2002 Annual Report
MAN Aktiengesellschaft

E N G I N E E R I N G   T H E   F U T U R E

At a glance

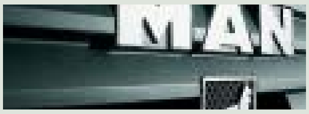
MAN Group € million	2002	2001	Change in %
New orders	15 720	15 678	0
Sales	16 040	16 300	–2
Employees (number)	75 054 [1]	77 606 [2]	–3
Capital expenditures	997	1 278	–22
Tangible and intangible assets	463	554	–16
Assets leased out	472	501	–6
Financial assets and acquisitions	62	223	–72
Research & development expenditures	580	620	–6
Cash flow	868	862	+1
Shareholders' equity	2 891 [1]	2 862 [2]	+1
Earnings before interest & taxes (EBIT)	391	416	–6
Earnings before taxes on income (EBT)	219	213	+3
Net income	147	151	–3
Distribution	88	88	–
Income per share in €	0.92	1.01	–9
Dividend per share in €	0.60	0.60	–
Return on capital employed (ROCE) in %	6.9	7.5	
Return on sales (ROS) in %	1.4	1.3	

[1] as of 31 December 2002

[2] as of 31 December 2001

MAN Aktiengesellschaft

Commercial Vehicles



MAN Nutzfahrzeuge AG
is one of the leading commercial vehicle manufacturers in Europe with production plants in Germany, Austria, Poland, Turkey and South Africa.
- Trucks from 7.49 to 60 t for every field of application
- Buses and coaches
- Vehicle, marine and industrial engines
- Services for every aspect of commercial vehicles

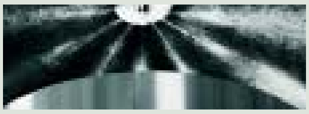
Industrial Services

Ferrostaal AG
is a worldwide supplier of industrial services.
- Engineering, supply, assembly, project management as well as customised financing packages for industrial plants
- DSD activities
- The delivery of navy and merchant vessels, machines and infrastructure-related equipment
- Trade with steel products, industrial and systems logistics, piping supply

Printing Machines

MAN Roland Druckmaschinen AG
is a globally leading manufacturer and system supplier for the graphic arts industry.
- World market leader in web offset presses for newspaper printing and commercial jobs
- Second-largest manufacturer of sheet-fed offset presses for publishing, advertising and packaging printing
- Supplier of digital printing systems for multi-color short-run production

Diesel Engines



MAN B&W Diesel AG
is the »birthplace« of the Diesel engine and a globally leading manufacturer of large Diesel engines with works in Germany, Denmark, England, France and the Netherlands.
- World market leader for two-stroke propulsion engines and designer of the world's most powerful Diesel engine with 80 MW
- Worldwide leading supplier of large four-stroke Diesel engines for marine propulsions, power plants and railways

Industrial Equipment and Facilities

MAN Turbomaschinen AG
Compressors, turbines, service

MAN Technologie AG
Aviation, space systems, defense

RENK AG
Power transmission engineering

Major shareholdings:
SMS SHW

The structure of the MAN Group

€ million	2002	2001
New orders	6 525	6 272
Sales	6 564	6 741
Earnings before taxes (EBT)	13	(49)
Employees*	34 398	35 746

€ million	2002	2001
New orders	3 178	2 737
Sales	2 916	2 855
Earnings before taxes (EBT)	85	104
Employees*	6 598	7 230

€ million	2002	2001
New orders	1 542	1 993
Sales	1 808	2 081
Earnings before taxes (EBT)	10	89
Employees*	10 300	10 570

€ million	2002	2001
New orders	1 363	1 489
Sales	1 408	1 415
Earnings before taxes (EBT)	68	75
Employees*	6 889	7 286

€ million	2002	2001
New orders	3 308	3 436
Sales	3 514	3 572
Earnings before taxes (EBT)	29	63
Employees*	16 440	15 971

* Anzahl am 31.12.2002 bzw. 31.12.2001

»The MAN Group is one of Europe's leading producers of capital goods with annual sales of €16bn and approximately 75 000 employees worldwide.«

Engineering
the Future.

Contents

02 **Report of the Supervisory Board**
06 **Supervisory Board**
08 **Executive Board**
General Director
Executive and management boards of Group companies and major shareholdings
10 **Letter to our shareholders**

14 **Management Report**
15 The economy and our business
19 Performance
24 Finance, asset and capital structure
28 Research & development
29 Capital expenditures
30 Environmental management
31 Risk management
33 Trends in the new fiscal year
34 Outlook

36 **MAN Shares/Corporate Governance**
42 **Employees**

46 Images 2002: from the MAN Group divisions

52 **Review of MAN Group companies**
52 MAN Nutzfahrzeuge
58 Ferrostaal
64 MAN Roland Druckmaschinen
70 MAN B&W Diesel
77 MAN Turbomaschinen
80 MAN Technologie
81 RENK
82 SMS
84 Schwäbische Hüttenwerke

86 **MAN Group: Consolidated financial statements**
86 MAN Group: Consolidated financial statements for the year ended December 31, 2002 (see separate index on page 87)
123 **Auditor's report & opinion**
124 **Summarized financial statements of the MAN Group's divisions/subgroups**
128 **MAN Group: Seven-year financial summary**
130 **Glossary**

132 **Products and services of the MAN Group**

Consolidated companies of the MAN Group – a selection

Report of the Supervisory Board

Dr. Eng. h. c.
Volker Jung,
Chairman

At four meetings held during the 2001 financial year, the Supervisory Board was presented with detailed information by the Executive Board on the economic situation of the companies belonging to the MAN Group, as well as on business developments and company policy in the form of both written and personal reports. On these occasions, events of significance for business operations were also discussed with the Executive Board, as well as matters of corporate planning. Furthermore, a constituent meeting of the Supervisory Board was held and written reports on current business developments were again submitted to the Supervisory Board on a quarterly basis.

During several meetings of the Supervisory Board and outside these meetings, the members of the Board held in-depth discussions on issues relating to implementation of the proposals and recommendations included in the German Corporate Governance Code. Following agreement with the Executive Board, the necessary decisions were made to comply with these recommendations and proposals, except where deviations were considered appropriate in individual cases. On 12 December, a joint statement was issued by the Supervisory and Executive Boards, confirming that the company complied with the recommendations of the »Government Commission on the German Corporate Governance Code«. In view of the binding nature of the company's prevailing memorandum and articles of association, it was necessary to announce one deviation in that no separate remuneration is paid to the deputy chairmen of the Supervisory Board, nor to chairmen or members of Supervisory Board committees. However, at the forthcoming Annual General Meeting, the Executive and Supervisory Boards will be proposing an amendment to the memorandum and articles to allow for the introduction of separate remuneration for the Deputy Chairman of the Supervisory Board and for the Chairman and members of the Audit Committee, which was newly formed at the Supervisory Board Meeting held on 12 December 2002.

As part of its responsibilities, the Supervisory Board participated in preparing and implementing the conversion of preference into ordinary shares, as passed at the Annual General Meeting of the Shareholders. The conversion scheme has meanwhile been brought to a successful close, the conversion ratio reaching around 83.5%.

The Supervisory Board attached particular importance to considering, together with the Executive Board, the problems relating to capacity and profitability which emerged in the course of the 2001 financial year and increased during the 2002 financial year as a result of overall economic conditions. This also included an appraisal of the countermeasures which have meanwhile been introduced. Special focus was directed at the sectors of printing machines and buses.

The Chairmen of the Executive and Supervisory Boards were also in constant contact, meeting on a regular basis to discuss all important issues relating to company policy and current business operations. As in previous years, the minutes of the monthly meetings of the Executive Board were submitted to the Supervisory Board Chairman, providing him with details of all topics on the agenda. In this way, it was ensured that information required by the Supervisory Board to duly carry out its duties was made available at all times.

The Supervisory Board's Standing Committee met on three occasions during the financial year to deal with measures for cancelling preference shares and converting preference into ordinary shares, as well as issues involving the company's acquisition policy. Matters relating to implementation of the German Corporate Governance Code were also discussed.

The Committee for Executive Board Personnel Affairs met three times during the financial year. No meetings of the Arbitration Committee formed in accordance with Sec. 27 para. 3 Co-Determination Act were required in 2002. On 12 December 2002, the newly-formed Audit Committee commenced work.

BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich, which was appointed as auditor of the company at the Annual General Meeting, has audited the financial statements of MAN Aktiengesellschaft and the consolidated financial statements, as well as the review of business, which also includes Group operations, each of which has been certified without qualification of any kind. The auditor attended the financial-audit meeting of the Supervisory Board and reported accordingly. We have taken note of and approved the results of the audit proceedings.

Nor are there any objections to be raised by the Supervisory Board based on the final result of its own audits of the financial statements, the consolidated financial statements and the review of business. We endorse the annual financial statements prepared by the Executive Board, which have therefore been duly adopted, along with the consolidated financial statements. We furthermore agree with the proposal for the appropriation of retained earnings submitted by the Executive Board.

The term of office of all members of the Supervisory Board expired at the close of the Annual General Meeting held on 17 May 2002. The newly-elected Supervisory Board, composed according to the provisions of the Co-Determination Act of 1976, held its constituent meeting immediately following the Annual General Meeting. Dr. Volker Jung was elected as Chairman, Dr. Gerlinde Strauss-Wieczorek as Deputy Chairwoman and Dr. Hans-Jürgen Schinzler as additional Deputy Chairman. We should like to thank all the gentlemen who retired from office at the end of the Annual General Meeting for their commendable service in the interest of the company. We should also like to take this opportunity of once again extending our special thanks to Dr. Klaus Götte for his many years of successful service as Chairman of the Executive Board, and subsequently as Chairman of the Supervisory Board.

At the end of 2002, Dr. Klaus von Menges left the company, having reached retirement age. We should like to thank him for his 37 years of successful service in the MAN Group, since 1993 as a member of the Executive Board of MAN Aktiengesellschaft, and at the same time Executive Board Chairman of Ferrostaal AG. With effect from 1 January 2003, the Supervisory Board appointed Dr. Matthias Mitscherlich as a new member of the Executive Board. As of the same date, he also assumed the position of Chairman of the Executive Board of Ferrostaal AG.

Furthermore, we should like to give our warm thanks to all members of the executive boards and boards of directors, as well as the staff of MAN Group companies for their achievements and active commitment. Our thanks also goes to the workforce representatives for their objective and constructive cooperation in furthering the interests of the company.

Munich, 20 March 2003
Chairman of the Supervisory Board

Volker Jung

Supervisory Board

Dr. Eng. h. c. Volker Jung
Munich, Member of the Executive Board, Siemens AG, Chairman
(since 17 May 2002)

Dr. jur. Dr. rer. pol. h. c. Klaus Götte
Munich, former Chairman of the Executive Board, MAN AG, Chairman
(until 17 May 2002)

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

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

Prof. Dr. oec. Paul Achleitner
Munich, Member of the Executive Board, Allianz AG

Jürgen Bänsch*
Augsburg, Chairman of the Works Council, MAN Roland Druckmaschinen AG, Augsburg Plant
(since 17 May 2002)

Michael Behrendt
Hamburg, Chairman of the Executive Board, Hapag-Lloyd AG
(since 17 May 2002)

Detlef Dirks*
Augsburg, Chairman of the Works Council, MAN B&W Diesel AG, Augsburg Plant
(since 17 May 2002)

Jürgen Dorn*
München, Chairman of the Works Council, MAN Nutzfahrzeuge AG, Munich Plant
(since 17 May 2002)

Dr. jur. Friedhelm Gieske
Essen, former Chairman of the Executive Board, RWE AG
(until 17 May 2002)

Dr. rer. nat. Hubertus von Grünberg
Hanover, Chairman of the Supervisory Board, Continental AG

Jürgen Hahn*
Essen, commercial employee, Ferrostaal AG

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

Karlheinz Hiesinger*
Gersthofen, Education Officer, German Metalworkers Union
(until 17 May 2002)

Dr. rer. oec. Norbert Käsbeck
Frankfurt/Main, former Member of the Executive Board, Commerzbank AG
(until 17 May 2002)

Dr. rer. pol. Renate Köcher
Constance, Managing Director of the Allensbach Institute for Public Opinion Research
(since 17 May 2002)

Hans Jakob Kruse
Hamburg, former Executive Board Spokesman, Hapag-Lloyd AG
(until 17 May 2002)

Nicola Lopopolo*
Hanover, Chairman of the Works Council, RENK AG, Hanover Plant

Andreas de Maizière
Frankfurt/Main, Member of the Executive Board, Commerzbank AG
(since 17 May 2002)

Prof. Dr.-Ing. Dr. h. c. mult. Joachim Milberg
Munich, former Chairman of the Executive Board, BMW AG
(since 17 May 2002)

Lothar Pohlmann*
Oberhausen, Chairman of the Works Council, MAN Turbomaschinen AG, Sterkrade Plant

Peter Potrykus*
Lengede, Chairman of the Works Council, MAN Nutzfahrzeuge AG, Salzgitter Plant
(until 17 May 2002)

Hermann Regal*
Augsburg, Member of the Works Council, MAN Roland Druckmaschinen AG, Augsburg Plant
(until 17 May 2002)

Karl-Heinz Schneider*
Augsburg, Executive Director, German Metalworkers Union
(since 17 May 2002)

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

Helmut Schumacher*
Bergkirchen-Günding, Deputy Chairman of the Works Council, MAN Nutzfahrzeuge AG, Munich Plant
(until 17 May 2002)

Ralf Simon*
Munich, Divisional Director, MAN Nutzfahrzeuge AG

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

* Elected by group employees

From left to right:

Dr. jur. Hans-Jürgen Schulte LL.M., Dr. rer. pol. Ferdinand Graf von Ballestrem, Dipl.-Ing. Håkan Samuelsson, Dr. rer. pol. Klaus von Menges, Dr.-Ing. E. h. Rudolf Rupprecht (Chairman), Prof. Dipl.-Ing. (FH) Gerd Finkbeiner, Dr. jur. Philipp J. Zahn, Dr. rer. nat. Wolfgang Brunn

Executive Board

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

Dr. rer. pol. Ferdinand Graf von Ballestrem
Munich

Prof. Dipl.-Ing. (FH) Gerd Finkbeiner
Neusäß

Dr. rer. pol. Klaus von Menges
Essen (until 31 Dec. 2002)

Dr. jur. Matthias Mitscherlich
Mülheim/Ruhr (since 1 Jan. 2003)

Dipl.-Ing. Håkan Samuelsson
Munich

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

Dr. jur. Philipp J. Zahn
Munich

Dr. rer. nat. Wolfgang Brunn
Gröbenzell (Deputy Member)

General Director

Dr. jur. Gerd Federlin
Lawyer, Munich (until 31 Dec. 2002)

Executive and management boards of Group companies and major shareholdings

MAN Nutzfahrzeuge AG, Munich

Dipl.-Ing. Håkan Samuelsson, Chairman; Prof. Dr.-Ing. Franz Breun; Dr.-Ing. Georg Pachta-Reyhofen; Frederik van Putten; Dipl.-Ökonom Anton Weinmann

Ferrostaal AG, Essen

Dr. jur. Matthias Mitscherlich, Chairman; Dipl.-Ing. Jens Gesinn; Helmut Julius; Fritz Graf von der Schulenburg; Rainer Schumacher; Dr.-Ing. Axel Wippermann

MAN Roland Druckmaschinen AG, Offenbach

Prof. Dipl.-Ing. (FH) Gerd Finkbeiner, Chairman; Dr. oec. publ. Ingo Koch; Dr.-Ing. Rainer Opferkuch; Dipl.-Ing. (FH) Paul Steidle

MAN B&W Diesel AG, Augsburg

Dr. jur. Hans-Jürgen Schulte LL.M., Chairman; Dipl.-Ing. Fritz Pape; Dr.-Ing. Peter Sunn Pedersen; Dr.-Ing. Stefan Spindler (Deputy Member)

MAN Turbomaschinen AG, Oberhausen

Jürgen Maus, Chairman; Dr.-Ing. Hans O. Jeske; Dr.-Ing. Josef Meyer

MAN Technologie AG, Augsburg

Dr. rer. nat. Wolfgang Brunn, Chairman; Dipl.-Ing. Carl F. Kolbow; Walter Köppel (Deputy Member)

RENK Aktiengesellschaft, Augsburg

Prof. Dr.-Ing. Manfred Hirt, Spokesman; Ulrich Sauter

SMS Aktiengesellschaft, Düsseldorf

Dr.-Ing. E. h. Heinrich Weiss, Chairman; Dr. rer. nat. Helmut Eschwey; Dr.-Ing. Michael Hanisch; Dieter Rosenthal; Dipl.-Finanzwirt Heinz Wirke

Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen

Dr.-Ing. Lothar Hauck, Chairman; Dr.-Ing. Stephan Timmermann

As of March 2003

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

Letter to our shareholders

Dear shareholders,

Neither the economic nor the political landscape showed a tendency to encourage more positive news from the industrial sector in 2002. Along with broad sections of German and European industry, the MAN Group was also intensively engaged in adjusting its capacities in line with stagnating or falling sales volumes and adapting its cost basis to coincide with changing reality. Key challenges in our case were the plummeting market for printing systems and critical developments among our customers in the aircraft and aerospace industries. Following 2001, another difficult year has therefore come to a close, which began by raising hopes of an economic recovery and increased momentum in the second half, but ultimately brought only stagnation and declining markets for capital goods. Nor are there yet any signs of a full-scale improvement in 2003, especially since the state of political uncertainty is likely to persist in the face of the Iraq conflict.

In view of this scenario, and following the drop in earnings in 2001, our main aim was to reinforce the stability and competence of your company to master its future, as well as improve its profitability in the long term. Considering these goals, our achievements are by no means dissatisfying. We succeeded in increasing earnings before tax to a marginally higher level than 2001, in spite of adverse economic trends and contrary to the restrained expectations of last autumn. During 2002, priority was given throughout the Group to pushing ahead with schemes to enhance efficiency, optimise processes and reduce costs, some of which were already initiated in 2001.

We regard the developments in 2002 and our expectations for 2003 as renewed confirmation of our strategy of operating in several different sectors of mechanical engineering, commercial vehicles and industrial facilities. Your company is stable and enjoys considerable compensatory potential as protection against dramatic setbacks impacting the Group as a whole. This was demonstrated during the year under review, when although the printing-system sector and MAN Technologie suffered a marked downturn in earnings, commercial vehicles, which represent a good 40% of our total business volume, achieved a turnaround in earnings and recorded a significantly improved result.

The earnings generated in 2002 allow us to once again propose a dividend of €0.60 per share. This is of course still far from what you may consider to be an adequate return on your investment, although based on the low share price at the end of 2002, it nevertheless represents a return of 4.6%. Having recorded returns of 6.9% and 1.4% on capital employed and sales, we are also far behind our return targets of 15% and 5%, which continue to apply. In 2003, we intend to take a significant step towards achieving these goals. Since support can hardly be expected from macroeconomic developments, we shall have to draw solely on internal measures and further cost reductions to realise this improvement. We hope that with a little tailwind from the overall economic situation, we shall again come close to our targeted returns in the coming year.

In 2002, we were confronted with two new significant problem areas. One resulted primarily from the recession in the advertising sector caused by the economic slowdown, which in turn led to a steep decline in global demand for printing presses. The MAN Roland Druckmaschinen Group, the second-largest supplier of printing systems in the world and global market leader in the sector of newspaper rotary printing, felt the effect on sales and earnings, especially in the field of high-speed sheetfed presses. Coupled with the extraordinary costs incurred for restructuring measures and customer financing in the US, this gave rise to earnings before tax for the entire Printing Machines division of only €10 million. Strong countermeasures are now being implemented in the form of a comprehensive restructuring programme at the sheetfed-press site in Offenbach, as well as other realignment measures throughout the entire company.

Several negative developments in the European aircraft and aerospace industry impacted MAN Technologie simultaneously, leading to a loss of €39 million. This resulted largely from the crisis experienced by our main customer Arianespace, which received far fewer orders for launches than planned. It was necessary to write down our interest in Arianespace, resulting in lower sales and restructuring expenses. Added to this was the insolvency of Fairchild Dornier, depriving us of a customer and calling for extensive obligatory depreciation.

In mid-2002, a restructuring and cost-reduction programme was initiated at MAN Technologie with a view to realigning the company to significantly reduced market volumes in the medium term.

On the positive side, Commercial Vehicles deserve special mention, moving back into the black after reporting a loss in 2001. It was especially gratifying to note that earnings improved in the truck sector in spite of a 14% decline in the number of new vehicles sold, owing to considerable progress in curbing costs as a result of the turnaround projects introduced in 2001. A marked reduction in the additional costs incurred by the British truck subsidiary ERF also contributed to this trend, following closure of its manufacturing operations and reorientation as a marketing company for vehicles based on TGA technology. In view of the loss situation, special efforts are required in the bus sector, where the product range, the manufacturing structure and organisation of the administration and marketing activities will be undergoing elemental changes. Overall, we are confident that the Commercial Vehicles division will show a marked improvement in its earnings contribution in 2003.

Contrary to the general economic situation, our Industrial Services division (Ferrostaal) performed well. A series of important major projects was successfully completed, underscoring once again the worldwide demand for its competence in industrial plant contracting and related financing activities. A high level of earnings was maintained, without however reaching the record figure reported for 2001. The situation was similar in the MAN B&W Diesel Group, which leads the world market for large two-stroke diesel engines. Its earnings fell only marginally short of the previous year´s record figure, in spite of considerable expenditure on restructuring measures at its English subsidiary, MAN B&W Diesel Ltd.

In the Industrial Equipment and Facilities sector, positive earnings generated by MAN TURBO, RENK, SHW and also by the SMS Group, ensured that as a whole, the division remained clearly in plus, in spite of the loss contributed by MAN Technologie.

One of the key goals set for 2002 was to reduce the level of debt, which in recent years had risen more strongly than before as a result of acquisition activity. This was accomplished in spite of the adverse pressure on earnings already outlined. As of 31 December 2002, net financial liabilities amounted to €261 million, compared with €347 million one year earlier. Although our net indebtedness has always remained within very narrow limits, we shall continue to pursue this course to ensure an even sounder balance sheet.

Nor was investment in our future neglected during 2002, both capital expenditure and expenditure on research and development maintaining a high level. However, in neither case did investment equal the record amounts of previous years, which were well above average due to development of the TGA commercial-vehicle series and conversion of the necessary production facilities. Capital expenditure of €0.5 billion, excluding financial investments, reached a good long-term level, as did expenditure of some €580 million on R&D, representing 4.6% of sales generated by our manufacturing companies.

For many years, one of our main concerns has been to ensure the highest possible level of transparency in our work and our financial situation to provide you, our shareholders, with a sound basis for evaluating your company. The Annual Report, which this year is being presented with a new, even clearer layout, is one of the key tools for achieving this. From the point of view of transparency and cooperation between the Executive Board and the Supervisory Board, we also welcome the impetus deriving from the discussion on improved corporate management and corporate control and more recently, on the German Corporate Governance Code. Following the relevant amendments, which in some cases still require the consent of the Annual General Meeting in 2003, our provisions will fully coincide with the recommendations contained in the Code. Further details on this subject can be found on page 41 of the report and in-depth information in the internet at www.man-group.com.

MAN remains a sound, future-oriented enterprise with a highly-resilient portfolio. Our five core areas of operation in the sectors of commercial vehicles, mechanical engineering and industrial facilities, are highly asset-based areas which have completed or are currently undergoing fitness and optimisation programmes. This year, we are prepared to increase earnings, even in the absence of an economic recovery, meeting all the requirements to participate to a proportionately greater extent in the next upswing and achieve a sustained increase in the value of your company and consequently also of your shares.

May I thank you on behalf of the entire Executive Board for placing your trust in the company and ask you to continue to accompany us along our way.

Yours sincerely,

R. Rupprecht

Rudolf Rupprecht
Chairman of the Executive Board, MAN Aktiengesellschaft

Management Report for the fiscal year ended December 31, 2002

Amid tough economic conditions, the MAN Group upheld its position well in 2002, with order intake, as in the previous period, reaching €15.7 billion and sales slipping by a marginal 2 percent to €16.0 billion. EBT inched up from €213 million to €219 million.

The present economic and political scenarios do not promise for 2003 any radical economic recovery in general, nor any major gain in business volume for the MAN Group as such. As to earnings, with a clear increase in the profit contributed by Commercial Vehicles and zero one-off burdens at MAN Technologie, we expect our group to close the year with sustained improvements whose degree will largely hinge on how the economy shapes up.

The economy and our business

Economy still weak

In the first half of 2002, the world economy, initially in the United States, seemed to be on the rebound but then in the summer of 2002 once again began to falter, chiefly due to the uncertainties of the unresolved Iraq conflict, the related crude oil price surge and slumping stock market prices. Throughout the world, expenditures were again either cut or shelved.

Although the double dip feared by many did not materialize in the United States, nonetheless the nation's economy cannot be regarded as fortified. Except for Japan, the Asian economies proved robust while the Eurozone, despite expectations, failed to recover, with Germany most conspicuously stalling. Demand for capital goods in Germany, a focal MAN market, receded 3 percent though exports advanced by the same proportion. Throughout the markets of relevance to the MAN Group, demand subsided, most severely in the world market for printing presses.

Order intake again at year-earlier level

As in the previous period, orders booked by the MAN Group added up to €15.7 billion, of which consolidation group changes accounted for 2 additional percentage points. Like-for-like, order intake was down by 2 percent compared with 2001.

Order intake
€ million

Order intake by region
€ million

	2002	%	2001	%
Germany	3,862	25	4,026	26
Other EU	4,747	30	4,630	30
Other Europe	1,394	9	1,456	9
Asia	2,457	15	2,513	16
Americas	2,522	16	2,255	14
Africa	632	4	685	4
Australia and Oceania	106	1	113	1
	15,720	100	15,678	100

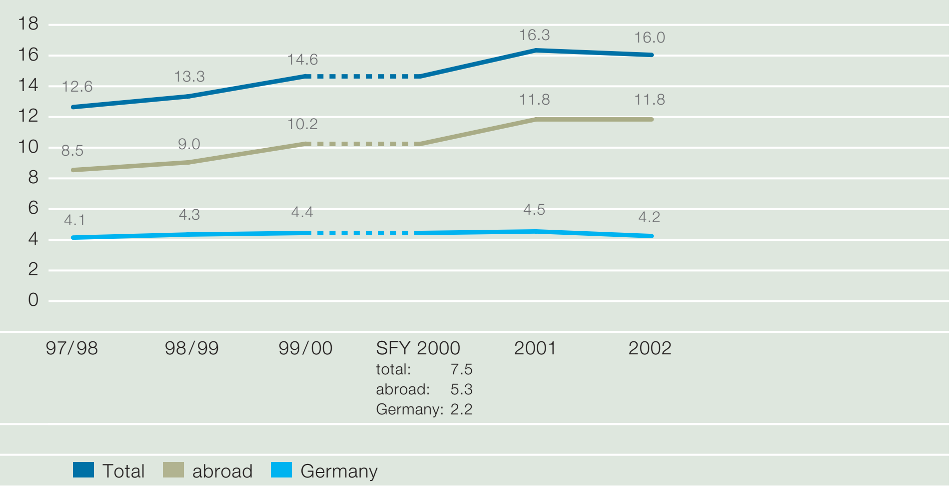
Similarly to the years before, business trends in Germany and abroad were in marked contrast. Within Germany, orders shrank 4 percent to €3.9 billion, the lowest level for 5 1/2 years. From abroad, the MAN Group booked orders worth €11.9 billion (up 2 percent). Since 1997/98, orders from outside of Germany have mounted from 66 to 75 percent.

As always and at 64 percent (down from 65 percent), Europe accounted for the largest slice. A recessionary domestic market was largely offset by gains in other EU countries, with order intake from within Europe slipping only 1 percent to €10.0 billion. Another growth region was America where order inflow swelled 12 percent to €2.5 billion. At just under €2.5 billion, Asian business was down by 2 percent.

Sales again over €16 billion

Once again sales topped €16 billion, albeit and as expected 2 percent and, like-for-like, 3 percent short of the record 2001 figure of €16.3 billion. Here, too, the decline was chiefly due to domestic business which shrank 5 percent to €4.2 billion. Outside of Germany, the year-earlier level of €11.8 billion was repeated.

Sales
€ million



Business by divisions

– Despite a contracting market, **Commercial Vehicles** did well to book orders at a value of €6.5 billion, up 4 percent and a new all-time high. Contributing €5.3 billion (up 2 percent), truck orders were more or less at the year-earlier level while bus business, for reasons of consolidation (NEOPLAN included for the first time for a full period), accelerated 17 percent to €1.2 billion. At €6.6 billion, sales were down by 3 percent.

Registrations for trucks over 6 t in Western Europe dropped by 12 percent in 2002 to 287,000 units, which means that our most important market fell to its lowest point for the past five years. A consequence of this has been tougher price competition. As part of our strategy of shoring profitability, we responded by rejecting low-margin business and thus accepting a decline in our Western European market penetration from 16.2 to 14.0 percent. The number of trucks delivered receded 14 percent. Sales, in contrast, slipped a mere 5 percent to €5.4 billion, partly due to an emphatic shift in product mix in favor of higher-value vehicles.

The European bus market was also moving into reverse, decelerating from a record 26,000 vehicles in 1999 through 2001 to 23,900 registrations in 2002. Whereas the MAN buses unit managed to hang on to its market shares, the NEOPLAN brand in all slightly lost shares. Due to the full consolidation of the NEOPLAN Group, sales mounted by around 13 percent to €1.2 billion, adjusted for NEOPLAN they declined 9 percent.

– With demand and spending propensity heading in different directions, **Industrial Services** was able to post steep gains in megacontracts by the facilities construction & contracting, DSD Group, and machine & systems units. Among the orders booked was the construction of a second ammonia plant for Trinidad & Tobago, the first having been successfully commissioned in the course of 2002. Likewise expanded was the steel trading and logistics business of the Ferrostaal Group. In all, order influx surged by 16 percent to reach a record €3.2 billion, sales inching up by 2 percent to €2.9 billion.

– The situation in the graphics industry took a sharp turn for the worse during fiscal 2002, with worldwide recession and a very weak advertising market reflected in nosediving demand for **printing machines**. Orders received by the MAN Roland Group plunged 23 percent to €1.5 billion; for sheet-fed units by 16 percent to €701 million, for the web variety by 32 percent to €613 million. Sales dropped 13 percent to €1.8 billion, the sheet machines slumping 24 percent to €706 million, the web by a mere 2 percent to €869 million due to the lengthier order throughput times for these machines.

– Worldwide ebbing demand for ship transport capacities and energy plus a rebounding euro discouraged spending propensity on the part of the **Diesel Engines** customers. Given these adverse market circumstances, the MAN B&W Diesel Group did well to take in orders

Order intake by division
€ million

	2002	%	2001	%
Commercial Vehicles	6,525	41	6,272	40
Industrial Services	3,178	20	2,737	17
Printing Machines	1,542	10	1,993	13
Diesel Engines	1,363	9	1,489	10
Industrial Equipment & Facilities	3,308	21	3,436	22
Financial Services	602	4	635	4
Others	50	–	104	–
Interdivisional	(848)	(5)	(988)	(6)
	15,720	100	15,678	100

Sales by division
€ million

	2002	%	2001	%
Commercial Vehicles	6,564	41	6,741	41
Industrial Services	2,916	18	2,855	18
Printing Machines	1,808	11	2,081	13
Diesel Engines	1,408	9	1,415	9
Industrial Equipment & Facilities	3,514	22	3,572	22
Financial Services	628	4	513	3
Others	49	–	108	–
Interdivisional	(847)	(5)	(985)	(6)
	16,040	100	16,300	100

worth €1.4 billion (down 8 percent). The decline affected the 2-stroke engine business which over the preceding years had been exceptionally vigorous. Orders booked for 4-stroke medium-/high-speed engines again climbed slightly. Sales at €1.4 billion equaled the year-earlier level.

– Sales by the **Industrial Equipment & Facilities** companies slipped 4 percent to €3.3 billion, like-for-like an 8-percent drop. In its space travel business, MAN Technologie had to contend with a tumbling order inflow. At RENK, the year-earlier extra high order intake on account of a large-scale contract was followed by the expected decrease. Within the SMS Group, a reduction due to a severe shrinkage in megacontracts was largely offset by orders received by newly acquired companies. MAN TURBO, SHW, and the remaining companies all repeated the year-earlier volumes. Sales by Industrial Equipment & Facilities totaled €3.5 billion (down 2 percent, like-for-like down 6 percent). RENK showed some gain, all the others remained below the previous year's level.

– As a consequence of the poor economy in Germany and tighter credit standing reviews, **Financial Services** registered retreating new leasing business. Notwithstanding growth outside of Germany, order influx slid to €602 million (down 5 percent). Thanks to the contracts accumulated over the preceding years, sales revenues advanced 22 percent to €628 million.

Order backlog down

At €9.6 billion, order backlog was 7 percent below year-end 2001. With the exception of Industrial Services, orders on hand at all the other divisions diminished.

Order backlog by division
€ million

	12/31/2002	%	12/31/2001	%
Commercial Vehicles	1,352	14	1,415	14
Industrial Services	2,459	26	2,263	22
Printing Machines	904	9	1,273	12
Diesel Engines	870	9	1,022	10
Industrial Equipment & Facilities	3,483	36	3,719	36
Financial Services	653	7	682	7
Others	40	–	66	–
Interdivisional	(164)	(1)	(127)	(1)
	9,597	100	10,313	100

Further headcount reductions in the MAN Group

At December 31, 2002, the MAN Group employed a total workforce of 75,054, which was 3.3 percent fewer than a year before. Like-for-like, the number was down by 3,017 or 3.9 percent. The comparable headcount slimmed down across all the divisions.

For more details, refer to the Employees chapter of this annual report (pages 42 et seq.).

Performance

EBT slightly better

Compared with 2001, the results of operations of the individual divisions were mixed in 2002. The market slump and one-off burdens facing the Printing Machines division, ongoing losses in bus business, and one-time expenses incurred by MAN Technologie all took their toll on the Group's bottom line. These factors, however, were outweighed by improved operating income from truck business, the nonrecurrence of the heavy ERF burden, and reduced interest expense. At Industrial Services and Diesel Engines, earnings were again high while Industrial Equipment & Facilities (excluding MAN Technologie) and Financial Services succeeded in reporting an overall improved performance.

In all, the MAN Group's EBIT reached €391 million (down from €416 million). EBT rose from €213 million to €219 million. Interest expense receded by €31 million to €172 million (down from €203 million), mainly thanks to rate cuts during the period and the improved balance of net liquid assets, especially due to the further downsized capital employed at MAN Nutzfahrzeuge.

Earnings per share down

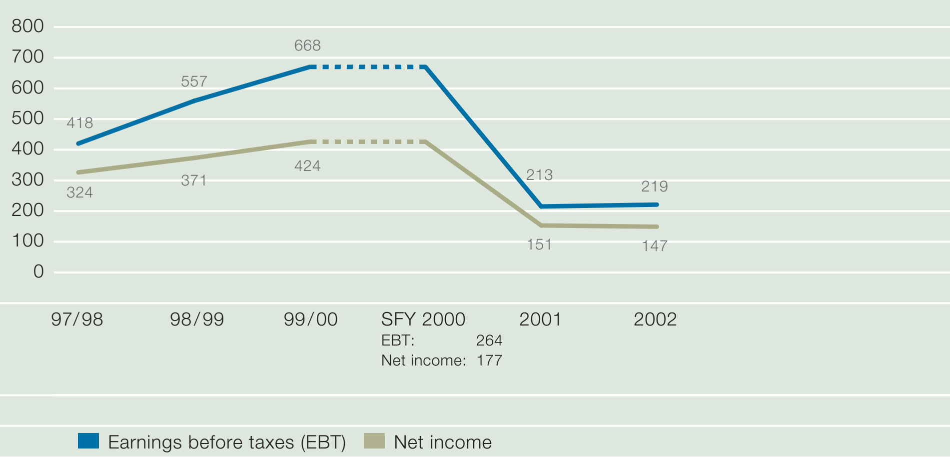
The MAN Group's tax expense climbed €10 million to €72 million, above all the consequence of higher deferred municipal trade taxes. The tax load ratio rose from 29.1 to 33.0 percent. Net income came to €147 million, down by €4 million from €151 million. Since, due to the SMS Group's higher EBT, minority interests in P&L leapt from €0 million to €12 million, earnings per share (EpS) shrank from €1.01 to €0.92.

Cash dividend unchanged at €0.60 per share

MAN AG's net income for fiscal 2002 amounted to €108 million (up from €88 million), €20 million thereof being transferred to the reserves retained from earnings. Based on net earnings of €88 million, the Executive and Supervisory Boards will propose to the annual stockholders' meeting to distribute an unchanged cash dividend of €0.60 per share.

MAN AG's annual financial statements, prepared in accordance with German Commercial Code (»HGB«) regulations, are published separately; they may be obtained from MAN AG or are downloadable from the Internet at: www.man-group.com

MAN Group performance
€ million



Return ratios below budgeted targets

The MAN Group's 2002 returns were again clearly below our self-set benchmarks, which we had last achieved in fiscal 1999/2000.

The return on capital employed (ROCE), whose target level we set at an average 15 percent over one economic cycle, inched down from 7.5 to 6.9 percent. The favorable effect of the lower gross financial debts, which we managed to whittle down by some €400 million to €1.5 billion, was outcompensated by the erosion of earnings before interest expense and taxes. However, ROCE still clearly exceeds the 6.0-percent return on pension accruals, whose volume of close to €2.1 billion and positive cash flow represent a major internal source of finance to the MAN Group.

The return on sales (ROS) crept up from 1.3 to 1.4 percent but again failed to hit the 5-percent benchmark set for our manufacturing divisions.

MAN Group rates of return
%

Division rates of return
%

	2002	2001
ROCE		
Commercial Vehicles	4.3	2.8
Industrial Services	14.8	20.2
Printing Machines	4.6	20.1
Diesel Engines	16.8	17.4
Industrial Equipment & Facilities	6.0	8.8
ROS		
Commercial Vehicles	0.2	(0.7)
Industrial Services	2.9	3.7
Printing Machines	0.6	4.3
Diesel Engines	4.9	5.3
Industrial Equipment & Facilities	0.8	1.8

Division performance and restructuring

– **Commercial Vehicles** managed not only to break even as announced but also to return well into the black, reporting a positive EBT of €13 million after a negative €49 million a year ago. Since EBIT was revved up from €64 million to €102 million, ROCE improved from 2.8 to 4.3 percent, ROS turning about from a negative 0.7 percent in 2001 to a positive 0.2 in 2002.

Commercial Vehicles owes its improved performance to Trucks: this unit bucked the appreciable downtrend in new trucks sold and raised the EBIT of the MAN trucks unit (excl. ERF) by 14 percent or €36 million to €217 million, thus delivering a €44 million higher EBT of €142 million. The turnaround projects initiated in 2001 yielded definite cost savings, the headcount being consistently downscaled to match. Further programs pruned the cost of materials and overhead expenses and improved organizational work flows and processes, thereby lowering inventory levels and thus also interest burdens. As a parallel move, we rounded off the TGA model range and relocated F2000 production to Vienna, Austria.

The shakeup at ERF, our British truck subsidiary, bore fruit in 2002. Even though and as expected we still had to once again post a negative EBT of €45 million (with a red EBIT of €43 million), this was €48 million (EBIT, €38 million) less than the year before. Production at the ERF plant in Middlewich was discontinued in the third quarter and the ERF vehicles are now being built in Germany on the basis of the TGA. In our marketing activities in Britain, we consistently adhere to the twin-brand strategy. In order to further slash costs, the back-office functions of ERF and the British MAN distribution subsidiary will be merged in 2003.

EBIT by division
€ million

	2002	2001
Commercial Vehicles	102	64
Industrial Services	74	106
Printing Machines	19	93
Diesel Engines	83	89
Industrial Equipment & Facilities	37	67
Financial Services	84	67
Holding Company, Others, Consolidation	(8)	(70)
EBIT	**391**	**416**

In Q4/2002 we brought an action before the Commercial Court in London, UK, against Freightliner Ltd. as successor to Western Star Trucks Holdings Ltd., primarily for submittal of doctored balance sheets for the acquisition of ERF; the claim is in excess of £300 million, and our British lawyers regard our chances to prevail as good.

Within the buses unit, we failed to achieve the earnings targeted for 2002 since the positive turnaround effects were insufficient to outweigh the reduced sales volumes, the one-off burdens, and the consequences of the full 12-month consolidation of NEOPLAN. At a negative EBT of €84 million (up from a red €54 million) and a negative EBIT of €71 million (up from a red €36 million), the loss was much higher than in 2001. In response to these lingering losses, the product range, the manufacturing and all the other structures are being thoroughly overhauled. On the basis of the new platform strategy, the first of the tourist buses incorporating around two-third fewer components made their successful debut at the Frankfurt IAA 2002. Meanwhile, the manufacture of skeleton and standard buses, a highly labor-intensive process, is no longer competitively practicable in Germany and so the first steps have been taken to shift some of the work to Starachowice (components), Poznań (public transport buses), and Ankara (tourist buses). As to administration and marketing, the MAN buses and NEOPLAN units are to be concentrated at one bus company NEOMAN, with two brands and separate sales teams. With these measures we intend to generate profits from bus business, too, starting from fiscal 2005.

– **Industrial Services** turned in an EBIT of €74 million (down from €106 million) and an EBT of €85 million (down from €104) million, figures matching earlier years yet expectedly short of the 2001 all-time highs. Most of the earnings were derived from megacontracts in the facilities construction & contracting unit and from the steel trading & logistics unit. In contrast, the results of operations at the machines & systems unit and the DSD Group were not satisfactory.

The DSD Group closed the period in the red on account of high charges from uncompleted onerous contracts and restructuring expenses. The Saarlouis location has started to downscale so that the structural steel operations are reduced to a more overseeable format with a focus on more profitable business. Industrial installation business is being moved from Düsseldorf to Ferrostaal in Essen.

The Ferrostaal Group's ROCE amounted to 14.8 percent (down from 20.2 percent), ROS to 2.9 percent (down from 3.7 percent).

EBT by division
€ million

	2002	2001
Commercial Vehicles	13	(49)
Industrial Services	85	104
Printing Machines	10	89
Diesel Engines	68	75
Industrial Equipment & Facilities	29	63
Financial Services	17	15
Holding Company, Others, Consolidation	(3)	(84)
EBT	**219**	**213**
Income taxes	(72)	(62)
Net income	**147**	**151**
Cash dividend in €	0.92	1.01
Earnings per share in €	0.60	0.60

– EBIT at **Printing Machines** slumped to €19 million and its EBT to €10 million (down from a record €93 million and €89 million, respectively). Whereas the web-fed presses again delivered a very good EBIT of €67 million (down from €77 million), the sheet-fed presses unit closed the year with a red €43 million (down from a black €19 million) mainly due to restructuring and customer financing burdens in the United States. The trading & services unit also showed a loss of €5 million (up from a red €3 million). This division's ROCE at 4.6 percent (down from 20.1 percent) fell short of our targets as did the 0.6-percent return on sales (down from 4.3 percent).

In the sheet-fed press unit, we took up measures in 2002 for consolidating the Offenbach plants at one location, outsourcing some stages of production, and fine-tuning manufacturing processes. An accompanying component of the program is a headcount reduction of 373.

– **Diesel Engines** generated an EBIT of €83 million (down from €89 million) and an EBT of €68 million (down from €75 million). Despite the onerous burdens related to the restructuring of the British MAN B&W Diesel Ltd., the division almost repeated the year-earlier performance. MAN B&W Diesel Ltd. has completed the relocation of production from Newton-Le-Willows to Stockport, thus streamlining manufacturing processes and clearly upgrading productivity.

Returns were again high: ROCE 16.8 percent (down from 17.4 percent) and ROS 4.9 percent (down from 5.3 percent).

– EBIT at **Industrial Equipment & Facilities** plunged from €67 million to €37 million, EBT from €63 million to €29 million due to MAN Technologie which had to absorb heavy one-time expenses and continuing losses because of the desolate situation in European space travel and the insolvency of its customer Fairchild Dornier. MAN Technologie's EBT was a red €39 million (down from a black €5 million). To adapt to shrinking business and restore profitability, an action package has been adopted and partly pushed through whose key component is the retrenchment of around 300 employees by the end of 2003.

Despite still difficult business in several areas, the SMS Group delivered a black EBT of €6 million (up from a red €9 million).

MAN TURBO, RENK, SHW and the remaining members of Industrial Equipment & Facilities all generated returns close to or better than our benchmarks.

Heavy losses at MAN Technologie and the meager contribution by the SMS Group badly battered the returns: ROCE came to 6.0 percent (down from 8.8 percent), ROS reached 0.8 percent (down from 1.8 percent).

– With business branching out, EBIT at **Financial Services** soared from €67 million to €84 million, EBT climbing from €15 million to €17 million.

– **Holding Company, Others** subsumes MAN AG and some directly managed companies. Segment EBT (including the consolidation entries at Group level) and EBIT improved greatly from a negative €84 million and €70 million to an equally red €3 million and €8 million, respectively, since the prior-year nonoperating ERF expenses did not recur.

Finance, asset and capital structure

The MAN Group's central financing system

MAN AG is responsible for financing and funding the MAN Group (including its operating subsidiaries). These functions cover the provision of cash for current operations and capital expenditures, the agreement on adequate credit facilities with banks, and the hedging of business transactions. For instance, since December 2000, MAN AG has had a five-year syndicated credit facility of €1.5 billion at its disposal of which just under €1.0 billion was utilized at December 31, 2002. A corporate cash management system within MAN AG controls liquidity and the investment of surplus cash & cash equivalents on behalf of German and foreign MAN subsidiaries.

MAN AG hedges currency and interest rate risks on behalf of its subsidiaries. For details, see Note (20) to the consolidated financial statements, page 117.

MAN Financial Services extends its services to customers and subsidiaries, basically by factoring, as well as by customer and investment financing. This company's business focuses on leasing commercial vehicles to customers. In order to refinance leasing expenditures, an around €500 million slice of the portfolio is sold to nongroup financing firms on a revolving basis.

Conversion of preferred into common stock

After withdrawing the 7.16 million shares repurchased in 2001, we made a second equity move in 2002 by converting preferred into common stock. Based on an acceptance rate of 83.5 percent, some 30.7 million shares of preferred stock were converted into common stock at a cash premium of €3.30 per share. The result was that MAN AG's common stock grew to 95.9 percent of the total capital stock, our goal of arriving at »one share – one vote« being achieved as far as practicable. MAN AG transferred the €101 million earned as conversion premium to its additional paid-in capital, thus strengthening its equity.

Changes in organizational structures

MAN AG contributed its stakes in Industrial Equipment & Facilities companies (excluding its shareholding in SMS AG) to Munich-based MAN Maschinen- und Anlagenbau GmbH, an intermediate holding company bound to MAN AG by a direct-control and profit & loss transfer agreement.

As of January 1, 2002, Ferrostaal AG merged into MAN Ferrostaal Industrieanlagen GmbH, Geisenheim, its three Facilities Construction & Contracting subsidiaries, viz. MAN Ferrostaal Oil & Gas GmbH, Geisenheim; Deutsche Industrieanlagen Gesellschaft mbH, Essen; and Fritz Werner Industrie-Ausrüstungen GmbH, Geisenheim.

Financial debts downsized

The MAN Group's financial position developed favorably in 2002. The €697 million cash provided by operating activities was at the prior-year level. The net capital employed by our commercial vehicles, diesel engines and turbomachinery operations for inventories and receivables was substantially downscaled. In contrast, the slump in prepayments received for large plant complexes outnumbered the destocking rate at the units affected.

We curtailed our capital expenditures from €1,278 million the year before to €997 million in 2002. Capital outlays for tangible and intangible assets totaled €463 million (down from €554 million) after we had considerably ramped up the spending volume when rolling out the new TGA truck series. For capital expenditure details, turn to page 29.

The cash outflow for newly added investments and other financial assets plunged to €62 million (down from €223 million). Following major acquisitions in previous periods, the MAN Group's financial investments in 2002 remained on a smaller scale.

– MAN Roland took over 74.8 percent of the shares in the Hamburg software firm Pape + Partner Media GmbH (now renamed ppi Media GmbH). With some 100 software engineers, this firm is market leader in networking software for newspaper production.
– SMS acquired a 50.1-percent stake in Millcraft SMS Services LLC, Washington, PA, USA. This company's workforce of about 500 renders metallurgical plant services.

The capital spent on assets leased out totaled €472 million (down from €501 million). The cash inflow of €404 million from fixed-asset disposal remained below the level of 2001, a period in which we had refinanced sizable amounts. On balance, cash of €591 million was used in investing activities (up from €574 million).

A net €20 million was provided by financing activities, which included redeemed financial debts of €257 million. Gross financial debts shrank from €1,906 million to €1,538 million, net financial expense was ratcheted down from €347 million to €261 million.

Cash flow statement (abridged)
€ million

	2002	2001
Cash & cash equivalents, BoP	**571**	**620**
Cash flow acc. to DVFA/SG	868	862
Other cash used in operating activities	(171)	(165)
Net cash provided by operating activities	697	697
Net cash used in investing activities	(591)	(574)
Net cash (used in)/ provided by financing activities	20	(130)
Net change in cash & cash equivalents	**126**	**(7)**
Other changes in cash & cash equivalents	(88)	(42)
Cash & cash equivalents, EoP	**609**	**571**

Asset and capital structure staying sound and healthy

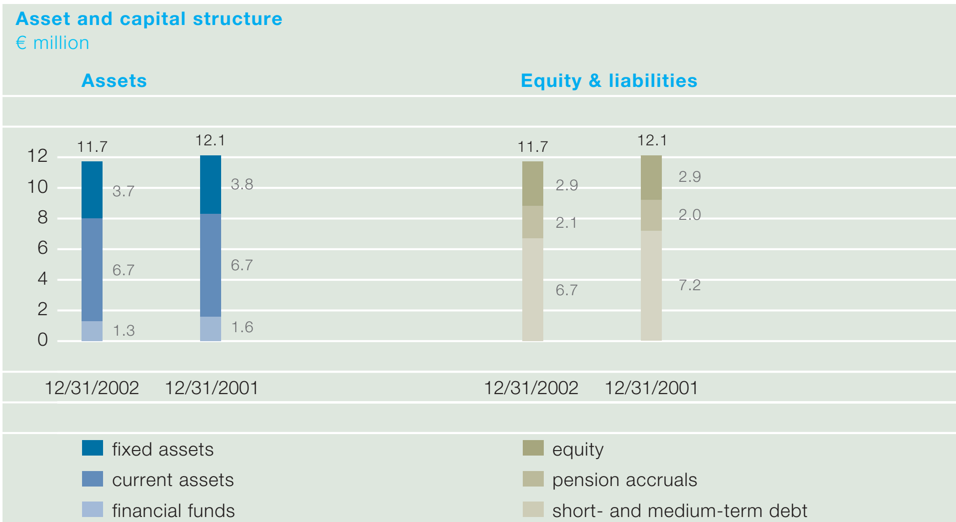
In fiscal 2002, we repeated our successful efforts to downscale the capital tied up in operating assets. Total assets inched down by 3 percent or €0.4 billion to €11.7 billion.

Fixed assets slimmed to €3.7 billion, down €0.1 billion or 2 percent. For the first time in many years, total capital expenditures for tangible and intangible assets (at €463 million) were below depreciation/amortization (€480 million) and disposals (€42 million).

Current assets other than financial funds remained at €6.7 billion, the prior-year level. Despite plunging prepayments received, we succeeded in stepping down the capital employed in inventories and receivables by €0.2 billion or 4 percent to €5.4 billion.

At €2.9 billion, equity was virtually unchanged, the equity ratio improving from 23.7 to 24.7 percent. Equity covered 97 percent (up from 93) of fixed assets excluding the leveraged assets leased out.

Including our accrued pension liabilities of €2.1 billion, the MAN Group's long-term capital amounted to €5.0 billion, or 43 percent of total capital. Short- and medium-term debt was reduced by €0.5 billion to €6.7 billion.



Value added

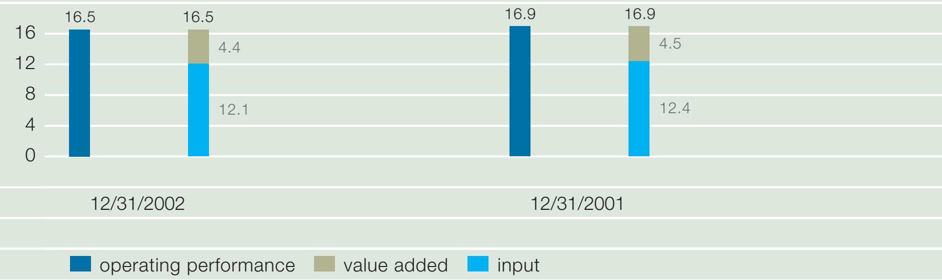
The MAN Group outputted an operating performance of €16.5 billion in 2002 (down from €16.9 billion), including net sales of €16.0 billion (down from €16.3 billion) as well as the other income, net investment income and interest income, together totaling €0.5 billion (down from €0.6 billion). The decline versus 2001 was largely caused by the lower sales, and also sagging gains from fixed-asset disposal.

The third-party input expended on the Group's operating performance came to €12.1 billion (down from €12.4 billion) and breaks down into the cost of materials of €8.9 billion (down from €9.3 billion), amortization/depreciation of €0.7 billion (virtually unchanged), and the other expenses of €2.5 billion (up from €2.4 billion). The out-of-line decrease in the cost of materials is also attributable to the cost-paring program, mainly within Commercial Vehicles.

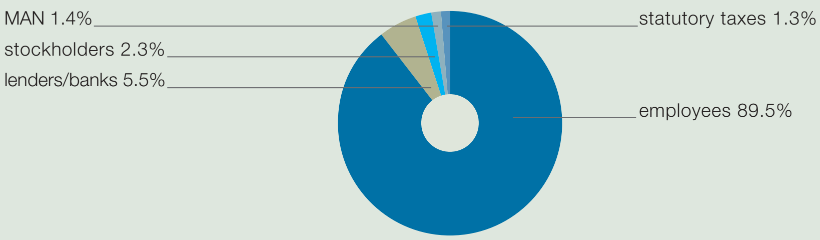
The value added by the companies of the MAN Group represents their net output, corresponding to €4.4 billion in 2002 (down from €4.5 billion). Apart from the slightly lower operating performance, the decline was primarily due to the narrowed gross margin, down from 17.1 to 16.7 percent. The reasons behind this are the higher share in Group sales of Industrial Services and Financial Services, two intrinsically low-margin divisions, as well as the invoicing by Printing Machines and the SMS Group of contracts which yielded smaller profit contributions. In contrast, the improved performance by Commercial Vehicles and Diesel Engines had a mitigating effect.

As shown by the distribution of the value added by MAN and as usual, the lion's share of €3.9 billion or 89.5 percent went to our employees. Lenders/banks from which the MAN Group sourced its debt accounted for 5.5 percent, the Treasury for 1.3 percent in the form of statutory taxes, and the stockholders for another 2.3 percent in return for the equity they provided. Including deferred taxes, 1.4 percent was left for MAN.

Value added by the MAN Group
€ million



Distribution of value added
Value added: €4.4 billion = 100%



Research & development

R&D outlay

The MAN Group spent €580 million on research and development (down from €620 million), equivalent to 4.6 percent (down from 4.8) of sales by the manufacturing companies. Altogether, €394 million was internally funded. Expenses of €186 million were incurred for contract-related R&D activities and projects subsidized or sponsored by the public sector. Almost one-half of the Group's own R&D funds went toward basic research and the development of new products. The rest of the money was devoted to the ongoing improvement of, and addition to, current product ranges. The R&D departments of the MAN companies employed in 2002 an average of 4,339 persons.

Electronics

Our R&D efforts aim at enhancing the cost efficiency and future competitiveness of our products and systems, as well as of our own processes in the face of growing ecological challenges. In this pursuit, electronics and software developments are of gaining importance. By cleverly coordinating our innovative mechanical engineering with electronic componentry, we can increasingly address customer demands for functionality, ease of operation, energy savings, emission reduction, etc. This is illustrated by the following examples taken from the MAN companies:

- MAN Nutzfahrzeuge has fitted out its new generation of trucks with a central board computer that controls the vehicle's body electronics while a second monitors the entire drive train.
- MAN Roland interlinks printing presses through PECOM, an electronic system now being enhanced in cooperation with ppi Media by using PrintNet software to network a printing shop's entire production chain.
- MAN B&W Diesel has developed the world's first two-stroke engine whose fuel injection and valve train are electronically controlled.
- RENK has developed a completely new type of gear control.

From a mechanical engineering viewpoint, emphasis is on new materials having greater strength and temperature resistance at less weight, plus new machining technologies.

The assembly, operation and servicing of our advanced products presuppose knowledge of a variety of disciplines: mechanical, electrical, electronic, as well as computer software. Such interdisciplinary skills call for a high level of competence in various fields of specialization. In response and partly under the initiative of MAN a new apprenticeship line has been created, the mechatronic engineer, courses for which are organized at the MAN Training Center in Augsburg.

Research and development
€ million

	2002	2001
R&D outlay	580	620
in % of sales by manufacturing companies	4.6	4.8
internally funded R&D	394	421
R&D headcount (annual average)	4,339	4,704

Capital expenditures

Outlays for tangible and intangible assets added up to €463 million (down from €554 million). In contrast to the previous years' heavier spending, 2002 was therefore a period of consolidation. The biggest cutback was posted by Commercial Vehicles that shrank its expenditures to the volume of earlier years. Printing Machines, Diesel Engines, and the Equipment & Facilities companies all raised their capital outlays slightly.

Most of the spending went toward the rationalization and modernization of existing production facilities and service branches.

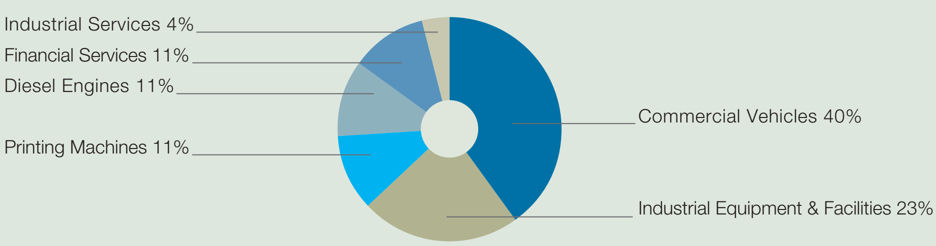
Across almost all our divisions we have meanwhile set up an international production network in the process of which a number of non-German plants are being further expanded. Such structures allow us to cost-efficiently carry out wage-intensive work at the best suited locations. For example: in bus building, production is being coordinated between the MAN and NEOPLAN sites, with the plants located in Poland and Turkey. Another instance: in diesel engine manufacture, the Augsburg facility delivers the housings to the factories in Denmark and Britain. The production of turbo machinery and components is shared out among the competence centers in Germany, Switzerland, and Italy.

The expansion and modernization of our IT structures center on both technical and commercial applications as well as on the MAN Group's e-business platform MAN2B. With the aid of the electronic media, this assists in pooling groupwide our buying volumes and hence bundling the related transactions. In addition, our vendors are increasingly being integrated into our procurement processes. As early as 2002, MAN2B has delivered appreciable cost savings which we intend to grow over the years ahead.

Capital expenditures
€ million

	2002	2001
for (in)tangible assets	463	554
for assets leased out	472	501
for consolidated subsidiaries	34	192
for other financial assets	28	31
	997	1,278

Capital expenditures by division for (in)tangible assets
2002



Environmental management

We have taken another big step forward in the implementation of our environmental protection targets and the establishment of eco-management systems at the production locations. In the previous years altogether seven central European locations of the MAN Nutzfahrzeuge Group, the SHW location Wilhelmshütte, and the Augsburg site of the MAN B&W Diesel Group had all been successfully approved according to the relevant environmental standards. Now the Oberhausen plant of MAN Turbomaschinen as well as the powder metallurgy unit of SHW have additionally passed their certification tests. We propose to have further locations approved, such as the Augsburg and Offenbach plants of Printing Machines.

Despite severe economic pressure we still abide by our responsibility in matters of environmental protection. As a consequence our development efforts take full account of the principles of environmental soundness alongside any insistence on workability, economy, and safety. In the development and design of, e.g., our commercial vehicles, diesel engines or printing machines, such aspects as environmental impact and recyclability are considered and analyzed right from the very start. Our own ecological efforts aim at lower energy consumption, reduced emissions, less noise, a long service life, and easy value recovery. We term this product-integrated environmental protection.

Moreover, we see ourselves under the obligation to make sure that the production processes deployed at our plants are as easy on the environment as possible. Such process-integrated environmental protection we achieve by selecting the most suitable processes and other carefully calculated measures. Water-based paint systems help reduce solvent emissions while in transport, the use of returnables cuts back the amount of packaging waste.

In wanting to generate economic value while at the same time preserving natural assets and the social environment, successful and responsible companies aim not at short-term successes but at long-lasting stakeholder satisfaction, which in the final resort is of benefit to society as such. This respect for the interests of all those affected is the basis for the principles of sustainable development which since the 1992 Climate Summit in Rio de Janeiro has been the focal point of public debate. It is »development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs.« This therefore includes economic, ecological, and social aspects.

Our own Sustainability Report details the many and varied activities of the MAN Group in matters relating to society and the environment while maintaining its self-imposed economic goals (available at www.man-group.com or from MAN AG).

Risk management

Early identification and containment of risks – instruments of forward-looking management

Seizing opportunities yet identifying early on, evaluating and containing risks, this is at the very heart of business management. A global player, the MAN Group is exposed to a series of risks emanating from its national and international arenas. In order to adequately cope with these threats we again critically reviewed and fine-tuned our existing systems and instruments during the past fiscal period. An important component within the context of these endeavors is the introduction of balanced scorecards at the MAN Roland Druckmaschinen Group and at MAN TURBO, which involve the employees more closely than hitherto in the process of strategy formulation and enactment.

Refining our risk management system

A characteristic hallmark of the MAN Group's risk management system is the way it differs depending on the various divisions and as a consequence of their differing products and services, market circumstances, and business practices and processes. Of essential significance therefore is that the individual risk management modules are adapted to the needs of the respective division and companies. MAN AG's own risk management manual lays down the risk-relevant principles, states the applicable parameters, and constitutes the overarching reference work. Our risk management system is reviewed and reworked annually.

Together with outside consultants we also carried out in 2002 a critical examination of the entire risk management manual for comprehensiveness and practicability. The findings will then be woven into a revised version during the first half of 2003.

At Commercial Vehicles, the risk management system underwent a complete overhaul to match it to the new organizational and accountability structures. To assist in its risk inventory, assessment, and communication activities, RENK has introduced risk management software which much like a management information system timely delivers the relevant details.

We pressed ahead with the integration of the non-German companies into the risk-management system, the ultimate aim being to ensure that the strategic and operational business risks confronting a group are dealt with according to strictly the same criteria. This will also help promote a sharing of experience and information among the various companies.

Apart from the ongoing auditing of the early-warning and risk management systems, the statutory auditors also examined a number of special subjects during the period under review including the way in which default and failure risks among suppliers and customers are analyzed and dealt with. Among the factors prompting this was the insolvency of Fairchild Dornier which had contributed to the heavy loss at MAN Technologie in fiscal 2002.

Another subject of review was risk coverage through various insurance options and how these may efficiently be tied into the overall order handling process.

A variety of risks within the Group

Due to its heterogeneous makeup, the MAN Group finds itself exposed to many different types of risk. Business cycles and the related fluctuations in demand on the various markets pose the chief sources of risk for our companies. However, this inherent diversity also harbors the advantage of risk balancing since, in particular, the sectoral, operational, supplier, workforce, and legal risks of the individual operating subsidiaries are contingent upon dissimilar economic cycles and conditions. Still, those divisions with lengthier order throughputs and hence the MAN Group's diversified makeup as such, do normally help balance any earnings decline in periods of economic downswing, as instanced in fiscal 2002. In terms of risk profile, we can therefore talk about the MAN Group having a robust constitution.

The recession, which started mid-2001, worsened during 2002. Worldwide demand for our products is faltering while competitive pressure has built up enormously. In order to be able to respond flexibly to such volatile demand, we are ever improving our value-adding chain and cost structures. Steps in this direction include the radical restructuring of the Commercial Vehicles bus operations, DSD in Industrial Services, the sheet-fed printing machine unit, MAN Technologie, and the SMS metallurgical plant, rolling mill, and plastics technology business units.

It is the management of each operating division that carries responsibility for mapping out workable and effective early-warning risk detection systems. A close and regular sharing of information with MAN AG makes sure that the prescribed risk philosophy is properly enacted and that any risk-relevant issues are announced as and when they surface. Several times a year, MAN AG's Controlling regularly reviews the business plan targets laid down during the corporate planning processes and the interim revised budget projections. These updates are based on the current order intake, workload, and earnings situation so that any necessary corrective action may be taken in good time.

Risks of a more technical character are assessed by MAN AG's Technology department which keeps close contact with the subsidiaries. The latter's expenditure and R&D plans, in particular, are analyzed and coordinated, with particular emphasis on maintaining the technical competitiveness of our products and services as well as the efficiency of the production processes. As part of the annual corporate planning process, technology-related risks are also closely scrutinized and assessed.

The MAN Group's liquidity is managed by MAN AG's Finance. By setting intragroup credit limits and stepping up efforts to downscale the capital tied up in the current assets of our operating subsidiaries, we again successfully lowered the Group's financial debts in 2002. MAN AG's Finance controls, and hedges against, groupwide credit, liquidity, interest rate and currency risks. In analogy to banking practice, the functions of trading, settlement and control of financial transactions are strictly segregated.

Another key component in our risk management system is the MAN Group's Internal Auditing. The groupwide auditing of internal control and existing early-warning systems at the various companies ensures that any deficiencies and weaknesses are spotted and eliminated.

We are currently not aware of any legal or IT risks beyond the scope of ordinary business.

Trends in the new fiscal year

Squeeze-out of MAN Roland minority stockholders announced

In February 2003, MAN AG published its intention to take over, after it had meantime acquired additional shares, the remaining 1.4 percent of free-floating stock of MAN Roland Druckmaschinen AG by way of squeeze-out. Once the squeeze-out procedure has been completed, MAN AG will hold all of the shares in this controlled subsidiary, which for decades has been bound by a direct-control and profit & loss transfer agreement with MAN AG. The full ownership will simplify organizational processes and hence yield cost savings.

The cash compensation payable by MAN AG is likely to be based on the average MAN Roland stock price as quoted in the three months preceding the squeeze-out project's publication. The preparations for the decision at MAN Roland's annual stockholders' meeting on May 22, 2003, are in progress.

Further reformatting projects within the MAN Group

The start of fiscal 2003 saw the MAN Group map and roll out additional programs for matching its structure and capacities to shrinking market volumes and keener competition, these extending above and beyond the activities already reported.

As part of the efforts to implement the new structures within the NEOMAN bus building operations, the Management Board has started to hold talks with the works councils on an approximate 1,000 workforce reduction of the production personnel at the German bus factories. The plans would attempt to mitigate personal hardship as far as possible for those concerned.

MAN Roland launched in fiscal 2003 an action package which, in conjunction with the effects of the ongoing downscaling at the Offenbach sheet-fed machine location, are designed to deliver savings in the region of €130 million over the years ahead. All three units are involved: sheet-fed machines at €80 million, web-fed at €35 million, and trading & services/the international sales organization at €15 million. The purpose behind these measures is a sustained improvement in profitability and market position. Major targets are a leaner organization and hence faster rates of response to changing markets.

The British subsidiary MAN B&W Diesel Ltd. will take another step toward location streamlining, by relocating the development, production, and marketing of the Paxman engines from Colchester to Stockport.

In view of the still slack demand for metallurgical plant, rolling mill and plastics technology, SMS initiated at the start of 2003 throughout these units extensive restructuring programs in order to regain its erstwhile profitability starting from 2004. Accompanying these efforts is a further reduction in headcount.

Quiet start into 2003

As expected, business started out slack in the new fiscal year. The first two months saw an order intake of €2.2 billion (down 5 percent), including ongoing regular business and excluding any megaorders of €2.1 billion (down 3 percent), and sales of €2.0 billion (up 3 percent).

Outlook

At the start of the new fiscal year 2003, the general scenario is overshadowed by economic and political uncertainty. The present period is no longer expected to show any sweeping economic recovery; instead, most predictions assume that in our most important markets, the economy and demand will, at least initially, remain weak and that, depending on the development of the Iraq conflict, crude oil prices, and the financial markets, some moderate recovery might materialize in the latter half of 2003.

Despite these adverse conditions, we expect most of the MAN Group's businesses to make some progress during the current year, as specified in detail in the chapter starting from page 52 and summarized in the following.

– In **Commercial Vehicles** we see a possibility that the Western European market might rebound slightly in the latter half of the year, with total production in 2003 nonetheless only slightly in excess of 2002 (if at all), the marginal addition yielding only marginal earnings improvement. Hence, the steps to raise earnings are concentrating unchanged on optimizing business processes and streamlining cost structures. In bus business, ongoing measures are being carried out to radically remold the product lineup and manufacturing structures including a relocation of certain component and assembly manufacturing operations to Poland and Turkey. These include the convergence of administration and sales functions at the two brands MAN and NEOPLAN. These programs prompt us to predict a halving of the bus operations' losses in 2003. In all, we are confident that Commercial Vehicles will close fiscal 2003 with a much improved bottom line.

– Assuming an early resolution to the Iraq crisis, **Industrial Services** expects its markets in 2003 to slowly recover, albeit without initially any evident resurgence in the capital goods industry. Thanks to the ample volume of existing projects, the division is nonetheless confident regarding business in fiscal 2003.

– The **Printing Machines** market at the start of 2003 is again clouded by uncertainties, with still great reluctance to invest in new machinery. Order intake and sales are expected to linger at the level of 2002. As outlined, all three units have launched programs for saving costs ands making their capacities more flexible. Because of the economic environment, keener price competition, and the effect of restructuring measures expected not before 2004, fiscal 2003 will be a tough period as far as earnings are concerned.

– **Diesel Engines** predicts its business to continue to progress, albeit with a temporary setback. Weaker capacity utilization at Augsburg, which is being countered with short time, and necessary expenditure for structural changes within this group, will combine to result in slightly lower earnings.

– The subgroups of **Industrial Equipment & Facilities** are confronted with a variety of markets. MAN TURBO, RENK, and SHW forecast positive developments in their respective markets, with the volume of business and earnings ranging at the year-earlier level. At MAN Technologie, space travel business is still fraught with uncertainties and risks regarding order intake, sales, and capacity utilization. With no special burdens to shoulder and extensive restructuring and cost-cutting measures, we expect 2003 to close with much less of a loss. The SMS Group anticipates ongoing difficult conditions in 2003 and is predicting once again a slight profit.

– MAN **Financial Services** plans to expand its business in 2003 and deliver a somewhat improved performance.

We do not expect any substantial gain in business volume for the **MAN Group** in 2003. As to the years thereafter and given the present assumption of an economic rebound in the second half of 2003, we feel confident of being able to return to the pre-recession growth rates and profitability.

Initially, the rising **exchange rate** of the euro versus the US dollar will hardly have any adverse effect on the MAN companies' business, around two-thirds being transacted with customers in Western Europe, which is virtually independent of the dollar parity. Part of the contracts concluded with non-European customers on a dollar basis either involves trading transactions where the underlying goods are also sourced from dollar markets, or orders where our major competitors are based in Euroland, too. While all pending orders and part of the contract projects have been currency-hedged, an unfavorable scenario could arise from a longer-term slackening demand by customers from the dollar area if their capital expenditures slow down in the wake of a rising euro.

According to the present budget, **spending** on tangible and intangible assets will be around the 2002 volume, with rationalization and production plant modernization continuing to enjoy priority; unchanged, Commercial Vehicles accounts for the lion's share of our investment budget. Moreover, we will further extend our MAN2B e-business platform.

R&D will focus on such projects as the upgrading of commercial vehicle engines; the industrialization of the R900 XXL large sheet-fed, and the DICOWEB Heatset digital, printing machines; the RK 280 high-speed diesel engine; and the application of common-rail technology to large four-cycle engines. The R&D budget for 2003 will be in the magnitude of 2002.

Regarding the **financial position**, we have set ourselves the goal of further reducing the operating capital employed and, accordingly, the various companies will step up their efforts aimed at raising cash flow, reducing operating assets, and improving their net liquid assets. Any major acquisition projects, whose financing would also be facilitated, if necessary, by MAN AG's authorized capital of €188 million at par, are presently not on the agenda, nor are any sweeping changes in the corporate legal structure, or in the MAN Group's administration or organization.

For 2003, we expect a step in the direction of reachieving the 1998/99 and 1999/2000 high **returns on capital** of the MAN Group and, starting from 2004, the targets we have set ourselves.

Unremittingly, we will push ahead throughout the divisions with the ongoing **structural improvements** efforts for slashing costs, sharpening the competitive edge and further developing our products. Accompanying this will be another headcount retrenchment, organized as best as possible to minimize personal hardship by deploying flexible instruments.

As to **earnings**, for the MAN Group we expect that EBT in 2003 will show a sustained enhancement, especially due to the budgeted much higher contribution from Commercial Vehicles and the nonrecurrence of one-time burdens at MAN Technologie. The degree of improvement will largely hinge on political developments as well as on the timing and magnitude of any global economic recovery.

MAN Shares / Corporate Governance

The year 2002 was marked by strong political and economic uncertainty on a worldwide scale; the upswing in economic activity expected at the beginning of the year failed to materialise. Coupled with negative reports from numerous companies, this led to a widespread loss of confidence in the economy, especially among investors on the international capital markets. During the period under review, the DAX30 lost 43.9% of its overall value and the DJEuroStoxx50 37.3%. By comparison, MAN shares performed slightly better for the major part of the year.

MAN Shares

Key figures

	2002	2001
Earnings per share (in €)	0.92	1.01
Cash dividend per share (in €)	0.60	0.60
Market capitalisation (in € mill.)	1,914	3,410
Ordinary shares		
Closing price (in €)	13.15	23.75
Highest price (in €)	30.25	34.20
Lowest price (in €)	10.65	16.96
Yield* (in %)	4.6	2.5
Gross yield** (in %)	(43.3)	(10.8)
Number (in '000)	140,974	110,280
Preference shares		
Closing price (in €)	9.90	18.00
Highest price (in €)	26.10	26.10
Lowest price (in €)	8.20	12.95
Yield* (in %)	6.1	3.3
Gross yield** (in %)	(43.5)	(12.3)
Number (in '000)	6,066	43,920
DAX yield (in %)	(43.9)	(19.8)
DJEuroStoxx50 (in %)	(37.3)	(20.2)

* Cash dividend based on closing price on 31 Dec.

** Based on reinvestment of cash dividend one day after the Annual General Meeting

Successful share conversion

The share conversion has significantly enhanced MAN's position in the DAX30.

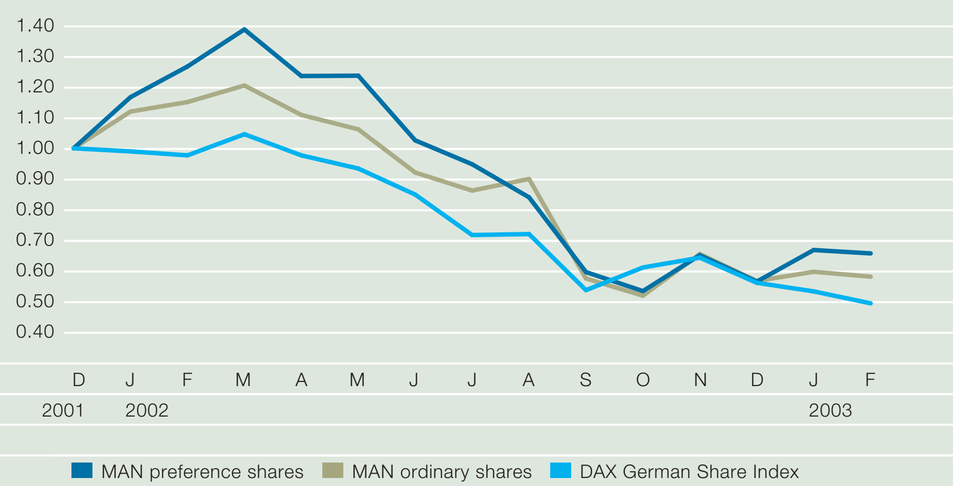
Based on the resolution passed at the Annual General Meeting on 17 May 2002, the conversion of non-voting preference shares into ordinary shares was brought to a successful close, achieving a conversion rate of 83.5% in spite of difficult market conditions. In all, 30,694,350 of the 36,760,000 original preference shares were converted and included in stockmarket trading as of 2 September 2002. This resulted in a 44% increase in the number of free-floating ordinary shares to 101.2 million (71.8% of the share capital), considerably enhancing the position of MAN shares in the Dax30 share index and on the international capital markets. Some €101 million accrued to MAN from the conversion and was allocated to capital reserves in accordance with the resolution passed at the Annual General Meeting. This represents a boost to the MAN Group's financial reserves which will benefit all our shareholders.

Those preference shares which were not converted retain their existing rights and continue to be listed on the usual stock exchanges.

Overall performance unsatisfactory

Up until the end of August, both share classes recorded losses of 12% (ordinary shares) and 18% (preference shares), while still showing a more stable performance than the reference index, the DAX30, which dropped by 28% over the same period.

MAN shares vs. the DAX in 2002/03
31 December 2001 = 1



Between 2 September and 9 October 2002, our share prices slumped heavily, dipping by approx. 47% to €10.65 (ordinary shares) and €8.20 (preference shares), although no negative reports on either our company or our business performance were circulating at that time. Over the same period, the DAX30 lost 28%. Market operators attributed the sharp drop in our share prices to speculation on an imminent change in the company's shareholder structure. After reaching a low on 9 October 2002, our shares recovered more strongly than the DAX30 (approx. 11%), gaining approx. 23% (ordinary shares) and approx. 21% (preference shares) by the end of the year, but finally closing considerably lower than

MAN shares: highs, lows and closing prices
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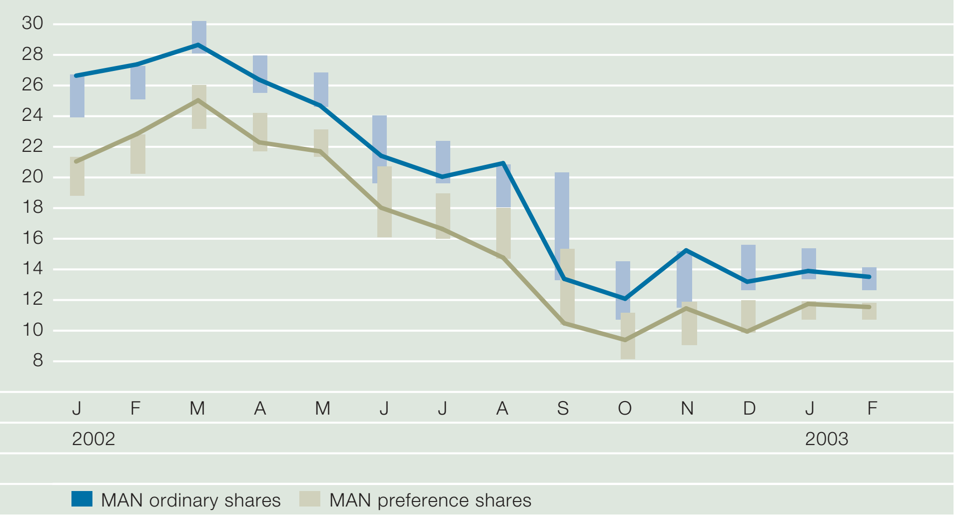


at the end of the 2001 financial year. Producing gross yields of minus 43.3% (ordinary shares) and minus 43.5% (preference shares), both classes performed only marginally better than the DAX30 reference index over the full year of 2002.

At the beginning of the current 2003 financial year, prices of both share classes rallied slightly. However, stagnating global economic growth and the possible consequences of an impending Iraq war continue to weigh heavily on the capital markets.

Growing interest

For the first time, MAN qualified for listing in the Dow Jones STOXX Sustainability Index (DJSI) in 2002. This pan-European index admits companies whose policies incorporate a balanced combination of economic, ecological and social criteria.

Open communication

Prompt and open communication with the capital market was again the focal element of our investor relations activities throughout 2002. Those operating on the capital markets are equally entitled to information on corporate developments, which in each case is published simultaneously in German and English.

Since the 1998/99 financial year, the annual financial statements of the MAN Group have been prepared and audited in accordance with International Accounting Standards (IAS). In addition to the consolidated financial statements, we also publish annual reports for our main subsidiaries on a voluntary basis. Throughout the year, we report on the Group's performance, issuing consolidated reports for each quarter no later than 45 days following the end of each reporting period. Annual results and the dividend proposal are announced within 90 days of the end of the relevant financial year.

We are constantly working to optimise our internet offering for investors.

The annual analysts' conference and regular telephone conferences with financial analysts provided a platform for transparent presentation of and fair discussion on our corporate strategy. Our dialogue with institutional investors was further intensified in countless meetings at the Group headquarters in Munich and by way of presentations at investor conferences and road shows held in the major European and North American financial centres. At the same time, any new facts communicated to analysts and similar parties were also immediately made available to our shareholders.

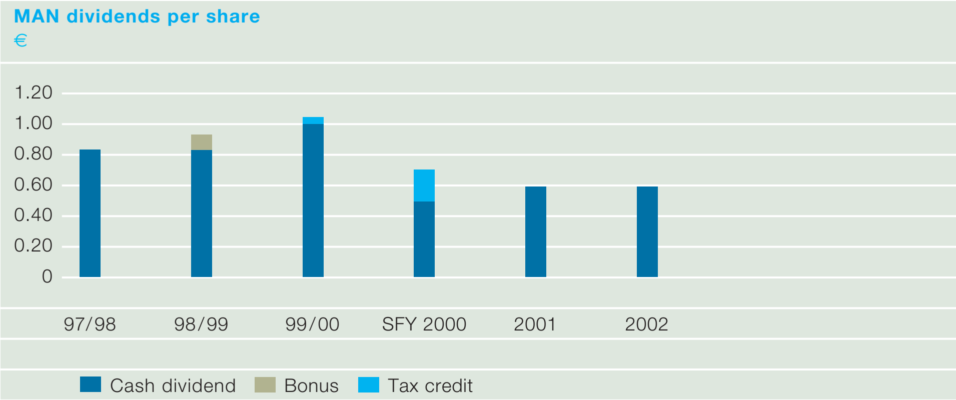
Our smaller shareholders in particular made use of the free-call hotline installed during the share conversion period for an intensive exchange of views. Throughout the year, information on the latest Group developments was available to all investors on our website at www.man-group.com. High priority was given to constantly improving this internet offering.

In accordance with Sec. 15 of the German Securities Trading Act (WpHG), our website also included reports on the purchase and sale of MAN shares, share options and other relevant derivatives by members of the Executive and Supervisory Boards, as well as members of their families.

Stable dividends

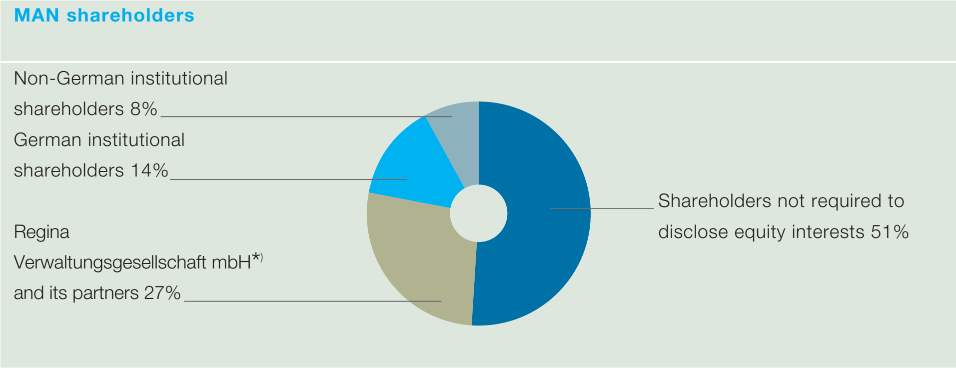
At the Annual General Meeting on 4 June 2003, the Executive Board and the Supervisory Board will be proposing that, as in the previous year, a dividend of €0.60 be distributed to our shareholders for the 2002 financial year. Based on the closing price for ordinary shares at 31 December of €13.15 and for preference shares of €9.90, this represents a net yield of 4.6% for ordinary and 6.1% for preference shares.

As in the previous year, we shall be proposing a dividend of €0.60 per share to the Annual General Meeting.



Balanced shareholder structure

The shareholder survey conducted on our closing date of 31 December 2002 confirmed an essentially stable shareholder structure. The only slight shift was in the proportion of total share capital held by foreign institutional investors, which fell by two percentage points in favour of shareholders not required to disclose their equity interests. A substantial single holding of more than 5% of the share capital was registered in the case of Regina Verwaltungsgesellschaft mbH, Munich only.



Source: Thomson Financial

*) Allianz AG, Allianz Lebensversicherungs-AG, Commerzbank AG, Münchener Rückversicherungs-Gesellschaft each hold 25% (directly and indirectly) of the subscribed capital

01 Bull and bear are symbols of the capital markets.

Corporate Governance at MAN

As a German enterprise operating on a global scale, our underlying framework for shaping responsible management and control of the company is based on prevailing legislation, the memorandum and articles of association and the internationally-accepted standards set out in the German Corporate Governance Code. Our essential guiding principles comprise consideration for the prime interests of our shareholders, ensuring successful co-operation between the Executive Board and the Supervisory Board and implementing the requirements for transparent accounting and auditing procedures, as well as for open corporate communication.

In the wake of discussion on the German Corporate Governance Code, we undertook a detailed review of our internal processes and regulations and decided on a number of modifications. These included setting up a Supervisory Board Audit Committee and introducing an appropriate excess requirement for executive officers in the case of the so-called D&O insurance (personal liability insurance). Further modifications involving remuneration of the Supervisory Board are to be submitted to the Annual General Meeting for a decision.

Declaration of compliance

With one exception, MAN complies with the recommendations of the German Corporate Governance Code.

On 12 December 2002, the Supervisory Board and the Executive Board of MAN AG issued a declaration of compliance in accordance with Sec. 161 of the German Companies Act (AktG). This confirmed that MAN AG complied with the recommendations of the German Corporate Governance Code, with one exception.

»MAN Aktiengesellschaft complies with the recommendations of the Government Commission on the German Corporate Governance Code, except for the following: At the present time, no separate remuneration is paid to the Deputy Chairmen of the Supervisory Board, nor to the chairmen or members of Supervisory Board committees. At the forthcoming Annual General Meeting on 4 June 2003, the Executive Board and the Supervisory Board will propose that Clause 12 para. 1 of the Memorandum and Articles of Association of MAN Aktiengesellschaft be amended to provide for remuneration of the Deputy Chairman of the Supervisory Board and of the Chairman and members of the Audit Committee (Code, clause 5.4.5 para.1 third sentence).«

In addition to the official recommendations, MAN already operates in accordance with the majority of the optional supplementary suggestions contained in the German Corporate Governance Code. More detailed information can be accessed on our homepage at www.man-group.com under Investor Relations/Corporate Governance.

MAN Employees

We owe our success to the knowledge, experience and creativity of our employees. For many years, the MAN Group was able to register a constant increase in its number of staff. However, the weak economic climate prevailing since 2001 and a series of necessary restructuring programmes compelled us to reduce the workforce even further in 2002. By focusing on vocational and management training, as well as career prospects within the Group, we are nevertheless ensuring the future competence of the company and its employees.

Our employees – focus on young talent and training

Compared with the end of 2001, the total number of employees in the MAN Group fell by 2,552 to 75,054 as of 31 December 2002. On a comparable basis, i.e. including adjustment for changes in the scope of consolidation, the number of employees decreased by 3,017 or 3.9%. In general, this was achieved without terminating contracts for operational reasons. The average level of staff during the year declined by 2.9%. Personnel costs per employee rose by €341 to €51,448. In our German companies, the wage agreements reached in the spring of 2002 had a marked inflationary effect on costs, leading to additional expenditure of 3.4% in the case of standard wages and salaries.

Number of employees as of 31 Dec.

	2002	2001
Germany	48,863	51,240
Rest of the world	26,191	26,366
Total	75,054	77,606
Rest of the world (in %)	35	34
Increase due to consolidation	465	3,347

We thank our employees for their commitment.

Personal responsibility

The demands made on MAN Group employees are geared to increasing customer orientation, holistic thinking and working in processes. Our efforts are aimed at reducing centralised controls and regulatory mechanisms to allow employees the scope they require and call for in order to carry out processes quickly and effectively and modify them as appropriate. The Executive Board would like to thank all employees for their personal commitment in their work and areas of responsibility and for their active cooperation in numerous projects in MAN Group companies.

Employees at closing date
´000

01_Training to be an industrial engineer.
02_Employee checking the teeth of Suprex gears.

Securing young talent

In spite of the adjustments necessary at the present time, MAN Group companies are constantly faced with the challenge of asserting their presence and attractiveness on the job market. This applies most especially in the case of young qualified trainees who are specifically targeted via the MAN job board and the MAN Study Sponsorship Scheme, as well as being attracted to MAN on a broader scale by way of selective university marketing activities.

Our internet job board is used by all subgroups and is meeting with growing acceptance among applicants. The activities undertaken by the MAN Study Sponsorship Scheme are also to be extended. This provides assistance for young people during their studies in the form of specialist supervision and financial support, gradually making them familiar with the company and preparing them selectively for their future careers.

Management and vocational training

Activities initiated for our management staff by the MAN Academy focused on team development and topics such as customer orientation and strategic management.

With a trainee ratio of 7% in our German companies, the number of young people being trained continued to exceed our estimated Group requirements. In 2002, 1,033 apprentices were engaged for initial vocational training. Places in our training workshops not required for our own apprentices continue to be used for joint training in association with other companies and local employment offices.

Pension scheme

In all MAN Group companies, participation in the employee pension scheme financed by the employer is dependent upon staff members making their own additional pension provisions out of their own financial resources. This (pre-)condition is intended to encourage employees to make supplementary provision for their retirement in addition to company and state benefits. In line with the newly-introduced statutory pension entitlement for employees in Germany based on contributions converted directly from their salary, as also provided for in the collective wage agreement, a special MAN scheme has been drawn up for all companies in the Group. During the period under review, more than 1,700 employees or 4% of the German workforce made use of this offer.

Employees' representatives

In April 2002, delegates met to elect 10 employees' representatives to the Supervisory Board of MAN AG. The young workers' and trainees' representatives, as well as the disabled persons' representatives in MAN Group companies made use of the opportunities offered by the new legislation and in February 2002, set up a Group disabled persons' representation and a Group representation for young workers and trainees. We should also like to thank the employees' representatives for their focused cooperation in the interest of the staff and the MAN Group.

Employees by division as of 31 Dec.

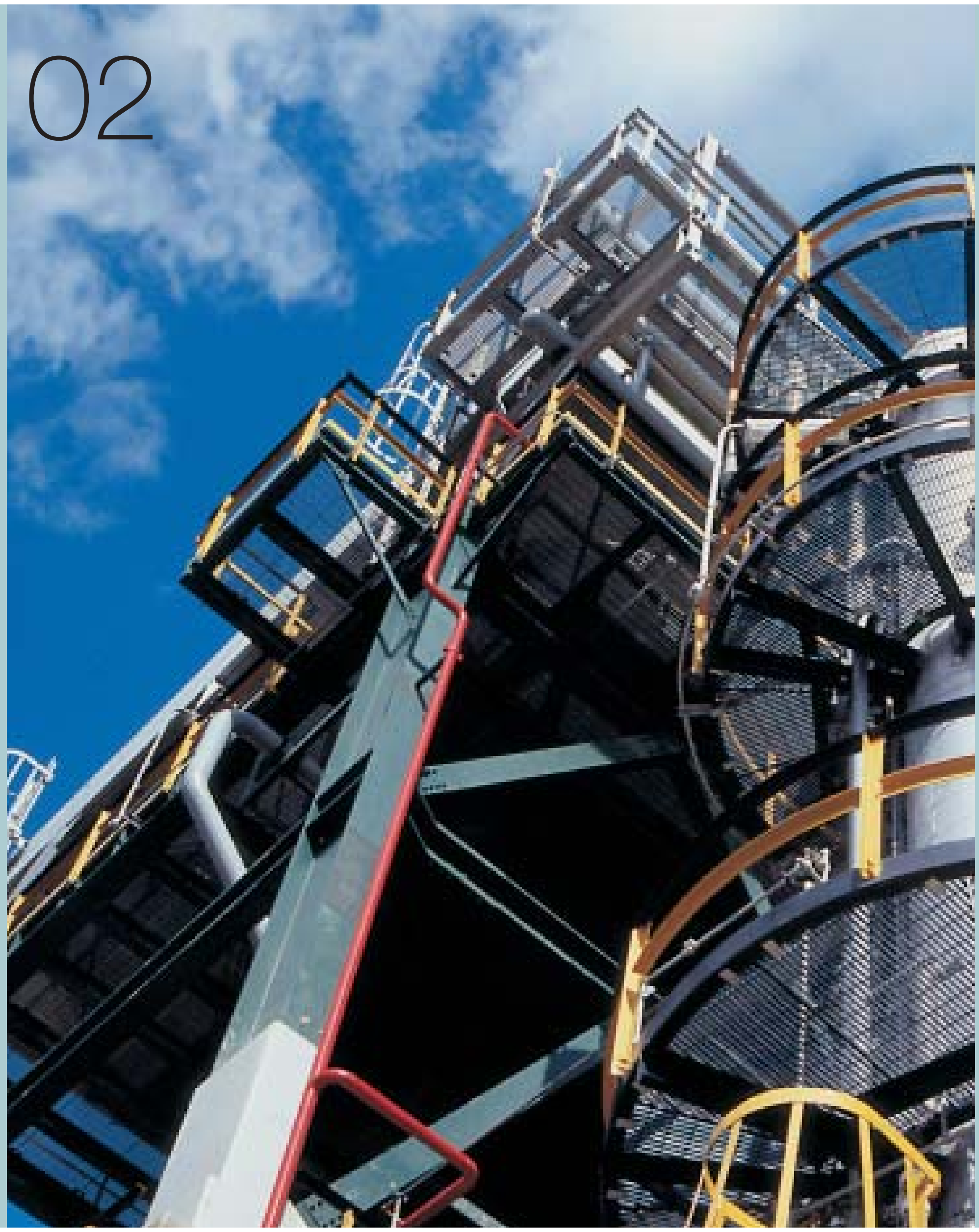
	2002	2001
Commercial Vehicles	34,398	35,746
Industrial Services	6,598	7,230
Printing Machines	10,300	10,570
Diesel Engines	6,889	7,286
Industrial Equipment and Facilities	16,440	15,971
Financial Services	77	102
Holding, other	352	701
	75,054	**77,606**

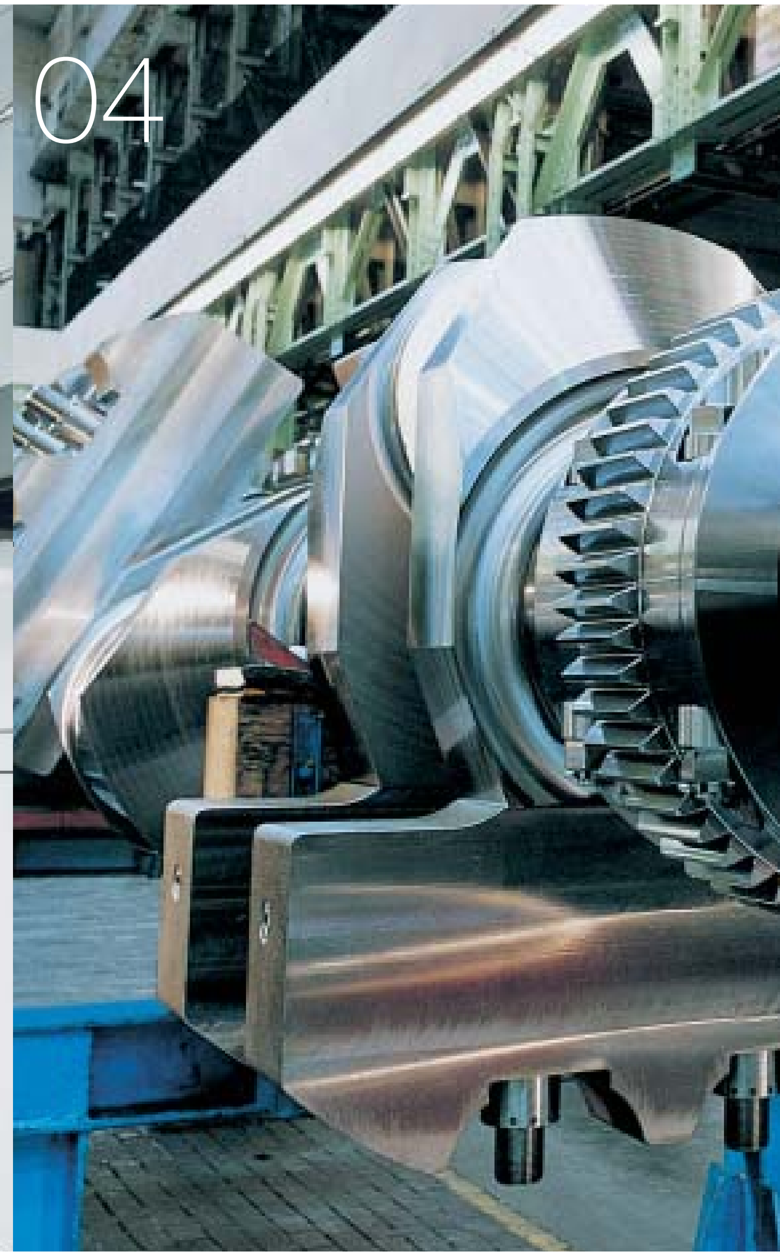
03 Teamwork ranks high at MAN.
04 On-going improvement of high and medium-pressure blade-mounting on steam turbines.
05 People belonging to more than 65 nations work for the MAN Group.
06 Sharing in decision-making increases motivation, quality of work and work satisfaction.

Images 2002: from the MAN Group divisions

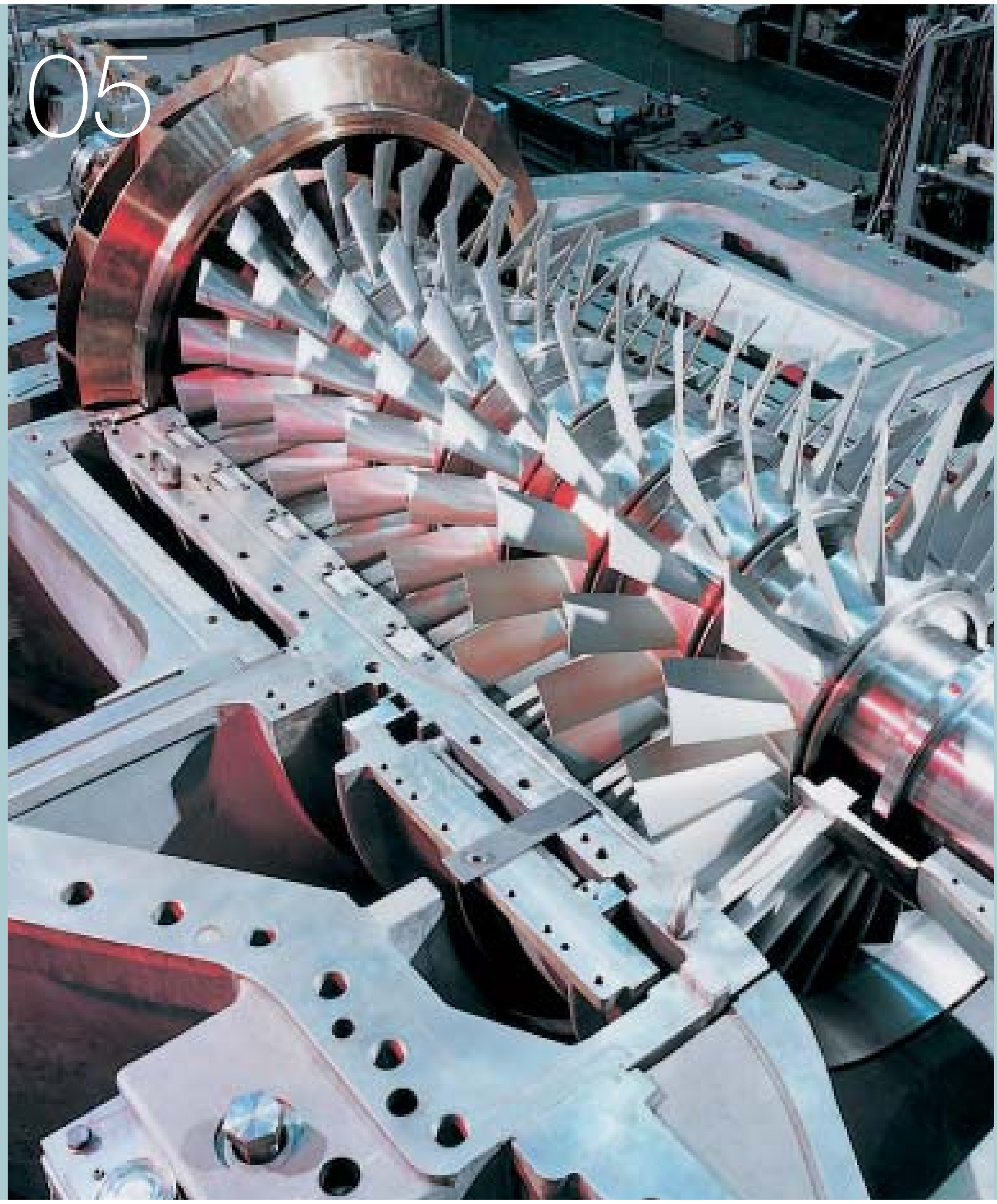
The economic trends during the year under review have verified our strategy of operating in a variety of sectors based on a common mechanical-engineering platform. Our five core divisions form a resilient portfolio which offers considerable compensatory potential and safeguards against any downside in overall Group performance. The following photos convey an impression of the different companies in the MAN Group.

01 TGA – a range of heavy trucks produced by MAN Nutzfahrzeuge.





02 Di-isopropyl-ether (DIPE) plant for Chile.
03 COLORMAN for the Styria publishing company in Graz and Klagenfurt, Austria.
04 Crankshaft on a large four-stroke diesel engine.



05 Axial compressors with high volume flow operate in air-separation plants, as well as in plants in the chemical and primary industries.
06 The ARIANE programme has a difficult year behind it.
07 Suprex gear-unit for extruders in the plastics industry.

MAN Nutzfahrzeuge – turnaround achieved

Faced with diminishing market volumes, the MAN Nutzfahrzeuge Group still performed well. New orders and sales remained stable. In spite of declining volume sales in Western Europe, the turnaround was successfully achieved, resulting in marginally positive earnings. Continuing cost-reduction measures will further improve profitability.

Due to the weak economic climate, particularly in Western Europe, customer requirements in the transportation sector and readiness to invest once again declined. In Western Europe (including Germany), total new registrations of trucks with a gross weight in excess of 6 t decreased by 12% compared with 2001, numbering 287,000 in the year under review. As a result, our most important market fell to its lowest level for five years.

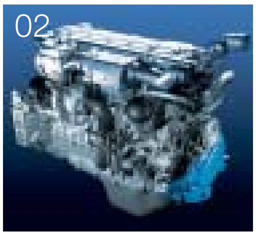
Qualitative revenue has priority

The downturn in market activity led to increased price competition. We nevertheless continued to implement our strategy of improving profitability by refusing business yielding extremely low returns. During the last financial year, 53,850 trucks were sold, 14% fewer than the previous year, causing our share of the Western European market to fall to 14%, after 16.2% in 2001. We shall continue to pursue our policy of qualitative earnings improvement throughout 2003. Based on the fact that the entire TGA series is meanwhile available, we are however once again anticipating a significant increase in our market share.

Demand also weakened on the European bus market. In the year under review, bus registrations fell to 23,900, following record annual levels of around 26,000 between 1999 and 2001. Due to the first-time consolidation of the NEOPLAN Group for a full financial period, it was possible to increase sales by 1,600 to 7,634 vehicles. While MAN buses were able to maintain their market share, NEOPLAN models suffered a minor setback. Capturing 15.3% of the market, the newly-formed NEOMAN bus group recorded a slight loss in its overall share.

MAN Nutzfahrzeuge Group
€ million

	2002	2001
New orders	6,525	6,272
Sales	6,564	6,741
Earnings before taxes	13	(49)
Employees (number at 31 Dec.)	34,398	35,746
Return on capital employed (%)	4.3	2.8
Return on sales (%)	0.2	(0.7)



01_TGA truck for refuse collection.
02_Engine with pioneering common-rail injection technology and innovative PriTarder.

Slight upward trend in new orders

New orders of €6.5 billion were 4% higher than last year's figure. In the truck sector, orders remained at more or less the same level as 2001 amounting to €5.3 billion, while in the wake of consolidation, the bus sector registered a rise of 17% to €1.2 billion.

Sales fell marginally by 3% to €6.6 billion. The truck division processed sales amounting to €5.4 billion, representing a drop of 5%. At the same time, the number of trucks delivered to customers decreased by 14%, signifying a definite shift in the product mix in favour of higher-quality vehicles. Following full consolidation of the NEOPLAN Group, the bus sector achieved a 13% growth in sales to reach €1.2 billion. By comparison, adjusted bus sales showed a drop of 9%.

Further cutbacks in personnel

In view of the diminishing market volume and subsequent drop in unit sales, it was necessary to further reduce personnel levels in the manufacturing business units. At the end of 2002, the MAN Nutzfahrzeuge Group numbered 34,398 employees (excluding trainees). On a comparable basis, this was 1,081 fewer than at the end of the previous year. The majority of personnel cutbacks resulted from expiry of temporary employment arrangements, termination of contracts by mutual agreement, early-retirement schemes and part-time work among older staff. As modifications to the production range became necessary in the course of the year, we responded with appropriate shift systems and variable weekly working hours, in accordance with the provisions for flexible working time agreed with the works councils.

Training young people continues to represent an extremely important element, not only of our corporate policy, but also of our social policy. This was evidenced by our trainee ratio of 7.7% which still far exceeds the industry average in Germany.

Leading in innovation and technology

Maintaining technological leadership is a major part of our strategy.

Our goal is still to secure a leading position in terms of technology and profitability, both of which form an important part of our corporate strategy and are decisive factors in combating competition. In this context, the development of new, and improvement of existing low-consumption, low-pollution vehicles enjoy just as much priority as safety, quality and reliability.

The year 2002 saw the market launch of a series of further innovations in the engine sector, the principal developments being the PriTarder and common-rail injection. The PriTarder is an innovative and globally unique brake-retarder system, highly resistant to wear, which is operated by cooling water inside the engine. It is 80 kg lighter than other external, oil-filled retarder systems and ensures outstanding braking performance.

Following pretesting in numerous, diverse driving situations, we were one of the first manufacturers worldwide to present and integrate common-rail injection into our entire range of commercial-vehicle engines. During this electronically-controlled process, diesel fuel is injected into the cylinder under a pressure of up to 1,600 bar. This is entirely new to the commercial-vehicle industry. Maximum injection pressure is maintained over the engine´s entire rpm-range, resulting in higher output. Thanks to optimal regulation of the combustion process, the engine runs much more quietly and consumes less fuel. This technology will form the basis for realising Euro 4 and 5 exhaust standards.

03_Four-axle TGA tipper with large haulage capacity.

However, innovative and technological leadership also means constantly improving top products. As part of our award-winning TGA series, we were for instance able to present an unrivalled lightweight semitrailer for tanks and silos at the IAA Commercial Vehicles in Hanover. Its outstanding features are a weight reduction of some 360 kg compared with conventional technology, along with enhanced comfort and safety. Other innovations relating to comfort and safety included our electronic systems for assisting drivers. In 2002, both ESP, an electronic stability programme, and the lane guard system LGS were integrated into commercial production runs. Both systems are available as optional extras for trucks. The adaptive cruise control (ACC) system for adjusting speed according to the distance between vehicles will be introduced into serial production in the spring of 2003.

New products in the bus sector were also shown at the IAA, with serial production due to start during 2003. In this case, focus was on the economic operation, comfort and safety of long-distance coaches as demonstrated by the new Lion´s Star, as well as the follow-up model to NEOPLAN's Euroliner coach. The most impressive features of our city buses included a new design and superior comfort.

An average number of 1,670 employees work in the R&D departments of the MAN Nutzfahrzeuge Group, with the aim of developing marketable and long-lasting innovations. During the last financial year, €171 million were spent here on research and development. Considerable efforts were also made to develop new power-transmission concepts and increase the use of alternative fuels. Trials involving the use of hydrogen as fuel for internal combustion engines and fuel-cell drives underscored our pioneering role, while also offering a substantial contribution to the mobility of tomorrow.

Consistent and continuous reorientation

Following the merger between the MAN bus sector and NEOPLAN, we have now gained a certain magnitude on the bus market which will serve as a basis to achieve profitable production by exploiting existing synergies. Our activities will therefore be focusing on the sustained implementation of restructuring measures aimed at streamlining the organisation and consequently reducing costs, while still retaining our dual brand strategy. The development and purchasing sectors of the MAN and NEOPLAN bus operations have already been amalgamated, creating a basis for on-going integration of the two companies and the use of synergies. To this end, we have drawn up a new strategy for a joint platform. In 2002, the first buses developed on the basis of this joint platform were successfully presented at the IAA.

01_MAN Lion's Top Star.

The next integration phase will concentrate on implementing cost-effective production structures, optimising logistics processes and assimilating administrative functions. Facilities manufacturing similar types of buses will be amalgamated, leading to future cost and quality benefits based on economies of scale. At the same time, labour-intensive manufacturing processes will be transferred to Poland and Turkey. On the marketing side, the merger of back-office functions will increase efficiency and reduce costs.

Following successful implementation of the business-unit structure in the truck and engine sectors during 2002, this integrated profit-centre organisation is to be introduced into the bus sector in the course of 2003. The aim is to increase both transparency and the responsibility of each individual plant and sales unit for its own results.

During the third quarter, the production of ERF's own range of trucks was discontinued and the works closed. In future, ERF will essentially be marketing vehicles produced in Germany on the basis of TGA technology.

We achieved a turnaround in 2002.

Earnings better than expected

The trend in earnings confirmed that the turnaround has now been achieved. The MAN Nutzfahrzeuge Group generated pre-tax earnings of €13 million in 2002, compared with a €49 million deficit the previous year. Although the downturn on the truck market was sharper than expected, we more than achieved the breakeven level originally targeted at the beginning of the financial year, in spite of the fact that additional costs were again incurred by the British company ERF. These resulted from a drop in earnings in the wake of the changeover to MAN-based vehicles. The bus sector on the other hand failed to reach its earnings targets, the newly-introduced reorganisation measures still being unable to compensate for the effects of falling volume sales and various non-recurring items of expenditure. Bus operations incurred a pre-tax loss of €84 million.

MAN Nutzfahrzeuge Group
Earnings before taxes by subdivision
€ million

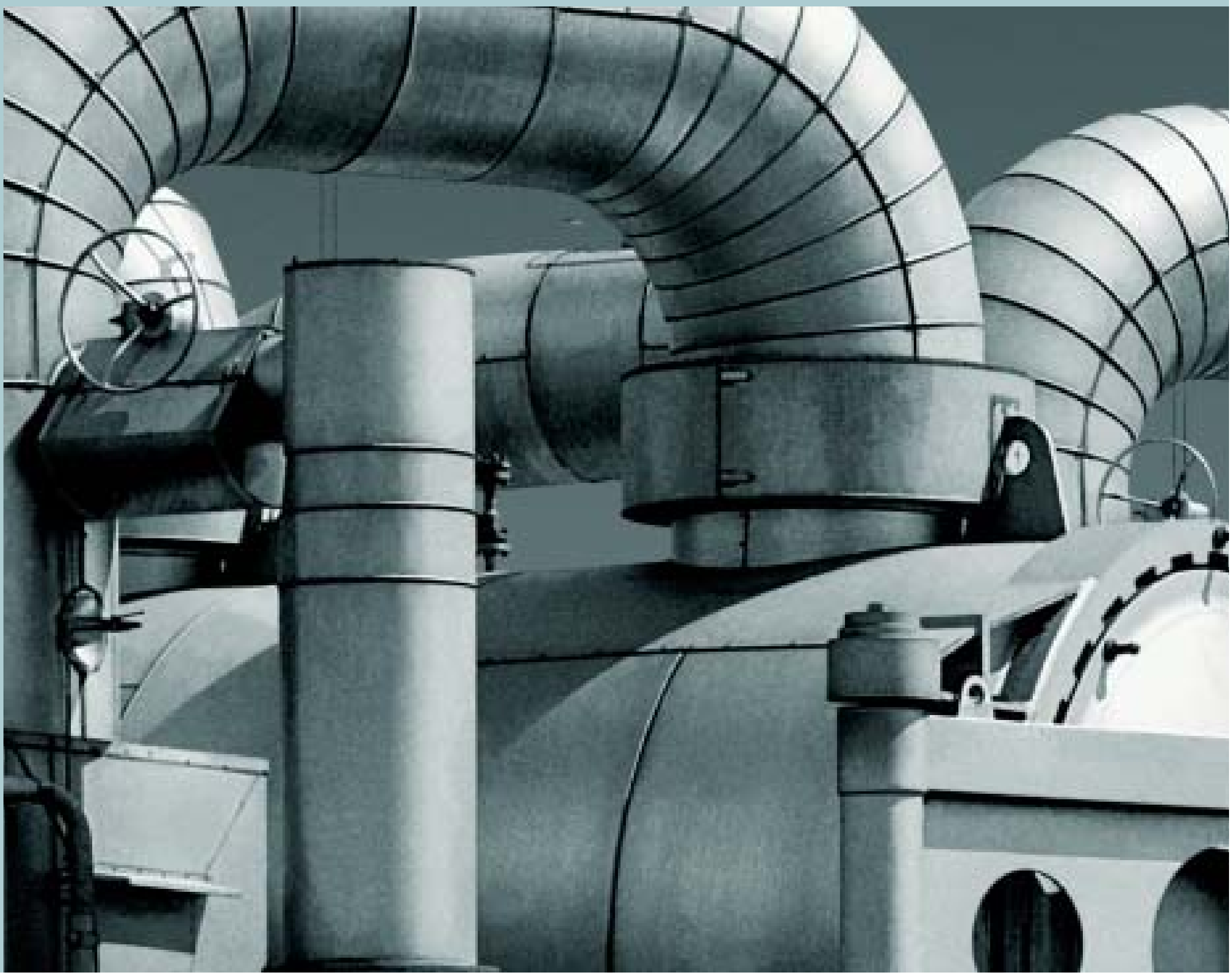
	2002	2001
Trucks	97	5
of which MAN	142	98
of which ERF	(45)	(93)
Buses and coaches	(84)	(54)
	13	**(49)**

Positive outlook

In spite of the continuous unfavourable economic trend, we expect a renewed slight market improvement in Western Europe during the second half of 2003. As a result of optimised business processes and streamlined cost structures, substantial reductions in the high costs incurred at ERF, and the anticipated halving of operating losses in the bus sector, we are confident of achieving a significant improvement in earnings in 2003.

02_Articulated TGA heavy-goods trailer with 485 kW (660 hp) for towing weights of up to 250 tons.
03_Synergy: MAN and NEOPLAN are developing joint omnibus platforms.
04_L2000 Evolution: refrigerated vehicle for transporting foodstuffs.
05_MAN low-platform bus with common-rail engine.

Ferrostaal – successful in spite of weak world markets



In spite of stagnating global economic activity, the Ferrostaal Group was able to increase new orders and sales during the year under review. A high level of earnings was also maintained. Business performance during the current year of 2003 may be viewed with confidence.

Faced with a generally weak economic situation, which did however vary in different parts of the world, our broad market coverage enabled us to more than counteract negative developments in some regions by intensifying business activity in growth markets. As a result, the total volume of new orders increased by 16%. Sales rose by 2%. With the exception of the industrial equipment and systems sector, all business units continued to register an upward trend.

Industrial facilities and contracting record high growth

All services offered either as a general contractor or as a member of a consortium in the areas of planning, financing, supply, assembly and commissioning of industrial facilities are bundled into this business unit. Our focus is on the chemical industry, in particular petrochemical operations, as well as on the steel and aluminium sectors.

Activity in the sector of large-scale industrial plant increased significantly.

The industrial facilities and contracting sector can look back on an extremely positive financial year. New orders rose by 64% and sales by 17%. A series of large projects were successfully completed and substantial new major orders received. Among other things, preliminary acceptance was received for a turnkey ammonia plant in Trinidad following a construction period of 24 months. This was commissioned ahead of schedule and the agreed specifications exceeded. Our partners subsequently decided to construct another identical plant with Ferrostaal, due for completion in 2005.

In Chile, a di-isopropyl-ether (DIPE) plant was handed over to our customer, following successful acceptance. Contracts for the delivery of two sulphur recycling plants were subsequently signed.

Ferrostaal Group
€ million

	2002	2001
New orders	3,178	2,737
Sales	2,916	2,855
Earnings before taxes	85	104
Employees (number at 31 Dec.)	6,598	7,230
Return on capital employed (%)	14.8	20.2
Return on sales (%)	2.9	3.7

01 M/T »Wappen von Hamburg«, a double-hull tanker of the SCOT class.
02 Hot coil for the international steel trade.

From an aluminium-smelting plant in Iran, we received an order to produce, supply, assemble and commission equipment to expand its existing facilities. In Libya, we are to construct a turnkey oil-refining plant to develop one of the country's richest oilfields, as well as erecting a compressor station in Turkmenistan for transporting natural gas to Iran.

With effect from 1 January 2002, the companies belonging to this business unit, MAN Ferrostaal Oil & Gas GmbH, Geisenheim, Deutsche Industrieanlagen Gesellschaft mbH, Essen and Fritz Werner Industrie-Ausrüstungen GmbH, Geisenheim were merged to form MAN Ferrostaal Industrieanlagen GmbH, based in Geisenheim.

DSD Group: large growth in orders

The DSD Dillinger Stahlbau Group was able to increase incoming orders by 18% compared with the previous year, in spite of the fact that some major international projects for industrial facilities were postponed. Due to later settlement dates, sales however decreased by 12%. This division encompasses the areas of structural steel engineering, bridge construction, hydraulic steelwork, turnkey constructions, balance of plant for power stations, material-handling equipment, as well as the erection of industrial plants. The steel-engineering activities located in Saarlouis are currently undergoing restructuring to become more efficiently aligned to market requirements.

In the course of last year, we again acquired a series of major orders. These included an agreement with the city of Novisad in Serbia to rebuild the Sloboda bridge over the Danube, destroyed in 1999. We also received an order to supply and commission eleven rolling-mill cranes for a steelworks in Shanghai, China.

Global market presence is a guarantee of growth.

From Chile, an order was received to assemble a fibre production-line in a cellulose factory in Valdivia. The project represents part of a major investment also involving MAN Turbomaschinen, which will be supplying the compressors. We also received an order from Chile to supply a semi-mobile crushing station to a mining company. In Luxembourg, we shall be undertaking the entire assembly of a new production line for profiled sections which is to be delivered by SMS. Our range of services also includes the design and supply of electrical equipment, as well as the design, supply and commissioning of water-management facilities.

Industrial equipment and systems: affected by weak economic activity

The weak market for industrial equipment and transportation systems was felt in the form of a 3% drop in new orders. Sales fell by 11%. This business unit includes global marketing and service activities for stand-alone machinery, components and system lines, as well as planning and implementing infrastructure and transport systems. Another main activity is supplying merchant ships and nautical equipment, in addition to carrying out projects as a member of the German Naval Group.

03 Di-isopropyl-ether plant for Chile.

Deliveries in 2002 included eight electric locomotives to a Chilean copper mine, each with an output of 1,600 kW, and 89 MAN bus-chassis fitted with MAN diesel engines to Mexico. In Egypt, we closed a contract to supply two poultry-slaughterhouses, including all utility connections, as well as waste-water and waste-recycling facilities.

We were able to maintain our market position with sales of printing systems, booking orders for 258 MAN Roland sheetfed printing presses. Although Latin America continued to be our main sales region, we also succeeded in increasing the proportion of goods and services sold to Africa, Australia and Asia.

In the marine sector, additional orders were received from German customers for two 8,000 tdw (tons deadweight) chemical tankers and two 1,100 TEU (Transport Equivalent Unit) container ships, after successfully delivering one ship from each of these series earlier in 2002. Orders for one submarine and the modernisation of three other submarines in conjunction with our partner, Howaldtswerke Deutsche Werft AG, were obtained from Greece, all these vessels to be fitted with fuel cells functioning independently of atmospheric air.

Continued upward trend for steel trading and logistics

This business unit is involved in trading in steel products and nonferrous metals, providing logistics services, which include supplying the automobile and other industries with materials on a sequential, just-in-time basis, as well as supplying pipe accessories. Operations during the year under review were once again successful. New orders rose by 8% and sales by 9%. The volume of our global steel-trading activities increased from 2.9 to 3.0 million tons.

At the same time, the world steel market proved to be somewhat more dynamic than in 2001. However, the protectionist import measures introduced by the US continued to represent an obstacle, with reactions including a wave of countermeasures by the EU and China. Price increases in the US were also largely due to these protectionist import measures and not to higher demand. In spite of this difficult market situation, we succeeded in maintaining stable levels of steel trading, both in terms of volume and revenue.

In the spring of 2002, our internet steel-trading portal www.global-steel-network.com was successfully launched to support our marketing efforts.

01_Each call off is documented – Ferrostaal Industrie- und System-Logistik's SILS centre in Gliwice/Poland.
02_Ferrostaal supplied eight electrical locomotives to Chile.
03_»MOL Rainbow«, a 1,000 TEU container vessel for Lucas Shipping, Antigua.
04_DSD built the largest steel composite bridge in the Saarland-Lorraine-Luxembourg region.

In the logistics sector, we were able to considerably expand our business volume. This was achieved in the face of a weak economic environment in the automobile industry, with car production in Germany reaching only 5.1 million vehicles, 3% less than in 2001. Thanks to our activities at two new sites in Cologne and Rüsselsheim, we were able to more than offset the negative impact of this trend.

Strong sales growth was generated by completing a major project involving the supply of pipes for an aromatics plant in Iran, where we were also able to acquire new contracts. Furthermore, substantial quantities of piping were supplied for projects in Qatar, Chile, Lithuania, Portugal, Holland and Germany. Business contacts were expanded, particularly in the CIS countries.

New chairman

At the end of the 2002 financial year, Dr. Klaus von Menges resigned from his position as Chairman of the Executive Board of Ferrostaal AG, having reached retirement age. His successor is Dr. Matthias Mitscherlich, who has been a member of the company’s executive board since 1 November 2002.

Stable earnings

The Ferrostaal Group generated pre-tax earnings of €85 million in 2002, compared with the exceptionally high figure of €104 million in the previous year.

Outlook coloured by confidence

Providing that the Iraq crisis is overcome at an early date, we can expect the overall global economic situation to slowly recover in the course of 2003. Since there is however always a delayed reaction to economic trends as far as investment activity is concerned, no significant upturn is anticipated on this market. In view of our high project volume, we nevertheless take a confident view of developments during the current financial year.

MAN Roland – structural measures to improve profitability

Due to a global economic recession on the market for printing systems, the MAN Roland Druckmaschinen Group suffered a double-digit drop in new orders and sales. Earnings declined significantly. Nor are there any signs of a market recovery. We are aiming to improve profitability based on a range of cost-cutting measures.

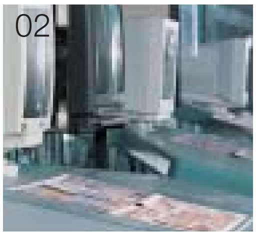
Once again, the global market situation in the graphic industry deteriorated significantly during the 2002 financial year. In addition to the general slowdown in economic activity in all industrialised countries, the recession on the market for advertising and promotion had an especially negative impact on the demand for printing machines. Many printing works and publishing companies were obliged to forego planned investments, at least for the time being. As a result, world demand for printing machinery fell unexpectedly steeply in both the sheetfed and webfed sectors. Competition became increasingly intense.

These developments were obviously reflected in business activities at MAN Roland. New orders fell by 23% compared with the previous year of 2001 to reach a total of €1,542 million. Of this, €701 million (–16%) were contributed by the sheetfed sector, €613 million (–32%) by the webfed sector and €228 million (–11%) by distribution and services.

Sales declined by 13% to €1,808 million. Sheetfed machines generated €706 million, falling 24% short of the previous year's figure. Turnover in the webfed sector, with its relatively long production cycles, benefited from a high level of existing orders and decreased by only 2% to €869 million. Distribution and service activities recorded 11% lower sales of €233 million. Exports contributed 79% of total sales.

MAN Roland Druckmaschinen Group
€ million

	2002	2001
New orders	1,542	1,993
Sales	1,808	2,081
Earnings before taxes	10	89
Employees (number at 31 Dec.)	10,300	10,570
Return on capital employed (%)	4.6	20.1
Return on sales (%)	0.6	4.3



01 All MAN Roland printing presses now boast a new design.
02 Fully-networked systems represent our customers' greatest production reserves.

We shall be reducing fixed costs and increasing the efficiency of our production structures.

Impact on personnel

Idle production capacity made it necessary to reduce the number of personnel, the sheetfed sector being the most severely affected. Compared with the full-capacity phase during 2001, the number of permanent employees was reduced by 270 to 10,300. Adjusted for growth resulting from newly-consolidated companies and a redefinition of permanent employees, numbers decreased by 576. A further reduction of 373 permanent staff at our Offenbach site became unavoidable and was finalised in the autumn of 2002 after reaching agreement with the works council. Short-time work was introduced for sheetfed machines as early as February 2002. At the beginning of the current financial year, it was subsequently necessary to react with short-time at the webfed-machine works in Augsburg. We also responded to idle capacity by reducing the number of temporary staff, terminating short-term contracts, reducing overtime collected as a result of flexible working hours, increasing part-time opportunities, also for older workers and offering sabbaticals.

Cost-cutting measures

The steps undertaken in the personnel sector were part of a range of measures aimed at savings of some €130 million over the next few years. These will affect all three business units, reducing costs by €80 million in the sheetfed sector, €35 million in the webfed sector and €15 million in the field of distribution and services, including the international sales network. In this way, MAN Roland intends to strengthen its earning capacity in the long term and improve its market position. The main objectives are a more streamlined organisation resulting in swifter reaction to varying market conditions.

The measures focus on the sheetfed operations which were particularly severely hit by the market recession. The prime aim is to reduce fixed costs and increase the efficiency of production structures. This will include concentrating the three Offenbach works at one site, allowing for optimal structuring of process chains, as well as streamlining the vertical production range. Furthermore, orientation towards specific areas of activity, which is already underway, is now to be implemented swiftly throughout the sheetfed operations. This includes responsibility for products and earnings in the sectors of small, medium and large machines, reflecting the structures already in place in the webfed business unit.

In the webfed sector, which recorded comparatively good capacity utilisation during the year under review, the extensive restructuring programme started in 1999 began to show positive effects. This includes reforming production processes, organisation structures and computer systems. Progress made in the areas of organisation and logistics as a result of these measures will in turn release additional potential for further rationalisation.

Information technology brings us closer to the customer

In the distribution and services business unit, all sales and service companies were equipped with standardised information technology. Without exception, all sales, service and purchasing processes were linked with the relevant processes in the manufacturing companies. This has created a fast and efficient connection to each of the main production facilities, giving rise to considerable rationalisation.

03_The ROLAND 900 XXL model is capturing new segments of the market.
04_Continuing the MAN Roland success story in the field of high-volume printing: the first LITHOMAN with 72 pages.

Our IT strategy is aimed at continuous expansion of the communication channels and processes between us and our customers. By making use of internet-based supply-chain processes, we are in a position to produce more quickly, more flexibly and more efficiently, consequently reducing the volume of committed funds. Entire groups of commodities are put out to tender and ordered exclusively via our electronic purchasing marketplace. In 2002, a cost-reduction scheme was launched together with our main suppliers, resulting in substantial savings and making a positive contribution to the company's results.

Interaction with customers was also increased as a result of further investment in demonstration and training facilities, technology transfer centres, local stocks of spare parts and service competence. The new sales offices, including demonstration and storage space, opened in Italy and Portugal during last year likewise serve to bring us closer to our customers.

Continued high expenditure on R&D

In the field of research and development, we continued to direct our efforts towards new technological developments and improvements in our sheetfed and webfed machines. Over the next few years, the R&D ratio should remain at an average level of 7% of sales (in the sheetfed and webfed business units). Priority will be given to system networks and workflow automation, as well as to reducing the life-cycle costs of our presses.

On-going developments in the sheetfed sector focused on increased integration of the presses to create full-scale production systems and on enhancing customer benefit by reducing set-up times and operating costs. At the same time, the highest demands were made on the printing quality of our machinery, the most recent example of improved printing quality being special counterpressure plates, so-called OptiPrint jackets, which have meanwhile reached market maturity.

In the form of EA2 controls, the latest information technology was integrated into the ROLAND 500, our new compact sheetfed-press for printing packaging and advertising material. This means that applications providing the system with an internet link to improve maintenance and diagnosis are now part of the standard specifications. The ROLAND 900 XXL was developed for larger-sized sheetfed printing and is ideal for printing books, large posters and maps. First deliveries of this model are scheduled for 2003.

We also concentrated on increasing output performance and availability of the webfed printing presses, while at the same time reducing operating costs. Our COLORMAN series for newspaper printing now includes a new XXL-format model which requires one third fewer reel changers and printing towers and therefore substantially reduces investment and personnel costs. The world's first 72-page machine in the LITHOMAN series for commercial offset printing offers enhanced productivity based on wider paper webs and more pages per time unit. The first installation will become operative at the beginning of the current financial year.

Innovation ensures market leadership

We continued to uphold our market leadership in the field of digital printing systems. The DICOweb (DICO = digital changeover), the first fully-digital offset printing system on the market, won several national and international awards. The first heatset (= dryer) version of this machine has meanwhile been developed for high-quality printing and delivered to a customer in Switzerland.

Employing some 100 software engineers in Hamburg and Kiel, ppi media, our new MAN Roland subsidiary, already leads the market for workflow integration in the newspaper-printing industry. Investment in development of our new PrintNet product will allow us to expand these integration services to all printers using sheetfed and webfed systems.

Further selective investment in customer service centres was aimed at improving the quality and response times of our services at a local level, with a view to securing even greater shares of large-volume markets.

Strategy of open system architecture

We intend to consistently pursue our policy of open system architecture.

From the strategic aspect, we intend to consistently pursue our policy of open system architecture. We regard ourselves as a provider of applications in the form of production concepts for printed matter, focusing on the one hand on the development, manufacture, marketing and service of both printing machines and system and network components, such as PECOM, AUPASYS and AUROSYS, as well as on the PrintNet products offered by ppi media. On the other hand, we provide full-scale solutions to meet individual customer requirements. As a member of the strategic alliance known as PrintCity, we cooperate with some forty leading manufacturers in the fields of preprinting, finishing and operating materials, enabling us to offer a range of comprehensive and fully-integrated systems.

Drastic drop in earnings

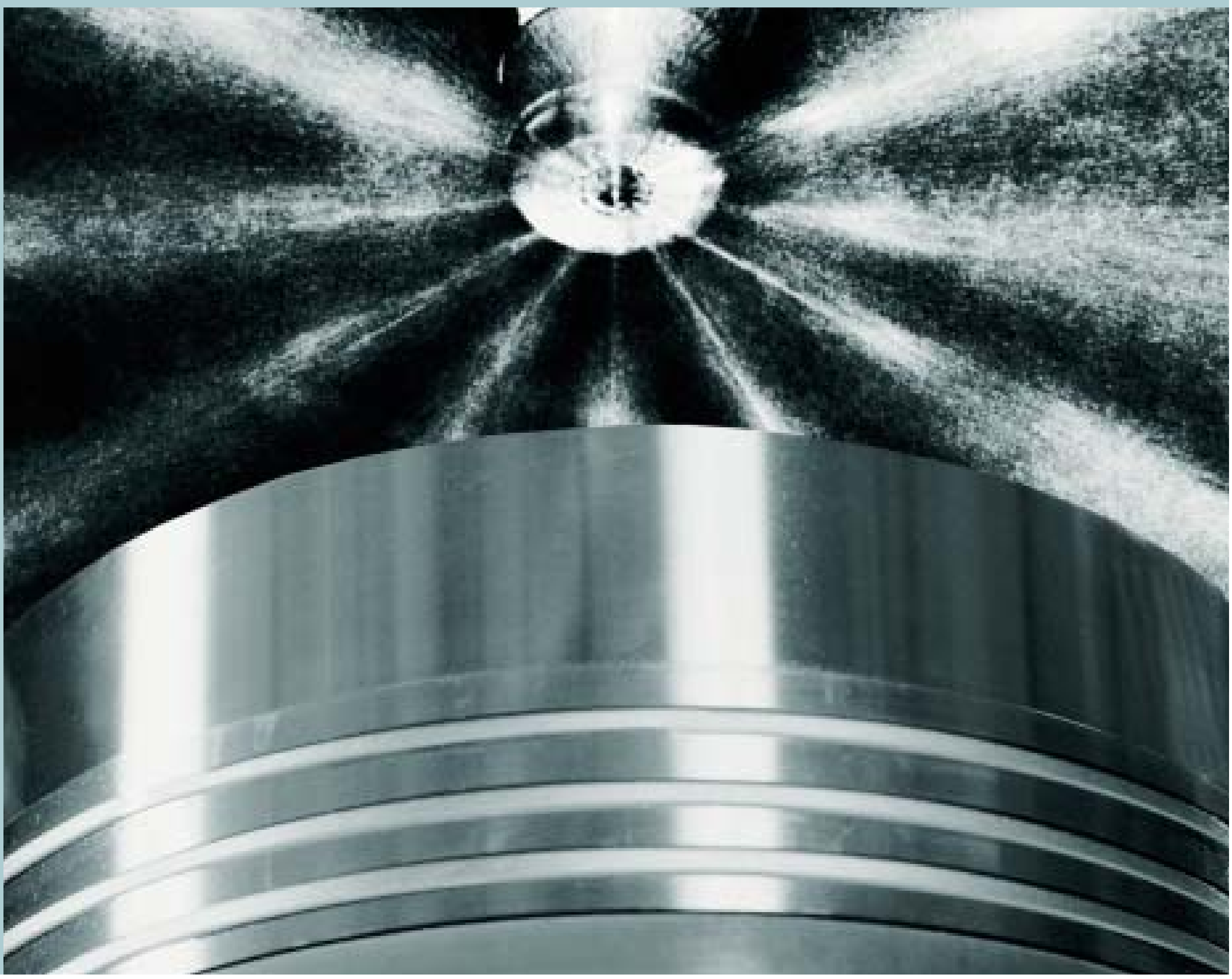
Earnings before taxes of €10 million were significantly lower than the previous year's figure of €89 million, due to the drop in sales, expenditure on restructuring measures and additional costs accruing from customer financing in the US. Whereas the webfed sector again recorded very good earnings (EBIT €67 million after €77 million in 2001), losses were suffered in both the sector of sheetfed machines (EBIT –€43 million after €19 million) and in the sector of distribution and services (EBIT –€5 million after –€3 million).

Faintly positive outlook

The present strength of the euro, particularly against the dollar and the yen, and the Iraq crisis are creating considerable uncertainty in the marketplace. The climate for new investments in printing machinery is still unfavourable. Based on this scenario, demand is expected to show little momentum in any of our areas of operation – sheetfed presses, webfed presses or distribution and services – during the current financial year. In 2003, new orders and sales will therefore probably remain close to last year's level. In view of the general economic environment, the increasingly intense price competition and the fact that successful implementation of certain restructuring measures will not take effect until 2004, 2003 will probably be a difficult year in terms of profitability. A marked improvement is forecast for 2004, when a more favourable economic climate, beneficial stimulus from the drupa trade fair and the positive impact of our efficiency-enhancing programme may be expected.

01_ROLAND 700: medium-sized production system to meet the highest demands.
02_Reliability and quality-consciousness are typical of MAN Roland's style of working.
03_ROTOMAN heatset rotary presses offer a high net printing output, e.g. for newspapers and catalogues.
04_Now also available as a 16-page heatset system: MAN Roland's DICOweb, a digital webfed offset press.

MAN B&W Diesel – right on course



In spite of declining investment confidence in the shipbuilding and energy sectors, the MAN B&W Diesel Group successfully upheld its market position. Earnings remained at a high level. Although a marginal reduction in volumes and earnings is expected for the current year, future prospects are still regarded as positive.

Due to the continuing weak global economy, demand for merchant-shipping capacity and energy continued to decline during the year under review. The renewed strength of the euro also deterred export business. Furthermore, the order boom of the previous two years having led to surplus capacity in merchant-shipping fleets around the world, interest in ordering new vessels was reduced even further. On a global scale, the power-station sector also suffered from a lack of incentive to construct new plants. With few exceptions, investment was limited to expanding existing installations.

We offer our customers a full range of engines from approx. 400 kW to over 80,000 kW.

Against this background, the MAN B&W Diesel Group again performed well, thanks to its comprehensive product mix. Customers are offered a full range of engines for all applications, with outputs varying from approximately 400 kW to over 80,000 kW.

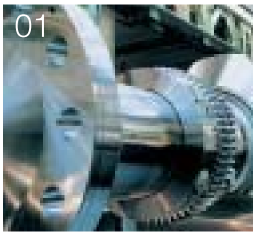
Stability in a contracting market

In view of the difficult situation on world markets and the record order levels of the previous year, the 8% decrease in incoming orders down to €1,363 million in 2002 remained within acceptable limits. Sales reached the same level as 2001, amounting to €1,408 million, the satisfactory level of orders on hand at the beginning of the year acting as a stabilising factor.

During the year under review, the shipbuilding industry recorded a worldwide drop in ordered tonnage from some 37 million gt to around 30 million gt for vessels over 2,000 gt. Together with our licensees, we were able to acquire a 74% share of the new orders in a contracting market for two-stroke engines designed for large merchant ships, representing a total output of almost 7 million kW. At the same time however, order levels fell to about 11 million kW compared with the peak figures of 2002 and 2001, which reached 16 million kW in both years. The weak market for container ships showed a marginal upturn in the final quarter of 2002, while the low level of tanker business persisted.

MAN B&W Diesel Group
€ million

	2002	2001
New orders	1,363	1,489
Sales	1,408	1,415
Earnings before taxes	68	75
Employees (number at 31 Dec.)	6,889	7,286
Return on capital employed (%)	16.8	17.4
Return on sales (%)	4.9	5.3



01_Crankshaft for a heavy four-stroke diesel engine.
02_This new 8L 21/31 engine is manufactured at the Holeby works in Denmark.

We upheld our market position in the face of falling demand.

Our heavy four-stroke engines, so-called medium-speed models, were installed in conventional merchant vessels, container ships and oil tankers, as well as in dedicated vessels, such as ferries, specialised tankers, dredgers and supply ships.

In terms of output power installed in ships weighing 2000 gt or more, our four-stroke engines secured an almost 20% share of the market in 2002 in the face of very keen competition, compared with 24% in the previous year. It was therefore possible to again maintain our strong position in this sector, in spite of a reduced market share compared with the exceptionally high level of 2001. Our high-speed diesel engines upheld their leading market position, especially in the sector of high-speed ferries, which did not however show any indications of reviving during the year under review.

We see the offshore sector as offering a growth market in the mid-term. Our involvement in this field includes diesel and diesel-gas engines for diesel-electric-driven FPSO (floating, production, storage and offloading) vessels and drilling ships, as well as systems for powering supply ships and gensets for oil-drilling platforms.

Success in the energy sector

In spite of the difficult situation on the power-generation market, it was possible to even marginally exceed the substantial order volume recorded in 2001. Priority was given to tenders for complete system solutions, with project financing playing a decisive competitive role in almost all cases.

Based on stable market volumes for non-automotive diesel engines with specific outputs exceeding 3.5 MW, we were able to increase our total market share for medium and low-speed engines held directly and via licensees to 38% between July 2001 and May 2002, compared with 31% during the preceding comparable period. Our market share in the sector of heavy medium-speed and low-speed engines with specific outputs exceeding 7.5 MW rose from 43% to 47%.

Ideas for progress

A high technical standard, economic viability and on-going development of our products are the key to our market success. We also focus on continuous improvement of environmental compatibility. In order to achieve this, we concentrate a great deal of effort into research and development, almost €100 million being spent on R&D projects in 2002. This was equivalent to 7% of our sales revenue. In turn, this effort resulted in numerous new developments in the field of diesel technology, securing our lead on world markets.

03 Assembling large parts: an engine casing is mounted onto the crankshaft.

Most powerful two-stroke engine

Our new development in the field of two-stroke engines, the most powerful diesel engine yet sold worldwide, the 12K98MC/MC-C with 68,640 hp, has been showing excellent operating results since October 2001. In all, 93 of these engines have already been delivered to clients.

Another successful innovation is our »intelligent engine«, the world's first two-stroke engine with electronically-controlled fuel injection and exhaust valve, which has already shown excellent performance during 10,000 hours of operation in a Norwegian chemical tanker. Orders have meanwhile been received for nineteen of these engines, which represent yet another milestone in the development of the diesel engine.

The slide valve, a novel fuel-injection system developed by ourselves, is now produced on a commercial scale and included as standard in almost all two-stroke engines. This fuel-injection technology results in significantly cleaner emission and fewer deposits inside the combustion chamber. Similarly, our computer-controlled alpha lubricator for cylinders, serving to further reduce the consumption of lubricating oil, has meanwhile been introduced as a standard component in commercial series. Customers have already placed orders for more than 200 engines incorporating this technology.

Complete range of four-stroke engines

The newly-developed L21/31 has completed our series of small medium-speed engines in the four-stroke class. The first engine to be produced on a commercial scale is to be delivered in the spring of 2003. Together with the L16/24 and the L27/38, we are now able to offer a complete range of engines in the lower output segment. The new engine will make a decisive contribution towards securing an approximately 50% share of the world market for HFO (heavy-fuel-oil) gensets.

The supercharging system in the L32/40 engine has been modified for special applications, primarily in the offshore sector. Due to the optimal exhaust pipe, the acceleration performance of the engine has been significantly improved.

The L/V 48/60 engine, for which a B version with an entirely reworked injection system was developed, now offers higher output coupled with considerably lower fuel consumption and less smoke emission.

Our new high-speed four-stroke RK280 engine also operates with exceptionally low fuel consumption and, offering an output of up to 9,000 kW, is designed for use either as a propulsion or genset engine, in power stations or to drive pumps. It will continue the success of the RK270 engine, which has been the favoured alternative for high-speed ferries since 1990.

In order to reduce nitrogen-oxide emission, S.E.M.T. Pielstick has developed the humid-air motor system (HAM) together with a partner, which has already proved itself in a ferryboat environment. It provides for an up to 65% reduction in nitrogen oxide without increasing operating costs.

01_Installing a piston ring at the Augsburg works.
02_The cruise liner »Norwegian Dawn«.
03_Two-stroke engines are mainly produced under licence.
04_Casting an engine casing in our Augsburg foundry.

New standards for turbochargers

Initial commercial production of the new TCA axial-turbocharger series is now underway. Its level of efficiency and low noise emission have set new standards in the development of turbochargers. As a result of brisk demand, over thirty pieces are currently in production.

Heating technology expands

Our range of heating-technology products was also expanded. During the period under review, a further appliance with an output of 70 kW was added to the »Procon« series of gas condensers and launched onto the market. We are anticipating considerable success with this appliance, particularly in our export markets.

Satisfactory earnings

In spite of restrained trading activity in certain sectors and expenditure on restructuring and streamlining sites in England, the MAN B&W Diesel Group generated pre-tax earnings of €68 million for the 2002 financial year, this being only slightly below the previous year's figure of €75 million, the best result in the company's history.

Continuing positive outlook

Based on our market-oriented and progressive product range, we foresee a continuing positive trend in business performance. Due to declining market activity, there will however be a temporary reduction in capacity utilisation, which will be counteracted in the form of short-time work at the Augsburg plant. Owing to expenditure on structural measures that have become necessary within the group, we expect a moderate downturn in earnings for the current year. In the mid-term, we anticipate renewed marginal growth in business opportunities in the sectors of marine systems and construction of electricity generating plants.

Industrial Equipment and Facilities

The Industrial Equipment and Facilities division is made up of the companies portrayed on pages 76 to 85.

MAN Turbomaschinen – new formation proves effective

In view of the slowing world market, the MAN Turbomaschinen Group performed well, closing the 2002 financial year with satisfactory earnings. Prospects for the new financial year are viewed with cautious optimism.

The MAN Turbomaschinen Group, formed in 2001 following the integration of Sulzer's turbomachine activities, passed its initial test in the year 2002, in spite of an increasingly difficult market environment. Based on the three core companies in Germany, Italy and Switzerland, as well as market-oriented competence centres, a new integrated administrative and management structure was created to form a matrix organisation. The group's German company, MAN Turbomaschinen AG GHH BORSIG AG, was renamed MAN Turbomaschinen AG.

Stable performance in a slowing market

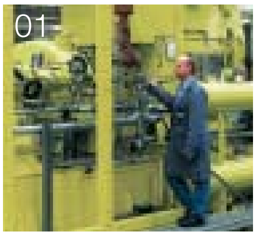
We are working to expand present areas of application for our products and advance into new ones.

Our sales markets were also affected by the overall economic slowdown during 2002, demand being much lower than expected, particularly in the US. Additionally, contracts for several major projects were delayed. In this scenario, the 3% shortfall in new orders compared with 2001 was fairly insignificant.

Incoming orders for new industrial facilities more or less matched the level of the previous year and several significant contracts were acquired. Of special note was the delivery of three compressors, each driven by its own steam turbine, to an ethylene plant in Hungary. Our strategy of concluding blanket agreements with major customers in the oil and gas industries likewise resulted in several large orders. At the same time, new product developments showed their merits. For instance, the newly-constructed sealed HOFIM (high-speed oil-free), an hermetically-sealed, oil-free compressor for high-pressure conditions, experienced a successful market launch. New orders in the service sector equalled the level of the previous year. A comprehensive service contract was signed with the largest oil and gas producer in Brazil. The conclusion of long-term agreements serves to secure and expand business volume in this sector.

MAN Turbomaschinen Group
€ million

	2002	2001
New orders	539	556
Sales	530	555
Earnings before taxes	22	26
Employees (number at 31 Dec.)	2,500	2,418
Return on capital employed (%)	11.7	16.8
Return on sales (%)	4.2	4.8



01_Process-gas, screw-compressor package for gas accompanying crude oil.
02_Geared compressor for one of the world's largest terephthalic acid plants.

Due to the hesitant placement of orders for new facilities and services, especially at the beginning of the year, sales remained almost 5% below the figure recorded in 2001. The success of the new group organisation was reflected in the processing of one of its first major contracts, which involved the core companies in both Germany and Switzerland. The set of machinery ordered for an air-separation plant via our American sales subsidiary included a main air-compressor from the Zürich works, a geared compressor from Berlin and a steam turbine from Oberhausen.

R&D leads to new areas of application

By exploiting synergies in the form of a joint R&D programme, cost-savings were achieved in the turbocompressor sector. In addition to improving the efficiency and reducing the construction costs of our range of existing products, our prime target continues to be the expansion of present areas of application and advances into new ones. The field of multiple-wave compressors offered one example of this. For the first time, an eight-stage high-pressure machine, previously used successfully for a pipeline, was installed in a urea plant, operating at pressures of up to some 150 bar. In the course of harmonising our range of radial-flow compressors, a new, low-cost standard series was developed for ultimate pressures of up to 200 bar, in order to meet market demands for shorter delivery times. The first machine in this series has already been sold.

In the case of gas turbines, the START development programme was successfully launched. This bundles several projects aimed at increasing output, while at the same time reducing emission and is sponsored by the federal state of North Rhine Westphalia. A new gas-turbine model was developed, offering considerably improved levels of output and efficiency and the first customers were acquired from the natural-gas industry. Furthermore, a newly-developed effective-output turbine was released for general sale following faultless performance during testing.

Worldwide sales and service centres

The newly-formed MAN TURBO Group offers a worldwide sales and service network comprising its own companies and a large number of regional partners. The advantages of this extensive network became particularly evident in the face of weakening global markets, to which we were able to respond selectively due to our local presence. We also benefited from the fact that we offer a full range of services, from technical consultancy to supplying spare parts, as well as carrying out all assembly and maintenance work and converting existing equipment.

Satisfactory earnings

In view of the weak market environment, the MAN Turbomaschinen Group recorded satisfactory pre-tax earnings of €22 million for the 2002 financial year, compared with €26 million in the previous year.

Cautiously optimistic outlook

In the absence of any major global disturbances of a political or economic nature, we anticipate a moderate recovery in market demand. Based on this premise, expectations are geared to achieving higher levels of orders, sales and earnings during the current financial year.

03 Converting Russian pipeline compressors: view of the internal bundle.
04 Manufacturing plant for synthetic elastic fibres.
05 Working on an experimental missile at MAN Technologie.
06 The new EPCU buildings in Kourou guarantee high security for satellite testing and final assembly.

01 MAN Technologie AG is the prime contractor for development, construction and integration of the SOFIA telescope.

MAN Technologie – turbulence on the aerospace and aviation markets

In the wake of significantly weakening activity on both the aerospace and aviation markets, new orders and sales declined. Additional pressure on earnings came from exceptional depreciation and technical problems resulting from the ARIANE 5 programme. For 2003, a largely improved, although still negative result is expected.

Deteriorating market environment, problems at ARIANESPACE

In the course of the last financial year, MAN Technologie was confronted with a radically deteriorating market environment in the aerospace and aviation sectors. This was due largely to an unexpectedly weak demand for commercial satellite launches and a significant downturn in orders for aircraft equipment following the Fairchild Dornier insolvency. In addition, there were technical problems with the new version of the ARIANE 5 and NASA's expansion programme for its International Space Station was discontinued, putting considerable further strain on the space sector.

MAN Technologie
€ million

	2002	2001
New orders	90	123
Sales	186	227
Earnings before taxes	(39)	5
Employees (number at 31 Dec.)	887	1,023
Return on capital employed (%)	(47.3)	11.3
Return on sales (%)	(20.7)	2.4

Weak order situation

In all, 27% fewer orders were received compared with 2001, with orders in the aerospace sector showing an above-average decrease of 33%. Registering a drop of 22%, incoming orders from the aircraft industry were also lower than expected. The mobile-bridge business recorded a moderate decline. Overall sales fell by 18%. Space activities still held the largest share of sales, contributing 64%, followed by aviation with 18%.

Severe pressure on earnings

Earnings will improve as a result of extensive restructuring measures.

Following completion of the ARIANE 4 programme by ARIANESPACE, the company marketing these space launchers, production of the ARIANE 4 was discontinued as planned during the year under review. Contrary to expectations, other space products, especially those intended for the ARIANE 5 programme, and orders from the aircraft industry were unable to compensate for the subsequent shortfall in sales of some €60 million. This led to idle capacity, which, coupled with additional extraordinary expenditure in the form of added depreciation and restructuring costs, had an extremely adverse effect on earnings. The cumulative effect of these negative influences during 2002 resulted in a pre-tax loss of €39 million, compared with positive earnings of €5 million in 2001.

Outlook

Continuing uncertainty in the aerospace sector represents an on-going risk in terms of new orders, sales and capacity utilisation. In view of the absence of further extraordinary expenses and our extensive restructuring and cost-reduction measures, we are expecting a largely improved, although still distinctly negative result in 2003.

02 Ferry powered by a RENK gear unit.
03 70-MW RENK turbo-drive.

RENK – consolidation at a high level

RENK was able to maintain its leading market position while repeating its satisfying earnings performance. The prospects for the year 2003 are positive.

Against the background of a general economic downswing during the last financial year, RENK was able to hold its own on its various markets. Although new orders decreased by 12% owing to the economic situation, it was possible to increase sales by another 1% due to high levels of existing orders.

Vehicle transmissions still in top gear

Our outstanding market position as the leading manufacturer of transmissions for tracked vehicles remained unchallenged during the 2002 financial year. New orders included a first batch of transmissions comprising some 175 units for a modernisation project undertaken by one of the NATO partners. Our French subsidiary SESM took an order for another batch of the transmission series used in the Leclerc programme.

In our globally-active sector of drive components, incoming orders fell for economic reasons, the standard e-bearings business being particularly affected. On the other hand, project-related business focusing on marine bearings was able to register a further increase in order volumes.

Our market leadership in the field of transmissions for tracked vehicles remained unchallenged.

Record sales for large gear units

The construction of large gear units, including non-automotive and marine gear units, continued to enjoy overall growth. By reducing the high level of orders on hand in Augsburg, new record sales were achieved, accompanied by a corresponding improvement in earnings. The Rheine works, which produces large gear units, was able to sustain its 2001 level.

Test systems on the up

Operations in the test-systems sector were most successful, with new orders increasing by almost 60%, due mainly to expanding business in America.

Earnings performance continues at satisfying level

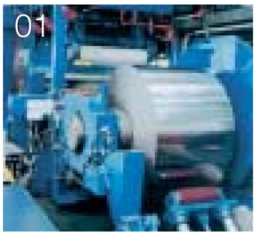
In 2002, RENK recorded a result of ordinary operations of €19 million. The shortfall of €24 million compared with the previous year was due to a temporary drop in vehicle transmission sales, combined with higher start-up costs for three new series. The dividend payable to RENK shareholders remains unchanged at €1.20 per share.

Positive outlook

RENK has begun the year 2003 with a large order portfolio, which is however unevenly distributed across its business units. Subject to positive economic developments, we are expecting the overall level of new orders and sales to match the encouraging figures of 2001.

RENK
€ million

	2002	2001
New orders	305	348
Sales	255	252
Result of ordinary operations	19	24
Employees (number at 31 Dec.)	1,531	1,513
Return on capital employed (%)	19.0	24.8
Return on sales (%)	7.5	9.4



01_Winding cold steel strips.
02_Forged truck steering-knuckle.

SMS – improved earnings in a weak market

The SMS Group performed well in a difficult environment. New orders and sales declined only slightly while the earnings trend was reversed. A marginally positive result is again predicted for the current financial year.

During the 2002 financial year, the SMS Group again faced a difficult economic environment. The market for metallurgical installations remained at its previous low level. Manufacturers of plastics machinery likewise suffered from a sustained weak demand. In spite of this negative overall scenario, business activity remained buoyant. Incoming orders registered only a moderate downturn of 5%, while sales fell below last year's level by a marginal 2%.

Continued contraction on the market for metallurgical and rolling-mill technology

The downward trend in global demand for metallurgical and rolling-mill technology persisted, the market having already contracted by a third in recent years. This was mainly due to the on-going process of concentration in the steel and aluminium industries.

As a result of this development, the metallurgy and rolling-mill operations failed to reach the targeted level of new orders, suffering instead a drop of 15%. Nevertheless, we again succeeded in acquiring a series of notable major contracts in the face of extremely keen international competition. As leader of an international consortium, we were awarded a contract for the construction of a 5-m-plate rolling-mill by the Baoshan Iron & Steel Group in China. After the first building phase, the works will offer a capacity of 1.4 million tons and be the largest and most advanced installation of their kind in China. Another major order was also received from China. The Handan Iron & Steel Company commissioned us, again as leader of a consortium, to erect a new cold rolling-mill for the annual production of 1.4 million tons of high-grade steel. In Spain, CELSA awarded us with a contact to expand and modernise its existing steelworks in Castelbisbal, including the engineering work, supplying all core components, assembly and supervision of the operational start-up.

The CSP (compact strip production) technology developed by ourselves is meanwhile becoming well established on the market. We shall be leading a consortium to construct a newest-generation CSP plant with two casting strands for the Valin Iron & Steel Group in China. This will be the fifth CSP plant to be built in China by our group.

SMS
€ million

	2002	2001
New orders	2,001	2,117
Sales	2,190	2,239
Earnings before taxes	6	(9)
Employees (number at 31 Dec.)	9,419	9,141
Return on capital employed (%)	5.5	3.8
Return on sales (%)	0.3	(0.4)

03 Welded scaffolding for large straight-bead welded pipe.

Piping, profile and forging technology: leading position expanded

The newly-formed business unit for piping, profile and forging technology, which now includes the piping, profile and copper facilities at SMS Meer GmbH, Concast AG and the pressing and forging technology at SMS Eumuco GmbH, was able to further expand its position as the leading player on the world market. Thanks to a sustained improvement in our competitive strength, we succeeded in increasing our order intake by 12% last year, compared with 2001.

Our success was further evidenced by the receipt of several significant major contracts. These included a contract from ProfilARBED in Luxembourg for the turnkey construction of a medium-sized steel rolling mill, to be designed for a capacity of 800,000 t. The SADID Industrial Group in Iran ordered machinery and equipment for a large pipe plant on the Persian Gulf, with an annual capacity of some 350,000 t.

Slight recovery in plastics technology

The economic environment also remained difficult for SMS-Kunststofftechnik throughout the 2002 financial year. The plastics machinery industry continued to suffer from a sustained low level of market activity, especially in the US and Europe. We nevertheless succeeded in increasing order volumes by 2% compared with the previous year. This success was largely due to the fact that we have secured a strong market position based on the wide range and high quality of our products. As a result, the still declining level of sales should also begin to rise again.

The measures already introduced to streamline our organisation and business processes are to be reinforced.

Further realignment necessary

In view of the continuing low level of incoming orders in the sectors of metallurgical, rolling-mill and plastics technology, the measures introduced in earlier years to streamline our organisation and business processes are to be reinforced. This will involve further reductions in manpower. These measures will enable us to realign to current market conditions without relinquishing our leading position in the fields of technical development, sales structures and independent production facilities.

To further secure our leading market position, capital expenditure was again increased during the year under review. Investment focused on expansion of information technology to modify our worldwide infrastructure and on machines for the production of core components in our own workshops.

Positive earnings

As a result of consistent implementation of current restructuring measures, we were able to achieve our target of marginally positive earnings in 2002. Pre-tax earnings reached €6 million, after a deficit of €9 million in 2001.

Outlook

No major changes in economic trends are anticipated in our markets during the current year. In spite of the on-going difficult overall conditions, we still see a good possibility of once again achieving a marginally positive result in 2003.

01_Presses for the manufacture of sintered structural parts.
02_Interlinked system for processing casings for differential gear-shaft units.

Schwäbische Hüttenwerke – success with new products

In spite of slowing economic activity in the automobile and industrial equipment sectors, SHW was able to stabilise its overall business volume at a high level. Declining sales of industrial equipment did however lead to a downturn in earnings. We view the future with restrained optimism.

During the year under review, Schwäbische Hüttenwerke GmbH once again recorded an increase in incoming orders by supplying innovative products to the automotive industry, which more than compensated for the shortfall in the industrial equipment sector. Overall sales decreased however.

Innovative products boost car supplies

Economic activity in the automobile industry dipped considerably, resulting in declining order volumes from car manufacturers. Thanks to new developments, for instance in the field of integrated oil-pump systems which are now being manufactured on a commercial scale, it was possible to register a repeated marked increase in new orders and sales in the automotive sector, contrary to the overall market trend. As a result, we were able to positively strengthen our market position.

Continued restraint in the industrial equipment sector

The market for industrial equipment continued to deteriorate, with almost all types of industrial equipment suffering from falling orders and sales. Due to the timing of settlements, there was a particularly sharp decrease in sales, affecting mainly the foundries in Wasseralfingen and Königsbronn. In the course of last year, these two production facilities were merged to form SHW Casting Technologies GmbH with a view to enhancing synergy utilisation between the two sites.

Business has stabilised at a high level.

Schwäbische Hüttenwerke
€ million

	2002	2001
New orders	236	230
Sales	230	238
Earnings before taxes	10	16
Employees (number at 31 Dec.)	1,318	1,391
Return on capital employed (%)	14.2	22.8
Return on sales (%)	4.2	6.9

Downturn in earnings

Declining sales in the industrial equipment sector throughout the 2002 financial year led to a notable reduction in earnings, which fell to €10 million compared with €16 million in 2001. Net profits of €5.9 million will however ensure that the dividend distribution remains unchanged at €5.2 million.

Outlook

In view of the unsolved problem in Iraq, on-going economic development remains uncertain. Provided that demand in the automotive industry continues to be stable and economic conditions improve in the industrial equipment sector, our business development may still be viewed with cautious optimism.

03 180-t RH-TOP degasifying plant at U. S. Steel Košice, Slovakia.
04 RENK plain bearings on a large diesel generator.
05 Control centre in a hot-strip rolling mill.
06 CODOG gear-unit for Meko frigates.
07 Beam blanks in the ProfilARBED S. A. foundry, Esch-Belval, Luxembourg.
08 Playmobile toy production on one of Battenfeld's HM machines.
09 Processing vehicle brake-discs with integrated ventilation.

MAN Group
Consolidated financial statements

Fiscal year ended December 31, 2002

Since fiscal 1998/99, MAN has prepared its consolidated financial statements in accordance with the International Accounting Standards (IAS), thus offering detailed information, enhanced transparency and terse presentation regarding the net assets, financial position and results of operations of the MAN Group and its segments. This financial information is rounded off by comprehensive reports on the various business operations in the form of voluntary annual reports and subgroup accounts of the major companies, viz. MAN Nutzfahrzeuge, Ferrostaal, MAN Roland Druckmaschinen, MAN B&W Diesel, MAN Turbomaschinen, RENK, and the SMS Group.

Contents

88 **Consolidated income statement**
89 **Consolidated balance sheet**
90 **Cash flow statement**
91 **Statement of changes in equity**

Notes to the consolidated financial statements
92 General principles
93 Methods of consolidation
96 Accounting and valuation principles
101 Segment reporting
104 Notes to the consolidated income statement
108 Notes to the consolidated balance sheet
116 Other information
120 Memberships in other statutory boards or equivalent

123 **Auditor's report & opinion**
124 **Summarized financial statements of the MAN Group's divisions/subgroups**
128 **Seven-year financial summary**
130 **Glossary**

MAN Group
Income statement for the fiscal year ended December 31, 2002

€ million	Note	2002	2001
Net sales	(1)	**16,040**	**16,300**
Cost of sales		(13,365)	(13,519)
Gross margin		**2,675**	**2,781**
Selling expenses		(1,162)	(1,125)
General administrative expenses		(694)	(685)
Other operating income	(2)	403	514
Other operating expenses	(3)	(826)	(1,080)
Income from investments	(4)	(5)	11
EBIT		**391**	**416**
Net interest result	(5)	(172)	(203)
Profit from ordinary operations (EBT)		**219**	**213**
Income taxes	(6)	(72)	(62)
Net income		**147**	**151**
Minority interests		(12)	–
Net income after minority interests		**135**	**151**
Transfer to reserves retained from earnings		(47)	(63)
Net earnings		**88**	**88**
Earnings per share (in €)	(7)	**0.92**	**1.01**

MAN Group
Balance sheet as of December 31, 2002

Assets
€ million

	Note	Dec. 31, 2002	Dec. 31, 2001
Intangible assets		520	469
Tangible assets		2,296	2,428
Assets leased out		788	760
Financial assets		158	190
Fixed assets	(9)	**3,762**	**3,847**
Inventories	(10)	3,773	4,618
less prepayments received		(1,679)	(2,582)
Trade receivables	(11)	3,293	3,600
Other receivables and current assets	(12)	779	598
Short-term securities	(13)	668	988
Cash & cash equivalents	(13)	609	571
Current assets		**7,443**	**7,793**
Deferred tax assets	(6)	**444**	**402**
Prepaid expenses & deferred charges		**43**	**48**
		11,692	**12,090**

Equity & liabilities
€ million

	Note	Dec. 31, 2002	Dec. 31, 2001
Capital stock		377	395
Additional paid-in capital		794	675
Reserves retained from earnings		1,406	1,412
Net earnings		88	88
Other comprehensive income		(35)	(2)
Equity of MAN AG stockholders		**2,630**	**2,568**
Minority interests		261	294
Equity	(14)	**2,891**	**2,862**
Pension accruals	(15)	2,052	1,997
Current tax accruals		118	160
Deferred tax liabilities	(6)	476	423
Other accruals	(16)	1,876	2,020
Accruals		**4,522**	**4,600**
Financial liabilities		1,538	1,906
Trade payables		1,846	1,846
Sundry liabilities		830	800
Liabilities	(17)	**4,214**	**4,552**
Deferred income		**65**	**76**
		11,692	**12,090**

MAN Group
Cash flow statement 2002

€ million	2002	2001
Cash & cash equivalents at beginning of period	**571**	**620**
Net income	147	151
Amortization/depreciation/write-down of fixed assets	660	650
Changes in pension accruals	61	62
Other noncash expenses and income	–	(1)
Cash flow acc. to DVFA/SG	**868**	**862**
Elimination of net gain/loss on fixed-asset disposal	(35)	(92)
Changes in inventories	872	92
Changes in prepayments received	(916)	(28)
Changes in trade receivables	216	212
Changes in trade payables	11	(60)
Changes in other accruals	(158)	37
Changes in other receivables and current assets	(25)	(95)
Other changes in working capital	(136)	(231)
Cash provided by operating activities	**697**	**697**
Purchase of sundry tangible and intangible assets	(463)	(554)
Purchase of financial assets	(28)	(31)
Acquisition of consolidated subsidiaries	(34)	(192)
Cash & cash equivalents of consolidated subsidiaries taken over	2	55
Increase in assets leased out	(472)	(501)
Decrease in assets leased out	300	448
Other cash inflow from fixed-asset disposal	104	201
Cash used in investing activities	**(591)**	**(574)**
Cash inflow from the conversion of preferred into common stock	101	–
Dividend payment	(99)	(87)
Minority interests in capital increases	–	4
Repurchase of treasury stock	–	(163)
Change in short-term securities	275	99
Change in financial liabilities	(257)	17
Cash (used in)/provided by financing activities	**20**	**(130)**
Net change in cash & cash equivalents	**126**	**(7)**
Change due to cash & cash equivalents redefined as of 1/1/2002	(78)	–
Changes in cash & cash equivalents due to changed consolidated group	2	(43)
Parity-related changes in cash & cash equivalents	(12)	1
Cash & cash equivalents at end of period	**609**	**571**

MAN Group
Statement of changes in equity 2002

€ million

	Capital stock	Additional paid-in capital	Reserves retained from earnings	Net earnings	OCI	Minority interests	Total
Balance at Dec. 31, 2000	**395**	**675**	**1,515**	**77**	**–**	**301**	**2,963**
Repurchase of treasury stock			(163)				(163)
Minority interests in capital increases						4	4
Dividend payment				(74)		(13)	(87)
Net income for 2001				151		–	151
Transfer to reserves retained from earnings			66	(66)		–	–
Currency translation effects			9			3	12
All other changes			(15)		(2)	(1)	(18)
Balance at Dec. 31, 2001	**395**	**675**	**1,412**	**88**	**(2)**	**294**	**2,862**
Withdrawal of treasury stock	(18)	18					–
Premium from the conversion of preferred into common stock		101					101
Dividend payment				(88)		(11)	(99)
Net income for 2002				135		12	147
Transfer to reserves retained from earnings			47	(47)		–	–
Currency translation effects			(46)			0	(46)
Changes in unrealized gains/losses					(33)	(26)	(59)
All other changes			(7)			(8)	(15)
Balance at Dec. 31, 2002	**377**	**794**	**1,406**	**88**	**(35)**	**261**	**2,891**

Notes to the consolidated financial statements

General principles

The consolidated financial statements of MAN AG for the fiscal year ended December 31, 2002, have been prepared according to the International Accounting Standards (IAS) in force and effect as of balance sheet date. The IAS conform with the 7th EC Directive. Pursuant to Art. 292a German Commercial Code ("HGB"), IAS-based consolidated financial statements exempt MAN from the obligation to publish group accounts according to German accounting regulations.

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

- Long-term manufacturing or construction contracts are recognized according to their percentage of completion (PoC).
- Development costs of new products and series are capitalized.
- Deferred maintenance is not provided for.
- Deferred tax assets have been capitalized for tax loss carryovers.
- Financial instruments are recognized at fair (market) value.

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

In comparison to the prior year, we changed the disclosure method for two accounting technicalities:

– The remaining receivables and payables under intragroup financing (i.e., accounts due from or to nonconsolidated Group companies and investees) are disclosed as of December 31, 2002, as other current assets or sundry liabilities, as applicable. The year before, these accounts had been included at €78 million in cash & cash equivalents and €105 million in financial liabilities. Due to the changed disclosure principle, cash & cash equivalents and financial liabilities in MAN's consolidated balance sheet now show solely short-term accounts due from and to banks. Due to the relatively minor effect of this change on the net liquid assets, the prior-year comparatives have not been restated.

– When profit centers were established within Commercial Vehicles, the policy of expense allocation to general administrative and selling expenses or to cost of sales changed. The prior-year data has been restated accordingly.

Adjustment of prior-year data for comparison
€ million

	Disclosed in 2001	Adjustment	Restated on 2002 basis
Cost of sales	13,625	(106)	13,519
Selling expenses	1,054	71	1,125
Administrative expenses	649	36	685
Other expenses	1,081	(1)	1,080
	16,409	**–**	**16,409**

Methods of consolidation

Group of consolidated companies, acquisitions

Besides MAN AG as the parent, all subsidiaries are included (i) in which MAN AG holds (whether directly or indirectly) the majority of voting rights, or (ii) whose financial and business policies can be controlled by MAN AG under the articles of association of, or an intercompany or other contractual agreement with, any such subsidiary; case (ii) applies to SMS AG and its subsidiaries, as well as to Schwäbische Hüttenwerke GmbH (including its subsidiary), in which MAN AG holds 50% of the voting rights.

Companies acquired during the fiscal year are included p.r.t. as from the date of their acquisition, while those disposed of during the fiscal year are not consolidated.

Number of consolidated companies

	Germany	Abroad	Total
Included as of December 31, 2001	96	154	250
Newly included in 2002	11	16	27
Excluded in 2002	14	13	27
Included as of December 31, 2002	**93**	**157**	**250**

In fiscal 2002, an unchanged 250 companies have been consolidated, i.e. 93 German (down from 96) and 157 foreign ones (up from 154). Versus the previous fiscal period, altogether 27 companies were newly consolidated, including several minor firms acquired in 2002 which are all consolidated as from their respective acquisition dates.

– As of January 1, 2002, MAN Roland Druckmaschinen AG acquired through ppi Media GmbH (its Hamburg-based 74.8-percent subsidiary) Pape + Partner Media GmbH, a Hamburg firm specializing in software solutions for automated newspaper production. €12 million was paid in an asset deal for the assets taken over. Initial consolidation generated a €11.5 million goodwill, which will be amortized over 10 years.

– SMS AG acquired a 50.1-percent stake in Millcraft SMS Services LLC, Washington, PA, USA. April 1, 2002, saw the inception of this company's operations, mainly metallurgical plant services. The purchase price of this stake amounted to US$9.4 million, the goodwill of $6 million resulting from initial consolidation will be amortized over 10 years.

A total €32 million (down from €137 million), net after cash & cash equivalents taken over, was incurred to acquire shares in consolidated subsidiaries.

Altogether 27 companies retired from the consolidation group, through either divestment or merger with other consolidated subsidiaries, or due to their minor significance. Divestments accounted for an outflow of cash & cash equivalents of a total €4 million (up from €0 million).

The acquisitions and other changes in the consolidation group impacted on the 2002 consolidated statements as follows:

€ million

Company*	Date of initial consolidation/ deconsolidation	Sales in 2002	Goodwill	Total assets*	Workforce (employees)*
ppi Media GmbH, Hamburg	Jan. 1, 2002	10	12	16	116
Millcraft SMS Services, Washington	Apr. 1, 2002	59	6	50	515
Other changes in 2002		24	10	(22)	(166)
Additional sales in 2002 by the companies consolidated in 2001 p.r.t. only		199			
Total effects		**292**	**28**	**44**	**465**

* at the date of initial consolidation/deconsolidation

Six investees (down from eight) are carried at equity as associated affiliates. The nonconsolidated subsidiaries are in the aggregate of minor significance for the presentation of the MAN Group's net assets, financial position and results of operations.

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

Consolidation principles

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

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

Any undistributed reserves earned after the date of initial consolidation are shown in the Group's reserves retained from earnings or as minority interests, as appropriate. The minority interests held by nongroup parties in the equity of consolidated subsidiaries are disclosed separately from MAN AG's stockholders' equity within the Group's equity.

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

Affiliates carried at equity are included on the basis of their latest annual accounts (mostly December 31, 2002). The equity proratable to the Group is shown under financial assets. The Group's shares in their EBT and in income taxes are recognized in the Group's income from investments and in tax expense, respectively.

Currency translation

For the consolidated financial statements, the concept of functional currency is used to translate the annual accounts of non-Euroland companies. Since the subsidiaries are economically independent entities in their own right, balance sheet lines are translated at the current, and income statement captions at the annual average, rates. Differences from the currency translation versus the prior year of balance sheet captions are recognized in equity only. Therefore, equity rose by an accumulated €5 million due to currency translation effects (including a negative €46 million from fiscal 2002).

In the fixed-asset schedule, the fiscal year's opening and closing balances are translated at the applicable current rates, while for the remaining fixed assets, the annual average rates are used. Currency translation differences are shown separately in the appropriate column.

The euro exchange rates of major currencies are as follows:

	Current rate of €1 at		Average rate of €1 in	
	Dec. 31, 2002	Dec. 31, 2001	2002	2001
US dollar	1.0487	0.8813	0.9442	0.8938
Pound sterling	0.6505	0.6085	0.6281	0.6201
Danish krone	7.429	7.437	7.430	7.451
Swiss franc	1.452	1.483	1.467	1.510
Swedish krona	9.153	9.301	9.138	9.268
Polish zloty	4.021	3.495	3.855	3.656
Turkish lira (1,000)	1,738.00	1,269.50	1,436.40	1,087.99
Japanese yen	124.39	115.33	117.71	108.47
South African rand	9.009	10.430	9.862	7.643

Accounting and valuation principles

Intangible assets

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

R&D costs are expensed. Excepted from this practice are the expenses incurred for the development of new products and series. Such expenses are capitalized from that year onwards in which the technical completion of the new development and its future marketability are secured. Amortization is charged per unit or on a straight-line basis over the estimated useful life of four to ten years.

Tangible assets

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

Tangible assets are depreciated according to the straight-line method over their estimated useful lives. Machinery, production plant and factory & office equipment purchased up to fiscal 1997/98 are mostly depreciated on a declining-balance basis. Low-value assets (defined as assets at cost of €410 or less) are fully written off in the year of their purchase.

The groupwide uniform asset depreciation ranges are based on the following useful lives:	
Buildings	20 to 50 years
Land improvements	8 to 20 years
Machinery and production plant	5 to 15 years
Factory and office equipment	3 to 10 years

Tangible assets whose NRV and value in use have both decreased below net book value are written down accordingly.

Leasing, assets leased out

Pursuant to IAS 17, tangible assets used under capital leases ("finance leases") are capitalized and depreciated. The property, plant and equipment leased within the MAN Group from MAN Financial Services (MFI) are shown in MFI's balance sheet.

Products leased out under operating leases are recognized by the lessor (mainly MAN Financial Services) at cost, unless sold to nongroup leasing firms for financing purposes, and depreciated over the underlying lease term.

Investments

Within investments, shares in major associated affiliates are stated at equity. The remaining investments are carried at the lower of acquisition cost or fair value. As an exception, investments for which a market value can be reliably determined are stated at market value, the difference from their book value being recognized within other comprehensive income.

Securities

Long- and short-term securities available for sale are fair-valued. The Group's short-term, as well as part of its long-term, securities have been categorized as available for sale and, therefore, their unrealized changes in fair (market) value are recognized in equity only (within other comprehensive income) after deducting deferred taxes. Long-term securities held either to maturity or in connection with pension plans are recognized at cost.

Current assets

Inventories are stated at the lower of cost or realizable market values (current NRV). Production cost includes all direct costs, as well as reasonable portions of necessary indirect materials and indirect labor, besides production-related depreciation. Overhead portions are mostly determined on a normal, in all other cases the actual, workload basis. General administrative and selling expenses are not capitalized, nor are any debt interest costs. Raw materials and merchandise are generally valued at average purchase cost. Risks resulting from slow-moving items and from the obsolescence or reduced utility of inventories are adequately and sufficiently allowed for while uncompleted contracts that involve impending losses are stated at their net realizable values.

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

Where the outcome (P/L) of such a long-term contract cannot be reliably estimated, revenues are recognized only at the amount of contract costs actually incurred. Any prorated profit will not be realized until after completion has reached a stage where future contract costs and revenues can be reliably estimated. Megacontracts that reached this stage in 2002 contributed a total €82 million (up from €22 million) to the gross margin.

Trade receivables as well as the other receivables and current assets are all carried at amortized cost. Due allowances are charged for bad debts and accounts due from countries involving transfer risks. A flat allowance for doubtful accounts provides for the general collection risk on the basis of empirical data.

Financial receivables (monetary assets) available for sale are fair-valued, the changes in fair value being recognized in equity only (within other comprehensive income).

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

Accruals, liabilities, deferred income

Pension accruals provide for future pension obligations according to the projected unit credit (PUC) method, duly taking into account future payroll and pension increases.

Warranty accruals provide for the obligations derived from the total warranty expenses of the warranty period and the sale of warranted products, as well as for specific warranties for known claims. Accrued costs yet to be billed and other business obligations are provided for at the best estimate of future cash outflows or, where owed in kind, the future production cost thereof. The remaining accruals provide for all identifiable risks and uncertain commitments at the amount expected to be realized or utilized. Accruals that include an interest portion are discounted. Liabilities are stated at the higher of face value or amount (re)payable.

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

Deferred taxation

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

Deferred tax assets are not recognized unless the attendant tax reductions will probably materialize. Deferred taxes account only for those amounts of loss carryovers for which taxable income sufficient for realizing the deferred tax assets is expected in the future.

Deferred taxes are calculated at the tax rates current at balance sheet date; in Germany, this rate is an unchanged 39.4 percent.

Financial derivatives and hedges

A financial derivative is a financial instrument whose value changes in response to changes in other variables, whose purchase cost is mostly little or nil and which is settled at some future date. Financial derivatives of relevance to the MAN Group are currency forwards and interest rate swaps.

Financial derivatives are measured at fair (market) value, which is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a transaction at arm's length. For currency derivatives, such amount is determined on the basis of exchange-quoted prices or by means of standardized pricing techniques. If their market value is positive, financial derivatives are shown within the other current assets and, if negative, as trade payables.

For derivative financial instruments that bear a hedging relationship, the changes in fair value in the fiscal year are recognized in accordance with the underlying hedging relationship.

If the financial derivative hedges an effective underlying transaction (including, without being limited to, the currency of an uncompleted contract or a trade receivable), it is a fair value hedge (FVH). In this case, changes in the derivative's fair value correspond to opposite changes in the hedged underlying transaction's fair value. In the balance sheet, the fair-value changes are recognized in the appropriate line of the underlying transaction, mainly trade receivables, inventories, or trade payables. In the income statement, changes in the fair value of hedge and underlying transaction have on balance no effect, the individual items being mutually offset within the other operating expenses.

Cash flow hedges (CFHs) basically include upstream exchange rate hedges for future sales revenues from series manufacture, for high-probability customer projects, as well as interest rate hedges for refinancing customer financing. In this case, any change in fair value is recognized in a separate equity line (other comprehensive income) and, pending its realization, not recognized in net income.

Any financial derivatives where the stringent requirements of IAS 39 for a hedging relationship are not met are considered instruments held for trading, and for these, any differences from fair value remeasurement are immediately and fully recognized in the income statement.

For details of the MAN Group's hedging strategy, see Note (20).

Income, gains, expenses and losses

Net sales are recognized as and when the underlying products or goods have been delivered or the services rendered, always net after all sales deductions, such as cash and other discounts, allowances granted to customers, etc. Revenues from long-term construction contracts are recognized on a percentage-of-completion basis (see the above comments on current assets).

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

Estimates

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

Cash flow statement

This statement breaks down cash flows into those from operating, investing and financing activities. Effects of changes in the group of consolidated companies are eliminated in the lines concerned. The change in cash & cash equivalents which is attributable to parity variations is shown in a separate line.

In the cash provided by operating activities, the noncash operating expenses and income, as well as the gains from fixed-asset disposal were all eliminated. The interest income of €71 million (down from €92 million), interest expense of €125 million (down from €175 million), and income taxes paid at €75 million (down from €129 million) are allocated to operating activities. The net result from investments stated at equity is not included unless distributed.

The cash used in investing activities includes the capital expenditures for fixed assets, including the intragroup-financed additions to assets leased out and the cash outflow for acquiring shares in consolidated subsidiaries. The cash & cash equivalents taken over when acquiring new shareholdings and the cash inflow from the disposal of fixed assets (including consolidated investments) are all shown as cash inflow.

The cash used in or provided by financing activities reflects the cash dividends distributed, capital paid in by stockholders, repurchased treasury stock, cash inflow from and outflow for securities held as liquidity reserve, as well as financial liabilities redeemed or newly raised. Cash & cash equivalents comprise cash on hand and in bank, as well as – in the subgroup accounts – the receivables from intragroup financing and P&L transfer.

Segment reporting

Comments on segment data

The Commercial Vehicles, Industrial Services, Printing Machines, Diesel Engines and Financial Services corporate divisions are identical with the MAN Nutzfahrzeuge, Ferrostaal, MAN Roland Druckmaschinen, MAN B&W Diesel and MAN Financial Services subgroups. Under the umbrella of Industrial Equipment & Facilities, the following subgroups are subsumed: MAN Turbomaschinen, MAN Technologie, RENK, Schwäbische Hüttenwerke, the SMS Group, as well as under Other Industrial Equipment, additionally Deggendorfer Werft und Eisenbau, MAN Logistics, and MAN Wolffkran with their subsidiaries. MAN Logistics and MAN Wolffkran had in 2001 been assigned to the Others segment within the MAN Group. Due to the comparatively minor effect of the reassignment (2 percent of segment sales), the prior-year data of Industrial Equipment & Facilities was not restated.

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

For more detailed subgroup information, see pages 124–127 of this annual report.

The order intake and sales totals of the segments are additionally broken down by geographical customer markets. Order intake data has been derived from the Group's reporting system and not been audited. Intercompany transfers are based on fair market prices as if at arm's length.

Total assets comprise fixed and current assets, as well as deferred tax assets and prepaid expenses & deferred charges.

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

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

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

Key rates of return

This annual report highlights EBIT margin, ROS and ROCE as indicators to control and assess performance by the Group and its corporate divisions with a view to increasing shareholder value. The EBIT margin and the return on sales (ROS) are obtained by dividing EBIT or EBT, respectively, into net sales and used to rate the profitability of current operations.

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

€ million

	Commercial Vehicles		Industrial Services		Printing Machines		Diesel Engines	
	2002	2001	2002	2001	2002	2001	2002	2001
Segment order intake								
in Germany	2,323	2,265	441	546	273	425	158	239
in other Europe	3,536	3,286	556	540	639	910	396	470
in other regions	666	721	2,181	1,651	630	658	809	780
Total	6,525	6,272	3,178	2,737	1,542	1,993	1,363	1,489
less intersegment orders	(422)	(523)	(65)	(69)	(65)	(144)	(36)	(51)
Group order intake	6,103	5,749	3,113	2,668	1,477	1,849	1,327	1,438
Total sales of the segments								
in Germany	2,309	2,469	573	636	382	437	186	210
in other Europe	3,482	3,554	427	505	784	954	453	559
in other regions	773	718	1,916	1,714	642	690	769	646
Total	6,564	6,741	2,916	2,855	1,808	2,081	1,408	1,415
less intersegment transfers	(425)	(522)	(56)	(60)	(80)	(159)	(38)	(38)
External net sales	6,139	6,219	2,860	2,795	1,728	1,922	1,370	1,377
EBIT	102	64	74	106	19	93	83	89
EBT	13	(49)	85	104	10	89	68	75
Total assets at Dec. 31	3,911	4,211	1,708	1,621	1,014	1,046	948	1,041
Capital employed (average)	2,407	2,631	738	746	516	513	515	541
Capital expenditures	203	381	23	46	64	44	51	35
Amortization/depreciation	246	252	25	26	41	37	42	40
Employees at Dec. 31	34,398	35,746	6,598	7,230	10,300	10,570	6,889	7,286
Like-for-like headcount at Dec. 31	34,398	35,479	6,598	6,727	10,300	10,840	6,889	7,548
EBIT margin	1.6%	0.9%	2.5%	3.7%	1.1%	4.5%	5.9%	6.3%
ROS (return on sales)	0.2%	(0.7%)	2.9%	3.7%	0.6%	4.3%	4.9%	5.3%
ROCE	4.3%	2.8%	14.8%	20.2%	4.6%	20.1%	16.8%	17.4%

	Industrial Equipment & Facilities		MAN Financial Services		Holding Company, Others		Consolidation		MAN Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	779	736	405	498	50	76	(567)	(759)	3,862	4,026
	1,034	857	197	137	–	26	(217)	(140)	6,141	6,086
	1,495	1,843	–	–	–	2	(64)	(89)	5,717	5,566
	3,308	3,436	602	635	50	104	(848)	(988)	15,720	15,678
	(39)	(24)	(217)	(173)	(4)	(4)	848	988	–	–
	3,269	3,412	385	462	46	100	–	–	15,720	15,678
	800	931	466	429	49	83	(553)	(738)	4,212	4,457
	1,045	1,197	162	84	–	23	(220)	(143)	6,133	6,733
	1,669	1,444	–	–	–	2	(74)	(104)	5,695	5,110
	3,514	3,572	628	513	49	108	(847)	(985)	16,040	16,300
	(25)	(28)	(218)	(174)	(5)	(4)	847	985	–	–
	3,489	3,544	410	339	44	104	–	–	16,040	16,300
	37	67	84	67	1	(52)	(9)	(18)	391	416
	29	63	17	15	5	(61)	(8)	(23)	219	213
	2,850	2,955	1,723	1,471	5,389	5,036	(5,851)	(5,291)	11,692	12,090
	1,463	1,398	–	–	–	–	–	–	6,693	6,786
	144	229	517	523	13	42	(18)	(22)	997	1,278
	129	96	171	188	6	12	0	(1)	660	650
	16,440	15,971	77	102	352	701	–	–	75,054	77,606
	16,440	17,017	77	102	352	358	–	–	75,054	78,071
	1.1%	1.9%	–	–	–	–	–	–	2.4%	2.5%
	0.8%	1.8%	–	–	–	–	–	–	1.4%	1.3%
	6.0%	8.8%	–	–	–	–	–	–	6.9%	7.5%

Further segment data: region-by-region breakdown

€ million

	Germany	Other Europe	All other regions	Total
2002				
Total assets at Dec. 31	7,232	3,557	903	11,692
Capital expenditures	660	306	31	997
Amortization/depreciation/write-down	456	186	18	660
Headcount at Dec. 31	48,863	20,838	5,353	75,054
2001				
Total assets at Dec. 31	7,371	3,721	998	12,090
Capital expenditures	810	438	30	1,278
Amortization/depreciation/write-down	440	192	18	650
Headcount at Dec. 31	51,240	21,169	5,197	77,606

Notes to the consolidated income statement

(1) Sales by geographical markets

€ million	2002	2001
Germany	4,212	4,457
Other EU	4,659	5,236
Other Europe	1,474	1,497
Asia	2,427	1,921
Americas	2,365	2,528
Africa	771	506
Australia and Oceania	132	155
	16,040	**16,300**

(2) Other operating income

€ million	2002	2001
Income from other trade business, net	76	74
Income from the release of accruals	65	58
Gains from foreign exchange and hedges	49	65
Gains from the disposal of fixed assets	44	107
Gains from the disposal of short-term securities	29	2
Gains from securities portfolios	–	70
Miscellaneous	140	138
	403	**514**

The income from the release of accruals refers to the portion not assigned to functional expenses. The miscellaneous other operating income originates from a plethora of individual sources.

(3) Other operating expenses

€ million	2002	2001
Research & development expenses	345	420
Provisions in the year	131	203
Losses on foreign exchange and hedges	44	33
Allowances for current assets	34	76
Amortization of goodwill from capital consolidation	34	74
Losses on the disposal of short-term securities	22	0
Nonoperating expenses for ERF	–	94
Miscellaneous	216	180
	826	**1,080**

This caption comprises the expenses not assigned to any of the functional expense categories (primarily to cost of sales); R&D expenses reflect only such portion as is neither contract-related production cost nor capitalized development costs. The miscellaneous other operating expenses were incurred for legal, audit, counseling and consultancy fees, functionally non-allocable personnel expenses, financing expenses, as well as a plurality of single items.

(4) Income from investments

€ million	2002	2001
Income from P&L transfer agreements	6	3
Income from shares in associated affiliates	0	5
Income from other investments	9	6
Expenses from loss absorption	(1)	(2)
Write-down of investments	(19)	(1)
	(5)	**11**

The income from investments includes €11 million (up from €7 million) of income from, and €2 million (virtually unchanged) of expenses to, nonconsolidated Group companies.

(5) Net interest result

€ million	2002	2001
Interest and similar income	71	92
Interest and similar expenses	(125)	(175)
Write-down of short-term securities	–	(4)
Interest portion of addition to pension accruals	(118)	(116)
	(172)	**(203)**

In the previous year, €17 million of the interest income and €9 million of interest expenses were allocable to nonconsolidated Group companies.

(6) Income taxes

€ million

	2002	2001
Current taxes	55	102
Deferred taxes	17	(40)
	72	**62**

Reconciliation of EBT to income tax expense:
€ million and %

	2002	%	2001	%
EBT (earnings before taxes)	**219**	100.0	**213**	100.0
Calculated corporate income tax	58	26.4	56	26.4
Municipal trade tax on income in Germany	10	4.7	(13)	(6.1)
Loss carryovers utilized	14	6.4	10	4.7
Foreign tax rate differentials	4	1.9	6	2.8
Goodwill amortization	7	3.3	10	4.7
Tax-free income	(5)	(2.4)	(4)	(1.9)
Nonperiod taxes	(14)	(6.5)	9	4.2
Other	(2)	(0.8)	(12)	(5.7)
	72	**33.0**	**62**	**29.1**

The corporate income tax was calculated by using the tax rate of 25 percent applicable in Germany, and adding the solidarity surtax of 5.5 percent thereof, hence a total 26.4 percent, which was applied to EBT.

While loss carryovers utilizable for an indefinite period of time exist in Germany for corporate income and municipal trade tax purposes at a total €67 million (up from €41 million) and abroad at €343 million (down from €359 million), their recognition was waived due to vague realizability. Additional loss carryovers are available outside of Germany but subject to expiration.

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

	Dec. 31, 2002	Dec. 31, 2001
Deferred tax assets		
Pension accruals	117	122
Inventories and receivables	68	70
Other accruals	108	98
Loss carryovers	149	105
Other	2	7
	444	**402**
Deferred tax liabilities		
Fixed assets	236	223
Inventories and receivables	194	165
Untaxed/special reserves in sep. fin. statements	25	27
Other accruals	21	8
	476	**423**

(7) Earnings per share (EpS)

	2002	2001
Net income after minority interests (€ million)	135	151
Weighted average number of shares issued and outstanding (million)	147.0	148.9
EpS (€)	0.92	1.01

In accordance with IAS 33, the number of shares outstanding on an annual average is divided into the Group's net income after minority interests to obtain the earnings per share. No unexercised stock options existed to dilute earnings per share, whether at December 31, 2002 or 2001.

(8) Additional notes to the consolidated income statement

The cost of sales includes the following cost of materials:
€ million

	2002	2001
Cost of raw materials, supplies, and merchandise purchased	8,146	8,251
Cost of services purchased	753	1,030
	8,899	**9,281**

Personnel expenses break down as follows:
€ million

	2002	2001
Wages and salaries	3,184	3,282
Social security taxes, pension expense and related employee benefits	744	735
	3,928	**4,017**

Pension expense does not include the interest portion contained in the period's pension provision at €118 million (up from €116 million).

On annual average, the MAN Group employed:
Headcount

	2002	2001
Commercial Vehicles	34,535	36,135
Industrial Services	6,768	7,485
Printing Machines	10,570	10,671
Diesel Engines	7,218	7,288
Industrial Equipment & Facilities	16,823	16,224
MAN Financial Services	80	98
MAN AG, Others	352	707
	76,346	**78,608**

Notes to the consolidated balance sheet

(9) Fixed-asset schedule

€ million

	At cost						
	Balance at Dec. 31, 2001	Change in consolidation group	Additions	Book transfers	Disposals	Currency translation differences	Balance at Dec. 31, 2002
Licenses, software, sim. rights and assets	121	3	34	8	(14)	–	152
Development costs	118	–	78	–	–	–	196
Goodwill from consolidation	459	29	–	(7)	–	(2)	479
Intangible assets	**698**	**32**	**112**	**1**	**(14)**	**(2)**	**827**
Land, equivalent titles, and buildings (including buildings on leased land)	2,382	1	40	29	(79)	26	2,399
Production plant and machinery	2,456	5	125	13	(146)	(26)	2,427
Other plant, factory & office equipment	1,497	(7)	99	30	(80)	9	1,548
Prepayments made, construction in progress	117	–	87	(110)	(3)	(4)	87
Tangible assets	**6,452**	**(1)**	**351**	**(38)**	**(308)**	**5**	**6,461**
Assets leased out	**1,046**	**10**	**472**	**37**	**(438)**	**(24)**	**1,103**
Shares in nonconsolidated Group companies	123	(1)	11	4	(6)	(2)	129
Shares in associated affiliates	8	(3)	–	–	(1)	–	4
Other investments	55	(1)	2	–	(9)	–	47
Other long-term securities	38	–	10	–	(9)	–	39
Long-term loans	38	(1)	5	(4)	(7)	–	31
Financial assets	**262**	**(6)**	**28**	**0**	**(32)**	**(2)**	**250**
Fixed assets	**8,458**	**35**	**963**	**0**	**(792)**	**(23)**	**8,641**

The other long-term securities, whose fair value totals €28 million, mainly account for portfolios held as reimbursement fund for employee pensions at non-German Group companies. These securities are carried at cost.

The assets leased out are chiefly commercial vehicles.

Future rents from noncancelable operating leases
€ million

	2002	2001
due within 1 year	260	258
due >1 to 5 years	369	380
due after 5 years	19	19
	648	**657**

Accumulated amortization, depreciation, write-down							Net book values	
Balance at Dec. 31, 2001	Change in consolidation group	Charged in fiscal year	Book transfers	Disposals	Currency translation differences	Balance at Dec. 31, 2002	Balance at Dec. 31, 2002	Balance at Dec. 31, 2001
77	1	25	7	(13)	1	98	54	44
28	–	30	–	–	–	58	138	90
124	–	34	(7)	–	–	151	328	335
229	**1**	**89**	**0**	**(13)**	**1**	**307**	**520**	**469**
1,095	(4)	67	–	(58)	38	1,138	1,261	1,287
1,758	(4)	206	(15)	(134)	(17)	1,794	633	698
1,170	(7)	118	15	(75)	12	1,233	315	327
1	–	–	(2)	–	1	0	87	116
4,024	**(15)**	**391**	**(2)**	**(267)**	**34**	**4,165**	**2,296**	**2,428**
286	**10**	**159**	**2**	**(138)**	**(4)**	**315**	**788**	**760**
50	1	3	–	–	(1)	53	76	73
–	–	–	–	–	–	–	4	8
4	–	16	–	–	–	20	27	51
12	–		–	–	–	12	27	26
6	(1)	2	–	–	–	7	24	32
72	**0**	**21**	**–**	**–**	**(1)**	**92**	**158**	**190**
4,611	**(4)**	**660**	**0**	**(418)**	**30**	**4,879**	**3,762**	**3,847**

Write-down in fiscal year
€ million

	2002	2001
Intangible assets	–	46
Tangible assets	17	4
Assets leased out	–	–
Financial assets	21	2
	38	**52**

(10) Inventories

€ million

	Dec. 31, 2002	Dec. 31, 2001
Raw materials and supplies	594	660
Work in process and finished products	2,490	2,851
Merchandise	423	732
Prepayments made	266	375
Inventories	**3,773**	**4,618**
Prepayments received	(1,679)	(2,582)
Inventories, net	**2,094**	**2,036**

(11) Trade receivables

€ million

	Dec. 31, 2002	Dec. 31, 2001
Future receivables under long-term construction contracts	140	165
Receivables due from customers	3,071	3,363
Due from nonconsolidated Group companies	67	51
Due from investees	15	21
	3,293	**3,600**

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

€ million

	Dec. 31, 2002	Dec. 31, 2001
Production cost incl. P/L from long-term contracts	2,626	2,376
less milestones capitalized as WIP	(158)	(261)
thereof billed to customers	(298)	(331)
Future receivables under long-term contracts, gross	**2,170**	**1,784**
less prepayments received	(2,030)	(1,619)
	140	**165**

Sales from long-term manufacturing and construction contracts totaled €1,566 million (up from €1,515 million). Orders and parts thereof billed to customers are shown as other receivables due from customers.

€495 million (up from €464 million) of trade receivables has a remaining term above one year.

(12) Other receivables and current assets

€ million	Dec. 31, 2002	Dec. 31, 2001
Tax reclaims	141	152
Financial derivatives	139	66
Due from nonconsolidated Group companies from intragroup finance	75	–
Reserve from employer's pension liability insurance	58	57
Sundry current assets	366	323
	779	**598**

Pursuant to IAS 39, financial derivatives are fair-valued. Since they mostly serve hedging purposes, their positive fair (market) values contrast with decreased values in the balance sheet lines of the underlying transactions.

€45 million (down from €78 million) of other current assets has a remaining term above one year.

(13) Short-term securities, cash & cash equivalents

€ million	Dec. 31, 2002	Dec. 31, 2001
Short-term securities	668	988
Cash on hand and in bank	609	493
Sundry receivables under intragroup financing	–	78
	1,277	**1,559**

The securities are held as liquid investments and have, according to IAS 39, been categorized as available for sale and hence fair-valued, at €668 million (down from €988 million). Their cost totaled €729 million (down from €988 million). The gains and losses realized in the year under review from the sale of securities amount to €29 million and €22 million, respectively. Unrealized gains and losses (netted, after deferred taxes) reduced the other comprehensive income and minority interests by €39 million while the year before, they had added €8 million to it.

(14) Equity

At January 1, 2002, MAN AG's capital stock amounted to €394,752,000, divided into 154,200,000 no-par shares which included 110,280,000 shares of common, and 43,920,000 shares of nonvoting preferred, stock.

On March 21, 2002, the Executive Board resolved, and the Supervisory Board consented on the same day, to withdraw 7,160,000 treasury shares of MAN AG preferred stock. The capital stock thus decreased by €18,329,600 to €376,422,400, the additional paid-in capital rising accordingly by €18,329,000 to €693,605,158. The capital stock had then been divided into 110,280,000 shares of common, and 36,760,000 shares of nonvoting preferred, stock.

The annual stockholders' meeting and the special meeting of preferred stockholders, both of May 17, 2002, authorized the Executive Board, subject to the Supervisory Board's prior approval, to offer all preferred stockholders to convert their preferred shares into common shares at a premium of €3.30 per share. In the period from July 15 through August 23, 2002, altogether 30,694,350 preferred shares were converted into common stock, equivalent to a conversion ratio of 83.5 percent. Accordingly, MAN AG's capital stock has since been divided into 140,974,350 and 6,065,650 shares of common (95.9 percent) and preferred (4.1 percent) stock, respectively. The premium of €3.30 per converted preferred share amounted to €101,291,355 and was transferred to the additional paid-in capital, which now totals €794,896,513. The conversion costs of €2 million were debited to the reserves retained from earnings.

Authorized capital has existed by dint of resolutions adopted by the annual stockholders' meeting and the special meeting of preferred stockholders, both of December 15, 2000, which may be used by the Executive Board, after first obtaining the Supervisory Board's approval, to increase the Company's capital stock on or before December 15, 2005, by an aggregate maximum of one-half of the capital stock through one or several issues of bearer shares of common and/or preferred stock against contributions in cash and/or in kind. The Executive Board is authorized, with the Supervisory Board's prior approval, to exclude the stockholders' subscription right with respect to contributions in kind and in cash of up to an aggregate 10 percent of the capital stock.

At their annual meeting on May 17, 2002, the stockholders further authorized the Executive Board, subject to the Supervisory Board's prior consent, on or before November 17, 2003, to repurchase once or several times MAN AG common and/or preferred stock. The authority is capped to an aggregate 10 percent of the capital stock, i.e., a maximum of 14,704,000 shares.

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

The additional paid-in capital solely comprises stock premiums paid in under MAN AG's capital increases and the conversion of preferred into common stock. The Group's reserves retained from earnings cover MAN AG's of €317 million (up from €297 million).

The Group's net earnings equal the total cash dividend of €88 million. It will be proposed to the annual stockholders' meeting to distribute an unchanged dividend of €0.60 per share.

The other comprehensive income covers the Group's share in gains and losses not yet realized in the Group's earnings (net after allowing for deferred taxes) and originates primarily from the fair valuation of securities and financial derivatives.

The minority interests in the equity of consolidated subsidiaries refer chiefly to the SMS Group (at €196 million), to Schwäbische Hüttenwerke (€30 million), RENK (€17 million), S.E.M.T. Pielstick (€11 million), and MAN Roland (€7 million).

(15) Pension accruals

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

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

For MAN's German companies, the following future pay and pension rises are assumed:

	Dec. 31, 2002	Dec. 31, 2001
Payroll rise	3.0%	3.0%
Pension rise	1.5%	1.5%
Discount rate	6.0%	6.0%

Development of pension accruals:
€ million

	2002	2001
Balance at Jan. 1	1,997	1,925
Current service cost	52	49
Interest cost	118	116
Pension payments	(109)	(100)
Effects of changes in consolidation group, exchange rates and other factors	(6)	7
Balance at Dec. 31	**2,052**	**1,997**

Expense of €1 million (virtually unchanged) was incurred for changes in pension entitlements and postemployment benefits. No expense or income from updating the actuarial assumptions accrued in the year under review.

The present value of pension entitlements shows the defined benefit obligation to employees at balance sheet date. In contrast, long-term actuarial assumptions underlie the accrual according to IAS 19 and hence do not account for any variations at balance sheet date if within the corridor specified in IAS 19 (±10% of the DBO's present value). Therefore, the pension accruals as of December 31, 2002, were €11 million above (the previous year €21 million below) the DBO's present value.

Pension accruals were determined as follows:
€ million

	Dec. 31, 2002	Dec. 31, 2001
Present value of DBO from employer's commitments	2,034	2,015
Adjustment due to unrealized actuarial gains and losses	11	(21)
Accrued pension obligations	**2,045**	**1,994**
Accrued similar commitments	7	3
	2,052	**1,997**

Some non-German companies pay contributions to pension funds that invest their assets in securities. As of December 31, 2002, obligations of €278 million (up from €211 million) contrast with plan assets of €200 million (down from €201 million) and accruals of €6 million (virtually unchanged). The actuarial loss of €72 million (up from €4 million), inter alia attributable to the collapsing stock prices, will be covered pursuant to IAS 19 within the average expected period before to pension payment commencement.

The actuarial losses included in the MAN Group's pension obligations total €61 million, which corresponds to 2.6 percent of the total obligations of €2,319 million.

(16) Other accruals

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

€ million

	Dec. 31, 2001	Change in cons. group, currency transl.	Utilization	Provisions in 2002	Release	Dec. 31, 2002
Warranties	500	(7)	(111)	143	(49)	476
Unbilled costs from contracts invoiced	489	(9)	(212)	299	(62)	505
Other business obligations	411	(1)	(128)	104	(26)	360
Obligations to personnel	212	(14)	(73)	101	(9)	217
Remaining accruals	408	(7)	(190)	152	(45)	318
	2,020	**(38)**	**(714)**	**799**	**(191)**	**1,876**

The other business obligations provide, inter alia, for losses and buyback commitments; their decline is substantially attributable to the accruals having been utilized after the underlying contracts were invoiced.

The obligations to personnel exist for accrued employment anniversary allowances, termination benefits, social plans to mitigate undue hardship (severance packages), early retirement, and preretirement part-time work. The remaining accruals refer to a wide range of specific risks and decreased mainly when accruals for restructuring were utilized.

(17) Liabilities

€ million

	Remaining term			Dec. 31, 2002	Dec. 31, 2001
	≤1 year	>1≤5 years	>5 years		
Due to banks	454	1,074	10	1,538	1,801
Other financial payables	–	–	–	–	105
Financial liabilities	**454**	**1,074**	**10**	**1,538**	**1,906**
Trade payables	**1,832**	**14**	**–**	**1,846**	**1,846**
Liabilities to personnel	425	–	–	425	466
Liabilities for taxes	112	–	–	112	114
Due to nonconsolidated Group companies from intragroup finance	37	–	–	37	–
Remaining sundry liabilities	245	4	7	256	220
Sundry liabilities	**819**	**4**	**7**	**830**	**800**
	3,105	**1,092**	**17**	**4,214**	**4,552**

Since December 2000, MAN AG has had a syndicated credit facility of €1,500 million at its disposal whose remaining term expires in December 2005 and which has been granted by a syndicate of 18 German and foreign banks led by Commerzbank AG and Deutsche Bank AG. The facility may be utilized on a EURIBOR/LIBOR basis plus a margin of 22.5 basis points or more annually. At December 31, 2002, €995 million of this facility was utilized (virtually unchanged versus 2001) and shown under the liabilities with a remaining term above 1 up to 5 years.

The accounts due to banks include order- or contract-related refinancing, of which €30 million (down from €35 million) is secured through the assignment of receivables. €12 million of the liabilities due to banks (up from €7 million) and €7 million of the sundry liabilities (down from €9 million) have been collateralized by land charges and similar encumbrances.

Pursuant to IAS 39, trade payables include at €94 million the negative fair (market) values of financial derivatives (down from €111 million). Since they mostly serve hedging purposes, their negative fair values contrast with increased values in the balance sheet lines of the underlying transactions.

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

Trade payables include €29 million (down from €30 million) due to nonconsolidated Group companies.

Other information

(18) Contingent liabilities

€ million	Dec. 31, 2002	Dec. 31, 2001
Guaranties and suretyships	205	174
Shared liability for third-party debts	227	219
Notes endorsed and discounted	77	92
Warranty/indemnity obligations	5	3

A shared liability on terms customary in the industry exists at €227 million (up from €219 million) for debts of customers that finance printing machines through nongroup leasing firms or banks.

(19) Other financial obligations

Obligations under leases are incurred not only for funding investment (capital expenditure) projects but also for refinancing manufacturer leasing business via nongroup financing companies.

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

€ million	Dec. 31, 2002	Dec. 31, 2001*
Investment leases		
Within one year	21	20
After one but within five years	50	44
After five years	81	67
	152	**131**
Manufacturer leases		
Within one year	121	140
After one but within five years	122	173
After five years	–	–
	243	**313**
Obligations under leases		
Within one year	95	94
After one but within five years	217	203
After five years	276	260
	588	**557**

* restated values

Customary buyback obligations of a total volume of €1,150 million (down from €1,190 million) exist in connection with the sale of commercial vehicles to customers and nongroup financing companies. Accruals of €170 million (down from €174 million) provide for the ensuing market risks.

Further financial obligations to third parties exist under pending capital expenditure projects and sourcing contracts but are within the scope of ordinary day-to-day business and hence of no relevance to the financial position.

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

(20) Derivative financial instruments

The MAN Group offers its customers worldwide products, services and finance, and is thus exposed to not insignificant an extent to currency and interest rate risks for whose identification, measurement and containment a groupwide risk management system has been implemented.

– Risk management

MAN Group companies principally hedge their transactions against currency and interest rate risks through MAN AG's Group Treasury, on terms as if at arm's length and using original and derivative financial instruments.

Group Treasury's risk positions are hedged externally with banks within predetermined risk limits. Hedges are contracted according to groupwide uniform directives in compliance with the German Act on Corporate Control & Transparency (»KonTraG«), as well as with the German Minimum Requirements for Bank Trading Business (»MaH«). Moreover, such contracting is subject to stringent monitoring, which is particularly ensured through the strict segregation of contracting, settlement and controlling duties.

The Group's currency and interest rate risk positions are regularly reported to the Executive Board. Compliance with guidelines and directives is checked by Internal Auditing.

– Currency risks

Any future cash flows not transacted in the reporting (functional) currency of a Group company are exposed to currency risks.

Within the MAN Group, principally all firm customer contracts and all of the Group's own purchase orders in foreign currency are hedged. Moreover, hedging transactions provide for planned foreign-currency revenues from bulk manufacturing business within defined limits and for customer projects whose materialization is highly probable.

Currencies presenting merely a minor exchange rate risk due to their close proximity to the euro rate are hedged in isolated cases only. Equity interests or equity-type loans in foreign currency are not subject to any hedging obligation.

External exchange rate hedges are contracted in the form of currency forwards or swaps (95 percent) and currency options (5 percent). Out of the total hedging volume, the US dollar accounted as of December 31, 2002, for 60 percent, the pound sterling for 18, the South African rand for 6 and the Swiss franc for 5 percent.

€ million			Dec. 31, 2002	Dec. 31, 2001
Notional volume	≤1 year	>1 year	total	total
currencies bought	801	297	1,098	1,147
currencies sold	1,626	587	2,213	2,631
currency options	172	1	173	68
Fair (market) values	positive	negative	total	total
currencies bought	11	(44)	(33)	24
currencies sold	125	(17)	108	(52)
currency options	2	0	2	(1)

– Interest rate risks

Customer finance transactions (particularly leases) are largely contracted at fixed interest rates while refinancing is usually based on variable rates. The interest rate risk is hedged against on a case-by-case basis; volume and terms are aligned with the payback or redemption structure of defined customer portfolios and are further subject to the level of collateral security.

As of balance sheet date, external interest rate swaps existed in €, US$, £ sterling, Can$, and Norwegian krone.

€ million

			Dec. 31, 2002	Dec. 31, 2001
Notional volume	≤1 year	>1 year	total	total
interest rate receiver swaps	19	20	39	31
interest rate payer swaps	387	802	1,189	1,040
Fair (market) values	positive	negative	total	total
interest rate receiver swaps	1	0	1	2
interest rate payer swaps	0	(32)	(32)	(18)

– Default risks

The maximum loss risk from financial derivatives corresponds to the aggregate total of their positive market values and thus to potential losses of assets that may be incurred if and when contractual obligations are not honored by specific trading counterparts. With a view to reducing this risk, financial derivatives are throughout contracted with banks of prime standing and within specified counterparty limits.

(21) MAN's SAR plan

Effective July 1, 2000 and 2001, the MAN Group implemented SAR plans. Members of the MAN companies' executive and management boards were granted stock appreciation rights (SARs) which, after a 2-year qualifying period within the succeeding five years, are exercisable and convertible into taxable income (phantom stock options), subject to the MAN common stock price trend in absolute and relative terms.

The base values of the 2000 and 2001 SAR plans are stock prices of €33.46 and €25.60, respectively. If and when the MAN stock price rises 20 percent above the base value, plan participants receive cash of DM 4.00 or €2.045 for each SAR. For every further full percentage point above this 20-percent threshold, the cash payable increases by DM 0.15 or €0.0767, up to an aggregate maximum payment per SAR of DM 24.00 or €12.27.

Under the 2000 SAR plan, an unchanged 732,165 SARs were granted (including 293,500 to members of MAN AG's Executive Board), plus another 762,665 SARs under the 2001 SAR plan (including 281,000 to MAN AG's Executive Board members). Valuation is based on the stock price as of the balance sheet date at the intrinsic value. Due to the stock price trend in fiscal 2002, again (as in 2001) no expense was incurred.

RENK AG implemented two SAR plans modeled on MAN AG's. Members of RENK AG's executive board were granted each on July 1, 2000 and 2001, a total 13,000 SARs which all existed at December 31, 2002, but are not yet exercisable. An expense of €0.018 million (down from €0.040 million) was incurred for the RENK SAR 2000 plan.

(22) Corporate governance code

On December 12, 2002, MAN AG's Executive and Supervisory Boards issued, and disclosed to the stockholders on the Internet, a statement on the recommendations of the German Corporate Governance Code Government Commission. In this declaration of conformity pursuant to Art. 161 AktG, MAN AG states to adopt the recommendations with one exception, viz. that neither the Supervisory Board vice-chairmen nor the chairman and members of Supervisory Board committees have to date received any additional compensation. The Executive and Supervisory Boards will propose to the forthcoming annual stockholders' meeting that the Company's bylaws be amended to include provisions for such compensation.

Furthermore, two listed subsidiaries (Offenbach-based MAN Roland Druckmaschinen AG and Augsburg-based RENK AG) issued, and disclosed to their stockholders on the Internet, the declaration of conformity under the terms of Art. 161 AktG.

(23) Supervisory and Executive Boards

If the cash dividend distribution is resolved by the annual stockholders' meeting as proposed, the members of the Supervisory Board will according to the bylaws receive for fiscal 2002 a total remuneration of €0.630 million (unchanged), including approx. €52,500 as fixed, and approx. €577,500 as dividend-related, fee. No compensation was paid to Supervisory Board members for advisory or agency services.

The altogether eight (unchanged) members of the Executive Board receive a total €4.496 million (up from €4.295 million), breaking down into €3.171 million (up from €2.974 million) of fixed, and €1.325 million (up from €1.321 million) of variable, corporate performance-related, income.

The compensation of former Executive Board members and their surviving dependants amounted to €3.050 million (down from €3.373 million), while for the accrued pension obligations to such former members and their surviving dependants, altogether €31.009 million (up from €30.956 million) has been provided.

One Supervisory Board member has been granted a housing loan carrying interest at the annual rate of 5.5 percent and maturing after an agreed term of 25 years. At December 31, 2002, the residual loan balance came to €0.035 million (down from €0.037 million).

The Supervisory and Executive Board members are listed on pages 6 to 9 and 120 to 122 of the annual report, where their memberships in other statutory supervisory and comparable boards are disclosed, too.

Munich, March 11, 2003

MAN AG
The Executive Board

Memberships in other statutory boards or equivalent

Executive Board

Dr.-Ing. E. h. Rudolf Rupprecht	a) Buderus AG Salzgitter AG Walter Bau-AG b) MAN Nutzfahrzeuge AG (chairm.) Ferrostaal AG (chairm.) MAN Roland Druckmaschinen AG (chairm.)	MAN B&W Diesel AG (chairm.) MAN Technologie AG (chairm.) RENK AG (chairm.) SMS AG (chairm.) d) MAN B&W Diesel A/S, Denmark
Dr. rer. pol. Ferdinand Graf von Ballestrem	a) Bayerische Versicherungsbank AG HVB Real Estate AG b) Schwäbische Hüttenwerke GmbH (chairm.) MAN Technologie AG (vice-chairm.) RENK AG (vice-chairm.)	SMS AG DSD Dillinger Stahlbau GmbH d) MAN Capital Corp., USA (chairm.) MAN Financial Services Ltd., UK (chairm.)
Dr. rer. nat. Wolfgang Brunn	b) MAN Turbomaschinen AG (chairm.)	
Prof. Dipl.-Ing. (FH) Gerd Finkbeiner	b) MAN Nutzfahrzeuge AG RENK AG Drei Mohren AG d) MAN Roland CEE AG, Austria (chairm.) MAN Roland Inc., USA (chairm.)	MAN Roland (Hong Kong) Ltd., Hong Kong (chairm.) Omnigraph Group B. V., Netherlands (chairm.) Votra S.A., Switzerland (chairm.)
Dr. rer. pol. Klaus von Menges	a) Deutsche Investitions- und Entwicklungsgesellschaft mbH Dresdner Bank Lateinamerika AG ThyssenKrupp Serv AG b) DSD Dillinger Stahlbau GmbH (chairm.)	MAN Turbomaschinen AG (vice-chairm.) MAN Roland Druckmaschinen AG MAN B&W Diesel AG SMS Demag AG d) MAN B&W Diesel A/S, Denmark
Dipl.-Ing. Håkan Samuelsson	b) NEOMAN Bus GmbH (chairm.) NEOPLAN Bus GmbH (chairm.) d) MAN Türkiye A.S., Turkey (chairm.) ERF (Holdings) plc., UK (chairm.)	MAN Sonderfahrzeuge AG, Austria (chairm.) MAN Steyr AG, Austria (chairm.) MAN Automotive (South Africa) (Pty.) Ltd., South Africa (chairm.)
Dr. jur. Hans-Jürgen Schulte LL.M.	b) Drei Mohren AG (chairm.) MAN Nutzfahrzeuge AG RENK AG	d) S.E.M.T. Pielstick, France (chairm.) MAN B&W Diesel Ltd., UK (chairm.)
Dr. jur. Philipp J. Zahn	b) Ferrostaal AG MAN Roland Druckmaschinen AG MAN B&W Diesel AG NEOMAN Bus GmbH	NEOPLAN Bus GmbH SMS Meer GmbH d) MAN B&W Diesel A/S, Denmark

Memberships in other statutory boards or equivalent

Supervisory Board

Dr. Eng. h. c. Volker Jung	[a] Direktanlagebank AG Messe München GmbH	
Dr. jur. Dr. rer. pol. h. c. Klaus Götte	[a] Allianz Lebensversicherungs-AG SMS AG	ThyssenKrupp AG
Dr. rer. pol. Gerlinde Strauss-Wieczorek	[a] MAN Nutzfahrzeuge AG (vice-chairwoman)	Grammer AG
Dr. jur. Hans-Jürgen Schinzler	[a] ERGO Versicherungsgruppe AG (chairm.) METRO AG	[c] Aventis S.A.
Prof. Dr. oec. Paul Achleitner	[a] RWE AG Bayer AG	[c] ÖIAG
Michael Behrendt	[a] Barmenia Allgemeine Versicherungs-AG Hapag-Lloyd Container Linie GmbH	Pracht Spedition + Logistik GmbH [c] Algeco S.A.
Jürgen Dorn	[a] MAN Nutzfahrzeuge AG	
Dr. jur. Friedhelm Gieske	[a] National-Bank AG (vice-chairm.)	
Dr. rer. nat. Hubertus von Grünberg	[a] Allianz Versicherungs-AG Continental AG (chairm.) Deutsche Telekom AG	SAI Automotive AG [c] Schindler Holding AG
Jürgen Hahn	[a] Ferrostaal AG	
Dr. phil. Klaus Heimann	[a] Krones AG	
Karlheinz Hiesinger	[a] MAN B&W Diesel AG (vice-chairm.)	
Dr. rer. oec. Norbert Käsbeck	[a] Hugo Boss AG EURO Kartensysteme EUROCARD und Eurocheque GmbH Friatec AG (vice-chairm.)	HAWESKO Holding AG Salamander AG SÜBA Bau AG T-Online International AG

as of March 1, 2003, or resignation date, respectively

[a] member of a German company's supervisory board
[b] member of a group company's board
[c] member of a comparable non-German board
[d] member of a non-German group company's comparable board

Hans Jakob Kruse	a) Hapag Lloyd AG	Oceanica GmbH & Cie. KGaA (chairm.)
Andreas de Maizière	a) Borgers AG RAG Saarberg AG Rheinische Bodenverwaltung AG RWE Power AG ThyssenKrupp Stahl AG VDN Vereinigte Deutsche Nickel-Werke AG	b) Commerzbank Auslandsbanken Holding AG Hypothekenbank in Essen AG c) Arenberg-Schleiden GmbH d) BRE Bank S.A. Commerzbank (Budapest) Rt Commerzbank (Eurasija) SAO
Prof. Dr.-Ing. Dr. h. c. mult. Joachim Milberg	a) Allianz Versicherungs-AG BMW AG TÜV Süddeutschland Holding AG	c) Royal Dutch Petroleum Company (N.V. Koninklijke Nederlandsche Petroleum Maatschappij)
Peter Potrykus	b) MAN Nutzfahrzeuge AG	
Karl-Heinz Schneider	a) MAN Roland Druckmaschinen AG Eurocopter Deutschland GmbH Zoo Augsburg GmbH Augsburger Flughafen GmbH	Stadtwerke Augsburg Verkehrsbetriebe GmbH Stadtwerke Augsburg Holding GmbH
Prof. Dr.-Ing. Ekkehard Schulz	a) AXA Konzern AG Commerzbank AG Deutsche Bahn AG RAG AG (addit. vice-chairm.) RWE Plus AG TUI AG	b) ThyssenKrupp Automotive AG (chairm.) ThyssenKrupp Materials AG (chairm.) ThyssenKrupp Steel AG (chairm.) c) Evangelisches und Johanniter Klinikum Duisburg/Dinslaken/Oberhausen gem. GmbH d) ThyssenKrupp Budd Company
Dr. rer. nat. Hanns-Helge Stechl	a) Pfleiderer AG	Pfleiderer Unternehmensverwaltung GmbH & Co. KG

Supervisory Board committees

Standing Committee	Dr. Eng. h. c. Volker Jung (chairm.) Prof. Dr. oec. Paul Achleitner Lothar Pohlmann	Dr. jur. Hans-Jürgen Schinzler Dr. rer. pol. Gerlinde Strauss-Wieczorek
Committee for Executive Board Membership	Dr. Eng. h. c. Volker Jung (chairm.) Dr. jur. Hans-Jürgen Schinzler	Dr. rer. pol. Gerlinde Strauss-Wieczorek
Audit Committee	Prof. Dr. oec. Paul Achleitner (chairm.) Dr. Eng. h. c. Volker Jung Lothar Pohlmann	Dr. jur. Hans-Jürgen Schinzler Dr. rer. pol. Gerlinde Strauss-Wieczorek

Auditor's report & opinion

We have audited the consolidated financial statements (consisting of income statement, balance sheet, cash flow statement, statement of changes in equity, and notes) as prepared by MAN AG for the fiscal year ended December 31, 2002. The preparation and contents of the consolidated financial statements in accordance with the International Accounting Standards (IAS) are the responsibility and assertions of the Company's Executive Board. Our responsibility is, based on our audit, to express an opinion on whether the consolidated financial statements conform with the IAS.

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

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

Our audit, which also encompassed the group management report prepared by the Executive Board for the fiscal year ended December 31, 2002, has not resulted in any objections or exceptions. It is our opinion that the group management report presents fairly, in all material respects, both the group's position and the risks inherent in its future development. In addition, we confirm that the consolidated financial statements and group management report for the fiscal year then ended satisfy the requirements for exempting the company from preparing consolidated group accounts and a group management report in accordance with German law.

Munich, March 13, 2003

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff	Harnacke
Wirtschaftsprüfer	Wirtschaftsprüfer

Summarized financial statements of the MAN Group's divisions/subgroups

€ million

	MAN Nutzfahrzeuge		Ferrostaal	
	2002	2001*	2002	2001
Fixed assets	**1,385**	**1,465**	**203**	**205**
Inventories	1,348	1,436	608	838
Prepayments received	(32)	(45)	(567)	(858)
Receivables and other current assets, prep. exp. & def. charges	1,087	1,149	677	627
Securities, cash & cash equivalents	20	115	711	773
Current assets, prepaid expenses & deferred charges	**2,423**	**2,655**	**1,429**	**1,380**
Deferred tax assets	**103**	**91**	**76**	**36**
Total assets	**3,911**	**4,211**	**1,708**	**1,621**
Equity	**908**	**893**	**411**	**469**
Pension accruals	602	572	230	229
Tax accruals, deferred tax liabilities	186	159	90	65
Other accruals	728	784	104	144
Liabilities, deferred income	1,487	1,803	873	714
Total liabilities	**3,003**	**3,318**	**1,297**	**1,152**
Total equity and liabilities	**3,911**	**4,211**	**1,708**	**1,621**
Net sales	**6,564**	**6,741**	**2,916**	**2,855**
Cost of sales	(5,566)	(5,765)	2,627	(2,573)
Gross margin	**998**	**976**	**289**	**282**
Selling expenses	(469)	(426)	(122)	(134)
General administrative expenses	(241)	(230)	(92)	(93)
Other income and expenses	(186)	(256)	(1)	51
Earnings before interest and taxes (EBIT)	**102**	**64**	**74**	**106**
Net interest result	(89)	(113)	11	(2)
Result from ordinary operations (EBT)	**13**	**(49)**	**85**	**104**
Order intake	**6,525**	**6,272**	**3,178**	**2,737**
from Germany	2,323	2,265	441	546
from abroad	4,202	4,007	2,737	2,191
Order backlog at Dec. 31	**1,352**	**1,415**	**2,459**	**2,263**
Employees at Dec. 31	**34,398**	**35,746**	**6,598**	**7,230**
in Germany	21,840	23,451	3,881	4,256
abroad	12,558	12,295	2,717	2,974
Annual average headcount	**34,535**	**36,135**	**6,768**	**7,485**
Personnel expenses	**1,542**	**1,586**	**316**	**344**
Key figures				
Capital expenditures (incl. financial investments)	203	381	23	46
Annual cash flow acc. to DVFA/SG	261	245	79	73
EBIT margin	1.6%	0.9%	2.5%	3.7%
Return on sales (ROS)	0.2%	(0.7%)	2.9%	3.7%
Return on capital employed (ROCE)	4.3%	2.8%	14.8%	20.2%

See pp. 126/127 for breakdown of the Industrial Equipment & Facilities division.

* Income statement comparable, cf. p. 92

MAN Roland		MAN B&W Diesel		Industrial Equipment & Facilities		MAN Financial Services	
2002	2001	2002	2001	2002	2001	2002	2001
279	**271**	**225**	**229**	**657**	**642**	**965**	**949**
480	648	429	481	870	1,172	8	16
(302)	(535)	(55)	(77)	(698)	(1,053)	0	(3)
410	462	279	329	946	1,049	733	346
113	163	35	49	985	1,046	9	163
701	**738**	**688**	**782**	**2,103**	**2,214**	**750**	**522**
34	**37**	**35**	**30**	**90**	**99**	**8**	**–**
1,014	**1,046**	**948**	**1,041**	**2,850**	**2,955**	**1,723**	**1,471**
291	**282**	**261**	**260**	**575**	**635**	**124**	**86**
229	219	119	117	621	595	2	2
36	30	17	22	175	163	35	36
221	196	120	130	582	643	30	28
237	319	431	512	897	919	1,532	1,319
723	**764**	**687**	**781**	**2,275**	**2,320**	**1,599**	**1,385**
1,014	**1,046**	**948**	**1,041**	**2,850**	**2,955**	**1,723**	**1,471**
1,808	**2,081**	**1,408**	**1,415**	**3,514**	**3,572**	**628**	**513**
(1,378)	(1,535)	(1,063)	(1,082)	(2,983)	(2,952)	(560)	(438)
430	**546**	**345**	**333**	**531**	**620**	**68**	**75**
(150)	(150)	(120)	(106)	(300)	(299)	(5)	(6)
(89)	(103)	(68)	(64)	(194)	(183)	(3)	(2)
(172)	(200)	(74)	(74)	0	(71)	24	–
19	**93**	**83**	**89**	**37**	**67**	**84**	**67**
(9)	(4)	(15)	(14)	(8)	(4)	(67)	(52)
10	**89**	**68**	**75**	**29**	**63**	**17**	**15**
1,542	**1,993**	**1,363**	**1,489**	**3,308**	**3,436**	**602**	**635**
273	425	159	239	780	736	405	498
1,269	1,568	1,204	1,250	2,528	2,700	197	137
904	**1,273**	**870**	**1,022**	**3,483**	**3,719**	**653**	**682**
10,300	**10,570**	**6,889**	**7,286**	**16,440**	**15,971**	**77**	**102**
8,522	8,691	2,744	2,735	11,477	11,381	57	74
1,778	1,879	4,145	4,551	4,963	4,590	20	28
10,570	**10,671**	**7,218**	**7,288**	**16,823**	**16,224**	**80**	**98**
595	**632**	**386**	**385**	**1,053**	**1,009**	**3**	**6**
64	44	51	35	144	229	517	523
52	101	91	88	153	149	185	194
1.1%	4.5%	5.9%	6.3%	1.1%	1.9%	–	–
0.6%	4.3%	4.9%	5.3%	0.8%	1.8%	–	–
4.6%	20.1%	16.8%	17.4%	6.0%	8.8%	–	–

MAN Industrial Equipment & Facilities: subgroups

€ million	MAN Turbomaschinen		MAN Technologie	
	2002	2001	2002	2001
Fixed assets	**91**	**90**	**53**	**73**
Inventories	153	154	76	138
Prepayments received	(44)	(27)	(83)	(151)
Receivables and other current assets, prep. exp. & def. charges	168	213	46	59
Securities, cash & cash equivalents	39	44	28	18
Current assets, prepaid expenses & deferred charges	**316**	**384**	**67**	**64**
Deferred tax assets	**12**	**12**	**7**	**6**
Total assets	**419**	**486**	**127**	**143**
Equity	**67**	**59**	**14**	**21**
Pension accruals	58	54	59	55
Tax accruals, deferred tax liabilities	17	11	9	8
Other accruals	24	43	26	25
Liabilities, deferred income	253	319	19	34
Total liabilities	**352**	**427**	**113**	**122**
Total equity and liabilities	**419**	**486**	**127**	**143**
Net sales	**530**	**555**	**186**	**227**
Cost of sales	(406)	(436)	(167)	(178)
Gross margin	**124**	**119**	**19**	**49**
Selling expenses	(57)	(59)	(8)	(8)
General administrative expenses	(34)	(28)	(11)	(11)
Other income and expenses	(3)	–	(36)	(23)
Earnings before interest and taxes (EBIT)	**30**	**32**	**(36)**	**7**
Net interest result	(8)	(6)	(3)	(2)
Result from ordinary operations (EBT)	**22**	**26**	**(39)**	**5**
Order intake	**539**	**556**	**90**	**123**
from Germany	108	68	26	39
from abroad	431	488	64	84
Order backlog at Dec. 31	**372**	**372**	**182**	**293**
Employees at Dec. 31	**2,500**	**2,418**	**887**	**1,023**
in Germany	1,693	1,684	887	1,023
abroad	807	734	–	–
Annual average headcount	**2,503**	**2,448**	**975**	**1,064**
Personnel expenses	**170**	**163**	**68**	**72**
Key figures				
Capital expenditures (incl. financial investments)	11	108	4	13
Annual cash flow acc. to DVFA/SG	28	31	(9)	17
EBIT margin	5.7%	5.8%	(19.1%)	3.3%
Return on sales (ROS)	4.2%	4.8%	(20.7%)	2.4%
Return on capital employed (ROCE)	11.7%	16.8%	(47.3%)	11.3%

	RENK		SMS Group		Schwäbische Hüttenwerke		Other Industrial Equipment	
	2002	2001	2002	2001	2002	2001	2002	2001*
	45	**42**	**354**	**349**	**66**	**66**	**48**	**21**
	116	108	459	737	26	25	40	10
	(78)	(84)	(459)	(778)	(4)	(2)	(30)	(12)
	66	72	618	665	31	32	17	9
	52	40	810	905	20	15	36	23
	156	**136**	**1,428**	**1,529**	**73**	**70**	**63**	**30**
	11	**14**	**53**	**62**	**4**	**4**	**3**	**2**
	212	**192**	**1,835**	**1,940**	**143**	**140**	**114**	**53**
	72	**67**	**345**	**410**	**59**	**59**	**18**	**19**
	53	50	410	403	20	20	21	12
	9	6	123	127	9	8	8	3
	25	23	480	534	15	15	12	4
	53	46	477	466	40	38	55	15
	140	**125**	**1,490**	**1,530**	**84**	**81**	**96**	**34**
	212	**192**	**1,835**	**1,940**	**143**	**140**	**114**	**53**
	255	**252**	**2,190**	**2,239**	**230**	**238**	**123**	**61**
	(199)	(191)	(1,912)	(1,884)	(209)	(211)	(90)	(53)
	56	**61**	**278**	**355**	**21**	**27**	**33**	**8**
	(17)	(17)	(203)	(208)	(6)	(5)	(9)	(2)
	(12)	(13)	(123)	(123)	(5)	(4)	(9)	(3)
	(6)	(5)	48	(39)	0	(1)	(3)	(3)
	21	**26**	**0**	**(15)**	**10**	**17**	**12**	**0**
	(2)	(2)	6	6	0	(1)	(1)	0
	19	**24**	**6**	**(9)**	**10**	**16**	**11**	**0**
	305	**348**	**2,001**	**2,117**	**236**	**230**	**137**	**62**
	140	94	274	344	146	150	86	41
	165	254	1,727	1,773	90	80	51	21
	585	**538**	**2,142**	**2,358**	**92**	**86**	**110**	**72**
	1,531	**1,513**	**9,419**	**9,141**	**1,318**	**1,391**	**785**	**485**
	1,450	1,435	5,458	5,438	1,318	1,391	671	410
	81	78	3,961	3,703	–	–	114	75
	1,537	**1,508**	**9,638**	**9,317**	**1,360**	**1,391**	**810**	**496**
	87	**85**	**613**	**589**	**71**	**74**	**44**	**26**
	11	10	87	69	17	26	14	3
	23	27	73	47	22	25	16	3
	8.1%	10.1%	0.0%	(0.7%)	4.5%	7.2%	9.3%	0.4%
	7.5%	9.4%	0.3%	(0.4%)	4.2%	6.9%	8.2%	0.3%
	19.0%	24.8%	5.5%	3.8%	14.2%	22.8%	17.7%	2.9%

* Deggendorfer Werft und Eisenbau

MAN Group: Seven-year financial summary[1)]

€ million	96/97	97/98	98/99	99/00	SFY 2000[3)]	2001	2002
Order intake	**11,606**	**12,839**	**12,489**	**15,640**	**7,773**	**15,678**	**15,720**
from Germany	3,712	4,320	4,239	4,623	2,195	4,026	3,862
from abroad	7,894	8,519	8,250	11,017	5,578	11,652	11,858
Order intake by division							
Commercial Vehicles	4,155	4,858	4,950	6,274	3,114	6,272	6,525
Industrial Services	2,694	2,866	2,228	2,927	1,359	2,737	3,178
Printing Machines	1,175	1,565	1,792	2,095	1,126	1,993	1,542
Diesel Engines	884	921	969	1,192	861	1,489	1,363
Industrial Equipment & Facilities	2,717	2,762	2,647	3,268	1,423	3,436	3,308
Financial Services	–	–	224	267	183	635	602
Sales	**10,918**	**12,634**	**13,256**	**14,581**	**7,524**	**16,300**	**16,040**
in Germany	3,498	4,068	4,327	4,418	2,231	4,457	4,212
abroad	7,420	8,566	8,929	10,163	5,293	11,843	11,828
Sales by division							
Commercial Vehicles	4,067	4,516	4,931	5,755	3,048	6,741	6,564
Industrial Services	2,206	3,228	2,668	2,541	1,410	2,855	2,916
Printing Machines	1,264	1,359	1,680	1,848	946	2,081	1,808
Diesel Engines	826	984	1,026	1,106	665	1,415	1,408
Industrial Equipment & Facilities	2,406	2,621	3,091	3,446	1,543	3,572	3,514
Financial Services	–	–	224	267	183	513	628
Order backlog at June 30/Dec. 31	**10,074**	**9,314**	**8,604**	**10,643**	**10,962**	**10,313**	**9,597**
Germany	2,321	2,778	2,723	2,895	2,976	2,537	2,035
abroad	7,753	6,536	5,881	7,748	7,986	7,776	7,562
Employees at June 30/Dec. 31	**62,564**	**63,887**	**66,838**	**74,324**	**76,604**	**77,606**	**75,054**
in Germany	47,161	47,347	47,520	49,487	50,611	51,240	48,863
abroad	15,403	16,540	19,318	24,837	25,993	26,366	26,191
Annual average headcount	60,824	63,006	67,157	71,239	76,049	78,608	76,346
Personnel expenses	2,844	3,067	3,345	3,606	1,935	4,017	3,928
Personnel expenses per capita (€)	46,760	48,673	49,814	50,618	25,440	51,107	51,448
Capital expenditures and funding							
Tangible and intangible assets	309	405	486	537	294	554	463
Assets leased out	–	254	292	397	297	501	472
Financial assets and acquisitions	130	91	103	283	24	223	62
Research and development	299	393	422	527	284	620	580
Amortization/depreciation	319	482	466	525	292	650	660
Cash flow acc. to DVFA/SG	537	861	913	1 011	505	862	868
Key ratios (%)							
Equity ratio	28.9	27.8	27.8	26.4	25.2	23.7	24.7
Equity-to-fixed assets ratio[2)]	112.2	116.0	118.1	108.4	104.8	92.7	97.2
EBIT margin	2.3	3.9	4.8	5.4	4.5	2.5	2.4
Pretax return on sales	2.3	3.3	4.2	4.6	3.5	1.3	1.4
Return on capital employed	10.4	13.7	15.4	15.9	12.4	7.5	6.9
Aftertax return on equity	8.7	14.4	14.9	15.2	12.0	5.2	5.1

€ million

	96/97	97/98	98/99	99/00	SFY 2000[3]	2001	2002
Fixed assets	**1,849**	**2,427**	**2,735**	**3,414**	**3,706**	**3,847**	**3,762**
Inventories	4,716	3,068	3,531	4,353	4,531	4,618	3,773
Prepayments received	(3,591)	(1,804)	(1,852)	(2,536)	(2,560)	(2,582)	(1,679)
Receivables and other current assets[4]	2,940	3,427	3,672	4,511	4,481	4,648	4,559
Securities, cash & cash equivalents	1,255	1,306	1,343	1,451	1,610	1,559	1,277
Current assets[4]	**5,320**	**5,997**	**6,694**	**7,779**	**8,062**	**8,243**	**7,930**
Total assets	**7,169**	**8,424**	**9,429**	**11,193**	**11,768**	**12,090**	**11,692**
Equity	**2,075**	**2,345**	**2,623**	**2,953**	**2,963**	**2,862**	**2,891**
Pension accruals	1,195	1,586	1,648	1,884	1,925	1,997	2,052
Other accruals[5]	1,940	1,908	2,153	2,587	2,447	2,603	2,470
Financial liabilities	366	421	603	967	1,775	1,906	1,538
Other liabilities, deferred income	1,593	2,164	2,402	2,802	2,658	2,722	2,741
Total liabilities	**5,094**	**6,079**	**6,806**	**8,240**	**8,805**	**9,228**	**8,801**
Total equity and liabilities	**7,169**	**8,424**	**9,429**	**11,193**	**11,768**	**12,090**	**11,692**
Capital employed at June 30/Dec. 31	**3,822**	**4,409**	**4,930**	**5,855**	**6,733**	**6,839**	**6,546**
Net sales	**10,918**	**12,634**	**13,256**	**14,581**	**7,524**	**16,300**	**16,040**
Operating income and expenses, net	(10,668)	(12,145)	(12,618)	(13,797)	(7,186)	(15,884)	(15,649)
Earnings before interest and taxes (EBIT)	**250**	**489**	**638**	**784**	**338**	**416**	**391**
Net interest income	2	(71)	(81)	(116)	(74)	(203)	(172)
Result from ordinary operations (EBT)	**252**	**418**	**557**	**668**	**264**	**213**	**219**
Income taxes	(74)	(94)	(186)	(244)	(87)	(62)	(72)
Net income	**178**	**324**	**371**	**424**	**177**	**151**	**147**
Minority interests	(17)	(17)	(27)	(35)	(17)	–	(12)
Transferred to reserves	(51)	(181)	(202)	(235)	(83)	(63)	(47)
Total dividend MAN AG	**110**	**126**	**142**	**154**	**77**	**88**	**88**
MAN stock (figures per share)							
Common stock, price at June 30/Dec. 31 (€)	27.61	36.12	33.30	31.66	27.10	23.75	13.15
Common stock, annual high (€)	28.27	37.71	39.63	40.01	34.41	34.20	30.25
Common stock, annual low (€)	17.79	24.34	21.20	28.20	26.52	16.96	10.65
Common stock, PER at June 30/Dec. 31	22.7	18.1	14.9	12.6	–	23.5	14.3
Preferred stock, price at June 30/Dec. 31 (€)	22.50	25.26	22.12	21.45	21.00	18.00	9.90
Preferred stock, annual high (€)	22.75	27.61	27.87	25.01	24.68	26.10	26.10
Preferred stock, annual low (€)	14.06	19.17	14.90	17.90	20.50	12.95	8.20
Preferred stock, PER at June 30/Dec. 31	18.5	12.7	9.9	8.5	–	17.8	10.8
Cash dividend (€)	0.72	0.82	0.92	1.00	0.50	0.60	0.60
Earnings per share (EpS) acc. to IAS 33 (€)[6]	1.22	1.99	2.23	2.52	1.04	1.01	0.92
Annual cash flow per share (CFpS) acc. to DVFA/SG (€)	3.20	5.30	5.50	6.00	3.00	5.50	5.50
Equity per share (€)	12.60	14.00	15.40	17.20	17.30	17.30	17.90

[1] Since fiscal 1997/98, consolidated financial statements based on IAS, hence prior-year comparability biased
[2] Fixed assets excluding assets leased out
[3] Short fiscal year (July 1 to Dec. 31, 2000); return ratios annualized
[4] Including deferred tax assets, prepaid expenses and deferred charges
[5] Including deferred tax liabilities; up to fiscal 1996/97 incl. untaxed/special reserves
[6] Up to fiscal 1996/97 acc. to DVFA/SG

Glossary

Capital employed

Sum total of a company's equity and interest-bearing liabilities, i.e. financial liabilities on which interest is payable, pension accruals and deferred income.

Capital lease

Based on IAS 17, a lease that substantially transfers to the lessee all risks and rewards incident to the ownership of a leased asset.

Deferred taxation

In accordance with IAS 12, deferred taxation is shown for temporary differences between the values of assets and liabilities stated in IAS-based financial accounts and those in the local tax accounts. If assets are stated at a lower, or liabilities at a higher, value in the IAS accounts than in the tax balance sheet, the future tax relief accruing must be capitalized as a deferred tax asset. In the opposite case, a deferred tax liability is recognized for the future tax burden.

Economic value added (EVA)

Financial and management tool for assessing the performance of divisions and business units operating within a group. It is designed to measure their present, and evaluate their future, contributions to the group's profitability, as well as develop the potential to increase shareholder value.

Financial derivatives

Financial contracts deriving their value from changes in other financial parameters, such as security prices, interest or exchange rates, or market indexes.

Goodwill

Amount by which the purchase price of a consolidated subsidiary exceeds its prorated equity at acquisition date after disclosing any hidden reserves and charges.

International Accounting Standards (IAS)

Accounting principles as harmonized and applied on an international scale by the International Accounting Standards Board (IASB). The IASB is a civil-law organization comprising auditors and other accounting experts from over 100 countries.

Other comprehensive income (OCI)

Other comprehensive income is a component of equity that includes gains and losses which are recognized in the balance sheet but yet unrealized in the income statement, mainly from the fair valuation of securities and hedges.

Percentage-of-completion method (PoC)

Accounting method based on IAS 11, requiring sales revenues, contract costs and the profit or loss from long-term contracts for customized manufacture or comparable services to be recognized in the financial statements to the percentage of completion, although the contract has not yet been fully completed and invoiced to the customer.

Projected unit credit method (PUC)

Method for measuring pension obligations under IAS 19, according to which anticipated future pay and pension trends are accounted for in addition to the vested pension rights and entitlements existing at balance sheet date.

R&D ratio

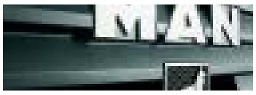
Indicator obtained by dividing research and development costs, including capitalized development costs, into the sales generated by manufacturing divisions.

Return on capital employed (ROCE)

Earnings before income taxes and interest expense divided into the annual average capital employed.

Products and services of the MAN Group

The MAN Group offers products and services for a wide range of different markets, yet all our activities are based on the common technological platform of mechanical engineering. Especially in recent years, there has been a continuous development in each of our five core divisions away from supplying individual machines, vehicles and plant facilities, to focus more strongly on acting as a partner for full-scale system solutions. The complete range of products and services offered under the MAN brand is set out on the following pages.



MAN Nutzfahrzeuge

Trucks with permissible gross weights of 7.49 to 60 t with engines rated at 83 to 485 kW (113 to 660 hp) and special-purpose vehicles up to 300 t gross train weight: Forward-control platform trucks, tippers, semitrailer tractors, chassis for the most various applications, optionally with all-wheel drive. High-mobility off-road chassis with low-torsion box-section frames, coil springs, all-wheel drive and single tyres.

Buses and coaches: Touring coaches, intercity buses, solo and articulated city buses for scheduled services, with diesel, gas, hydrogen or electric drive systems, bus chassis.

Engines: Gas and diesel engines for vehicles and industrial applications from 83 to 1,103 kW (113 to 1,500 hp).

Components: Axles, transfer cases, frame and bodywork pressings for commercial vehicles and cars, tools, castings.

Services: 24-hour service, spare parts service, maintenance and repair contracts, fleet management, telematics for fleet management, driver training in safety and economy.

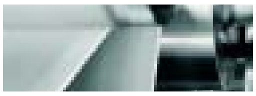
Ferrostaal

Facility construction and contracting: Worldwide planning, supply, assembly as well as commissioning of all types of industrial facilities. Erection of plants, predominantly within the steel and aluminium production as well as the petrochemistry, as general contractor or member of a consortium. Undertaking of the project management as well as the provision of financing concepts. Supplying the chemical, natural gas and petroleum industries as well as the power supply and manufacturing industries with components.

DSD activities: Structural steel engineering, bridge construction, hydraulic steelwork, electrical engineering, water treatment facilities, BOP for power plants, strip mining and conveyor systems as well as the erection of industrial installations.

Industrial equipment and systems: Worldwide supply and maintenance of plants for the food processing industry and for the production of mechanical components, of machines for the graphic industry as well as of individual machines, such as plastic, textile, and package machines, compressors, and diesel engines. Complete range of planning and implementation of infrastructure-related projects, road and track-bound traffic and transport equipment as well as communication systems. Supply and construction of merchant vessels and related equipment as well as equipment for ports and shipyards. Sale of navy vessels within the German Naval Group.

Steel trading and logistics: Procurement and marketing of steel products and non-ferrous metals as well as all related trading operations such as offset transactions, financing and transport services. Provision on a just-in-time and supply in-line sequence basis of the automobile and other industries with steel, components as well as pre-assembled systems. Supply of piping accessories and components for the plant construction.



MAN Roland Druckmaschinen

Complete systems, trade and services: Market leader in the designing, construction and commissioning – all on a turnkey basis – of print shops deploying open-linked sheetfed and webfed systems. The AUROSYS and AUPASYS materials handling systems. Digital control system PECOM. Workflow management system PrintNet, process optimization, life cycle management. Provision of emergency maintenance services on a 24/7 basis. Worldwide network of service centers and distributors.

Digital printing systems producing cost-effective short runs of multi-color products, or individualized ones. Digital-based in-press imaging and erasing (digital change over). Dedicated digital printing solutions meeting the individual needs of a wide variety of market segments and extending to pre-press and finishing work.

Sheetfed offset systems for the printing of publicity materials, by publishers and of packagings. Small-sized machines for the printing of jobs and packagings in small and medium-length runs. Medium-format machines for brochures, picture books, posters, and for packaging printing; large format machines for the long-run printing of brochures, posters, books and packagings. Ancillary equipment for high-quality finishing operations.

Webfed offset systems: Highly flexible and able to satisfy all color and page number-related capacities, a wide variety of ranges of systems for newspaper printing, for the production of selected commercials, in a variety of formats and performance ranges. Webfed offset machines yielding high-quality illustrated products printed on high-value paper – brochures, etc. Special versions used in the production of books.

MAN B&W Diesel

Two-stroke MC Diesel engines for marine propulsion systems and power stations (1,100 to 80,080 kW).

Medium-speed, four-stroke Diesel engines for marine propulsion systems, marine auxiliary units, and for stationary power stations (500 to 23,850 kW).

High-speed Diesel engines for marine propulsion systems, marine auxiliary units, stationary power stations and locomotives (610 to 9,000 kW).

Four stroke dual-fuel and spark-ignition engines for power stations (405 to 8,600 kW).

Turbochargers, power turbines

Propulsion systems equipped with Diesel engines, step-down gears, clutches, adjustable propellers and remote control.

Land-based and floating **power stations**, powered by Diesel or dual-fuel engines.

Services: Spare parts supply and maintenance services for Diesel engines and turbochargers; parts reconditioning and replacement services; modernizing of engine facilities; maintenance of industrial facilities; troubleshooter services; materials testing.

Repair of marine propulsion systems and shipbuilding work as general contractors.

Heating technologies: Oil and gas-fueled burners. Oil and gas boilers, devices for measuring the output of gas burners.

MAN Turbomaschinen

Compressors: Axial compressors, centrifugal compressors, gear-type compressors, isotherm compressors, expanders, process-gas screw compressors, vacuum blowers.

Complete machine trains

Turbines: Industrial steam turbines for mechanical and generator drive applications up to 120 MW, industrial gas turbines for mechanical and generator drive applications up to 26 MW (52 MW TwinPac).

Control and monitoring system »turbolog®«.

After sales service for compressors and turbines

MAN Technologie

Space systems: Development and production of lightweight structures, tanks and propulsion components going into Europe's ARIANE family of launchers and orbital transportation systems; high-temperature resistant CMC-based structural components and heat shield systems going into reusable space transport systems; tank systems and structures for satellites; engineering, building, service and operation of assembly, preparation and testing premises, mobile and starting facilities for launchers; design and systems studies, engineering, ready-to-use supply and maintenance of antennas, radio and optical telescopes.

Aviation: Development and manufacturing of systems for water supply and waste water storage, special water systems, tanks and structural components, fuel supply systems.

Defense: Development and manufacturing of mobile bridges to be mounted on trucks or tracked vehicles, floating bridges; missile components.

RENK

Fully automatic **transmissions for** medium and heavy-weight **chain-riding vehicles**.

Industrial gear units for cement plants and for petrochemical facilities; for the mining, plastics processing and steel industries; for wind-powered facilities. Cylindrical and planetary gear drives for turbomachines.

Marine gear units for merchant and naval ships powered by Diesel engines and/or by turbine drives, marine reversing gear units.

Horizontally and vertically-positioned **plain bearings** for electrical machines, fans, compressors, pumps and turbines.

Couplings, especially curved tooth couplings for all kinds of industrial applications, for ships, for track-riding vehicles. Steel disk, diaphragm and torsionally-elastic clutches.

Test systems used in the product development, production and quality assurance operations of the automotive, aviation and rail industries.

SMS

Metallurgical plant and rolling mill technology: Machines, systems and facilities for the making and processing of steel and non-ferrous metals: blast furnace facilities and components, blast furnace cooling systems, converter steel plants (BOF, AOD), dust collection components and systems for blast furnaces, electric arc furnaces and steelworks, electric meltshops (AC, DC), secondary metallurgy equipment and processes, continuous casting facilities for slabs, blooms and beam blanks, combined continuous casting and hot rolling mills for producing flat and long products (CSP, CBP and MPS), hot flat and cold rolling mills, combined tandem lines with pickling systems, finishing mills, powder-coating lines, strip processing and coating lines for steel and non-ferrous metals, drive engineering, Morgoil® bushings, automation technology and control systems, hydraulic systems, oil lubrication and cooling lubricant systems, water supply and treatment systems.

Tube, long product and forging technology: Tube and copper mills, section and wire rod mills, rod and tube extrusion presses for light and heavy metals, runout systems for extrusion plants, closed-die forging presses, straightening machines for hot-rolled bars, centerless bar turning and peeling machines, straightening/polishing machines, bar end facing/chamfering machines, ring and wheel rolling lines, centerless grinding machines, robots and manipulators, plant and machinery for cold finishing.

Plastics technology: Machinery and systems for processing of plastics. Single- and twin-screw extruders, extrusion dies and pelletizers, downstream equipment for production of pipes, profiles and sidings, socketing units. Extrusion lines for blown film, cast film and sheet and compact as well as foam board, finishing lines for insulating material. Injection molding machines with clamping forces from 50 to 80,000 kN.

Schwäbische Hüttenwerke

Pumps used by the automotive and other manufacturing sectors.
Internally-ventilated **brake discs**, Luperlit® brand metal materials.
Highly durable **sintered structural parts** featuring highly-complex geometries.
High complexity cast parts of up to 85 t.
»Königsbronn« **chilled cast iron rolls**, Äquitherm® heated cylinder rolls, coated rolls.
Wear-resistant casts, grinding bodies of up to 140 t.
Materials processing systems for slow-flowing bulk materials, sludges and similar materials.

Other companies

MAN Financial Services: Leasing, the financing of sales and investments, insurance brokerage and other financial services.

Deggendorfer Werft und Eisenbau: Reactors for catalytic gas-phase processes, hydrotreaters, physical process systems. Plants and components for refinery and chemical sector as well as for research purposes.

MAN Logistics: Material flow and warehousing systems.

MAN WOLFFKRAN: »WOLFF« tower cranes, special cranes.

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

Consolidated companies of the MAN Group – a selection

as of 31 December 2002	Shareholding %	Total assets € million	Sales € million	Employees as of 31 Dec. 2002
MAN Nutzfahrzeuge Aktiengesellschaft, Munich	**100**	**2 453**	**4 678**	**18 268**
MAN Bus GmbH, Salzgitter	100	280	536	1 998
NEOPLAN Bus GmbH, Stuttgart	100	234	382	1 295
MAN Steyr Aktiengesellschaft, Steyr/Austria	100	367	746	2 617
MAN Sonderfahrzeuge Aktiengesellschaft, Vienna/Austria	100	133	284	862
MAN Türkiye A.S., Ankara/Turkey	100	126	228	2 150
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg/South Africa [1)]	100	92	158	616
MAN Pojazdy Uzytkowe Polska, Sp. z o.o., Nadarzyn/Poland	100	50	62	651
STAR Trucks Sp. z o.o., Starachowice/Poland	100	37	50	1 014
MAN Truck & Bus UK Ltd., Swindon/Great Britain	100	256	528	777
ERF (Holdings) plc., Middlewich/Great Britain [1)]	100	90	266	469
MAN Nutzfahrzeuge Vertrieb & Co. OHG, Vienna/Austria	100	218	402	948
MAN Vehículos Industriales (España) S. A., Madrid/Spain	100	131	407	488
MAN Camions et Bus S. A., Evry/France	100	161	290	510
MAN Veicoli Industriali S.p.A., Dossobuono di Villafranca/Italy	100	69	234	129
MAN Truck & Bus S.A., Kobbegem (Brussels)/Belgium [1)]	100	50	106	135
MAN Last og Bus A/S, Glostrup/Denmark	100	52	100	201
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen/Switzerland	100	40	89	112
MAN Last og Buss A/S, Skaarer/Norway	100	46	100	228
MAN Veiculos Industriais (Portugal) S. U. Lda., Porto/Portugal	100	41	59	132
MAN Engines & Components Inc., Pompano Beach/USA	100 [2)]	16	32	33
MAN Uzitkova Vozidla Ceskarepublica spol.s.r.o., Cestlice/Czech Repubic	100	13	56	73
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti/Hungary	100	24	55	121
MAN Gospodarska Vozila Slovenija d.o.o., Ljubljana/Slovenia	100	10	30	32
MAN-STAR Trucks Sp. z o.o., Warsaw/Poland	100	24	85	148
Ferrostaal Aktiengesellschaft, Essen	**100**	**1 300**	**1 360**	**732**
DSD Dillinger Stahlbau GmbH, Saarlouis	100	438	316	1 039
MAN TAKRAF Fördertechnik GmbH, Leipzig	100 [3)]	117	66	387
Hilgers AG, Rheinbrohl [1)]	100	35	51	167
SECOMETAL S. A. Société d'études et de const. métalliques, Sarralbe/F	100	30	43	408
FERROMETALCO The Egypt.-Germ. Comp. f. Met. Const. S.A.E., Cairo/ET	100	18	17	615
DSD-C.G.I. Compañia General de Industrias, C. A., Caracas/Venezuela	100	17	22	120
MAN Ferrostaal Industrieanlagen GmbH, Geisenheim	100	298	168	252
SAGEXPORT S. A., Paris/France	100	13	34	24
Print + Pack Australia Pty. Ltd. Alexandria/Australia	100	11	18	67
Ferrostaal Incorporated, Houston/USA [1)]	100 [2)]	141	518	131
FIS Ferrostaal Industrie- und System-Logistik GmbH, Essen [1)]	100	78	104	1 227
Ferrostaal Piping Supply GmbH, Essen [1)]	100	55	159	90
MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach	**98**	**836**	**1 332**	**8 021**
Omnigraph Group B. V., Amsterdam/Netherlands [1)], including:	100 [4)]	218	372	872
MAN Roland Italia SpA, Milan/Italy	100	66	82	75
MAN Roland Great Britain Limited, Mitcham/Great Britain	100	28	58	166
MAN Roland Nederland BV, Amsterdam/Netherlands	100	31	56	167
MAN Roland Belgium N.V., Wemmel/Belgium	100	21	49	145
MAN Roland France SA, Paris/France	100	29	44	105
MAN Roland Swiss AG, Kirchberg/Switzerland	100	18	38	80
MAN Roland CEE AG, Vienna/Austria [1)]	100	75	83	217
MAN Roland Inc., Westmont/USA [1)]	100 [2)]	61	253	273

as of 31 December 2002	Shareholding %	Total assets € million	Sales € million	Employees as of 31 Dec. 2002
MAN Roland (Hongkong) Ltd., Hong Kong [1]	100	29	73	165
Votra S. A., Lausanne/Switzerland	100	17	79	4
MAN Roland Vertrieb und Service GmbH, Berlin	100	19	57	151
MAN Roland Vertriebsgesellschaft Bayern mbH, Munich [1]	80	25	60	125
MAN B&W Diesel Aktiengesellschaft, Augsburg	**100**	**421**	**486**	**2 548**
MAN B&W Diesel A/S, Kopenhagen/Denmark	100	290	495	2 133
S.E.M.T. Pielstick, Villepinte/France	67	94	165	723
MAN B&W Diesel Ltd., Stockport/Great Britain	100	226	173	884
MAN B&W Diesel (Singapore) Pte. Ltd., Singapore	100	24	60	142
MAN Turbomaschinen Aktiengesellschaft, Oberhausen	**100**	**314**	**346**	**1 693**
MAN Turbomaschinen AG Schweiz, Zurich/Switzerland	100	100	158	545
MAN Turbomacchine S.r.l. De Pretto, Schio/Italy	100	55	25	191
MAN Technologie Aktiengesellschaft, Augsburg	**100**	**125**	**186**	**887**
RENK Aktiengesellschaft, Augsburg	**76**	**187**	**224**	**1 450**
SMS Aktiengesellschaft, Düsseldorf	**51** [5]	**1 163**	**–**	**5**
SMS Demag Aktiengesellschaft, Düsseldorf and Hilchenbach	72	852	880	3 087
SMS Demag Inc., Pittsburgh/USA	100	88	42	125
SMS Demag SpA, Genua/Italy	100	92	121	202
SMS Demag Ltda., Vespasiano/Brazil	100	14	63	488
SMS MEVAC GmbH, Essen	100	24	25	60
SMS Meer GmbH, Mönchengladbach [6]	100	237	233	862
Hertwich Engineering Ges.m.b.H., Braunau/Austria	100	24	50	91
S.I.M.A.C. S.p.A., Tarcento/Italy [6]	90	68	23	198
SMS Eumuco GmbH, Leverkusen	100	58	126	457
Concast Standard AG, Zurich/Switzerland	70	69	53	72
Battenfeld Gloucester Engineering Co. Inc., Gloucester/USA	100	141	110	440
Battenfeld Extrusionstechnik GmbH, Bad Oeynhausen	100	62	55	258
Cincinnati Extrusion Ges.m.b.H., Vienna/Austria	100	76	74	365
American Maplan Corp., McPherson/USA	100	22	17	76
Battenfeld GmbH, Meinerzhagen	100	113	98	535
Battenfeld Kunststoffmaschinen Ges.m.b.H., Kottingbrunn/Austria	100	48	58	353
Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen	**50**	**134**	**212**	**1 318**
Deggendorfer Werft und Eisenbau GmbH, Deggendorf	**100**	**60**	**53**	**368**
MAN WOLFFKRAN GmbH, Heilbronn	**100**	**39**	**25**	**152**
MAN Logistics GmbH, Heilbronn	**100**	**12**	**29**	**151**
MAN Financial Services GmbH, Munich	**100**	**863**	**508**	**51**
Gutehoffnungshütte Baugesellschaft mbH, Oberhausen	**100**	**20**	**44**	**110**

[1] The total assets, sales and number of employee figures comprise those owned, made or working for companies whose operations are under proprietary management.
[2] Equity in companies held by MAN Capital Corporation, New York
[3] Equity in company held by MAN AG
[4] A stake amounting to 7% of the company's equity is held by Ferrostaal Piping Supply B.V., Hooge Zwaluwe/Netherlands.
[5] Parity of voting rights
[6] Equity in company held by SMS Demag AG

Financial calendar

Press conference on 2002*	25 March 2003
Conference with analysts on 2002*	25 March 2003
Report on the first quarter of 2003	13 May 2003
Annual general meeting on financial year 2002	4 June 2003
Report on the first half of 2003	13 August 2003
Report on the third quarter of 2003	12 November 2003
Preliminary figures on orders & sales for 2003	15 January 2004
Letter to MAN shareholders on 2003	4 March 2004
Press conference on 2003*	30 March 2004
Conference with analysts on 2003*	30 March 2004
Report on the first quarter of 2004	13 May 2004
Annual general meeting on financial year 2003	9 June 2004
Report on the first half of 2004	12 August 2004
Report on the third quarter of 2004	11 November 2004

* Presentation of annual report

MAN shares

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

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