	2	3	4	1
Current assets	**309**	**300**	**345**	**438**
Total assets	**381**	**379**	**385**	**467**
Shareholders' funds	**56**	**50**	**129**	**128**
Tax-privileged special reserves	–	2	–	–
Provisions for pensions	63	62	8	8
Other reserves	55	53	70	67
Prepayments received	70	69	154	236
Other liabilities (incl. accr. and def.)	137	143	24	28
Capital from outside sources	**325**	**329**	**256**	**339**
Capital resources	**381**	**379**	**385**	**467**
Revenues from sales	**469**	**466**	**341**	**280**
Changes in inventories and other capitalized costs of internal supplies and services	– 7	– 16	– 24	3
Total operating performance	**462**	**450**	**317**	**283**
Cost of materials	– 206	– 213	– 216	– 183
Personnel costs	– 156	– 160	– 75	– 74
Depreciation of tangible fixed and intangible assets	– 22	– 19	– 8	– 13
Other income and expenditures	– 42	– 44	– 20	– 19
Income/loss from interest	– 6	– 7	6	7
Income from ordinary activities	**30**	**7**	**4**	**1**
Taxes on income	– 4	– 1	– 1	–
Net income/loss*)	**26**	**6**	**3**	**1**
Transfers to (–) / withdrawals (+) from reserves*)	– 7	– 6	– 1	– 1
Income (–) / losses (+) accruing to minority interests	–	–	–	–
Profit/loss transferred to MAN AG*)	**19**	**–**	**2**	**–**
New orders	**410**	**550**	**177**	**324**
of which from Germany	128	192	52	233
of which from outside Germany	282	358	125	91
Orders on hand as of June 30	**538**	**597**	**433**	**582**
Personnel as of June 30 (number)	**1 686**	**1 685**	**677**	**678**
in Germany	1 456	1 455	645	678
outside Germany	230	230	32	–
Personnel expressed as annual average (number)	**1 688**	**1 704**	**699**	**717**
Investments in tangible fixed and intangible assets	23	9	18	17
Cash flow for the year acc. to DVFA/SG	54	34	11	13
Return on sales (before taxes)	6.3%	1.5%	1.0%	0.3%
Return on capital employed*)	19.5%	6.9%	3.0%	0.8%
Ratio of annual cash flow acc. to DVFA/SG to turnover	11.5%	7.3%	3.2%	4.8%

*) RENK in 1997/98: the paying off of DM 19 million in the funds advanced to the company by MAN AG is comprised in the transfer-of-profit figures. RENK's profits for the year are correspondingly higher. The transfers to reserves include the changes in the balance-sheet loss.

	Deggendorfer Werft und Eisenbau group division		SMS group		Schwäbische Hüttenwerke GmbH	
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
	22	**18**	**364**	**359**	**71**	**61**
	78	35	2 201	2 024	49	43
	61	64	904	1 035	108	109
	–	1	1 316	1 101	19	12
	139	**100**	**4 421**	**4 160**	**176**	**164**
	161	**118**	**4 785**	**4 519**	**247**	**225**
	27	**23**	**470**	**422**	**87**	**81**
	–	–	2	4	–	–
	15	15	306	296	32	30
	22	24	640	707	72	62
	76	46	2 881	2 569	9	6
	21	10	486	521	47	46
	134	**95**	**4 315**	**4 097**	**160**	**144**
	161	**118**	**4 785**	**4 519**	**247**	**225**
	139	**119**	**2 717**	**2 752**	**390**	**344**
	41	5	159	– 95	5	1
	180	**124**	**2 876**	**2 657**	**395**	**345**
	– 96	– 54	– 1 693	– 1 544	– 195	– 169
	– 52	– 43	– 743	– 714	– 126	– 123
	– 4	– 3	– 60	– 52	– 19	– 19
	– 10	– 10	– 313	– 299	– 30	– 23
	1	1	45	53	–	–
	19	**15**	**112**	**101**	**25**	**11**
	– 6	– 7	– 42	– 39	– 8	– 2
	13	**8**	**70**	**62**	**17**	**9**
	– 4	–	– 43	– 42	11	– 1
	–	–	– 14	– 9	– 14	– 4
	9	**8**	**13**	**11**	**14**	**4**
	190	**246**	**3 039**	**3 054**	**386**	**369**
	110	105	474	827	245	227
	80	141	2 565	2 227	141	142
	274	**223**	**6 785**	**6 468**	**167**	**170**
	524	**503**	**6 359**	**6 447**	**1 367**	**1 339**
	440	419	4 117	4 039	1 367	1 339
	84	84	2 242	2 408	–	–
	515	**498**	**6 281**	**6 295**	**1 352**	**1 327**
	8	4	74	64	30	23
	17	12	157	129	40	28
	14.0%	12.9%	4.1%	3.7%	6.5%	3.1%
	51.4%	42.3%	18.8%	17.0%	24.2%	11.6%
	12.4%	10.2%	5.8%	4.7%	10.1%	8.2%

The MAN Group: a seven-year overview

in DM mill.	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
New orders	**18 096**	**16 672**	**18 463**	**20 602**	**20 787**	**22 700**	**25 259**
in Germany	8 344	6 673	6 489	7 059	6 567	7 261	8 507
outside Germany	9 752	9 999	11 974	13 543	14 220	15 439	16 752
New orders acc. to area of activity							
commercial vehicles	7 215	6 255	6 775	7 734	7 539	8 126	9 502
industrial services	3 310	3 194	3 519	3 860	3 954	5 269	5 606
printing machines	1 765	1 596	2 094	2 379	2 235	2 298	3 061
Diesel engines	1 659	1 543	1 659	1 658	1 703	1 730	1 801
industrial systems and facilities	4 483	4 424	4 793	5 342	5 761	5 314	5 353
holding company, miscellaneous, intra-Group orders	– 336	– 340	– 377	– 371	– 405	– 37	– 64
Turnover	**19 171**	**18 972**	**18 144**	**18 602**	**20 270**	**21 354**	**24 793**
in Germany	8 398	7 975	6 929	7 056	7 094	6 842	7 937
outside Germany	10 773	10 997	11 215	11 546	13 176	14 512	16 856
Turnover acc. to area of activity							
commercial vehicles	7 901	7 236	6 903	7 236	7 984	7 955	8 833
industrial services	3 208	3 559	3 606	4 028	3 837	4 315	6 278
printing machines	2 369	2 237	2 041	2 002	2 361	2 471	2 820
Diesel engines	1 442	1 543	1 576	1 607	1 529	1 616	1 996
industrial systems and facilities	4 631	4 745	4 421	4 103	4 896	4 706	4 820
holding company, miscellaneous, intra-Group orders	– 380	– 348	– 403	– 374	– 337	291	46
Orders on hand as of June 30	**16 792**	**14 360**	**15 139**	**16 891**	**17 621**	**19 704**	**20 881**
from Germany	6 017	4 549	4 080	4 026	3 567	4 540	5 554
from outside Germany	10 775	9 811	11 059	12 865	14 054	15 164	15 327
Number of employees as of June 30 – number	**63 256**	**60 837**	**56 997**	**56 503**	**57 826**	**62 564**	**64 054**
employed by companies in Germany	51 910	49 893	46 164	45 085	45 919	47 161	47 514
employed by companies outside Germany	11 346	10 944	10 833	11 418	11 907	15 403	16 540
average number of persons employed during the year	64 292	62 720	58 527	56 112	57 648	60 824	63 180
personnel costs per employee in DM	80 026	84 052	84 804	88 757	94 885	91 454	95 153
Investments and Financing							
Investments in tangible fixed and in intangible assets	1 001	932	688	545	617	604	793
Investments in financial assets and in the acquisition of holdings	105	76	61	117	39	254	174
Expenditures for research and development	535	523	560	537	573	585	672
Depreciation	657	711	721	692	653	624	695
Annual cash flow acc. to DVFA/SG	1 158	941	771	1 037	1 101	1 051	1 357
Key figures in percent							
Equity ratio	28.5	27.8	29.4	30.0	30.3	28.9	29.3
Fixed assets to shareholders' equity ratio	101.9	95.3	98.3	108.1	114.3	112.2	117.5
Return on sales (before taxes)	3.6	1.8	1.0	1.9	2.5	2.3	3.3
Return on capital employed	15.3	9.5	6.9	8.9	10.8	10.4	14.0
Return on equity (after taxes)	11.8	6.4	4.4	7.3	8.6	8.7	14.4
Ratio of annual cash flow acc. to DVFA/SG to turnover	6.0	5.0	4.2	5.6	5.4	4.9	5.5
Income per share acc. to DVFA/SG in DM	33.00	15.10	9.10	22.70	26.00	23.80	39.00
Annual cash flow per share acc. to DVFA/SG in DM	74.10	57.40	47.00	63.70	67.00	63.00	82.00

in DM mill.		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Fixed assets		**3 559**	**3 790**	**3 709**	**3 482**	**3 444**	**3 616**	**3 772**
Inventories		7 023	6 679	6 192	7 328	8 562	9 224	9 343
Prepayments received		– 5 664	– 5 346	– 5 214	– 5 919	– 6 563	– 7 024	– 6 576
Receivables and other assets (incl. accr. and def.)		5 869	5 798	5 711	5 175	5 294	5 751	6 151
Securities and liquid funds		1 928	2 050	2 024	2 475	2 275	2 455	2 412
Current assets		**9 156**	**9 181**	**8 713**	**9 059**	**9 568**	**10 406**	**11 330**
Total assets		**12 715**	**12 971**	**12 422**	**12 541**	**13 012**	**14 022**	**15 102**
Shareholders' funds		**3 627**	**3 611**	**3 647**	**3 763**	**3 936**	**4 058**	**4 432**
Tax-privileged special reserves		304	168	29	42	34	33	45
Reserves for pensions		1 712	1 931	1 964	1 994	2 125	2 338	2 414
Other reserves		3 168	3 124	3 088	3 135	3 446	3 761	4 182
Financial liabilities		1 433	1 662	1 273	980	770	717	726
Other liabilities (incl. accr. and def.)		2 471	2 475	2 421	2 627	2 701	3 115	3 303
Capital from outside sources		**9 088**	**9 360**	**8 775**	**8 778**	**9 076**	**9 964**	**10 670**
Total capital		**12 715**	**12 971**	**12 422**	**12 541**	**13 012**	**14 022**	**15 102**
Revenues from sales		**19 171**	**18 972**	**18 144**	**18 602**	**20 270**	**21 354**	**24 793**
Changes in inventories and other capitalized costs of internal supplies and services		408	– 194	– 285	488	1 083	– 93	– 95
Total operating performance		**19 579**	**18 778**	**17 859**	**19 090**	**21 353**	**21 261**	**24 698**
Cost of materials		– 11 164	– 11 077	– 10 665	– 11 599	– 13 210	– 12 901	– 15 225
Personnel costs		– 5 146	– 5 271	– 4 963	– 4 981	– 5 470	– 5 563	– 6 012
Depreciation of tangible fixed and intangible assets		– 649	– 702	– 705	– 685	– 646	– 609	– 666
Other income and expenditures		– 1 972	– 1 414	– 1 344	– 1 501	– 1 542	– 1 698	– 1 982
Income/loss from interest		48	25	2	34	17	3	– 4
Income from ordinary activities		**696**	**339**	**184**	**358**	**502**	**493**	**809**
Taxes on income		– 278	– 109	– 24	– 86	– 172	– 144	– 197
Net income/loss		**418**	**230**	**160**	**272**	**330**	**349**	**612**
Profit/loss accruing to minority interests		10	8	10	16	28	33	40
Transfers to reserves		223	91	42	110	117	100	325
Dividend pay-out, MAN AG		**185**	**131**	**108**	**146**	**185**	**216**	**247**
Dividend pay-out per share in DM		12.00	8.50	7.00	9.50	12.00	14.00	16.00
Gross dividend, including tax credit		18.75	12.14	10.00	13.57	16.07	14.00	16.00
MAN's shares: facts and figures								
Shareholders' funds per share	DM	222.70	220.60	222.70	230.20	240.30	246.70	268.25
Quotation (as of June 30)								
– ordinary shares	DM	383.20	285.00	393.50	355.50	378.80	540.00	706.50
– preference shares	DM	299.00	237.50	308.50	276.00	294.00	440.00	494.00
Price-earnings ratio (as of June 30)								
– ordinary shares		11.6	18.9	43.2	15.7	14.6	22.7	18.1
– preference shares		9.1	15.7	33.9	12.2	11.3	18.5	12.7

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 441 kW (112 to 600 HP),
❒ with 6 to 50 t permissible gross vehicle weight,
❒ with 2, 3, 4 or 5 axles,
❒ with leaf, leaf/air and all-air suspension,
❒ available with all-wheel drive.

Highly-mobile all-terrain trucks with low torque box section-type frames, progressive coil springs, all wheel drive and special-purpose kinds of tires

❒ with up to 38 t gross vehicle weight,
❒ with 2, 3 or 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, with outputs of between 83 and 735 kW (112 to 1000 HP),
❒ for gensets and pumps, with outputs of between 128 and 682 kW (174 to 927 HP),
❒ for tracked vehicles, with outputs of between 210 and 588 kW (285 to 800 HP),
❒ for marine propulsion systems, with outputs of between 147 to 956 kW (200 to 1300 HP).

Gas motors
with outputs of between 151 and 228 kW (205 and 310 HP).

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 ComfortService-System, logistics services for transport systems,

financial services, fleet administration and management services, communication operations, automotive engineering and superstructures consulting services, drive and save training courses, in-class and on-the-road driver instruction programs, stationary and mobile workshops for marine and industrial Diesel engines.

Ferrostaal

Facility construction and contracting
Acting on a worldwide scale, the designing, delivery, assembly (including that of steel-based structures) and starting up of industrial facilities of every kind, and the provision of related maintenance and repair services. Serving as a general contractor or acting as a member of a consortium, the building of facilities for the production and processing of steel, aluminum, metals, with these also including those for the petrochemical sector. Our core expertises in this segment include the managing of projects and the arranging of financing packages.

Supplying of components and of equipment for the chemical, natural gas and petroleum industries and for the energy supply and processing sectors; the provision of order processing services for large-scale projects, and of maintenance services for refineries and petrochemical processing facilities.

Industrial equipment and systems
Worldwide distribution of and the provision of services for machine tools and single-unit machines for the printing, packaging, plastics and rubber processing and textiles industries, as well as pumps, compressors, turbines and Diesel engines.

Planning and carrying out of infrastructural projects of all kinds, with these including the building of bridges, the supplying of equipment employed in road and track-based passenger and freight transport systems, and the providing of facilities and systems used in airports or forming part of communication grids.

The supplying of facilities used in producing 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, including the provision of related transport and financing services. In Germany, the supplying of reinforcing steels and of steel mats used in construction operations (and the maintaining of warehouses offering steel bending services).

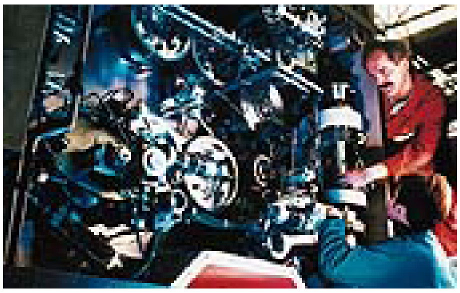
The logistics sector supplies steel, components and pre-assembled systems on a just-in-time and in-process basis to the automobile and other manufacturing sectors in both Germany and abroad.

MAN Roland Druckmaschinen

Sheetfed offset machines
Flexible unit-type machines, available with sheet-turning devices and as first forme or perfecting presses, and in compact models:

❒ Half-sized presses for the job printing of short and medium-sized runs (the R 200 and R 300 ranges).

❒ Medium-sized machines for brochures, picture books, posters, and for packaging printing (R700 range).



❐ Large-sized machines for the printing of brochures, posters and packagings in large runs (R900) range.

Additional assemblies for special jobs; for instance, in-line coating systems for economical print finishing.

Enabling printing operations to manage the flow of work throughout the production process, the PECOM system interlinks into information management systems. PECOM allows for the technical planning of production processes, via the on-line inflow of pre-press data issuing through standardized CIP3 interfaces. Highly automated operating of printing units via PECOM's Press Center, with the capacity to be pre-set according to job data.

Systems regulating and analyzing inking and ink values (CCI-2D) without its monitoring units having to be furnished with further materials. The AUPASYS system links all parts of the production process into a single entity, and handles the transport of materials through it.

Webfed offset machines
A wide variety of ranges of systems for newspaper printing and the production of selected commercials, in a variety of formats and performance ranges, for short, medium, long and very long runs.

Bespoke, highly flexible webfed offset facilities assembled from a wide variety of system components, for any kind and scale of color and page configurations. Facilities designed for specialized applications and with short inking systems used in anilox offset or flexo printing. 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 – in various edition lengths.

Specialized and special-purpose folding assemblies for book production.

Based around the controlling of operations from a central console, PECOM is an electronic system carrying out high-efficiency, industrial webfed offset printing operations of all job sizes. The system meets the ever-higher demands for printing quality.

The proprietary development and production of hardware components and of integrated, full-system software.

The PASUSYS paper feeding system, the AUROSYS materials handling system.

The planning of printing shops and the supplying of equipment for printing operations, including pre-print and post-print systems; the putting into operation of the above.

MAN B&W Diesel

Two-stroke Diesel engines
for marine propulsion systems and stationary power stations, with outputs of between 1,100 and 68,640 kW (1,480 to 93,350 HP).

Four-stroke Diesel engines
for marine propulsion systems, marine auxiliary units, and for stationary power stations, with outputs of between 450 and 23,850 kW (610 to 32,400 HP).

Gas motors
Dual-fuel engines, with outputs of between 405 and 8,600 kW (550 to 11,700 HP).

Exhaust-gas turbochargers, power turbines

Propulsion systems
consisting of Diesel engines, reduction gear units, couplings, controllable pitch propellers and remote control systems.

Power stations
Diesel or gas-powered power stations supplying electricity or those for the cogeneration of heat and electricity, emergency generator sets, transportable generators.

Services
Spare parts supply and maintenance services for Diesel engines and exhaust-gas turbochargers,

provided on a worldwide basis, parts reconditioning and replacement services, modernizing of engine facilities, troubleshooter services, materials testing operations.

Repair of marine propulsion systems and shipbuilding work
as general contractors at the works-owned quay in Hamburg and in Frederikshavn.

Pattern-making and die sinking

Cast products
Gray cast iron, nodular cast iron.

Jobbing
machining of machine components, precision machining of components subjected to high stresses.

Thermal treatment

Assembly work
for the general industrial engineering sector.

Heating technologies
Oil and gas burners and boilers, devices for measur-ing the output of gas burners.

MAN Technologie

Space transport systems/launchers
Development and manufacturing of lightweight structures, tanks, tank and propulsion components going into ARIANE, the European launcher;

The production of components going into launchers and supplied to the world market; the planning and carrying out of systems studies on advanced and prospective launcher-based systems, and the compiling of proposals delineating related programs.

Space transport systems/orbital systems and satellite navigation
The carrying out of systems studies on space transport vehicles; the developing of high

temperature-resistant CMC-based structural components and heat shield systems going into recoverable space transport vehicles; the developing and manufacturing of high-pressure vessels, fuel tanks and structures for satellites; the carrying out of systems studies on advanced and prospective satellite-based navigation systems (GNSS1/EGNOS/GNSS2); the development and supply of GPS/GLONASS receivers and antennas, and of EGNOS system components.

Lightweight systems
Systems for water supply and waste water storage in airplanes; systems for the storage of fuels in missiles; systems for the storing of gases fueling commercial vehicles; components and subsystems made from metals, fiber composites and ceramics and used by the aviation, defense and industrial equipment sectors; high-precision lightweight structures manufactured from fiber-reinforced plastics for radiotelescopes and for other uses.

Infrastructural systems
Ground systems used by launchers; components incorporated into communication facilities; bridge-laying systems.

Systems electronics
The development and supplying of electronic devices and systems used in:
❒ mobile passenger information systems and stationary passenger information facilities used by public transport grids and in airports;
❒ operation control systems providing special features to commercial vehicles and corporate facilities;
❒ testing and diagnosis systems used in and for commercial vehicles;
❒ drive and power control systems for stages.

MAN Dezentrale Energiesysteme

Plants and equipment used to generate energy efficiently and in decentralized systems:
❒ MAN gas engines with outputs of between 50 kW and 330 kW;
❒ CHP aggregates and plants for the cogeneration of electricity / heat / cooling and powered by gas engines and turbines with outputs of between approx. 100 $kW_{el.}$ to 40 $MW_{el.}$; and technical services for cogeneration aggregates and plants;
❒ Heat pump systems.

GHH BORSIG Turbomaschinen

Axial compressors
for gases and gas mixtures, suction flow rates of up to 1.2 million m^3/h.

Radial compressors
for gases and gas mixtures, suction flow rates of up to 325,000 m^3/h, maximum discharge pressure of up to 690 bar.

Multi-shaft compressors
suction flow rates of up to 300,000 m^3/h, maximum discharge pressure of 200 bar.

Process-gas turboexpanders
in single and multi-stage configurations with outputs of up to 50 MW, inlet temperature of up to 760°C.

Radial turboexpanders
with inlet pressures of up to 30 bar.

Process-gas screw compressors
suction flow rates up to 80,000 m^3/h, maximum discharge pressure of up to 40 bar.

Steam turbines for industrial applications
serving as turbines driving generators and propulsion units with outputs of up to 120 MW.

Gas-powered turbines for industrial applications
with outputs of up to 50 MW.

Energy generating facilities

Process control systems
"turbolog DSP"

Complete machine trains

Technical and assembly services

RENK

Vehicle gear units
Hydrodynamic mechanical shifting, reversing and steering transmissions with brake systems and final drives for medium and heavy-weight tracked vehicles.

Automatic powershifting transmissions for medium and heavy-weight special-purpose wheeled vehicles.

Industrial gear units
Gear units for cement plants and for the mining and steel industries. Cylindrical and planetary gear drives for flow machines, especially for the petrochemical industry and for power plants.

Marine gear units
Gear units for merchant, ferry, cruise and naval ships powered by Diesel engines and / or by turbine drives (CODOG, CODAG), marine reversing gear units, reduction and variable-speed gear units for ship generators.

Drive components
Horizontally and vertically-positioned plain bearings in standard and special-design versions for electrical machines, fans, compressors, and turbines. Plain bearing constructions for gear unit engineering. Marine shaft bearings and marine thrust blocks. Torsionally-elastic profile sleeve package clutches.

Test systems
Test rigs used in the product development and quality assurance of vehicle drive systems and of complete vehicles, for the aviation and rail industries as well as for a variety of propulsion system components.

Couplings
Curved tooth couplings for all kinds of industrial applications, for ships, for the marine sector as well as for rail vehicles. Steel disk clutches for low and high-speed industrial plants; diaphragm clutches for high-speed machines.

Disk brakes
Brake disks and rods for high-speed trains and regional transport systems, braking systems for commercial vehicles.

MAN TAKRAF Fördertechnik

Systems for surface mining
Bucket wheel excavators, belt-type spreaders, transfer conveyors, crushing facilities, conveyance systems, transport caterpillars. Surface miners.

Bulk handling equipment and systems
Coaling plants and ash removal systems, waste heap depositing and removing equipment, shiploaders and ship unloaders, tube conveyors and recultivation equipment.

Heavy-duty crane technologies
Cranes for steel mills and ports, dock and floating cranes.

Assembly and other services
Personnel training, reconstruction operations,

supplying of spare parts, complete assembly of machines and systems.

Deggendorfer Werft und Eisenbau

Special-purpose ships
HYDROTRAIL hopper suction dredgers, cutter-head and cutting-wheel suction dredgers, floating bucket chain dredgers, backhoe loaders, special dredgers, HYDROKLAPP® dump barges, pusher tags, lighters, floating cranes, river-borne ships.

Reactor construction
Reactors with salt-bath cooling, gas coolers, pilot reactors, condensers, components.

Apparatus construction
Tube reactors, heat exchangers, components, autoclaves, pressure vessels.

Plant construction
Components for refineries and power plants, fluidized bed reactors, apparatuses for the manufacturing of

cellulose, assembly projects. Work on facilities which have come to a still-stand.

SMS

Plant and rolling mill technologies
Machines, plants and systems for the producing and processing of steel and non-ferrous metals:
❒ blast furnace facilities and components, blast furnace cooling systems, dedusting facilities,
❒ converter (BOF, AOD) and electric steel mills (AC, DC),
❒ secondary metallurgical plants,
❒ continuous casting facilities for slabs, blocks, billet and preliminary section,
❒ combined continuous casting and hot rolling mills for the producing of flat and long products (CSP, CBP, MPS),
❒ hot flat and cold rolling mills,
❒ combined tandem lines with pickling systems,
❒ section and wire rolling mills,
❒ dressing and straightening facilities,
❒ strip processing lines, powder coating facilities,
❒ propulsion technologies, Morgoil® bearings, automatic control and automation systems, hydraulic systems, oil lubricating and cooling systems, water treatment systems.

Plastics processing technologies
Machines, plants and automation systems for the processing of plastics:
❒ injection molders,
❒ pipe and profile extrusion facilities,
❒ film and sheet production facilities.

Pressing and forging technologies
❒ Extruding presses and pipe extruders for light and heavy alloy metals,
❒ Runout equipment for extruding press systems,
❒ Open-die forging presses,
❒ Radial forming presses,
❒ Stamping presses,
❒ Ring and geared rolling mills,
❒ Facilities for the manufacturing of bright steel, straightening machines,
❒ Robots and manipulators,
❒ Process control and management information systems.

Schwäbische Hüttenwerke

Process equipment
SHW's bunkering, conveyor, metering and conditioning systems for slow-flowing bulk materials, sludges and other waste materials.

Rolls, wear-resistant chilled castings
"Königsbronn" chilled cast iron rolls, Äquitherm® heated cylinder rolls, coated rolls, heat and control units, large-sized pistons. Wear-resistant casts, especially grinding bodies and plates.

Bright steel products
Merchant, high-grade, free-cutting and special steels, as well as special grades, in rounds, squares and hexagonals; "Schwabenstahl" brand free-cutting steels, in drawn, peeled and ground versions.

Shafts
Ground and hardened shafts, also hard-chrome plated, in production or standard lengths or cut ready-to-be installed according to blueprints. Shaft supports. Linear bearing systems comprised of individual modules.

Castings
Castings with laminates and nodular graphite, nonalloyed or alloyed, non-machine cast, for objects of up to 45 t, machine-cast for items of up to 300 t. Processing of casts. "Wasseralfingen" iron art castings.

Brake disks
"Ludwigstal" internally ventilated brake disks for automobiles, Luperlit® brand metal materials.

Pumps
TROCHOCENTRIC® and DUOCENTRIC® internally geared wheel pumps, hydraulic pump sets.

Sintered structural parts
Structural parts made from sintered steel and stainless sintered steel. Areas of focus: parts featuring highly-complex geometries; processing of special-purpose materials with long terms of utility; sinter-sinter and sinter-solid steel composite components.

Tools, treatment technologies
Cold formed, extruded and sintered tools, jigs and fixtures. Processing of parts on CNC-based machine tools and high precision jig drills. Finishing accuracy of ± 2µm. Large-sized parts of up to 15 t.

Other companies

MAN Logistics
Consulting on, planning and creating of material flow systems; warehousing systems; the provision of related services.

MAN WOLFFKRAN
"WOLFF" top and bottom slewing tower cranes, PEKAZETT bottom slewing, quick-constructing cranes. Offshore cranes, revolving cranes. Related services.

GHH Bau
Building construction and civil engineering; building of industrial and other facilities, turn-key construction, revamping of structures, planning of projects and systems.

GHH Fahrzeuge
Motor vehicles for mines and for tunnel construction, barless aircraft movers.

MAN Grundstücksgesellschaft
Management of real estate.

MAN Leasing
Financing of distribution activities and investments.

MAN Finanzverwaltung
Financing of investments.

MAN Assekuranzbüro
Brokerage of insurance.

MAN Unternehmensberatung
Old-age care.

MAN Capital Corporation
Financing of distribution activities, the holding company of the MAN Group in the USA.

Important events

General meeting of shareholders 1997/98	December 10, 1998
Report on the first half of 1998/99	February 25, 1999
Conference with analysts	March 1, 1999
Letter to MAN's shareholders on the 1998/99 financial year	September 8, 1999
Conference with analysts	September 14, 1999
MAN AG: Press conference on MAN AG's balance sheet	October 19, 1999
General meeting of shareholders 1998/99	December 8, 1999

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MAN's shares

	ordinary shares	preference shares
Stock exchange number	593700	593703
Stock exchange number in Switzerland	340813	340814
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Reuters short form	MANG.F	MANG$^{P}_{R}$.F
Bloomberg short form	MAN GR	MAN3 GR

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