2004 Annual Report
MAN Aktiengesellschaft

ENGINEERING THE FUTURE.

At a glance

MAN GROUP € million	2004	2003	Change in %
Order intake	16,107	13,744	17
Germany	4,091	3,943	4
rest of the world	12,016	9,801	23
Sales	14,947	13,546	10
Germany	3,963	3,792	4
rest of the world	10,984	9,754	13
Order backlog[1]	8,249	7,363	12
Employees (number)[1]	61,259	64,158	–5
Germany	39,506	41,497	–5
rest of the world	21,753	22,661	–4
			Change in € million
Operating profit[2]	573	383	190
Earnings before interest and taxes (EBIT)	624	443	181
Earnings before taxes on income (EBT)	453	261	192
Earnings after taxes on income[3]	323	192	131
Earnings per share in €[3]	2.09	1.25	0.84
Capital expenditures[4]	389	420	(31)
Depreciation of tangible assets[4]	402	373	29
R&D expenditures	526	520	6
Cash earnings	913	768	145
Cash provided by operating activities	974	906	68
Cash used in investing activities	(369)	(317)	(52)
Cash and cash equivalents[1]	604	380	224
Net liquid assets (net debt)[1]	8	(439)	447
Equity[1]	3,031	2,784	247

[1] Closing figure at December 31, 2004 compared with December 31, 2003
[2] Operating profit = EBIT from industrial operations + EBT from financial services
[3] 2003 excl. discontinued SMS Group operations
[4] Excl. assets leased out

The Structure of the MAN Group

MAN is one of Europe´s leading engineering groups. As a systems provider employing some 62,000 people in its five key areas of Commercial Vehicles, Industrial Services, Printing Systems, Diesel Engines and Turbomachines, MAN operates in 120 countries and generates annual sales of €15 billion (2004). The MAN Group ranks among the top three suppliers in each of its markets and is a technological leader. MAN´s blue-chip shares are listed in the DAX 30.

ENGINEERING THE FUTURE.

MAN Aktiengesellschaft

Commercial Vehicles
MAN Nutzfahrzeuge is one of the leading commercial vehicle manufacturers in Europe with production plants in Germany, Austria, Poland, Turkey and South Africa.
– Trucks from 7.5 to 50 t for every field of application
– Buses and coaches
– Vehicle, marine and industrial engines
– Services for every aspect of commercial vehicles

COMMERCIAL VEHICLES € million	2004	2003
Order intake	7,589	6,772
Sales	7,409	6,707
Operating profit	342	203
EBT	260	121
Employees*	33,810	34,094

Industrial Services
MAN Ferrostaal is a worldwide supplier of industrial services.
– Contracting: project development, project management and financing packages for industrial plants
– Industrial Equipment and Systems: delivery of machinery, ships, transport equipment
– Steel Trading and Logistics: systems and logistics services, steel trade

INDUSTRIAL SERVICES € million	2004	2003
Order intake	3,508	2,738
Sales	3,185	2,880
Operating profit	72	73
EBT	62	65
Employees*	4,679	6,689

Printing Systems
MAN Roland Druckmaschinen 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 offset printing systems
– Integrated services and software products for all printing needs

PRINTING SYSTEMS € million	2004	2003
Order intake	1,885	1,575
Sales	1,620	1,516
Operating profit	3	(26)
EBT	(8)	(37)
Employees*	9,026	9,465

Diesel Engines
MAN B&W Diesel is the “birthplace” of the diesel engine and a globally leading manufacturer of large diesel engines with works in Germany, Denmark, England and France.
– World market leader for two-stroke propulsion engines and designer of the world’s most powerful diesel engine
– Worldwide leading supplier of large four-stroke Diesel engines for marine propulsions, power plants and railways

DIESEL ENGINES € million	2004	2003
Order intake	1,872	1,460
Sales	1,421	1,312
Operating profit	55	58
EBT	40	44
Employees*	6,731	6,625

Turbomachines
MAN TURBO is one of the worldwide leading manufacturers and service providers for compressors and industrial turbines.
– Manufacturing and erection of single machines and entire machine trains
– Compressors for industrial processes
– Gas and steam turbines for drive systems and power generation

TURBOMACHINES € million	2004	2003
Order intake	675	658
Sales	659	567
Operating profit	36	29
EBT	30	23
Employees*	2,472	2,494

*number at Dec. 31, 2004 and Dec. 31, 2003

“By focusing on five operating divisions, industrial competence and strategic management, value added is created throughout our Group structure.

Each division must be able to develop further within the Group while being measured against the best competitor in its market.

Our management concept is geared to industrial governance—centralised management addressing the three dimensions of market and product strategies, financial controlling and management development, and decentralised divisions bearing full responsibility for operations in line with targets.”

ENGINEERING THE FUTURE.

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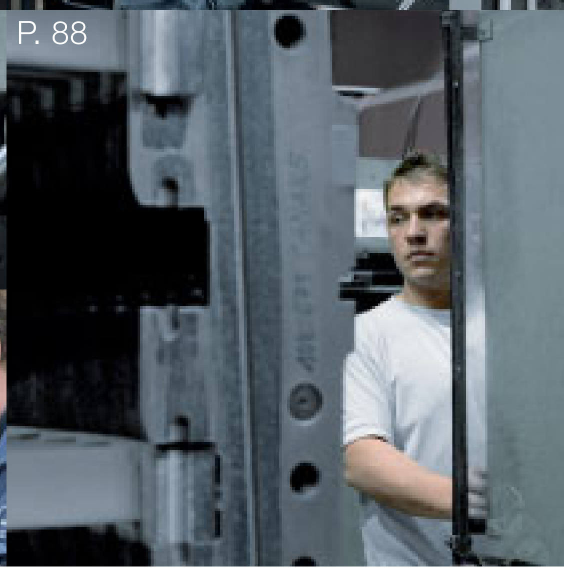


Front cover:
Engineers at MAN.

Report of the Supervisory Board

*Dr. Eng. h. c. Volker Jung,
Chairman of the Supervisory Board*

At four meetings held during the 2004 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. Events of significance for business operations and matters of corporate planning were discussed with the Executive Board, which also submitted written reports on current business performance to the Supervisory Board at the end of each quarter.

The Chairmen of the Executive and Supervisory Boards held regular meetings to discuss all important issues relating to company policy and current business operations. Based on the minutes of the Executive Board meetings, the Supervisory Board Chairman was provided with details of all topics on the agenda, thereby ensuring that the Supervisory Board had access to the information required to duly carry out its duties at all times.

The Supervisory Board discussed with the Executive Board on-going implementation of its strategy aimed at focussing MAN Group activities on core operations and achieving leading technological and market positions. In this context, the Executive Board Chairmen of MAN Roland Druckmaschinen AG and MAN Ferrostaal AG reported in detail to the Supervisory Board on the performance and strategic policies of both the MAN Roland Druckmaschinen Group and the MAN Ferrostaal Group.

MAN Ferrostaal AG continued to streamline its portfolio by selling the majority of its holding in the DSD Steel Group GmbH to the Pirson Group as of July 1, 2004. GHH Bau was also disposed of during the 2004 financial year.

The Supervisory Board established that the Company had complied with the recommendations of the “Government Commission on the German Corporate Governance Code”, in accordance with the compliance declaration issued in 2003. The Executive Board and the Supervisory Board issued their annual declaration of compliance in December 2004, confirming that MAN Aktiengesellschaft was complying with the Code’s recommendations with one exception, namely that details of the compensation paid to individual members of the Executive Board will be reported in the Notes to the Consolidated Financial Statements insofar as the remuneration paid to the Executive Board Chairman and the average salary of the other Executive Board members will be stated. As a result, shareholders will be able to assess even more accurately the commensurability of such remuneration.

In accordance with its terms of reference, the Audit Committee held three meetings to review in particular the annual financial statements for 2003, to select and instruct the auditors and to deal with issues relating to risk management. The Executive Personnel Committee met three times during the 2004 financial year. No meetings of the Arbitration Committee formed in accordance with Sec. 27 para. 3 Co-Determination Act were required.

BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich, having been appointed as auditor for the company at the Annual General Meeting, has audited the financial statements of MAN Aktiengesellschaft and the consolidated financial statements for the year ended December 31, 2004, as well as the management report, which includes both company and group operations, each of which has been certified without qualification of any kind. The auditor attended the preparatory meetings held by the Audit Committee and 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, either as a result of the discussion and examination of the financial statements by the Audit Committee or based on the final result of its own audits of the financial statements, the consolidated financial statements and the management report. We endorse the annual financial statements prepared by the Executive Board, which have therefore been duly adopted, along with the consolidated financial statements. We have considered and agreed to the proposal for the appropriation of retained earnings submitted by the Executive Board.

There have been several changes among members of the Supervisory and Executive Boards. Following his retirement, Mr. Karl-Heinz Schneider, First Delegate of the German Metalworkers' Union, Augsburg, resigned from the Supervisory Board as of September 30, 2004. We should like to thank Mr. Schneider for his more than two years as a member of the Supervisory Board. Mr. Thomas Otto, Secretary to the Managing Board of the German Metalworkers' Union in Frankfurt, was appointed a member of the Supervisory Board by the Local Court of Munich as of December 1, 2004.

The Supervisory Board complied with Dr. Philipp Zahn's request to retire from the Executive Board as of September 30, 2004, thanking him for his six years of active commitment as a member of the

Board. With effect from October 1, 2004, Mr. Karlheinz Hornung was newly appointed to the Executive Board, taking over responsibility for controlling. Furthermore, the Supervisory Board appointed Mr. Anton Weinmann, who took over as Chairman of the Executive Board of MAN Nutzfahrzeuge Aktiengesellschaft on January 1, 2005, as a member of the Executive Board of MAN Aktiengesellschaft, also with effect from January 1, 2005.

Upon retiring at the end of 2004, Dr. Rudolf Rupprecht resigned from the Executive Board. Dr. Rupprecht had worked for the MAN Group since 1966, taking over the office of Executive Board Chairman of MAN Aktiengesellschaft in 1996. We should again like to take this opportunity of thanking Dr. Rupprecht for the great services rendered to the company. Based on a resolution passed by the Supervisory Board on June 9, 2004, Mr. Håkan Samuelsson Dipl.-Ing. took over as Chairman of the Executive Board of MAN Aktiengesellschaft on January 1, 2005.

We should like to extend our warm thanks to all members of the executive boards and boards of directors, as well as the staff of all companies in the MAN Group for their achievements and active commitment. Our thanks also go to the employees' representatives for their objective and constructive cooperation in the interests of the company.

Munich, March 16, 2005
Chairman of the Supervisory Board

Volker Jung

Executive Board—Management Board

Executive Board—from left to right.

Dr. jur. Matthias Mitscherlich
Industrial Services, 56, appointed until October 31, 2007

Dipl.-Ökonom Anton Weinmann
Commercial Vehicles, 49, appointed until December 31, 2009

Dr. rer. pol. Ferdinand Graf von Ballestrem
Finance, 61, appointed until December 31, 2005

Dipl.-Ing. Håkan Samuelsson
Chairman, 53, appointed until December 31, 2009

Karlheinz Hornung
Controlling, 54, appointed until September 30, 2007

Dr. rer. nat. Wolfgang Brunn
Technology, 61, appointed until December 31, 2005

Prof. Dipl.-Ing. (FH) Gerd Finkbeiner
Printing Systems, 47, appointed until June 30, 2009

In addition to the Executive Board members listed above, two other divisional directors are also members of the newly-created MAN Aktiengesellschaft Management Board:

Jürgen Maus
Turbomachines, 60

Dipl.-Ing. Fritz Pape
Diesel Engines, 63

As at March 1, 2005
Further information on the MAN Aktiengesellschaft Executive Board can be found on pages 150–151.

Letter to our Shareholders

Dipl.-Ing. Håkan Samuelsson,
Chairman of the Executive Board

Dear Shareholders,

A year ago, our outlook envisaged a “strong boost in earnings”, with 2004 becoming a “year of innovations”. Based on the information contained in this Annual Report, I am pleased to be able to confirm that both undertakings have been honoured and that all in all, 2004 was a successful year.

On the one hand, global economic growth generated momentum in our business environment. Of equal importance for our positive performance were however the numerous internal measures taken to enhance efficiency, improve quality and strengthen the profitability of the Group.

In 2004, we were able to increase our order intake by 17% to €16.1 billion and sales by 10% to almost €15 billion. Operating profit rose by 50% to €573 million and consequently also our return on sales (based on the operating profit) from 2.8% to 3.8%, as well as the return on capital employed (ROCE) from 8.4% to 12.6%. We are proposing that the dividend be increased from €0.75 to €1.05.

Technical inventions and innovative concepts ensure that we maintain our lead in the marketplace and are a basic prerequisite for economic success. In this respect, we were particularly productive during 2004. Outstanding new product launches included

– Commercial Vehicles: the new D20 engine generation
– Printing Systems: the new COLORMAN, XXL newspaper press
– Diesel Engines: the first common-rail injection system for heavy fuel.

It is innovations like these that make a vital contribution to improving the profitability, efficiency and environmental compatibility of our products and systems, proving once again that the MAN Group not only offers products that are known to be reliable, but is also repeatedly capable of taking on a pioneering technological role.

As in 2003, the company's positive performance during the last financial year was again reflected in a marked rise in MAN share prices. At the end of 2004, the ordinary share price of €28.34 was 18% higher than at the end of the previous year. Over the same period, the DAX Share Index improved by only 7%. At this point, I should like to thank you as shareholders most warmly for the confidence shown in the company and its management.

My thanks also go to my predecessor, Dr. Rudolf Rupprecht, who was with the company for almost forty years and headed the MAN Group until December 31, 2004. It is due mainly to his industrial experience and his farsightedness that MAN has developed so positively. As a result of the sound basis he has created, we can now develop the company even further.

The start to 2005 was marked by a decisive event in terms of our shareholder structure. Regina Verwaltungsgesellschaft, a long-standing major shareholder, placed its MAN shares with international investors. On January 12, an entire 24% of our equity changed hands at a price €29 per ordinary share, the purchasers being 149 institutional investors located mostly in the United Kingdom, Germany, France and the USA. All MAN shares are now free floating, which substantially strengthens our position in the DAX.

We are grateful to our former major shareholders and Regina investors, Allianz, Münchener Rückversicherung and Commerzbank, for placing the MAN shares so smoothly, without any disruption to the capital markets. We regard this transaction as a token of confidence on both parts as with this step, the old as well as the new shareholders have acknowledged that they consider MAN capable of performing successfully on an independent basis in the long term and having the potential to increase its shareholder value even further. This marks the start of a new era for MAN as a listed company. We are aware that as a result of this new constellation, capital-market expectations are high, but we are determined to live up to these expectations.

At a closed meeting held in January 2005, the Executive Board passed a resolution outlining the basic structure of its corporate strategy for years to come, this being communicated on a wider scale at a Group Management Conference in February. I should like to take this opportunity of summarising the key points.

— We view MAN as an engineering enterprise operating on a worldwide scale and focusing on the five areas of Commercial Vehicles, Industrial Services, Printing Systems, Diesel Engines and Turbomachines.

— Our basic principles are:
  – each division must be able to develop further within the Group while being measured against the best competitor in its sector.
  – we shall become more transparent and no longer tolerate lossmakers; cross-subsidisation will cease.

— Our management concept comprises industrial governance, which will essentially entail centralising strategic management. Executive Board meetings will be extended to include two divisional directors, thereby forming a Management Board (see page 9) in which all five divisions are represented. Above all, this enlarged Board will discuss market potential, product lines and success factors and draw up clear performance targets for each division on which regular progress reports will be submitted. The Board will also be involved in management development.

— Increased centralisation of strategic management tasks will be counterbalanced by decentralised responsibility for divisional operations within the scope of defined goals.

Operating profit has been defined as the key financial management figure for the divisions. This will improve performance assessment in the various units and provide for better comparison with the competition. An exact definition of this earnings figure can be found on page 27.

We have also defined the key return figures on the basis of this operating profit. A target of 18% now applies throughout the Group for the return on capital employed (ROCE) and 6% for the return on sales. These goals not only represent conversion of the old target figures of 15% and 5% in line with the new definition, but have also been raised to a more ambitious level than before.

We have not yet reached these targets, but priorities have been set for each division with a view to closing the gap.

– Commercial Vehicles: improve cost structures, strengthen market position
– Industrial Services: continued focus on profitable fields of business
– Printing Systems: sustained turnaround on the part of sheet-fed presses
– Diesel Engines: group-wide integration, turnaround in UK activities
– Turbomachines: growth concept

We intend to implement these projects without delay. At the same time, we shall be making every effort to realise a dynamic and open corporate culture, and I am confident of enlisting the support of our employees for the changes involved in this process.

We would be delighted if you would continue to accompany us along our way.

Yours sincerely,

Håkan Samuelsson
Chairman of the Executive Board of MAN Aktiengesellschaft

Management Report

In 2004, the MAN Group took a big step forward. Fueled by a buoyant economy, we boosted order intake by 17 percent and sales by 10 percent. Moreover, our efficiency enhancement programs revved up our operating profit by 50 percent to €573 million.

In 2005 we look forward to again pushing up earnings parallel to rising production and sales volumes and a further cost reduction thanks to our restructuring programs.

Highlights

– The MAN Group achieved its 2004 target of greatly raising its profitability. Operating profit soared from €383 million to €573 million, earnings per share (EpS) surging from €1.25 to €2.09.

– The Executive and Supervisory Boards propose increasing the dividend on MAN stock from €0.75 to €1.05.

– MAN's profitability ratios joined the performance uptrend, ROCE jumping from 8.4 to 12.6 percent and ROS advancing from 2.8 to 3.8 percent.

– Double-digit growth rates for order intake (up 17 percent to €16.1 billion) and sales (up 10 percent to €14.9 billion).

– The cash flow from operating activities climbed to €974 million (up from €906 million), and for the first time after several years, net liquid assets of €8 million returned into the black (up from a net liability of €439 million).

– MAN stock again outperformed the DAX in 2004: the price of our common stock rose by 18 percent to €28.34, the DAX 30 by 7 percent to 4,256.

– As to 2005, we expect further progress. A tall order backlog of €8.2 billion and predictions that the world economy will again advance, albeit at a slower pace, allow us to look forward to a single-digit percentage sales rise. Higher production and sales volumes combined with our ongoing efforts to overcome weaknesses should then lead to a significantly improved profit for the MAN Group in 2005.

The economy and our business

The economic environment

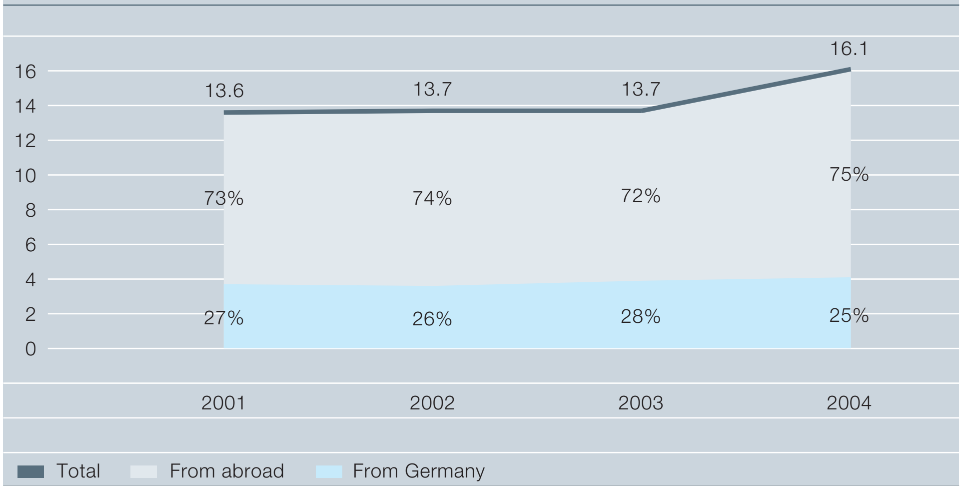
At around 5-percent growth the world economy expanded even more strongly than in the previous boom year of 2000. As the period advanced, the growth did lose some of its momentum but still stayed buoyant. The most dynamic regions were, as in 2003, Asia, Central & Eastern Europe plus Latin America. In Western Europe, in contrast, the progress was moderate. Demand for capital goods from Germany climbed 7.3 percent while domestic gains, though 5.3 percent, were once more short of demand from abroad which surged 9.1 percent. The MAN Group benefited from the healthy economy, especially its commercial vehicles, web-fed printing presses, marine diesel engines, and steel trading activities.

Order volume appreciably higher

The MAN Group clearly surpassed the targets of slight growth as specified in its previous annual report. Order intake climbed 17 percent over 2003 to €16.1 billion, the added business mainly derived from orders abroad which accelerated by 23 percent to €12.0 billion, the consequence being that non-German orders accounted for 75 percent (up from 72 percent) of the total influx.

The biggest plus was recorded in the Americas (up 49 percent) with steel trading, printing presses and diesel engines all playing their part. Asia booked 17 percent added orders, the chief factors being the sustained boom in Southeast Asia and major orders from the Middle East. In the EU countries (apart from Germany) order inflow rose 19 percent, with the EU accession states' share a sizable 37 percent. In Germany order influx at €4.1 billion topped the year-earlier volume by 4 percent.

ORDER INTAKE
€ billion

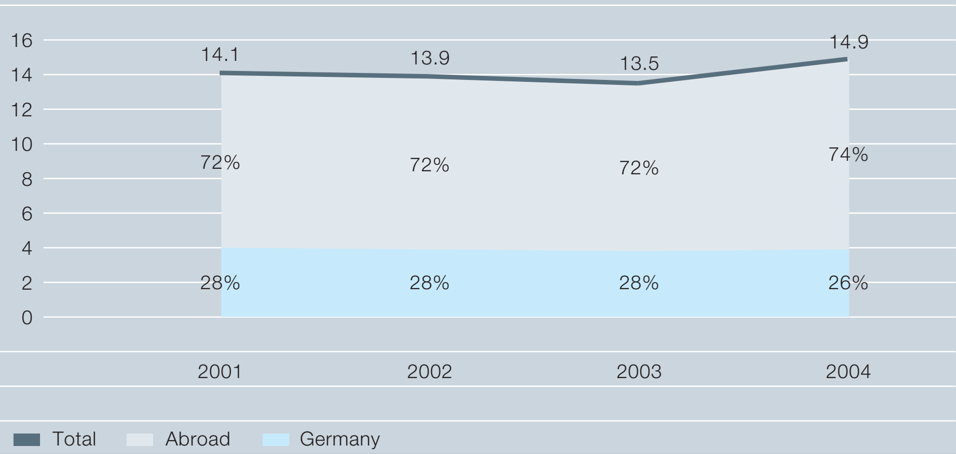


ORDER INTAKE BY REGIONS
€ million

	2004	%	2003	%
Germany	4,091	25	3,943	29
Other EU	5,577	35	4,691	34
Other Europe	1,135	7	1,110	8
Americas	2,303	14	1,543	11
Asia	2,128	13	1,813	13
Africa	586	4	537	4
Australia and Oceania	287	2	107	1
	16,107	**100**	**13,744**	**100**

Sales by the MAN Group likewise advanced perceptibly—by 10 percent to €14.9 billion. With a rise of 13 percent to €10.9 billion, revenues abroad outpaced Germany which posted €4.0 billion, a plus of 5 percent. The non-German sales share climbed to 74 percent.

SALES
€ billion



Business by divisions

As a consequence of the MAN Group's focus on five divisions the following comments will examine in detail Commercial Vehicles, Industrial Services, Printing Systems, Diesel Engines, and Turbomachines. The situation at the remaining holdings is depicted on pages 92 and 93; their figures are stated as part of the segment report starting from page 130.

Commercial Vehicles

Demand for commercial vehicles in Europe was healthy in 2004, mainly due to rebounding key capital goods markets, EU eastward enlargement, and generally pent-up demand following years of severely declining orders. The market volume for commercial vehicles above 6 t rose in Western Europe, our most important market, by 9 percent to 307,000 units while the bus market grew 5.5 percent to 26,500 units.

Order intake by MAN's biggest division Commercial Vehicles (MAN Nutzfahrzeuge Group) added up to €7,589 million (up from €6,772 million), an extra 12 percent over 2003. Truck orders surged 14 percent to €6,368 million (up from €5,572 million), shipments totaled 63,348 (up from 55,849). In the case of trucks over 6 t GVW, we managed to improve our market share in Western Europe from 14.9 to 15.2 percent while in the over 16 t GVW category, our most important segment, we upped our share from 14.9 to 15.6 percent.

Bus orders moved up 2 percent from €1,200 million to €1,220 million. Because of the weak domestic market, shipments shrank 4 percent to 6,062 units (down from 6,282). Concurrently we managed to raise our share of the Western European bus market from 14.2 to 14.4 percent.

Sales by Commercial Vehicles increased 10 percent from €6,707 million to €7,409 million, with trucks rising 12 percent from €5,492 million to €6,167 million and buses by 2 percent from €1,215 million to €1,242 million. Exports accounted for an unchanged 65 percent.

ORDER INTAKE BY DIVISION
€ million

	2004	%	2003	%
Commercial Vehicles	7,589	47	6,772	49
Industrial Services	3,508	22	2,738	20
Printing Systems	1,885	12	1,575	11
Diesel Engines	1,872	12	1,460	11
Turbomachines	675	4	658	5
Others/consolidation	578	3	541	4
	16,107	**100**	**13,744**	**100**

Industrial Services

Orders booked by Industrial Services (MAN Ferrostaal Group) soared 28 percent from the comparable 2003 figure of €2,738 million to €3,508 million. Business was mixed in the individual units. Steel Trading & Logistics more than doubled order intake from €977 million to €2,025 million thanks to the booming steel economy, its surging prices and shipments, the abolishment of barriers to steel imports into the United States, and the successful expansion of piping supply activities. Industrial Equipment & Systems also posted higher orders—up 28 percent from €413 million to €529 million while Facility Construction & Contracting at €844 million (down from €1,127 million) was as expected lower since the 2003 total had included a megacontract worth €439 million for a methanol complex in Trinidad & Tobago.

Industrial Services generated sales of €3,185 million, 11 percent up over the prior-year €2,880 million. Here, too, the growth was chiefly due to Steel Trading & Logistics which propelled sales 61 percent from €1,075 million to €1,725 million. Industrial Equipment & Systems sales during the past period inched up 2 percent from €436 million to €445 million while sales at Facility Construction & Contracting fell for invoice timing reasons by 21 percent from €1,157 million to €914 million.

Printing Systems

The graphics industry once again had a grueling year, poor capacity utilization and mutating trends within the media of relevance to the advertising and advertisement markets continuously curbing printing shops' appetite to invest. Even drupa 2004, the industry's worldwide biggest fair staged every four years, failed to kindle any sustained demand.

Yet despite this unsatisfactory market environment, Printing Systems (MAN Roland Druckmaschinen Group) managed to augment order intake by 20 percent from €1,575 million in 2003 to €1,885 million thanks to web-fed press orders which included a sizable share of the megacontracts awarded worldwide. The result was that this unit again extended its market leadership with a record order influx of €1,035 million (53 percent up from €676 million). At €899 million, up 5 percent from €850 million, new orders were also placed for sheet-fed presses. Hitherto separately shown, the Trading & Services unit is now subsumed under the two core product groups and the 2003 comparatives have been adjusted accordingly.

SALES BY DIVISION[1)]
€ million

	2004	%	2003	%
Commercial Vehicles	7,409	50	6,707	50
Industrial Services	3,185	21	2,880	21
Printing Systems	1,620	11	1,516	11
Diesel Engines	1,421	10	1,312	10
Turbomachines	659	4	567	4
Others/consolidation	653	4	564	4
	14,947	**100**	**13,546**	**100**

1) For sales by geographical markets (regions), see page 112

Printing Systems sales in 2004 totaled €1,620 million, an advance of 7 percent over the prior-year €1,516 million: sheet-fed presses contributed €910 million (up 5 percent from €865 million), web-fed €710 million (up 9 percent from €651 million).

Diesel Engines

With an order intake of €1,872 million, Diesel Engines (MAN B&W Diesel Group) achieved an all-time high—28 percent in excess of the €1,460 million of 2003 and largely due to the still flourishing shipbuilding market and the resulting keen marine market demand for our engines. Thanks to a number of megacontracts, order intake proved satisfactory in the markets for stationary diesels.

Orders for our two-stroke diesel engines hiked up 26 percent to €610 million (from €484 million). Orders placed for our four-stroke engines totaled €1,257 million (up 29 percent from €976 million) and equivalent to an aggregate output of two gigawatt—a new all-time high in our history. Diesel Engines sales were ratcheted up 8 percent to €1,421 million (from €1,312 million): the two-stroke rising 30 percent from €312 million to €407 million, the four-stroke 1 percent from €1,000 million to €1,014 million. In the past fiscal period we reasserted our dominance in the two-stroke market where we now hold a share of 75 percent. In the medium-speed segment we reached a 40-percent share of the market for marine and auxiliary diesels, thus also underscoring our position in this market.

Turbomachines

Turbomachines (MAN TURBO Group) topped the high 2003 order intake by 3 percent, from €658 million to €675 million. As the year before, a large share of incoming business was placed by the primary materials industry and for air separation purposes. There was also brisk demand for drive units, especially gas turbines. Geographically, Asia and especially China proved to be the most important sales markets. Given the tall order backlog at the start of the year and the steady influx of new orders, sales easily outran orders—by 16 percent from €567 million in 2003 to €659 million.

Another growth in order backlog

Order backlog in the MAN Group at December 31, 2003, advanced 12 percent to €8.2 billion at year-end 2004. All divisions showed order backlog gains from the annual opening levels—even by double-digit rates in the busy divisions of Commercial Vehicles (up 13 percent), Printing Systems (up 27 percent), and Diesel Engines (up 44 percent). In all, the backlog is a sound basis for business in fiscal 2005.

ORDER BACKLOG BY DIVISION
€ million

	2004	%	2003	%
Commercial Vehicles	1,594	19	1,409	19
Industrial Services	2,259	27	2,186	30
Printing Systems	1,077	13	847	11
Diesel Engines	1,449	18	1,003	14
Turbomachines	469	6	450	6
Others/consolidation	1,401	17	1,468	20
	8,249	**100**	**7,363**	**100**

Workforce again down due to restructuring

At December 31, 2004, the MAN Group employed a workforce of 61,259, a 4.5-percent decline from year-end 2003, the 1,791 fewer being due to consolidation group changes. The latter included in particular the disposal of the DSD Stahlbau operations of the MAN Ferrostaal Group through which altogether 1,564 employees left the Group, 623 in Germany and 941 abroad.

Like-for-like, the headcount slipped 1.8 percent or 1,108: in Germany falling 3.1 percent or 1,250 to 39,506, outside of Germany mounting on balance 0.7 percent or 142 to 21,753. The share of employees working abroad was virtually unchanged at 36 percent.

Altogether 1,804 employees separated since the start of 2004 from those companies undergoing restructuring or relying on attrition. These losses contrast with gains of 696, especially from setting up the Commercial Vehicles subsidiaries in Poland as part of the relocation of bus production, and at the Danish Diesel Engines locations.

The number of loaned employees within the MAN Group dropped from 3,749 at December 31, 2003, to 3,428 at December 31, 2004, a decline of 321 or 8.6 percent. Hereof 1,595 (up from 1,034) worked for the domestic companies and 1,833 (down from 2,715) at the companies abroad. Commercial Vehicles, in particular, coped with the extra workload by hiring extra loaned staff. Industrial Services reduced its use of loaned personnel, especially in the wake of the deconsolidation of the DSD Stahlbau operations. Including loaned employees, the MAN Group had a workforce of 64,687 at December 31, 2004, or 4.7 percent down from the prior year's 67,907.

For more details, refer to the Employees chapter of this annual report (pages 56 et seq.).

Earnings

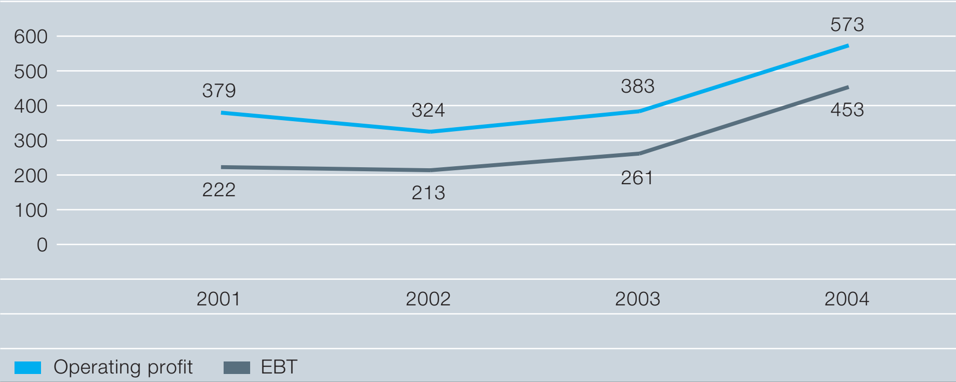
Much upgraded bottom lines

In fiscal 2004, the MAN Group substantially enhanced its earnings, a major contribution coming from Commercial Vehicles which benefited from the expanded business volume and implemented cost-paring programs. Printing Systems just blackened its operating profit while its sheet-fed press operations remained in the red. Performance by Industrial Services and Diesel Engines was level with 2003, Turbomachines' significantly better. The MAN Group's operating profit soared to €573 million, up by €190 million from €383 million a year ago.

The operating profit will be the key figure for controlling and assessing the MAN Group's performance and consists of the EBIT of our Industrial Business divisions plus the EBT of Financial Services. Since interest is a cost factor in finance, this division's net interest result remains unaccounted for. In exceptional cases, operating profit may be adjusted for extraordinary losses and/or gains but was neither in 2004 nor in the comparative prior years. Thus (re)defined, operating profit is a much improved indicator to compare our performance to other industrial companies and competitors.

EBT surged from €261 million to €453 million. The Group's tax expense shot up from €69 million to €130 million, the tax load ratio ratcheting up from 26.4 percent a year ago to 28.7 percent in 2004. The MAN Group's net income swelled to €323 million—up from €235 million which had included €43 million as 9-month net income from the SMS Group, divested as discontinued operation as of September 30, 2003, plus €192 million from our continuing operations. Earnings per share (excl. SMS) were upped from €1.25 by €0.84 or 67 percent to €2.09 in the year under review. When including SMS in the 2003 EpS of €1.54, the improvement was €0.55 or 36 percent.

PERFORMANCE
€ million



Dividend raised to €1.05 per share

In its separate financial statements, MAN AG reports net income for 2004 of €204 million (up from €180 million), €50 million of which was retained as reserve. In the previous year, €70 million had been transferred to the reserves, including the €50 million gain from the SMS divestment. Net earnings of MAN AG came in 2004 to €154 million (up from €110 million). The Executive and Supervisory Boards propose to the annual stockholders' meeting to distribute a €0.30 higher cash dividend of €1.05 per share (up from €0.75).

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.

Profitability ratios again stepped up

The MAN Group improved its return ratios in 2004, too. The return on sales (ROS) climbed from 2.8 to 3.8 percent. Sales by the manufacturing divisions (MAN Group excluding financial and industrial services) returned as much as 4.0 percent, a commendable 1.4-point rise from the prior year's 2.6 percent.

The Group's ROCE boomed, mounting from 8.4 percent in 2003 to now 12.6; the capital employed by our Industrial Business returned 12.3 percent (up from 8.1).

The return ratios relate to the operating profit, for details, see pages 27 et seq. For the ratios in their previous definition, turn to the segment report on page 130.

ROS (OPERATING PROFIT MARGIN) BY DIVISION
%

	2004	2003
Commercial Vehicles	4.6	3.0
Printing Systems	0.2	(1.7)
Diesel Engines	3.9	4.4
Turbomachines	5.5	5.1
Manufacturing divisions	**4.0**	**2.6**
Industrial Services	2.3	2.5
MAN Group	**3.8**	**2.8**

ROCE BY DIVISION
%

	2004	2003
Commercial Vehicles	12.1	7.3
Industrial Services	18.5	22.3
Printing Systems	0.6	(4.5)
Diesel Engines	11.0	11.2
Turbomachines	16.8	12.6
Industrial Business of the MAN Group	**12.3**	**8.1**
MAN Group	**12.6**	**8.4**

Division performance

Commercial Vehicles

The Commercial Vehicles Group again cranked up its operating profit in 2004 which jumped by €139 million from €203 million to €342 million. The returns of Commercial Vehicles were likewise much more rewarding: ROS surged from 3.0 to 4.6 percent and ROCE hiked up from 7.3 to 12.1 percent.

Trucks raised its operating profit by as much as €107 million, from €198 million to €305 million—the outcome of a higher production volume, enhanced productivity, and further improvements in the way our sales and service organizations operate.

Buses also again upgraded its operating profit which catapulted from the prior-year €5 million to €37 million: the targeted outcome of raised productivity by relocating wage-intensive manufacturing jobs to Poland and Turkey and downscaling production capacities. Other benefits were reaped from the new organizational structure which, modeled on the profit center concept, emphasizes the business units' own responsibility for performance and product quality, and the spin-off of the sales organization at Buses into an autonomous unit capable of a swifter and more sharply customer-focused response to market conditions.

PERFORMANCE BY DIVISION
€ million

	2004	2003
Commercial Vehicles	342	203
Industrial Services	72	73
Printing Systems	3	(26)
Diesel Engines	55	58
Turbomachines	36	29
Remaining industrial holdings	45	50
Financial Services	27	26
Holding Company	16	(11)
Consolidation	(23)	(19)
Operating profit	**573**	**383**
Net interest result of Industrial Business	(120)	(122)
EBT	**453**	**261**
Income taxes	(130)	(69)
Net result of discontinued operations	—	43
Net income	**323**	**235**
Earnings per share (EpS) incl. discontinued operations (€)	2.09	1.54
EpS excl. discontinued operations (€)	2.09	1.25
Dividend per share (€)	1.05	0.75

Industrial Services

The operating profit of Industrial Services was stable at €72 million, the 2003 magnitude of €73 million substantially being re-attained. Facility Construction & Contracting again closed the year with a solid profit. Because of rising steel prices and the greater tonnages in demand, Steel Trading & Logistics continued its operating profit uptrend. Cost-cutting measures at Industrial Equipment & Systems again yielded a black bottom line. Even after a majority stake had been transferred to Belgium's Pirson Group as of July 1, 2004, DSD Stahlbau still depressed the division's earnings.

While the Industrial Services ROS benchmark has been set at 3.0 percent, the operating profit returned by sales slid from 2.5 to 2.3 percent, ROCE slipping from 22.3 to 18.5 percent.

Printing Systems

The MAN Roland Druckmaschinen Group negotiated a turnaround in 2004. Its operating profit totaled €3 million, following an operating loss of €26 million in 2003. ROS amounted to 0.2 percent (up from a negative 1.7 percent) while ROCE climbed from a red 4.5 to a black 0.6 percent.

Web-Fed Presses raised its operating profit from €30 million to €44 million thanks to the added workload in Engineering Design and Production and the effects of the RAMOS restructuring program which in recent years had yielded substantial improvements in organization, reduced product costs, etc.

Sheet-Fed Presses was again in the red with an operating loss of €41 million (down from an equally red €56 million). However, the higher productivity and sales volumes in combination with the restructuring measures initiated at the start of 2003 at the Rhine/Main manufacturing plants did substantially help to shrink the operating loss. Such favorable effects were, nonetheless, partially eroded by the still enormous pricing pressure. We have continued and even stepped up the restructuring measures, one consequence being the concentration of the Offenbach plants in a single location in order to lower fixed costs and streamline production processes. €10 million of the expenses for the additional 237-employee retrenchment was borne by MAN AG from its restructuring accruals. Agreements concluded with the employee representatives at the production locations enabled us to further downsize personnel expenses and lower the breakeven although such savings will not take effect before 2005.

Diesel Engines

The amplified volume of business is not mirrored in earnings, the division's operating profit dropping from €58 million to €55 million. The returns were likewise lower: ROS melted from 4.4 to 3.9 percent, ROCE inched down from 11.2 to 11.0 percent.

Two-Stroke Engines had a very profitable period, its EBIT leaping from €41 million to €57 million. Four-Stroke Engines closed the year with a red EBIT of €1 million (down from a black €21 million) due to the heavy costs and expenses sustained by the British subsidiary for existing onerous contracts, write-downs, and the unsatisfactory workload in four-stroke high-speed diesel production. Compounding the problem for the four-stroke medium-speed diesels were—despite a good utilization ratio—the poor revenue situation ensuing from the weak dollar, rising raw materials prices, and restructuring expenses primarily caused by the closedown of most sections of the Danish production location at Holeby. Only at the end of the year did the Augsburg location reach an agreement with employee representatives on payroll reductions, however, whose unburdening impact was not yet reflected in the 2004 result. In contrast, turbocharger business continued brisk and booming.

Turbomachines

Much higher production and sales figures with improved sales margins led to an appreciable rise in earnings. The operating profit surged from €29 million to €36 million. ROS picked up from 5.1 to 5.5 percent while ROCE leaped from 12.6 to 16.8 percent.

Remaining industrial holdings

The remaining industrial holdings earned an operating profit of €45 million, compared with €50 million a year ago. Brisk business meant that MAN DWE increased its operating profit to €16 million (up from €13 million), Schwäbische Hüttenwerke its to €19 million (up from €16 million). With an operating profit of €21 million, RENK virtually repeated its 2003 performance of €22 million. MAN Technologie remained in the red, showing an operating loss of €6 million (down from a red €16 million) as a result of the unchanged poor workload through delayed ARIANE 5 contract awards. MAN Technologie further downscaled its capacities at an expense of €7.7 million, which is borne by MAN AG. Mainly the necessity of recognizing impairment losses eroded the earnings of the remaining companies, they had to report a total operating loss of €5 million; in 2003, they had shown a black EBIT of €15 million, largely thanks to one-time gains.

Financial Services, Holding Company

The operating EBT of Financial Services inched up from €26 million in 2003 to €27 million. The Holding Company segment realized a black EBIT of €16 million (up from a red €11 million), including a €9 million gain (up from nil) from the sale of housing property and €10 million current income (up from nil) from the SMS stake sold in 2003.

New performance indicators and benchmarks

At its January 2005 strategy meeting, MAN AG's Executive Board redefined the financial controlling parameters, bringing them and operating business into sharper focus. The performance ratio formulae were modified and the targets redetermined and elevated for the Group and its divisions.

Operating profit

Focal parameter for assessing and controlling a division's profitability is the operating profit (previously it was EBT). For the Industrial Business entities (MAN Group excluding Financial Services), operating profit equals EBIT, which facilitates comparisons with our competitors. Exceptionally high losses and gains that originate from extraordinary events or sources outside ordinary business operations are eliminated restrictively on a case-by-case basis. No such adjustments were required for 2004 or 2003.

The operating profit of Financial Services corresponds to its EBT since this division's net interest expense is tantamount to costs.

Formula for the MAN Group's operating profit:

OPERATING PROFIT
€ million

	2004	2003
EBIT of Industrial Business	546	357
EBT of Financial Services	27	26
Adjustment for extraordinary losses/gains	—	—
Operating profit	**573**	**383**

Return on sales

The ROS formula has been redefined, too, net sales now being divided into operating profit:

RETURN ON SALES
€ million

	2004	2003
Operating profit	573	383
Net sales	14,947	13,546
ROS (%)	3.8	2.8
Standard pretax ROS for comparison (%)	3.0	1.9

The new ROS benchmark has been set at 6.0 percent for the MAN Group and 6.5 for the manufacturing divisions (MAN Group excluding industrial and financial services), while the industrial services companies are required to deliver a ROS performance of 3.0 percent, these targets having to be achieved on average within any one economic cycle. A comparison with the rates previously returned on sales and the previous benchmark shows that the new target is more ambitious.

ROCE

ROCE (return on capital employed) has been modified analogously by relating operating profit to the sum total of (i) the average capital employed (CE) by the Industrial Business companies and (ii) Financial Services' equity adjusted for unrealized gains/losses.

The capital employed by an Industrial Business entity comprises its operating assets (i.e., all assets other than financial and tax assets), less its deductible operating capital (i.e., all accruals and liabilities other than financial and tax liabilities and pension accruals). Operating assets funded intragroup by Financial Services are added unless MAN Financial Services has assumed the full underlying default risk. High-liquidity plant construction units also add their net liquid assets to operating assets, applying WACC as interest rate.

The redefined ROCE benchmark is 18 percent for the MAN Group, individual benchmarks being determined for each division. In comparison to the previous benchmark of 15 percent to be returned by the total interest-bearing capital (excl. Financial Services), the new target is more challenging.

ROCE
€ million

	2004	2003
Industrial Business		
Operating assets	8,834	8,466
Deductible operating capital	(5,612)	(5,036)
Net operating assets	3,222	3,430
Weighted annual average of net operating assets	3,579	3,613
plus operating assets funded intragroup	852	799
Weighted annual average CE of Industrial Business	4,431	4,412
Operating profit of Industrial Business	546	357
ROCE of Industrial Business in %	12.3	8.1
Annual average equity of Financial Services[1)]	134	141
Total CE of the MAN Group	4,565	4,553
Operating profit	573	383
ROCE in %	12.6	8.4
ROCE acc. to previous formula in % for comparison	11.7	8.3

[1)] excl. unrealized gains/losses

WACC

The weighted average cost of capital (WACC) has been determined at 10.5 percent for the entire MAN Group and 11.0 percent for Industrial Business (all pretax rates). We have decided to maintain WACC as control parameter at this level over a longer period of time.

COST OF CAPITAL (WACC)
%

	MAN Group	Industrial Business
Cost of equity		
risk-free interest rate	3.8	3.8
market premium	5.0	5.0
beta	1.0	1.0
aftertax cost of equity	8.8	8.8
tax rate	35.0	35.0
pretax cost of equity	13.5	13.5
Pretax cost of debt	5.0	5.0
Equity portion (at fair value)	65.0	70.0
Debt portion	35.0	30.0
Pretax cost of capital (WACC)	**10.5**	**11.0**

Value added

This financial indicator discloses whether the MAN Group and its divisions have earned their cost of capital and also added value. Value added (VA) equals the difference between ROCE and WACC, multiplied by CE. In this formula, ROCE is used for the Group and Industrial Business.

In contrast, Financial Services uses ROE (return on equity) instead of ROCE: the value added by Financial Services is derived from the difference between ROE and its WACC of 13.5 percent, times its average equity. The MAN Group added value of €68 million in 2004 whereas the year before, its value decreased by €121 million.

The value added by the MAN Group in 2004 is calculated as follows:

VALUE ADDED

	2004	2003
ROCE of Industrial Business (%)	12.3	8.1
WACC of Industrial Business (%)	11.0	11.0
Excess/short return (%)	1.3	(2.9)
CE by Industrial Business (€ million)	4,431	4,412
Value added by Industrial Business (€ million)	**59**	**(128)**
Value added by Financial Services (€ million)	9	7
Value added by the MAN Group (€ million)	**68**	**(121)**

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.

A cornerstone of debt financing is the 5-year €2.0 billion syndicated credit facility granted in December 2004 by a consortium of 25 banks to supersede the previous €1.5 billion facility. Another group funding instrument is the 7-year, 5.375-percent €300 million Eurobond issue floated by MAN AG in December 2003 through MAN Financial Services plc, Swindon, UK.

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 (25) to the consolidated financial statements, page 139.

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, around €470 million and €134 slices of the portfolio (current magnitudes) are sold to nongroup financing firms on a revolving basis in Germany and the UK, respectively.

NET LIQUID ASSETS
€ million

	2004	2003
Industrial Business	1,310	816
Financial Services	(1,302)	(1,255)
MAN Group	**8**	**(439)**

Cash flow in Industrial Business greatly augmented

Industrial Business

The cash flow from the operating activities of Industrial Business surged in 2004 by €284 million, from €679 million to €963 million. With cash earnings from net income mounting to €727 million (up by €142 million from €594 million), we slashed net working capital by €236 million after we had already downscaled it by €94 million the year before. The net funds tied up in inventories, prepayments and trade receivables/payables rose by a mere €73 million despite the booming business volume; in 2003, we had succeeded in lessening such funds by €117 million.

Net cash of €323 million was used in investing activities, comparing with €136 million a year ago. Capital expenditures inched up, €327 million (up from €322 million) went in 2004 into new tangible and intangible assets.

The net cash of €97 million used in financing activities (up from €72 million) reflects the dividend payout at €117 million (up from €93 million) and a cash inflow from internal distributions by Financial Services to MAN AG of €20 million (down from €21 million).

Including the other, noncash, changes, net liquidity of Industrial Business was improved by €494 million, from €816 million to €1,310 million. The free cash flow from the operating and investing activities of Industrial Business climbed to €640 million (up from €543 million).

CASH FLOW STATEMENT BASED ON NET LIQUID ASSETS
€ million

	Industrial Business		Financial Services	
	2004	2003	2004	2003
Net liquid assets at Jan. 1	**816**	**318**	**(1,255)**	**(1,325)**
Cash flow from operating activities	963	679	11	227
Cash flow from investing activities	(323)	(136)	(46)	(181)
Free cash flow	640	543	(35)	46
Cash flow from financing activities	(97)	(72)	(20)	(21)
Cash-based change in net liquid assets	**543**	**471**	**(55)**	**25**
Other changes in net liquid assets	(49)	27	8	45
Net liquid assets at Dec. 31	**1,310**	**816**	**(1,302)**	**(1,255)**

Financial Services

The cash flow from the operating activities of Financial Services slumped to €11 million (down from €227 million), basically due to a higher financing volume of trade receivables which, given the MAN Group's favorable financial position, were not placed on the market. The off-balance financing program, started in 2004 in the UK for customer leasing, was one of the reasons, and contributed €134 million to the decrease, why the net cash used in investing activities slid from €181 million in 2003 to €46 million in the year under review. On balance, total net financial debts of Financial Services inched up by €47 million to €1,302 million.

MAN Group

The MAN Group stepped up the net cash provided by its operating activities by €68 million, from €906 million to €974 million, its free cash flow edging up €16 million from €589 million to €605 million.

Operating assets further slimmed down

Breaking down the consolidated balance sheet into Industrial Business and Financial Services illustrates the disparate asset and capital structure of these activities.

ASSET AND CAPITAL STRUCTURE
€ million

	Industrial Business		Financial Services	
	2004	2003	2004	2003
Assets				
Tangible and intangible assets	2,163	2,196	242	257
Assets leased out	12	17	598	705
Net capital employed in inventories, prepayments received and trade receivables/payables	2,710	2,657	655	483
Other accruals	(1,703)	(1,484)	(32)	(31)
Other working capital	40	44	18	1
Net operating assets	**3,222**	**3,430**	**1,481**	**1,415**
Net liquid assets	1,310	816	—	—
	4,532	**4,246**	**1,481**	**1,415**
Capital				
Equity	2,885	2,655	146	129
Pension accruals	1,714	1,679	2	2
Deferred tax liabilities, income tax liabilities	(67)	(88)	31	29
Net financial debts	—	—	1,302	1,255
	4,532	**4,246**	**1,481**	**1,415**

The net operating assets of Industrial Business totaled €3.2 billion (down from €3.4 billion), the shrinkage from the 2003 level being ascribable to the higher total of accruals, which climbed €0.2 billion to €1.7 billion. At €2.7 billion and despite the expanded business volume, the net capital employed in inventories and receivables was virtually a repeat of the prior-year magnitude since the increase in inventories was funded by higher customer prepayments. Tangible assets came to a total €2.2 billion, thus also staying at the year-earlier level. Including the net liquid assets of €1.3 billion (up from €0.8 billion), total assets of Industrial Business swelled to €4.5 billion at year-end 2004 (up from €4.2 billion).

These total assets are funded by equity of €2.9 billion (up from €2.6 billion) and pension accruals of an unchanged €1.7 billion. The cover ratio of fixed assets to equity bettered from 121 to 133 percent, thanks to equity being bolstered by the 2004 earnings.

Financial Services funds total assets of €1.5 billion (up from €1.4 billion), including an internally financed portfolio of €0.6 billion of manufacturer leases (down from €0.7 billion). Operating assets funded intragroup moved up from €0.7 billion to €0.9 billion, including financed capital expenditures of €0.2 billion (virtually unchanged) and €0.7 billion of financed trade receivables (up from €0.5 billion). The total capital is refinanced at €146 million (up from €129 million) by equity and €1.3 billion (up from €1.25 billion) by debt.

Research & development

R&D again intense

In 2004, the MAN Group spent €526 million on R&D, a slight 1-percent year-on-year gain over €520 million. The manufacturing divisions allocated 4.4 percent of their sales to R&D (down from 4.6 percent). Despite the downscaling moves in several areas, in all we sustained our R&D activities at the previous years' level. MAN's departments concerned with R&D and engineering design employed an annual average of 3,883 persons (down from 4,117). Printing Systems was responsible for this decline, albeit here, too, at around 10 percent of the division's workforce, the proportion of R&D staff is still very high. Also contributing to the decrease was MAN Technologie in the wake of weak aerospace business.

R&D milestones in 2004

Major results of our R&D efforts introduced as market innovations in 2004 were:

– The new D20 commercial vehicle engine generation unveiled to the public and series-produced in 2004. Innovative engineering offers added benefits through less consumption, lower weight and reduced maintenance combined with improved reliability and performance. Cooled exhaust gas recirculation (EGR) serves as a basis for successful exhaust gas management. With particle filtration, EGR enables compliance with Euro 4 exhaust emission codes binding as from 2006, without the need to resort to elaborate exhaust gas aftertreatment through SCR catalytic converters and urea additive.

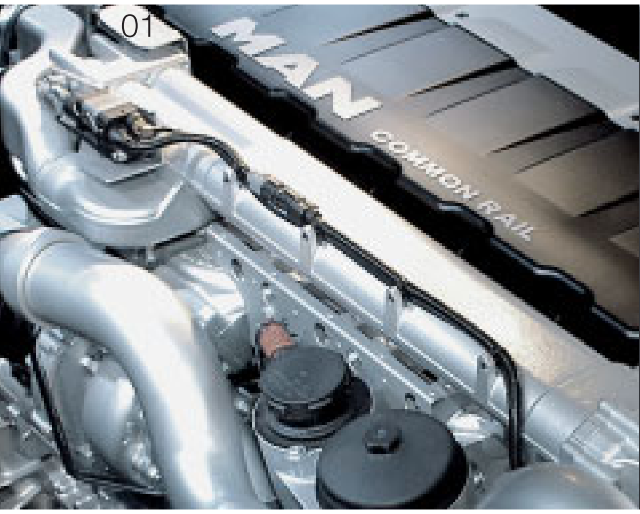
– Also debuting at Commercial Vehicles, the new premium Starliner tour coach from Neoplan that blends distinctive styling, modern drive technology and a comprehensive safety package.

– From Printing Systems, the COLORMAN, XXL newspaper printer whose extended web width allows faster and more economical printing.

– From Sheet-Fed Presses, DirectDrive of the plate cylinder is a feature to allow parallel changing of the plate.

RESEARCH & DEVELOPMENT
€ million

	2004	2003
R&D expenditures	526	520
R&D expenditures by manufacturing divisions in % of sales	4.4	4.6
Internally funded R&D	354	346
R&D workforce (annual average)	3,883	4,117



01 New D20 engine generation integrating common-rail injection technology.
02 Committed to the future—great importance is attached to investing in research and development

– From Diesel Engines, the common-rail injection and timing system for heavy-oil four-stroke engines and hence smoother running, lower emissions and reduced fuel consumption.

Extended product modularity is another cross-divisional emphasis in the Group's R&D work since it encourages reliably, affordably, economically, and eco-friendly engineered products tailored to individual customer needs. In the case of standard-production trucks customers can pick and choose from a wide range of engine, chassis, axle and cab options to obtain a vehicle configured to any specific purpose. In bus fabrication, where production is much less automated, the trend is away from development-intensive one-off solutions to customer-specific modules which may also vary according to country. The situation is much the same with Printing Systems where a mixture of new and proven components permits us to offer customers mature-engineering products matching their needs.

Another advantage of modular engineering is the greater ease of retrofitting long-lived products by replacing specific assemblies. On large diesel engines, certain assemblies are engineered as modules for ready replacement so that the engine may some time in the future be converted to run on different types of fuel and adhere to stricter emission codes yet still comply with state-of-the-art engineering without the need for major surgery to its overall structure.

Capital expenditures

Additions to tangible and intangible assets in 2004 totaled €357 million (down from €402 million), the €45-million decline being due to spending curbs and the fact that in 2003 sizable amounts had been spent on the concentration of plants in one location.

Our investment policies aim at making production processes more efficient, enhancing productivity, continuously improving product quality, and expanding the sales and service organizations. Any production outlays are preceded by make-or-buy analyses which also prioritize expenditures on plant for manufacturing more sophisticated components. The capital outlays likewise reflect the general trend toward reduced vertical integration and more outsourcing.

As always Commercial Vehicles accounted for the lion's share of spending, mainly for another expansion of production plant for the new D20 engine generation.

The Salzgitter location invested in truck assembly capacity extension while, in Austria, the Commercial Vehicles division's outlays were directed at the pending production launch of the new lineup of light and midsize vehicles.

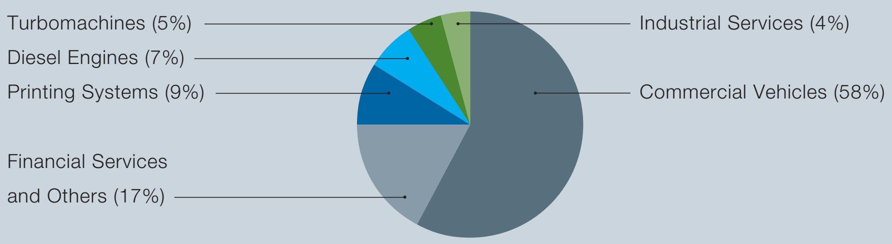
Within Printing Systems, Sheet-Fed Printing Presses focused expenditures on the single-location consolidation of the previously three separate Offenbach plants. Web-Fed Presses spent on specific areas of production engineering plus productivity enhancements.

Diesel Engines rolled out in 2004 a restructuring program aimed at fine-tuning four-stroke engine manufacture and assembly at the Danish subsidiary in the course of which essential production facilities were transferred from Holeby to Frederikshavn. Other outlays concerned the production plants in Augsburg and St. Nazaire, France.

CAPITAL EXPENDITURES
€ million

	2004	2003
for tangible and intangible assets	357	402
for investments	32	18
Total capital expenditures	**389**	**420**
Amortization/depreciation/write-down	**402**	**373**
Investment ratio in %	**97**	**113**

CAPITAL EXPENDITURES FOR (IN)TANGIBLES BY DIVISION



Turbomachines injected a large portion of its funds into revamping its vane production. Commissioned by this division was a new testing rig for large machine lines necessitated by rising demand from the primary materials market.

Our IT expenditures go toward expanding and revamping our systems and networks. We are progressing step by step in substituting standard software for custom programs individually compiled over the years.

We again expanded the MAN2B e-business platform, establishing it as the standard sourcing process tool which allows us to pool purchasing volumes and achieve cost savings.

We are also tightening ties with customers through their own IT systems to enable such forward-pointing services as remote monitoring, diagnosis and parts management.

MAN Nutzfahrzeuge is using a comprehensive software package for computerized networking the pan-European sales and service organization to permit throughout local-language access to up-to-the-minute data and uniform processing of work flows. The first countries were integrated into the system in 2004.

Environmental and safety management

We advance environmental and safety management by regularly reviewing and rejuvenating our environmentally relevant processes. The improvements implemented in the last few years and the PRO BS fire protection management system introduced in 2004 have created, at both the organizational and technical levels, a high standard of environmental and safety management at the MAN Group's production locations. The operational risks to plants and facilities have thus been diminished further.

Safety risk management also makes sound economic sense. Notwithstanding the sharp uptrends on the insurance market, insurance premiums have remained stable for the MAN Group and have been lowered in certain areas.

One of the focuses of our work in 2004 was the nomination of the two MAN installations with potential for emissions trading. The application for the allocation of free emissions certificates was made in due course. In the coming years, the implementation of the requirements of the German Greenhouse Emissions Trading Act (TEHG) will be a major task. This includes the establishment of a monitoring system for CO_2 emissions and the planning of future emission reductions.

In the last few years, we have been doing all we can to cut the consumption of resources despite the further rise in output and units sold. Commercial Vehicles, our biggest subgroup, was particularly successful in 2004 in downscaling the quantities of energy consumed, emissions and waste per production unit to below the prior-year levels. All the MAN companies achieved significant economies in water consumption by systematically treating recirculated water (closed-loop concept) and reducing the quantities of water evaporating in open cooling water circuits. The changeover of many production processes to minimum lubrication reduced the input of emulsions, thus eliminating about 95 percent of the water per cubic meter. The technical standard achieved has been facilitated by large-scale investment, and the downsizing of environmental expenditures reflects the years of ongoing high investments in the best long-term technologies.

01 MAN hydrogen bus powered by a fuel cell.
02 Safety is of prime importance, both for our employees and our customers, who receive nothing but tested technology.

Apart from the environmentally sensible and economically efficient operation of our production plant and equipment, we also regard ongoing product development as part of our contribution to sustainability. We constantly raise the standards of functionality, economy, safety and eco-compatibility that our products have to meet. The aspects of sustainability are integral to our production processes and accompany them from the product idea via production and distribution through to customer use.

Increasingly, our products are put to use not only in everyday applications, e.g. in highly clean and fuel-efficient trucks and buses, but also in the production of renewable primary energy and the generation of alternative secondary energy. Our specialties encompass components for wind turbines as well as the application of high-pressure compressors and turbines in high-tech gas-to-liquid processes.

Our Sustainability Report gives a detailed account of the varied activities of the MAN Group in the environmental, safety management and sustainability sectors (obtainable at www.man-group.com or as hardcopy from MAN AG).

Risk management

Risk management system
Doing successful business inevitably entails the conscious acceptance of risks. Consequently, value-driven risk management requires a considered weighing on the part of management of the opportunities and risks associated with the planning and enactment of our business strategies. After all, risks are also opportunities!

The MAN Group's risk policies are formulated with a view to deploying risk management as a constructive and proactive management instrument with the aim of achieving the best possible balance between profitable growth and a position of technological leadership, on the one hand, and the lowest level of risk exposure, on the other. Simply avoiding risks is therefore not always the best strategy but rather by consciously developing a healthy risk appetite, we are able to add much more value for our stockholders.

In order to minimize its risks, the MAN Group early on installed an efficacious and efficient risk management system which is continuously being adapted to new internal and external changes. In this way, we make sure that respective management, extending to MAN AG's Executive Board in the event of grave risks, is notified in good time and that any immediately necessary corrective action is then taken.

The components of our risk management system (RMS)
The MAN Group's RMS comprises four basic components: groupwide standards and policies, delegated authority, efficient reporting, and heightened risk awareness.

– The standards and policies constitute the general framework for the MAN Group's RMS. A risk management manual valid throughout the Group contains binding rules on the mapping, analysis, evaluation, control, monitoring and reporting of major risks within the MAN Group. With its principles and rules, the manual also promotes a groupwide common understanding of risk management as such, thus sowing the seeds for an effective risk management system.

– The MAN Group's RMS manual is supplemented by further instructions and guidelines of groupwide validity: one on major projects defines the strict ceilings beyond which MAN AG's Executive Board must be furnished with exhaustive information on any envisaged major contracts. These guidelines also specify ad-hoc reporting obligations in the event that the performance of the contract might erode profits.

– Risk management within the MAN Group is coordinated and controlled centrally by MAN AG. Nonetheless, it is up to the respective business units to enact and detail the risk management system and hence identify, weigh, and assess risks. After all, business unit management with its expertise is best able to review and profile potential risks and possible corrective action.

– Standardized and regular reporting procedures, moreover, ensure that the next-higher management tiers are directly and immediately advised of all risk-relevant issues. The risk managers in charge compile regularly or as and when required, individual risk reports which detail both a description of the risk under review as well as any corrective action taken. Such separate reports are then aggregated at the level of the subsidiaries and their subsidiaries and forwarded to MAN AG in the form of consolidated risk reports.

– Effective risk management requires not only rules and assignment of accountabilities, it also largely hinges on the prevalence of risk awareness. Last year, MAN AG carried out a detailed risk inventory in the course of which the respective risk managers were re-sensitized to the requirements of risk management. In the process, MAN AG's Chief Risk Coordinator makes sure that the methods and instruments of the risk management process are properly understood and applied throughout the Group.

MAN's Internal Auditing and the statutory auditors are together responsible for reviewing the workability of the Group's RMS. In the course of 2004, Internal Auditing conducted numerous audits of the internal control system and the risk management systems installed at the subsidiaries and their subsidiaries during which any weaknesses were identified and, together with local management, overcome. During the past year, the external auditors also continued their tests of early risk identification systems, centering on the principles, assessment and accounting procedures for currency risks as well as risks emanating from smallish shareholdings not integrated with the regular reporting system, special-purpose companies and partnering external sales and service organizations. Insight gained into possible improvement potentials for effective and efficient risk management is being applied without delay.

Risk areas within the MAN Group

The MAN Group companies operate in global, keenly competitive innovative, leading-edge technology markets. In doing business, these subsidiaries are therefore exposed to risks that may impact on the Group's net assets, financial position or results of operations. The following comments specify the chief types of risks with possible repercussions on the MAN Group's business performance.

The economy and market volatility

The MAN Group's chief exogenous risks are economic swings and the related market volatility. With a systematic analysis of the economic situation and the respective sales markets, the MAN Group companies attempt as early as possible to realign their strategies and activities to upcoming changes and thus counteract, in particular, the risk of idle production plants.

To ensure a readily marketable product range, the MAN Group continuously invests in the development of its product portfolio. An R&D expenditure of over 4 percent of sales is still among the highest of comparable corporations. Special efforts are being applied to further reducing the time-to-market period for products and thus extend even further the MAN Group's technological leadership.

The international scope of our activities poses the possible threat that major sales markets might succumb to political instability or strife. We address such risks through stepping up our efforts in other regions and ongoing vigilance of the local situation in order to respond in good time and commensurately.

Input prices and output costs

The MAN Group's profitability is also vulnerable to worldwide increases in the price of energy and raw materials, at present steel price hikes since our manufacturing divisions—specifically Commercial Vehicles and Diesel Engines—rely heavily on this input metal. Wherever possible, long-term contracts have been and will be negotiated to assure us of reliable supplies and stable terms and conditions. Any extra costs we intend to offset by economies of scale, enhanced productivity, and accordingly elevated prices for customers.

Earnings are also being squeezed to a significant degree by fiercer price competition within the markets of the MAN Group. Management meets this threat by extensive production improvement processes and further cost reductions. Longer working hours at the Augsburg and Offenbach locations of MAN Roland and MAN B&W Diesel have brought about certain savings, albeit even more economies are needed.

Order processing risks

The MAN Group's facility construction companies—especially Industrial Services—are exposed to operational risks in the course of contract execution. Such risks typically include unforeseen technical problems or difficulties upstream or downstream at our suppliers or subcontractors. Risks of this nature are contained by systematic and comprehensive project management including strict quality audits for our worldwide suppliers and subcontractors whose financial standing is also regularly and rigorously reviewed. Facility construction is a business that is also exposed to credit and investment risks which we limit by making early allowance for such contingencies in our contract costing and by working together closely with banks and credit insurers, as well as by excluding such risks when formulating the underlying contracts.

Other major operational risks for the manufacturing units are warranty commitments, buyback obligations and M&R (maintenance and repair) contracts—all of which the Group addresses by closer contract portfolio vigilance, improved costing processes, and commensurate risk provisions.

Financial risks

Because of the international scope of its businesses, the MAN Group is also vulnerable to foreign-currency swings, especially regarding the US dollar, which—particularly in facility construction—is still the most widely accepted costing and contracting currency. As a matter of principle, we attempt to avoid currency-based contracts while increasingly sourcing upstream products and services in local currency. Groupwide corporate policies, moreover, require that contractually agreed payments in foreign currency be always hedged.

Interest rates pose another possible threat. As a consequence and on the basis of an analysis of current market trends, MAN AG's Executive Board regularly defines the bandwidths to be hedged and continuously monitors any volumes in excess. In this way, the risk of strong interest rate swings outside hedged corridors impacting adversely on group earnings is contained.

The menace of default and bad debts is met by reviewing customers' financial standing and installing effective dunning procedures. For contracts in high-risk countries, receivables are also hedged by the usual export credit guaranties such as HERMES coverage.

MAN AG's Group Treasury makes sure that MAN companies have sufficient cash at their disposal. December 2004 saw the agreement on a 5-year syndicated credit facility for €2 billion.

Organizational and structural risks

Cutting-edge technology is inconceivable without highly skilled specialist and management staff and one of the central tasks of all MAN managers is to attract, hold on to, and integrate the best qualified employees. In order to assist in this process, MAN AG's Executive Board in 2004 expanded the management development tools and implemented a comprehensive potential-assessment process at all levels within the Group. Systematically, this identifies early on, furthers and mentors junior management talent.

Outlook

Risk management is a process that is never complete but rather an ongoing challenge and hence the important thing is to regularly adapt the risk management system to changing scenarios and the newest developments. One of the tasks earmarked for 2005 is to update the MAN Group's risk management manual to address future exigencies: an updating of the risk catalog, which performs an important signposting and standardization function for the MAN companies, and a re-conceptualization of risk reporting more closely tied in with existing controlling instruments and hence the MAN Group's strategic goals.

Trends and prospects in 2005

Regina's stake in MAN broadly placed

For many years a major MAN stockholder, Regina Verwaltungsgesellschaft (equally owned by Allianz AG, Allianz Lebensversicherungs-AG, Commerzbank AG, and Münchener Rückversicherungs-Gesellschaft) sold on January 12, 2005, its stake of a good 25 percent in MAN AG's common stock to more than 100 institutional investors, thus ensuring a diversified new ownership of this MAN block. MAN common stock has since been free-floating at 100 percent, which has increased our weight within the Dax 30.

More detailed definition of strategic emphasis

Under the chairmanship of Håkan Samuelsson, since January 1, 2005, CEO of MAN AG, the Executive Board formulated at the start of the year certain aspects of corporate policy designed to further develop the Group's previous strategic emphasis:

– The MAN Group perceives itself as a global engineering group whose business focuses on five divisions: Commercial Vehicles, Industrial Services, Printing Systems, Diesel Engines, and Turbomachines. Within the Group, each of these divisions must continue to develop—each measuring itself against the number one in its market.

– MAN will take emphatic measures to sell off the smaller industrial holdings enabling them to migrate to best owners.

– Loss-making sources within the divisions will not be tolerated, nor will cross-subsidizing.

– The MAN Group's management system is based on the concept of industrial governance. The Group Executive Board's function is the strategic leadership of the divisions through target-setting (MbO) and follow-up, transparency inward and outward, and such cross-divisional tasks as knowledge transfer and management staff development. Financial Services will, as until now, handle the financial functions on behalf of all the divisions. Operational responsibility is delegated to the divisions which are measured according to the achievement of their strategic and performance targets.

Navistar alliance taking shape

Together with the US commercial vehicle manufacturer Navistar, MAN Fahrzeuge has mapped out more details of an agreed strategic alliance concerning the joint development and production of components, especially engines. A key constituent of the agreement is the enhancement of the new MAN D20 engine generation, introduced in 2004, so that these units will comply with stricter US emission codes effective as from 2007 and be suitable for powering this US manufacturer's own trucks.

Economic environment and business situation at the start of 2005

Recent months have seen the global economy cool down somewhat with high raw material prices—especially for steel—and the hard euro increasingly curbing capital expenditure appetite. Furthermore, the repeated resurgence of oil prices is adding uncertainty. The international economy will continue to make headway in 2005, albeit less buoyantly than in 2004. Within Asia, Japan’s weaker economy is likely to impact while the state-ordained throttling of China’s economy will also have repercussions. Latin America’s explosive growth will have some of its momentum sapped although still remaining robust. The Central & Eastern European states will maintain their growth and spending dynamism while Western Europe is expected to show only marginal gains.

With an order intake of €2.6 billion (up 8 percent) and sales of €1.8 billion (up 2 percent) for the first two months of 2005, the MAN Group got off to a flying start in the new fiscal year. Excluding megacontracts, orders received in the ordinary course of business at €2.2 billion were up by 3 percent from the year-earlier’s. A megaorder was booked in January 2005 for COLORMAN, XXL newspaper presses destined for Britain’s News International and worth over €300 million. The presses will be assembled, delivered, and installed over the years to come.

Expectations by division for 2005

We expect all the MAN divisions to deliver higher returns and profits in 2005, with business volumes tending to be mixed.

Commercial Vehicles

Commercial Vehicles is anticipating some moderate growth in the Western European truck market in 2005. From today’s vantage point, order intake, production and shipments should rise slightly above the year-earlier levels, one reason being growing demand in the EU accession states.

In view of our cost-reduction drives, the successful launch of the D20 engine and the budgeted slight gain in volumes we expect another improvement in profits for 2005, despite heavy input material cost burdens.

Buses is likely to be confronted with a more saturated market although our production capacities have undergone the necessary flexibility in good time and launched further fine-tuning programs. Accordingly, we look to a further profit improvement in 2005.

Industrial Services

For 2005, Industrial Services is confident that the present worldwide economic trend will persist along with a keener spending appetite on the part of customers. Focal points are Latin America and the Near & Middle East. This division will concentrate its efforts on long-range promising and profitable operations and sectors. Its established business ties and the sales cooperation with other MAN divisions are to be expanded. In 2003, the volume of business will hinge largely on how steel prices shape up and which currently pending megacontracts do in fact materialize. In all, the division hopes to nudge the high 2004 level. The operating profit should rise over 2004.

Printing Systems

Printing Systems in 2005 will again be confronted by weak advertising markets and consolidation waves among the printshops. Excluding any megacontracts (in progress or projected), we expect little dynamism in terms of demand for these products, with the market maintaining its 2004 volume. Thanks to the tall order backlog, sales of web-fed presses should rise well above 2004 and in the sheet-fed market we are looking to incremental business driven by newly rolled-out small- and large-format printers. As to profits in 2005, we expect Sheet-Fed Presses to stage a turnaround on account of the capacity-streamlining moves, cost reduction measures and restructuring programs despite generally anemic demand and persistent pressure on profit margins. Business for Web-Fed Presses will recover further and hence Printing Systems is predicted to close 2005 with a mid-double-digit million operating profit.

Diesel Engines

Given the progressive globalization of markets and a further growth in the international economy, Diesel Engines anticipates demand to again advance for sea transport capacities leading to a further boom in the construction of container vessels, cruise liners, and tankers—a boom in which we will successfully share. Stationary diesels for power plants are in brisk demand, albeit their funding does pose problems.

Given the brimming order books at the beginning of the fiscal year, the congenial market situation and the already discernible trends for 2005, we are confident of generating a substantial order volume and raising sales compared with 2004. This year will see the completion of the structural reorganization of the Danish four-stroke diesel locations, started in 2004, with Holeby production migrating to Frederikshavn. The cost-pruning agreements concluded last year with the employee representatives at the Augsburg plant will likewise reverberate. At the British subsidiary, we will take additional action to overcome the weaknesses in four-stroke high-speed diesel production. Fiscal 2005 is expected to deliver an improved operating profit.

Turbomachines

Demand for turbomachines in 2005 is likely to match 2004, even though the hard euro and rising commodity prices may act as obstacles. Order intake should match the 2004 magnitude. Prompted by the tall order backlog at the start of the year and the measures initiated for refining and smoothening business processes we are optimistic that sales and profit in 2005 will again mount.

The MAN Group's expectations for 2005

For the MAN Group as such we are budgeting an order intake in the region of 2004's €16 billion, an estimate that hinges, especially, on how the economy develops but also on the outcome of pending megaprojects as well as steel price trends. The tall order backlog at the start of 2005 will help propel sales over the prior year's €14.9 billion with a budgeted single-digit growth rate. These figures do not take account of the impact from the planned divestment of smallish investees.

The present 2005 budget foresees a slight increase in additions to tangible and intangible assets. Capital outlays will again emphasize rationalization programs and favor the revamping of production plants, with Commercial Vehicles once more seizing the lion's share.

The 2005 R&D budget is approximately that of 2004, with the focus on the new series of light and midsize trucks and the further development of the new D20 engine, specifically in anticipation of the Euro 5 exhaust emission code. Printing Systems will again accentuate process automation and life cycle cost reduction. Diesel Engines will step up the development of its engine program, specifically the use of common-rail systems for further engine models.

As to the Group's financial position, we will continue with our efforts to further downscale net operating assets (mainly inventories and receivables). For our manufacturing divisions, we have targeted a total €500 million shrinkage of net operating assets over the coming three years. Financial Services will spread out into new terrain for its sales financing business. The syndicated credit facility, now topped up to €2.0 billion, and the refinancing options of Financial Services ensure an excellent and reliable source of finance for the Group, not to mention MAN AG's authorized capital of an unchanged €188 million at par to which we can resort.

FORECAST 2005		
	2004	Forecast 2005
Order intake	€16.1 billion	→
Sales	€14.9 billion	↗
Capital expenditures	€357 million	→
R&D expenditures	€526 million	→
Operating profit	€573 million	↗

We have set the MAN Group and its divisions ambitious performance targets: over the next three years for the Group to achieve an ROS of 6.0 percent and an ROCE of 18.0 percent. Under the given conditions and our expectations for 2005 as outlined, we are confident of approximating these benchmarks a lot more closely.

As to profits for 2005, we expect for the MAN Group in all another visible improvement based, in addition to rising volumes, on the expectation that the Printing Systems and Diesel Engines restructuring programs will take effect. Commercial Vehicles will again boost its shipments and efficiency enhancements will impact with further success on profits. The extent of the profit rise will largely depend on the economy and hence how our production and sales volumes develop, on commodity price trends plus how rapidly the current restructuring programs take effect.

MAN Shares, Corporate Governance

It was only the magnificent final spurt registered by the DAX 30 during the last quarter of 2004 that provided investors with a consoling close to the stockmarket year, showing a gain of 7.3%. At the beginning of 2004, the upward trend sustained by the DAX since March 2003 came to a halt following a marked rise in energy and raw-materials prices which, coupled with a steady euro exchange rate, led to increasing uncertainty on future global economic trends. At the end of October 2004, there was a sweeping change in the market mood, resulting in a sharp upturn in the German Share Index during the fourth quarter. This was boosted both by companies reporting positive results and prices stabilising on the oil market. Showing a gross yield of 20.8% for 2004, MAN ordinary shares were among the top performers in the German Share Index.

MAN Shares

KEY FIGURES OF MAN ORDINARY SHARES

	2004	2003
Earnings per share in €	2.09	1.25
Cash dividend per share in €	1.05	0.75
Market capitalisation (at Dec. 31)[1] in €m	4,145	3,511
Closing price in €	28.34	24.05
Highest price in €	32.23	24.15
Lowest price in €	24.33	12.09
Yield[2] in %	3.7	3.1
Gross yield[3] in %	20.8	90.3
Number in '000	140,974	140,974
DAX yield in %	7.3	37.1
DJ EURO STOXX in %	12.3	20.8

[1] Based on 140,974,350 ordinary shares and 6,065,650 preference shares
[2] Cash dividend based on closing price at Dec. 31
[3] Based on reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held

Share performance

2004 proved to be a generally pleasing year for MAN shareholders, although the performance of MAN's ordinary shares was marked by both light and shade. Encouraged by a series of positive trading reports, the shares performed considerably better that the reference index, the DAX 30, during the first six months of 2004. Recording double-digit percentage gains, MAN shares disengaged distinctly from the prevailing market trend during this period.

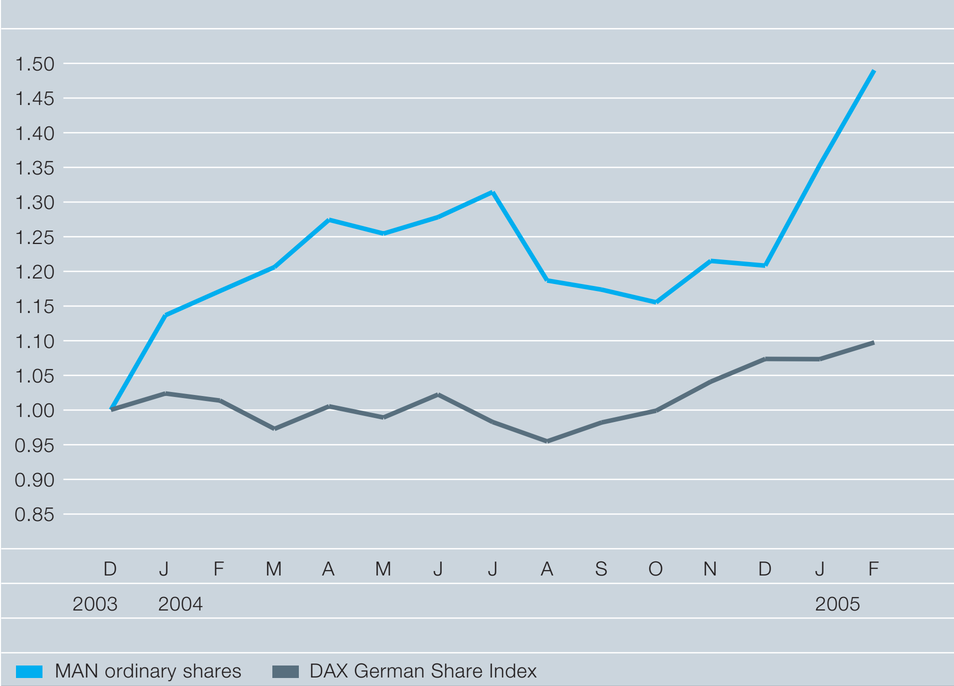
This encouraging development failed to continue during the second half, the share price registering a single-digit percentage drop over this period. Benefiting from a sharp final spurt during the fourth quarter, the DAX 30 was however able to record a single-digit percentage gain. According to market operators, persistent speculation on possible changes in the shareholder structure curbed the performance of MAN shares. Furthermore, there appeared to be considerable uncertainty among investors regarding the degree of sustainable growth that could be attained on MAN's markets.

MAN ordinary shares gained €4.29 in 2004.

Based on a starting price of €24.05 on December 31, 2003, MAN ordinary shares gained €4.29 in the course of 2004 to reach € 28.34 on December 31, 2004.

The decision taken by the Allianz, Münchener Rück and Commerzbank to dispose of their shares in MAN AG, previously held via Regina Verwaltungsgesellschaft, and place these with a large number of institutional investors created the necessary momentum to reverse the trend in MAN share prices. During the current stockmarket year of 2005, MAN shares have been able to further increase their above-average performance compared with the DAX 30. Raising the free-float level to one hundred percent is positively impacting the liquidity of the shares on the stock exchange and is expected to enhance the long-term prospects for MAN's ordinary shares in the leading German share index.

MAN SHARES VS. DAX 2004
December 31, 2003 = 1.00



Yield

Over the past ten years, an investment in MAN shares would have generated an annual gross yield of 6.1%. Compared with the average annual yields offered by stocks listed in the DAX 30 and the DJ EURO STOXX indices, all investments in MAN shares made since the end of 1996 and held at least until the end of 2004 would have produced higher returns.

MAN shares were relisted in the DJSI STOXX for sustainable corporate management.

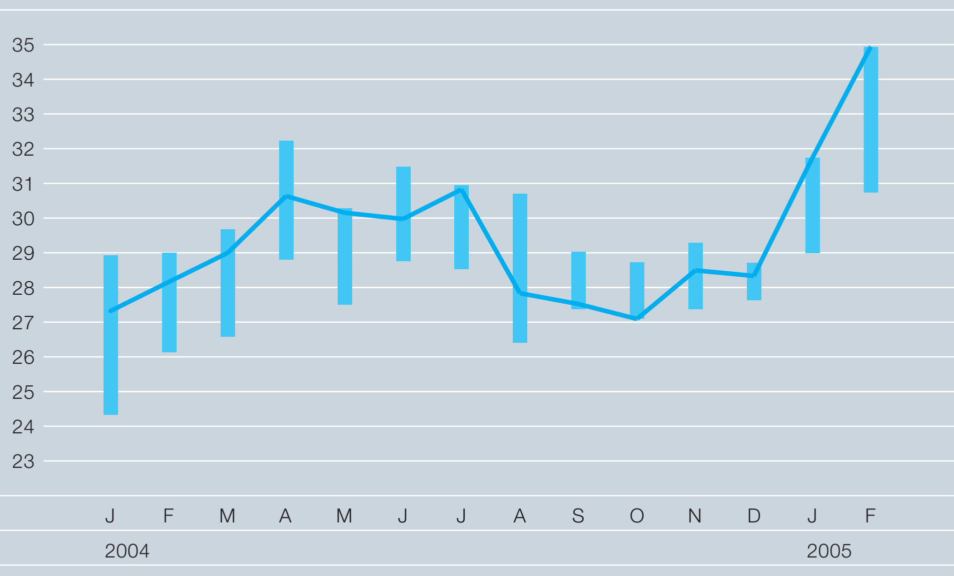
Sustainability

For the third time in succession, MAN shares have been relisted in the Dow Jones STOXX Sustainability Index (DJSI STOXX) for the year 2005. The DJSI STOXX is the leading European share index for sustainable corporate management. The assessment conducted by the independent Zürich-based asset-management company, Sustainable Asset Management (SAM), includes both environmental management aspects and the promotion of and support for social and cultural activities in addition to key economic and ecological figures.

Communication with capital markets

Successful investment decisions call for a high level of transparency on the part of business enterprises. MAN therefore ensures that all capital-market operators are promptly provided with the same information on the latest financial and earnings situation, as well as the company’s business trends. In accordance with the statutory requirements, insider information is also immediately published in the form of ad hoc announcements which can be accessed on the MAN website.

MAN SHARES: HIGHS, LOWS AND CLOSING PRICES
€



The first Capital Market Day is to be held in 2005.

The corporate strategy and its implementation were explained to numerous institutional investors both at home and abroad during many individual and group discussions and at a number of investor conferences. At the same time, answers were provided on questions relating to the company's financial situation and market trends. Rounding off these activities, events aimed at analysts were held to mark the launch of the new D20 engine generation and during the drupa printing trade fair. In 2005, we shall be holding the first Capital Market Day in addition to the annual analysts' conference.

The rising demand for information, particularly on the part of private investors, was addressed in the form of a redesigned website (www.man-group.com). In addition to a marked improvement in user-friendliness, special importance was attached to increasing the range of information offered, including data relating to MAN shares.

According to Sec. 15 a of the German Securities Trading Act, persons exercising management functions, family members closely related to such managerial personnel, or any legal entities belonging to such groups of persons must report each purchase or sale of MAN shares or of any related financial instruments. No such notifications were received by MAN AG during the last calendar year, nor were any parties in possession of shareholdings subject to the disclosure requirements of sub-clause 6.6 of the German Corporate Governance Code at December 31, 2004.

PERFORMANCE[1] OF MAN SHARES AND KEY INDICES UP TO THE END OF 2004
in % p.a.

	1 year	3 years	5 years	8 years	10 years
MAN ordinary shares	20.8	9.2	–2.1	8.4	6.1
DAX 30	7.3	–6.2	–9.4	5.0	7.3
Dow EURO STOXX	12.3	–3.3	–6.9	7.9	9.9

[1] Development of share index prices; development of share prices including cash dividend

Dividend

As part of our flexible dividend policy, shareholders receive an appropriate share of the earnings generated by the company. For the 2004 financial year, the Executive and Supervisory Boards will be proposing a divided increase of €0.30 to €1.05 at this year's Annual General Meeting. Based on the closing price of €28.34 noted by the ordinary shares on December 31, this represents a yield of 3.7%.

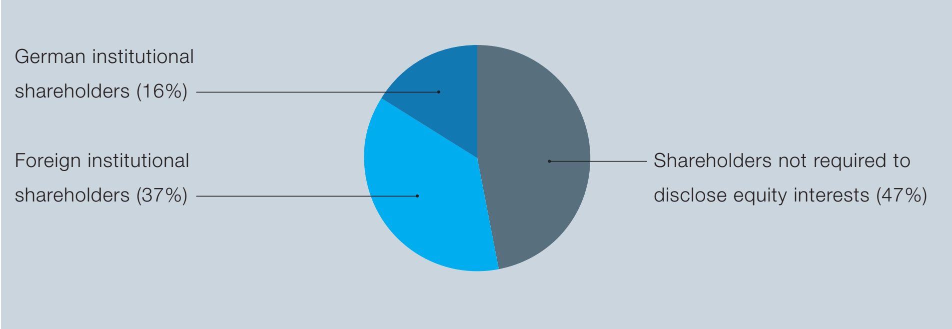
MAN DIVIDEND PER SHARE
€

Following the successful placement of the Regina shareholding, all MAN shares are now free-floating.

Shareholder structure

Successful placement of the block of MAN shares held by Regina Verwaltungsgesellschaft with a large number of institutional investors has considerably strengthened the company's international shareholder base. Compared with last year, the percentage of total share capital held by foreign institutional investors has more than quadrupled from 9% to 37%, whereby in regional terms, our shareholder structure continues to focus on the USA and Western Europe. Analysis of a shareholder survey has also shown that the proportion of total share capital held by German institutional investors rose by a moderate three percentage points compared with 2004. Germany therefore continues to represent the strongest single region worldwide. All MAN shares are free-floating.

MAN SHAREHOLDERS AT CLOSING DATE[1]
2004



[1] Taking into account the sale of MAN shares held by Regina Verwaltungsgesellschaft mbH

Source: Thomson Financial; Goldman Sachs

Corporate Governance at MAN

The term "corporate governance" denotes the responsible management and control of a company with a view to creating sustained value added. In the case of MAN, a German enterprise with worldwide operations, the prevailing legislation, the company's memorandum and articles of association and the internationally-accepted standards set out in the German Corporate Governance Code form the basic structure for shaping a responsible, transparent and value-driven corporate management. Efficient cooperation between Executive and Supervisory Boards, consideration of our shareholders' interests and responsible risk management, as well as transparent corporate communication represent the key objectives of its corporate policy.

The main functions of our management and control system are reviewed on an ongoing basis and internal structures, processes and responsibilities adjusted as required. This applies in particular to the central issues of the German Corporate Governance Code, namely the executive board, the supervisory board, the annual general meeting, transparency, accounting and auditing.

Declaration of compliance

In December 2004, the Supervisory Board and the Executive Board of MAN AG issued an annual declaration of compliance in accordance with Sec. 161 of the German Companies Act (AktG), confirming that MAN complies with all recommendations of the German Corporate Governance Code with one exception.

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

In its declaration of conformity pursuant to Art. 161 AktG, MAN AG states to adopt the recommendations of the Code as amended up to May 21, 2003, with the exception that the remuneration of individual Executive Board members will be disclosed in the notes to the consolidated financial statements only to the extent that the CEO's remuneration and the average salary of all other Executive Board members are indicated.

The company is of the opinion that this provides shareholders with an adequate basis to evaluate the commensurability of the remuneration received by the Executive Board.

In addition to the official recommendations, MAN also complies with the majority of optional supplementary suggestions contained in the German Corporate Governance Code. Full details may be viewed at any time on the MAN homepage www.man-group.com under Investor Relations/Corporate Governance and can also be made available upon request.

MAN Employees

Young qualified recruits represent a success factor, especially in the case of technology-oriented enterprises like MAN. An image as an attractive employer is a vital criterion in appealing to committed and well-educated personnel. MAN succeeded in improving its ranking by moving up from thirty-third to thirteenth place among the most attractive employers for engineers in Germany. Activities aimed at recruiting young talent, promoting vocational training and qualification, as well as identifying and developing management potential across the MAN Group were intensified at all levels. To improve the company's competitive strength, agreements were reached with employee representatives at numerous locations with the aim of reducing the manufacturing costs of our products.

Employees — qualified young talent as a success factor

At December 31, 2004, 61,259 (2003: 64,158) people were employed by the MAN Group. Including temporary staff, the total figure amounted to 64,687 compared with 67,907 at the end of 2003. A reduction of 1,564 employees resulted from hiving off and disposing of the DSD Stahlbau Group, previously part of the Industrial Services Division. Compared with 2003, personnel expenses declined slightly by €33 million to €3,320 million (–1.0%).

EMPLOYEES
at Dec. 31

	2004	2003
Germany	39,506	41,497
Rest of the world	21,753	22,661
Total	61,259	64,158
Rest of the world (in %)	36	35
Increase (decrease) after consolidation	(1,791)	472

Flexible structures, cost-reduction measures

Members of the MAN Group continued to make use of all available tools in order to react flexibly to changes in the marketplace. This flexibility reserve consists of several modules, most frequently limited employment contracts, temporary staff and flexitime accounts. Cost-reduction measures were agreed for the production sites in Offenbach and Augsburg during 2004. In return for these concessions on the part of the works councils, no contracts will be terminated for operational reasons in the near future.

Performance culture

In the field of executive development, particular attention was paid to creating a mutual understanding of the company's goals and applying a systematic process to

EMPLOYEES AT CLOSING DATE
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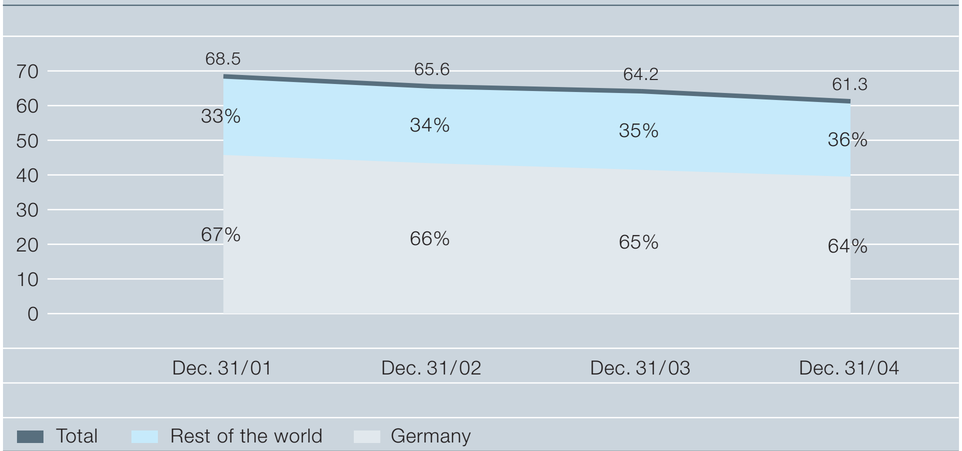


identify individual targets on this basis. Comparisons have shown that in the case of the MAN Group, a particularly large share of the executives' remuneration is linked to their performance, as well as to the company's success. We intend to adhere consistently to this course.

Securing young recruits—identifying potential, developing talent

Specific steps were taken to improve our image among students and university graduates at home and abroad and to bind talented young individuals to the company. These activities resulted in MAN rising from thirty-third place to become the thirteenth most attractive employee for engineers.

During the year under review, MAN introduced a new process to find high-potential individuals, allowing a consistent standard of top worldwide potential to be pinpointed throughout the Group. A Group-wide high-potentials database provides access to this information and facilitates structural analyses. Strategically-oriented successor planning was undertaken for key positions.

Activities to improve the qualifications of our management staff are bundled in the MAN Academy, which systematically prepares high-potentials for new assignments, as well as offering new know-how to executives already in management positions. During 2004, courses focused mainly on corporate goals and international activities.

Vocational training

At the end of the last financial year, 3,457 trainees were employed by the Group's German companies. With a trainee ratio of 7%, MAN exceeds the average figure for the manufacturing industry. In some divisions, the number of trainees recruited to cover anticipated internal requirements was higher than in 2003.

Thanks to the staff and works councils

We should like to thank our employees who, with their initiative, their commitment and their know-how, make a vital contribution to the success of the Group. Furthermore, our thanks are directed especially to the works councils for the atmosphere of reciprocal trust and the understanding shown in accepting cuts in conditions of employment in our mutual interest, both for the company and to secure jobs. As a result, it was possible to arrive at reasonable solutions in each case.

EMPLOYEES BY DIVISION
at Dec. 31

	2004	2003
Commercial Vehicles	33,810	34,094
Industrial Services	4,679	6,689
Printing Systems	9,026	9,465
Diesel Engines	6,731	6,625
Turbomachines	2,472	2,494
Further Industrial Holdings	4,186	4,459
Financial Services	102	87
MAN AG and assigned companies	253	245
MAN Group	**61,259**	**64,158**

01 to 05 MAN Group employees contribute to an open and dynamic corporate culture.

A brand at work

A BRAND IS A PROMISE. CUSTOMERS, SUPPLIERS, SHAREHOLDERS, APPLICANTS AND THE ENTIRE GENERAL PUBLIC LINK CERTAIN IDEAS AND EXPECTATIONS WITH A BRAND. AND IT IS THE PEOPLE BEHIND THE BRAND, THE EMPLOYEES, WHO EMBODY THESE IDEAS, FULFILLING ALL EXPECTATIONS TO THE BEST OF THEIR ABILITY.

AT MAN, FOUR BRAND VALUES HAVE EMERGED—**RELIABLE, INNOVATIVE, DYNAMIC, OPEN.**

ALL MAN GROUP PRODUCTS AND SERVICES ARE TRADITIONALLY RENOWNED FOR THEIR RELIABILITY. PEOPLE AT MAN KNOW THAT NOTHING BUT CAREFUL WORK CAN ENSURE THE RELIABILITY OF VEHICLES, MACHINERY, PLANT AND SERVICES.

VERY FEW COMPANIES CAN, LIKE MAN, LOOK BACK ON ALMOST 250 YEARS OF INNOVATION. FRESH THINKING AND SEEKING OUT NEW SOLUTIONS FOR CUSTOMERS ARE DISTINCTIVE QUALITIES OF PEOPLE IN THE MAN GROUP.

DYNAMIC AND OPEN ATTITUDES ARE TYPICAL OF BOTH OUR CORPORATE CULTURE AND THE CLIMATE IN WHICH ALL MAN STAFF OPERATE. DYNAMIC MEANS BEING CONCENTRATED, FAST AND OPTIMISTIC. OUR OPENNESS WINS OVER CUSTOMERS AND ENHANCES PUBLIC ACCEPTANCE OF OUR WORK. FOR OUR STAFF AND MANAGEMENT, OPENNESS IS THE KEY TO FRUITFUL TEAMWORK, MOTIVATION AND PERFORMANCE.

ENGINEERING THE FUTURE.

"A TRUCKER MUST BE ABLE TO RELY ON HIS VEHICLE. AND HE CAN, BECAUSE THE WORK WE DO HERE IS ABSOLUTELY RELIABLE."

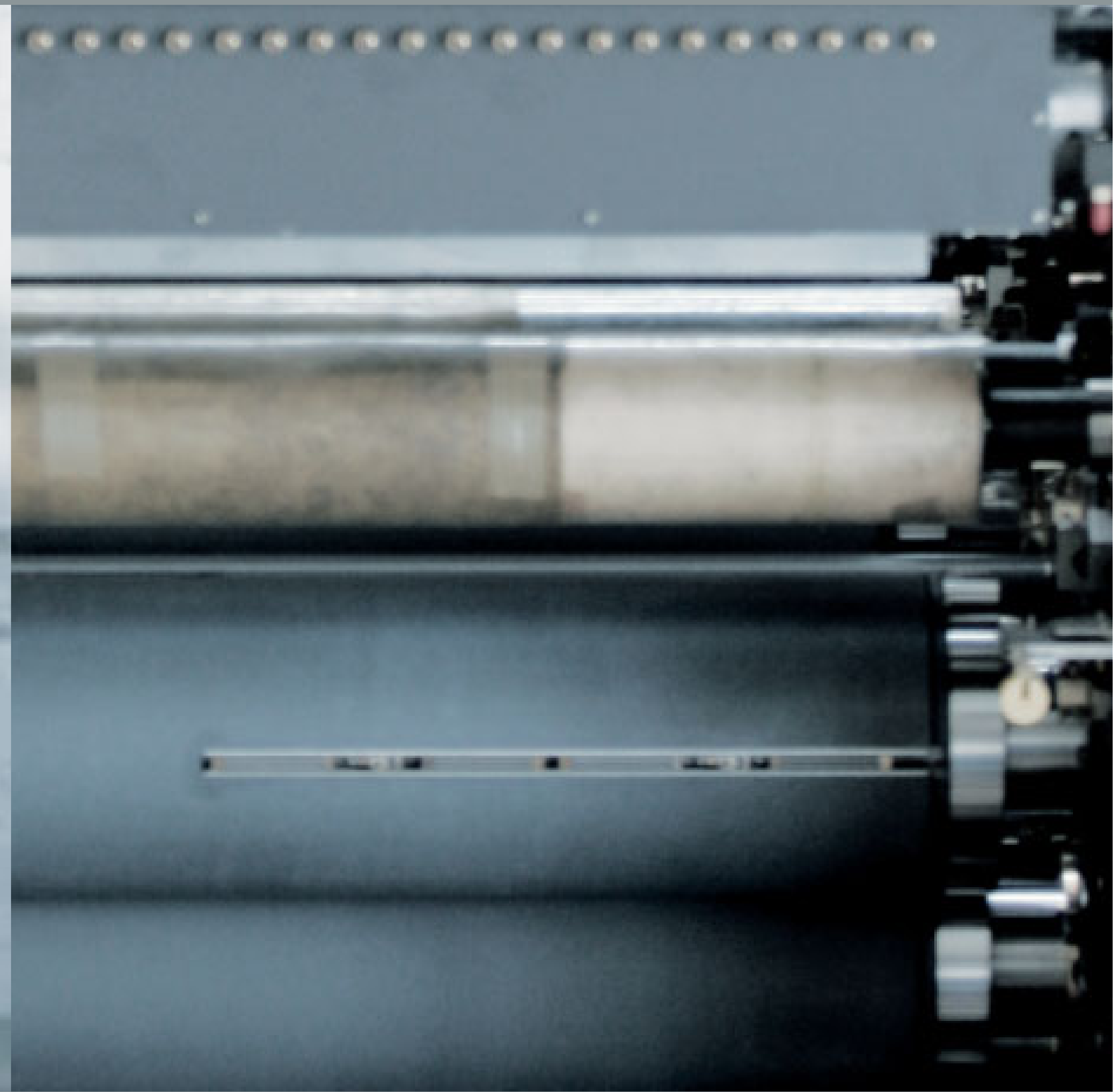
ADAMA DIALLO, MAN NUTZFAHRZEUGE, CAB FITTINGS

MAN NUTZFAHRZEUGE IS EUROPE'S THIRD-LARGEST MANUFACTURER OF TRUCKS AND BUSES. IN TERMS OF VEHICLE RELIABILITY, TECHNOLOGY, ECONOMIC EFFICIENCY AND DESIGN, ITS TRUCKS AND BUSES CONSTANTLY GAIN TOP RATINGS IN COMPARATIVE TESTS. THE TGA HEAVY-TRUCK SERIES IS THE COMPANY'S FLAGSHIP. IN 2005, MAN WILL BE SETTING NEW STANDARDS WITH THE LIGHTER TGL AND TGM SERIES.

"COMPETITION IS ESPECIALLY FIERCE IN THE CASE OF MAJOR PROJECTS. WE ALWAYS STAND A GOOD CHANCE, BECAUSE WE HAVE DYNAMIC AND EXPERIENCED TEAMS CAPABLE OF HANDLING COMPLEX PROJECTS."

SANDRA KAMP, MAN FERROSTAAL, OFFICE MANAGEMENT SPECIALIST
THOMAS SCHERFF, MAN FERROSTAAL, PROCUREMENT MANAGER

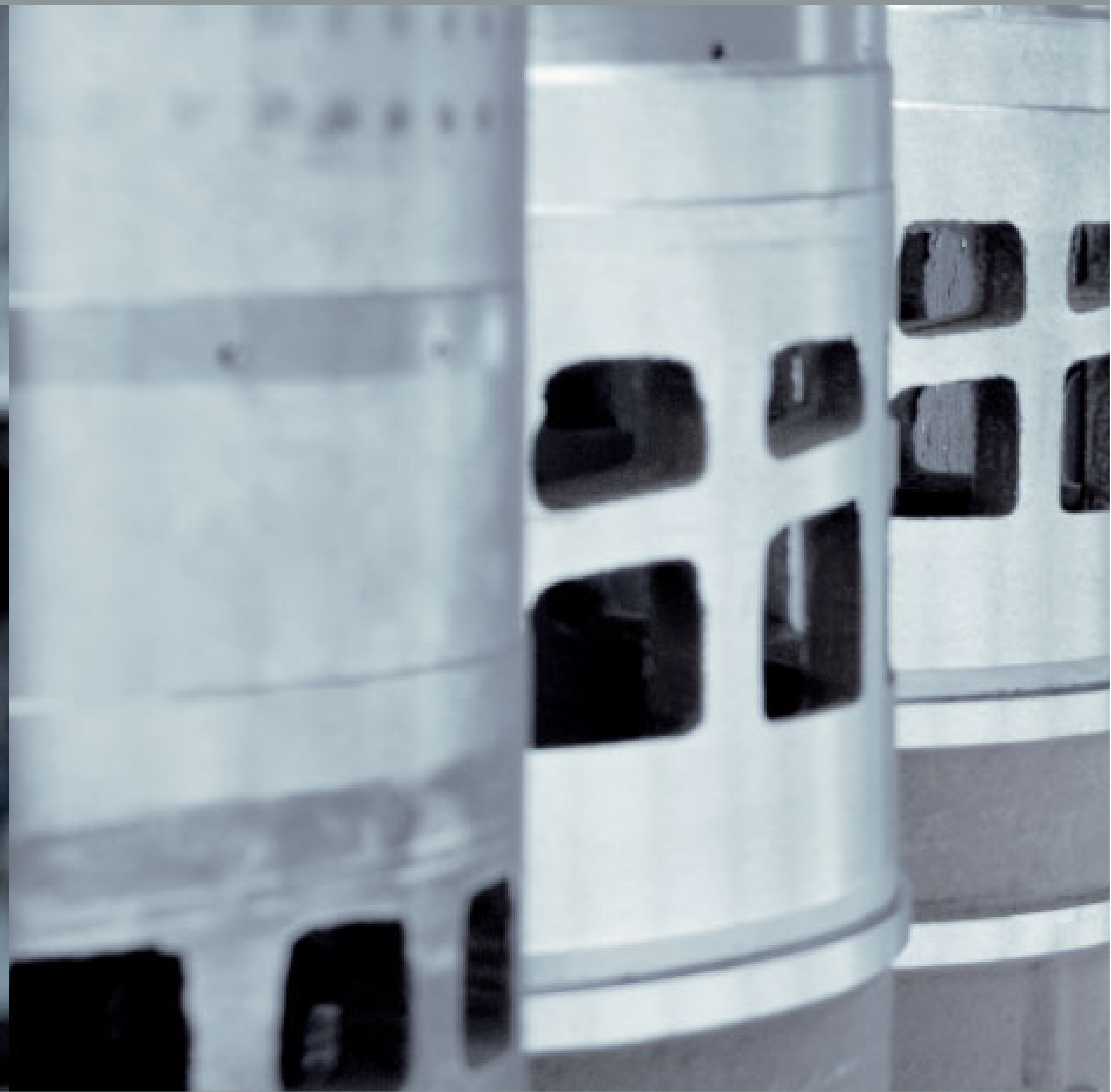
MAN FERROSTAAL LIVES FROM ITS EMPLOYEES' IDEAS AND THEIR ABILITY TO REALISE THEM. WHETHER IN THE FIELD OF CONTRACTING FOR INDUSTRIAL PLANTS, MARKETING SHIPS, MACHINERY AND TRANSPORT EQUIPMENT OR TRADING IN STEEL—DIFFICULT PROJECTS ARE ALWAYS MADE POSSIBLE THANKS TO THE SPECIAL CREATIVITY OF THE MAN FERROSTAAL STAFF, THEIR EXCELLENT GLOBAL CONTACTS AND INTELLIGENT FINANCING MODELS.



"OUR CUSTOMERS EXPECT US TO LISTEN TO THEM VERY CLOSELY—AND REALISE THE ECONOMIC SOLUTIONS THEY NEED."

QUOC PHUONG PHAM, MAN ROLAND DRUCKMASCHINEN, DELIVERY SYSTEMS AND SHEETFEED DEVELOPMENT

MAN ROLAND IS NUMBER ONE ON THE WORLD MARKET FOR WEB-FED PRINTING PRESSES AND A TECHNOLOGICAL LEADER IN THE FIELD OF WEB-FED AND SHEET-FED OFFSET SYSTEMS. 2004 SAW THE MARKET LAUNCH OF ITS FASTER, LARGER AND MORE ECONOMIC COLORMAN, XXL NEWSPAPER PRESS. MAN ROLAND ALSO PRODUCES MORE FULL-SCALE TURNKEY PLANTS GEARED TO CUSTOMER WISHES THAN ANY OTHER COMPANY IN THE WORLD.



"I FIND IT FASCINATING THAT WE CAN STILL IMPROVE DIESEL TECHNOLOGY, EVEN AFTER MORE THAN ONE HUNDRED YEARS OF ON-GOING DEVELOPMENT."

ANDREAS DONDERER, MAN B&W DIESEL, DIESEL MECHANIC

RUDOLF DIESEL INVENTED HIS ENGINE IN MAN B&W DIESEL'S AUGSBURG PLANT OVER A HUNDRED YEARS AGO. TODAY, MAN LEADS THE GLOBAL MARKET WITH ITS TWO-STROKE MAIN MARINE ENGINES AND CAN SUPPLY THE STRONGEST ENGINE IN THE WORLD. COMMON-RAIL TECHNOLOGY FOR ENGINES POWERED BY HEAVY FUEL, ELECTRONIC ENGINE-CONTROLS AND NEW TURBOCHARGERS ARE INNOVATIONS THAT ALLOW THE DIESEL ENGINE TO HOLD ITS OWN AS THE MOST EFFICIENT FORM OF MOTIVE POWER.

“WE GET ON WELL WITH OUR FORMER SULZER COLLEAGUES. THE MERGER WAS FOLLOWED BY AN OPEN FLOW OF ONGOING INFORMATION, SO THERE WERE NO NEGATIVE FEELINGS.”

ALI ALIOGLU, MAN TURBO, INDUSTRIAL MECHANIC

MAN TURBO MERGED WITH THE SWISS COMPANY SULZER TURBO IN 2001, MOVING UP TO BECOME THE THIRD-LARGEST MANUFACTURER AND SERVICE PROVIDER ON THE WORLD MARKET FOR COMPRESSORS AND INDUSTRIAL TURBINES. DUE TO ITS OPEN AND COMMUNICATIVE CORPORATE CULTURE, THE NEW SWISS AND ITALIAN WORKS WERE SMOOTHLY INTEGRATED.

Commercial Vehicles

Following a 10% rise in sales in 2004, the MAN Nutzfahrzeuge Group was once again able to report a marked increase in earnings of 68%. The Executive Board is expecting a continued improvement in sales and earnings in 2005.

MAN Nutzfahrzeuge—full speed ahead

Market—positive trend

The Western European market for trucks over 6 t recorded a positive trend during 2004, the market volume rising by some 9% to 307,000 vehicles. The German market even grew by as much as 15%. The German commercial-vehicle industry was therefore one of the few sectors making a positive contribution to overall economic development. This encouraging trend was the result of an investment backlog for new commercial vehicles which had built up in previous years, as well as an increasing transport volume in the wake of the EU East enlargement. MAN was able to secure an above-average stake in the generally positive market activity, increasing its share of the Western European market for trucks over 6 t to 15.2%.

The bus market grew by 5.5% in Western Europe. The division's premium bus brands, MAN and NEOPLAN, increased their total market share to 14.4%, although performance varied in different countries. The German market, the main source of business in the bus sector, declined by 7%, with the result that total volume sales only reached 6,062 (complete buses, chassis, CKD). This was 220 fewer than in 2003.

The truck unit increased its order intake by 14%.

Strong growth in order intake and sales

The product drive at the IAA had a positive impact on order intake and sales in 2004. The overall order intake rose by 12% to €7,589 million (2003: €6,772 million), of which €6,368 (€5,572) million were attributable to the truck sector (+14%) and €1,220 (€1,200) million to buses (+2%). Sales increased by a total of 10% to €7,409 (€6,707) million, of which €6,167 (€5,492) million were generated by trucks and €1,242 (€1,215) million by buses.

The number of employees in the group amounted to 33,810, 284 fewer than the previous year. The drop was mainly due to natural fluctuation and employees retiring on the basis of standard or transitional early-retirement agreements. Owing to the marked increase in business volume and a continuing high level of activities aimed at improving productivity, no additional measures involving manpower adjustments were necessary.

MAN NUTZFAHRZEUGE GROUP
€ million

	2004	2003
Order intake	7,589	6,772
Sales	7,409	6,707
Volume sales		
trucks (number)	63,348	55,849
buses (number)	6,062	6,282
Operating profit	342	203
Employees (number at Dec. 31, 2004)	33,810	34,094
Return on capital employed ROCE[1] (%)	12.1	7.3
Return on sales ROS[1] (%)	4.6	3.0

[1] See pages 27 to 29 for details of the key return figures.

Capital expenditure—rejuvenated range

Capital expenditure on tangible and intangible assets reached €205 million in 2004, after €187 million in 2003. Based on market expectations, capacities for engine and heavy-truck production were increased. Considerable investment was also required to expand and rejuvenate the product range, focusing on the Steyr plant, where production of a new light and medium-vehicle generation will be launched in 2005. Additional capital was invested to realise the NEOMAN product drive and reorganise marketing activities in the bus sector. New information technology was also introduced for sales operations and restructuring measures initiated at the Munich site. In the case of all investments, great importance was attached to sustained environmental protection.

Marketing improved, costs cut

Widescale reorganisation of sales activities in the truck sector began in 2004. With a view to achieving stronger customer orientation, business-process controls were optimised and synergies exploited. These measures were aimed at utilising the opportunities offered by an increasingly integrated Europe. Projects already underway were also promoted more strongly in order to expand our position on the markets for semi-trailer tractors and used vehicles under the MAN Diesel brand. In the bus sector, the relocation of manufacturing activities and reorganisation of production plants in Salzgitter, Poznan, Starachowice and Ankara were brought to a successful close. At the same time, work began on restructuring the NEOPLAN sites, completion being scheduled for the first half of 2005. Substantial benefits in terms of labour costs have been realised as a result of these projects.

The operating profit generated by Commercial Vehicles rose by 68% to €342 million.

Marked rise in earnings

Backed by a generally encouraging industry trend, all these measures contributed to a 68% improvement in the operating profit, which rose to €342 (€203) million, of which €305 (€198) million were generated by trucks and €37 (€5) million by buses.

Outlook—continuing rise in sales and earnings

In the spring of 2005, the truck unit will be presenting its new models in the light TGL series and in the autumn, the medium TGM series. The range of buses presented in 2004 by the bus unit will also be launched. In addition, financial services are to be offered throughout the whole of Europe, following initial focus on the markets in Germany, Italy, Spain, France and the United Kingdom during 2004. In view of these new product and service offerings and the existing order backlog, a continuing rise in sales and earnings is expected for 2005.

MAN NUTZFAHRZEUGE GROUP
Operating profit by business unit
€ million

	2004	2003
Trucks	305	198
Buses	37	5
	342	**203**

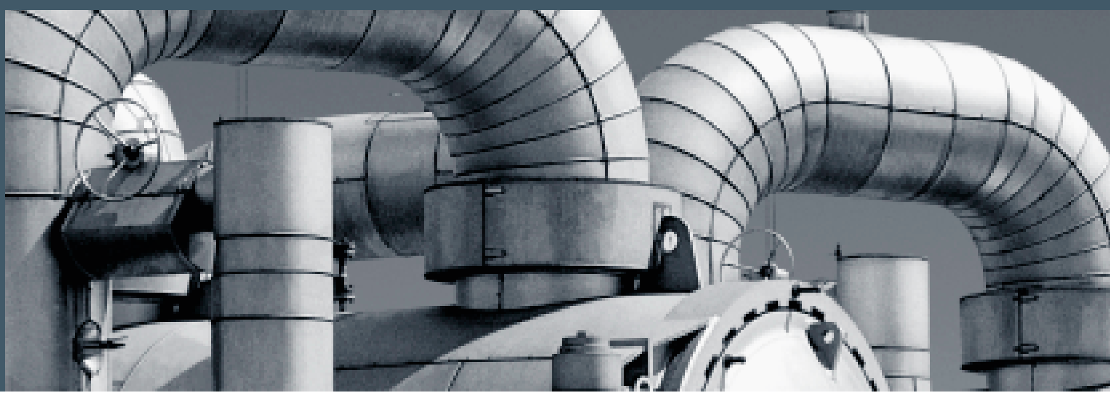





01 Employee at work in the Munich plant.
02 At the end of the assembly line.
03 Workers at the “wedding”, a technical term for combining the cab with the assembled frame.
04 The female share of the MAN Group workforce amounts to 12.3%.
05 TGA semitrailer tractor for long-haul international runs.
06 NEOPLAN Starliner, a premium class coach.

Industrial Services

MAN Ferrostaal, which forms MAN's Industrial Services Division, reported a sharp rise in order intake and sales in 2004, due mainly to the marked upswing in the steel-trading sector, while earnings remained stable. At the same time, concentration on its highly-profitable core operations continued. Activities outside the scope of MAN Ferrostaal's core business were disposed of. The Executive Board is confident of improving earnings in 2005.



MAN Ferrostaal—rise in earnings expected

Order intake—record levels

In 2004, the order intake reached a very high level, rising by 28% to €3,508 (€2,738) million. Sales rose by 11% during the period under review to reach €3,185 (€2,880) million. At the end of the 2004 financial year, an order backlog of €2,259 million remained, compared with €2,186 million the previous year. At December 31, 2004, the MAN Ferrostaal Group numbered 4,679 (6,689) employees, the major part of this reduction being due to hiving off and disposing of the DSD Stahlbau Group (see page 78).

Downturn in Facility Construction and Contracting

During the last financial year, the Facility Construction and Contracting activities recorded an order intake of €844 million, 25% lower than 2003 (€1,127 million). This downturn was largely the result of a basic effect, insofar as a turnkey construction contract for the world's largest methanol plant in Trinidad and Tobago had been booked in 2003, leading to an exceptionally high order intake for that year. Sales declined from €1,145 million in 2003 to €888 million in 2004. At December 31, 2004, the division recorded an order backlog of €870 million compared with €969 million at the end of 2003.

The M5000 methanol plant in Trinidad and Tobago is due to start operation during the first half of 2005.

Major new contracts received in this sector in 2004 included a turnkey extension for a power station in Venezuela and modernisation of the Barmen heating plant belonging to Wuppertal public utilities corporation. In the case of the contract received in 2003 for the M5000 methanol plant in Trinidad and Tobago, engineering work was completed and most of the supplies delivered during last year. Building and assembly activities are well advanced and the plant is due to become operational in mid-2005. An ammonia plant also erected in Trinidad and Tobago was handed over to the customers during the latter half of 2004, following an extremely short construction and commissioning period.

Industrial Equipment and Systems—growth

The Industrial Equipment and Systems unit booked incoming orders of €529 million, 28% more than the previous year (€413 million). Sales rose by 2% to €445 (€436) million. The order backlog at the end of 2004 amounted to €891 million compared with €804 million at the closing date in 2003. The order situation in the Graphic Industry

MAN FERROSTAAL GROUP € million	2004	2003
Order intake	3,508	2,738
Sales	3,185	2,880
Operating profit	72	73
Employees (number at Dec. 31, 2004)	4,679	6,689
Return on capital employed ROCE[1] (%)	18.5	22.3
Return on sales ROS[1] (%)	2.3	2.5

[1] See pages 27 to 29 for details of the key return figures.

sector (distribution and sales negotiations for printing presses) recovered. Fundamental restructuring took place in the Industrial Manufacturing unit, these activities now focusing on system lines for industrial production, infrastructure and transportation technology, as well as textile machinery. The bus activities in Mexico continued to perform well, selling 120 buses based on the chassis produced by the MAN Group member NEOMAN.

The Steel-trading and Logistics sector was able to increase its order intake by 107%.

Steel-trading and Logistics enjoy steel boom

The order intake in the Steel-trading and Logistics unit increased by 107% to €2,025 (€977) million in 2004, with sales rising by 61% to €1,725 (€1,070) million. At the end of the year, an order backlog of €452 million remained, after €177 million at the end of 2003. The substantial growth in order intake and sales resulted from a mounting global demand for steel and the subsequent rise in volumes and prices. In addition, the removal of major trade and competition restrictions in the US contributed to a revival in the steel-trading sector. Finally, the stable development registered in activities undertaken for the automobile industry by MAN Ferrostaal Industrie- und System-Logistik, and successful expansion of the MAN Ferrostaal Piping Supply operations were also significant factors boosting the overall positive performance.

Disposal of DSD Stahlbau Group and streamlining operations

A majority interest in the main DSD Stahlbau Group activities, as well as its holdings in Germany, Luxembourg, France and Egypt, were sold to the Belgian Pirson Group as of July 1, 2004. 1,564 employees were affected by this sale. DSD Industrieanlagen GmbH, and especially its power-plant operations, were not part of this transaction. As a result of deconsolidating DSD Stahlbau GmbH, the foundations have been laid for improving future operating efficiency and working more profitably by concentrating on our core business.

Earnings at last year's level

The operating profit generated by the MAN Ferrostaal Group amounted to €72 (€73) million, being negatively impacted by the structural changes previously outlined and the extraordinary expenditure involved. The return on capital employed (ROCE) amounted to 18.5% (22.3%) and the return on sales to 2.3% (2.5%).

Outlook—confident

We are confident of stabilising the competitive position that has meanwhile been attained and increasing earnings in 2005. To this end, we shall also be expanding our sales partnerships with other members of the MAN Group.

01 to 03, 06 "Turning ideas into reality" is the claim that drives employees at MAN Ferrostaal.
04 Double-hull tanker from the SCOT series with a lading capacity of 8,000 tons.
05 CO_2 columns at the new N2000 ammonia plant in Trinidad and Tobago.

Printing Systems

In 2004, the MAN Roland Druckmaschinen Group achieved a turnaround and reached breakeven. The Executive Board expects earnings to rise to a positive mid-double-digit million figure in 2005.

MAN Roland — breakeven

Market—difficult situation

The situation on the international graphic market remained strained. The process of increasing concentration continued throughout the industry, as did the keen competition among printing-press manufacturers worldwide and the ensuing high pressure on prices.

Order situation—record intake in the web-fed sector

In this environment, MAN Roland was confronted with opposing business trends, performing very successfully in the web-fed sector. In addition to ongoing business operations, this business unit was able to acquire a sizeable share of the major projects awarded on the global market, increasing its order intake by 53% to €1,035 million. This served to significantly strengthen its leading market position. In the sheet-fed sector, incoming orders fell to €850 million (–5%). Compared with 2003, the division was able to increase its total order intake by 20% in 2004 to reach €1,885 million.

In future, segment reporting will relate to the two business units of sheet-fed and web-fed presses. The trade and services sector, which was previously stated separately, has been integrated into the two core areas of activity. This reflects the systematic focus on sheet-fed and web-fed printing systems, including the related support, trade and consultancy services. The comparable figures for 2003 have been adjusted accordingly.

80% of sales are generated by exports.

Single-digit growth in sales

Reaching €1,620 million in 2004, sales exceed the previous year's figure by 7%. An increase of 5% to €910 million was reported for sheet-fed presses. Revenue in the web-fed sector rose by 9% to €710 million. The share of exports again amounted to 80% of total sales.

Order backlog exceeds the billion mark

At the end of 2004, the order backlog of €1,077 million was 27% higher than one year earlier. Although the backlog of orders for sheet-fed presses fell by 32% to €135 million, the order books for web-fed presses expanded by 45% to reach €942 million.

MAN ROLAND DRUCKMASCHINEN GROUP
€ million

	2004	2003
Order intake	1,885	1,575
Sales	1,620	1,516
Operating profit	3	(26)
Employees (number at Dec. 31, 2004)	9,026	9,465
Return on capital employed ROCE[1] (%)	0.6	(4.5)
Return on sales ROS[1] (%)	0.2	(1.7)

[1] See pages 27 to 29 for details of the key return figures.

Significant reduction in losses
Based on an operating profit of €3 million, the division achieved a turnaround and reached breakeven in 2004. Although the web-fed sector proved very profitable, restructuring activities continued to hamper performance in the sheet-fed unit.

The web-fed sector generated an operating profit of €44 (2003: €30) million. The return on sales in this segment reached 6.2%. As a result of reaching agreement with employee representatives at the manufacturing locations, it was possible to reduce both personnel costs and the breakeven point, as well as respond to fluctuations in capacity utilisation. The sheet-fed sector closed 2004 with a loss of –€41 (2003: –€56) million.

Savings of some €88 million were realised in 2004.

Positive cost savings
At the beginning of 2003, a series of measures was launched to progressively reduce the division's costs by some €130 million by 2005. In 2004, savings of around €88 million were realised. In order to decrease fixed overheads and streamline production structures, the Offenbach plant was concentrated at one single location. The value added by the division could therefore be reduced and processes at the main sheet-fed plant improved. Sites where operations had been discontinued were vacated by the end of 2004. The actual savings envisaged from this concentration project have therefore not yet taken full effect. The same applies in the case of staff reductions at the sheet-fed sites.

5% trainee ratio
At December 31, 2004, 9,026 people were employed by the MAN Roland Group (2003: 9,465). In spite of manpower reductions, the division is maintaining its trainee ratio at around 5%. This represents a precautionary measure in view of the shortage of highly-qualified skilled labour envisaged as a result of demographic trends.

Outlook—continued improvement in earnings
Overall, little momentum is likely to be created by market demand during 2005. Apart from certain major projects expected during this year, order intake will probably remain at last year's level. The web-fed sector can rely on a good order backlog and will benefit from high capacity utilisation. As a result, sales will significantly exceed the 2004 figure. The sheet-fed segment should be positively impacted by additional business with new models. In view of the pressure on margins, returns are not yet expected to reach the required targets. It is however anticipated that the capacity adjustments, as well as the restructuring and cost-reduction measures already implemented will result in a turnaround in this sector too. Overall earnings should therefore rise to a positive mid-double-digit million figure in 2005.

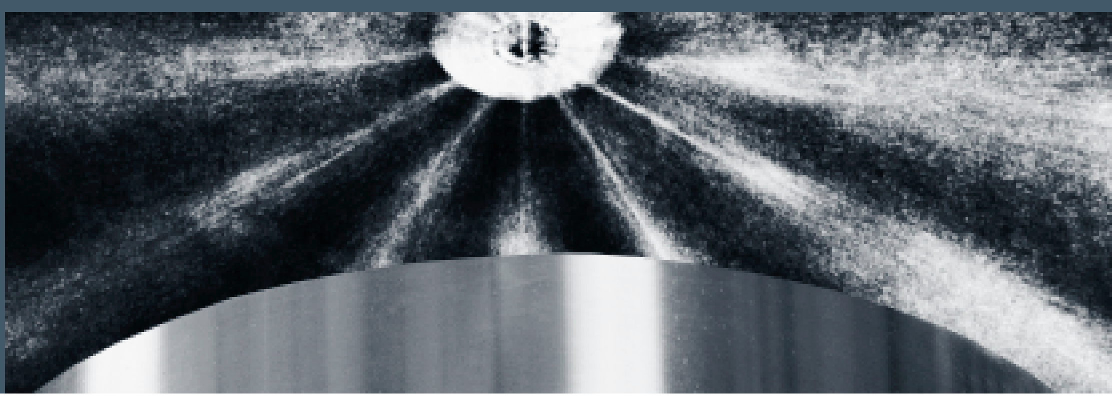
MAN ROLAND DRUCKMASCHINEN GROUP
Operating profit by business unit
€ million

	2004	2003
Sheet-fed	(41)	(56)
Web-fed	44	30
	3	**(26)**

01 Web-fed presses for printing newspapers and commercial products are manufactured in Augsburg.
02 Almost 3,000 people are employed at the Augsburg site.
03 Highly-qualified staff make competent partners for our customers.
04 MAN Roland produces the world's number one web-fed printing presses.
05 All presses manufactured by MAN Roland are "driven" from state-of-the-art control centres.
06 Direct drive is one of the innovations from Offenbach.

Diesel Engines

Full order books and rising sales were recorded by MAN B&W Diesel during the 2004 financial year. Largely as a result of negative factors in the high-speed-engine sector, earnings still fell marginally short of the 2003 figure. In view of the positive market situation and the substantial order backlog, improved earnings are expected to result from higher sales in 2005.



MAN B&W Diesel—high demand for marine engines

High demand

In the wake of a growing global economy, the demand for power and transport services remained high throughout last year. The Diesel division was able to benefit above all from the shipbuilding boom, which was essentially fed by the high demand accruing from a still strongly expanding Chinese economy. Global shipbuilding activity continued to be concentrated in Asia. Since the majority of its shipyards were however working to full capacity, the European yards also benefited, increasing their market share in 2004. Although the volume of newly-ordered tonnage fell somewhat short of the record year 2003, orders still remained almost twice as high as in preceding years. Orders focused mainly on container ships, oil tankers and other special tankers, as well as bulk cargo ships, while the demand for ro-ro vessels, ferries, passenger ships and cruise liners also increased.

Production capacities for two-stroke engines are booked out until the end of 2007.

Thanks to the shipbuilding boom, the MAN B&W Diesel Group was able to record an unprecedented order intake of almost €1.9 billion. Production capacities for two-stroke engines are now booked out until the end of 2007. The total output of four-stroke engines sold from its own plants amounted to two gigawatts—a figure never before reached in the entire history of the company.

The division was able to consolidate its position on markets for stationary diesel engines and register an improvement in the field of extensions to existing plants. New markets were opened up in the sector of power stations with low ratings. The turbocharger business reported a very satisfactory trend, even exceeding the high order-intake levels of 2003. Service activities for engines and turbochargers also performed well.

Market position consolidated

The order intake recorded in 2004 even exceeded the positive 2003 result by almost 30%. Sales amounted to €1,421 million, 8.3% higher than in 2003.

As in previous years, MAN B&W Diesel continued to consolidate its dominating market position in the field of two-stroke engines, which are mainly built under licence, by increasing its share of the market to 75%, after 72% in 2003. Four-stroke engines

MAN B&W DIESEL GROUP
€ million

	2004	2003
Order intake	1,872	1,460
Sales	1,421	1,312
Operating profit	55	58
Employees (number at Dec. 31, 2004)	6,731	6,625
Return on capital employed ROCE[1] (%)	11.0	11.2
Return on sales ROS[1] (%)	3.9	4.4

[1] See pages 27 to 29 for details of the key return figures.

secured a 40% market share in the sector of merchant vessels, underscoring the group's market position with medium-speed engines used for propulsion and on-board power generation, both from its own and from licensed production. According to the latest survey conducted by the trade magazine "Diesel & Gasturbine Worldwide", the share of the market for stationary diesel engines with ratings of over 7.5 MW held by the group amounts to 20%.

A heavy-fuel common-rail injection system for four-stroke engines was launched onto the market.

Research and development secures market lead

During 2004, research and development activities concentrated on continuing development of environmentally-benign, but at the same time economically-viable engines. In the two-stroke segment, the electronically-controlled ME engine series was expanded and technically upgraded. These developments secure the group's market lead, while also making it more attractive as a licensor. A common-rail injection system suitable for heavy fuel was developed for four-stroke engines, giving rise to more efficient and more powerful models. Following development of the TCR series of radial turbochargers, the preceding generation of chargers has now been replaced by this new series. The integration of advanced materials helped to increase operating efficiency even further.

Earnings performance—below target

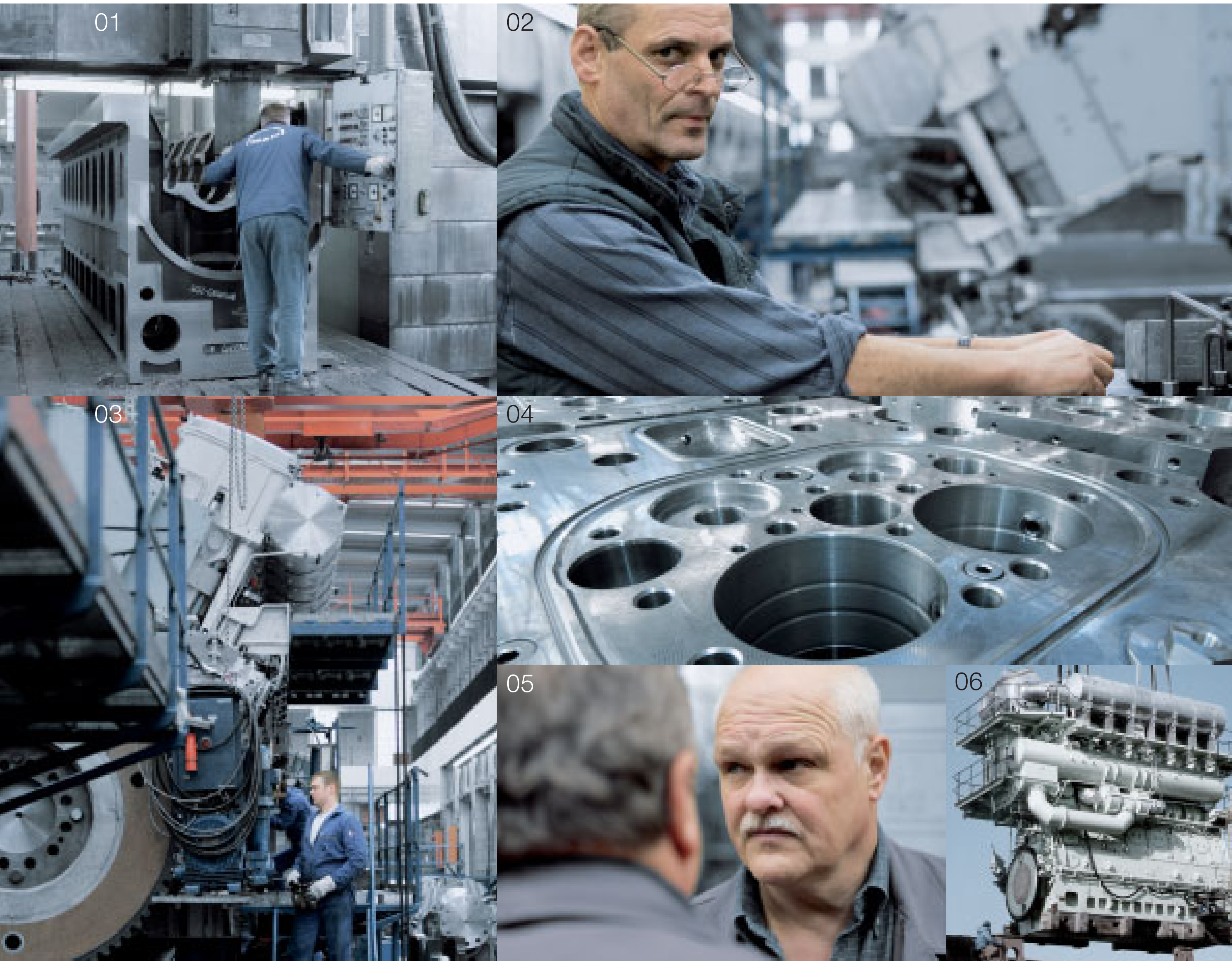
Reporting an operating profit of €55 million compared with €58 million in 2003, the division failed to achieve its targeted increase in profits. The major reasons for this can be identified as expenditure incurred on earlier contracts and inadequate capacity utilisation at the English subsidiary (high-speed four-stroke engines), for which adjustments were also made to cover forthcoming restructuring measures. In addition, there was sustained pressure on revenue and costs due to the weak dollar and rising prices for raw materials.

Outlook—renewed increase in sales

The present market situation, the order backlog at the end of 2004 and the trends already foreseeable at the beginning of the current financial year lead to expectations of a renewed increase in sales volumes. In the case of the high-speed, four-stroke-engine activities in England, the aim is to record an operating profit by the end of the year. An overall improvement in earnings is expected for 2005.

MAN B&W DIESEL GROUP
Operating profit by business unit
€ million

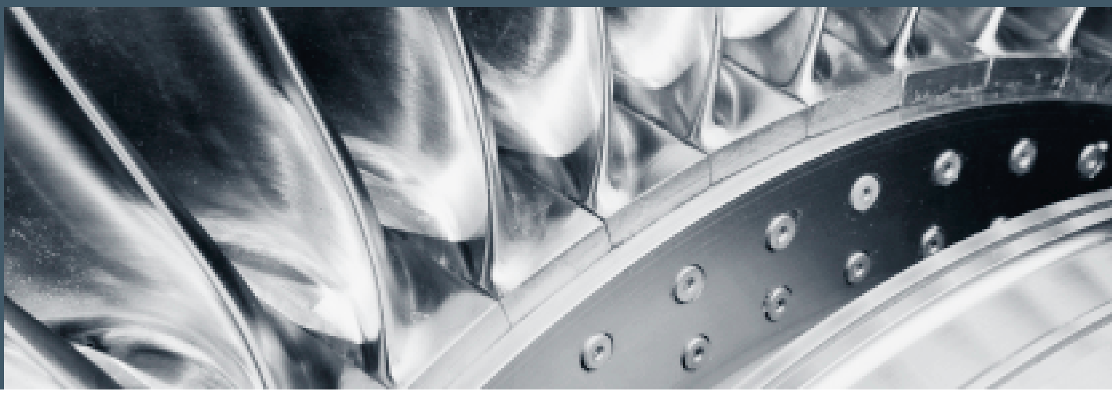
	2004	2003
Two-stroke diesel engines	56	41
Four-stroke diesel engines	(1)	17
	55	**58**



01 A crankshaft casing is processed using CNC controls.
02 Assembly of a heavy four-stroke engine.
03 Production at the main works in Augsburg.
04 Cylinder-head production for heavy diesel engines.
05 Workers in the engine production.
06 Installation of a two-stroke marine engine.

Turbomachines

The MAN TURBO Group fully achieved all targets in 2004, consolidating its position as a leading player on the global market. Its order intake again exceeded the high level of the previous year. A double-digit percentage rise in sales was recorded, as well as an increase in the return on sales. The Executive Board intends to boost sales and earnings even further in 2005.



MAN TURBO—high level of stability

As of October 18, 2004, MAN Turbomaschinen AG changed its name to MAN TURBO AG. This reflected conventional usage that has become globally established in the industry in recent years, making MAN TURBO a respected brand name. In 2004, the company also celebrated a century of turbomachines made by MAN—1904 having seen the birth of motive-power and compressor engineering.

Renewed rise in order intake

A renewed increase in order volumes to €675 (2003: €658) million was recorded in 2004, with the order intake for new construction projects continuing to rise. In regional terms Asia, with focus on the People's Republic of China, was once again the outstanding market. Incoming orders from North America also improved compared with 2003, but still remained unsatisfactory.

The world's largest axial compressors to date were delivered to a customer in Qatar.

Sales—strong growth

Sales grew by 16% in 2004 to reach €659 million. Since the settlement volume in the service sector was only marginally higher than the previous year, the overall upswing resulted mainly from new construction business. Major projects settled in 2004 included a set of equipment for a gas-to-liquid plant in Qatar. The company's capacity to build and test large-scale equipment, as well as provide reliable packaging, were important criteria for obtaining the contract. In the case of this plant, we were able to supply the largest axial compressors ever built worldwide. The entire set of machinery was tested at the newly-constructed centre for assembly and trials in Oberhausen. Six radial compressors and five steam turbines are also being supplied for the world's largest methanol plant with a daily capacity of 5,400 t constructed in Trinidad and Tobago on a turnkey basis by the company's affiliate MAN Ferrostaal, as general contractor.

Order backlog at record high

After the record figure of €450 million reached in 2003, the order backlog at December 31, 2004 rose yet again to €469 million. Sales and workloads are therefore largely secured for the current financial year. All manufacturing facilities reported high or very high capacity utilisation in 2004.

There was a slight reduction in the number of employees. At December 31, 2004, 2,472 (2,494) people were employed.

MAN TURBO GROUP € million	2004	2003
Order intake	675	658
Sales	659	567
Operating profit	36	29
Employees (number at Dec. 31, 2004)	2,472	2,494
Return on capital employed ROCE[1] (%)	16.8	12.6
Return on sales ROS[1] (%)	5.5	5.1

[1] See pages 27 to 29 for details of the key return figures.

Investment in higher quality at lower cost

On an intersite basis, MAN TURBO manufactures products for complex machine trains at its four plants in Oberhausen, Berlin, Zürich and Schio, Italy. Extensive controls and testing guarantee a constant high level of product quality. The most significant single investment was the construction of the assembly and trial centre for large machine trains in Oberhausen previously mentioned. In addition, modernisation of the production facilities for blades used in compressors and steam turbines was completed on schedule. Integrating high-speed machining and an advanced level of automation, blade manufacture now complies with state-of-the-art technology. The first machines for modernising and expanding the production of gas-turbine blades were also commissioned in Zürich, with the aim of achieving further reductions in manufacturing costs and expanding production capacity.

Research and development—new areas of application

In the field of turbocompressors, the plants in Oberhausen, Berlin, Zürich and Schio are working together on a joint research and development project. The principal aims were and are to expand existing areas of application and advance into new areas. Ongoing key elements of the project include continuous improvement of efficiency ratios and performance characteristics. In the case of steam turbines, considerable progress was made in developing a new modular system. Significant steps were also taken towards increasing cost-efficiency.

The OPUS project (Optimised Processes and Systems) will further enhance business processes.

Business processes—improve information flow in 2005

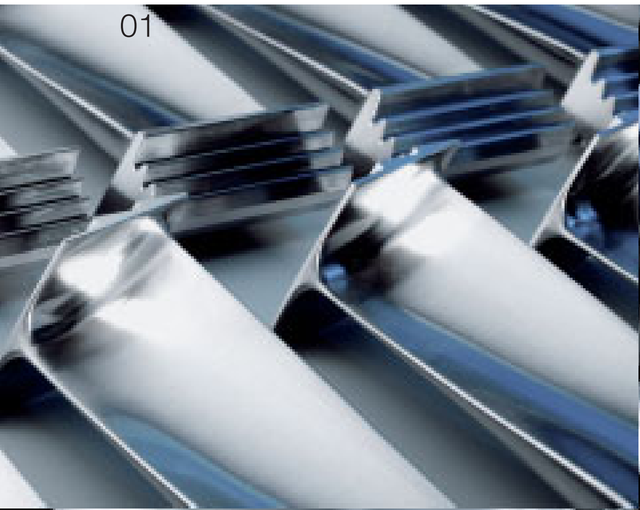
There is considerable potential for optimising MAN TURBO Group operations by improving and harmonising business processes. Awareness of this fact has given rise to the OPUS project. This is aimed at making the company even more effective in the face of international competition. The name stands for Optimised Processes and Systems. It will result in appreciably faster information flows. Activities during the current financial year will focus essentially on ongoing implementation of measures identified in the course of this project.

Marked improvement in earnings

MAN TURBO recorded a substantial improvement in its operating profit in 2004, reaching €36 (€29) million. The return on sales rose to 5.5% (5.1%). The return on capital employed (ROCE) increased to 16.8% (12.6%).

Outlook—further increases

The order intake in 2005 is expected to more or less equal the 2004 figure. In view of the high order backlog at the beginning of the new financial year and the steps taken to optimise business processes, the company is confident of achieving a further increase in sales and earnings.



01 Blades for a THM industrial gas turbine.
02 Blades being fitted onto a steam-turbine rotor disk.
03 Studying drawing in the plant.
04 Rotating blades are inserted into the rotor on an axial compressor.
05 Blade production—passing on information to the next shift.
06 An admission nozzle is mounted inside a steam turbine.

Others—positive performance

RENK—earnings continuity
Reaching €264 million in 2004, the order intake at RENK fell 19% short of the exceptionally high figure recorded in 2003 (€324 million). Based on existing orders, the vehicle-transmissions unit will be operating at capacity for several years. Sales reached a new record high of €272 (€267 million). The operating profit remained almost constant at €21 (€22) million, in spite of negative currency effects and the rising prices of raw materials. The return on capital employed (ROCE) reached 23.4% (23.5%) and the return on sales 7.7% (8.2%). 1,493 (1,544) people were employed. In 2005, sales and earnings should at least maintain last year's level.

Ongoing improvements are expected in 2005 from the companies grouped under "Others".

MAN Technologie—losses cut
At MAN Technologie, the order intake of €105 million hovered at the level of 2003 (€107 million). Although sales fell to €117 (€123) million, it was possible to reduce the operating loss to –€6 (–€16) million, whereby MAN AG took over costs of €7.7 million for the personnel adjustments necessary in the course of 2004. The return on capital employed (ROCE) amounted to –20.0% (–40.8%) and the return on sales to –5.1% (–13.0%). Employees numbered 588 (771). The Executive Board anticipates a significant improvement in earnings in 2005, subject to a positive trend in the European aerospace sector (especially the ARIANE project).

MAN DWE—high level performance
The order intake at MAN DWE stabilised at a "normal" level of €74 million in 2004, after reaching an above-average €102 million in 2003 as a result of major orders. Sales amounted to €90 (€96) million, while the order backlog declined at year-end to €66 (€83) million. Specialising in the construction of chemical reactors and physical-process systems, MAN DWE continued to generate excellent earnings and high returns. 442 (441) people were employed. The earnings position is expected to remain positive throughout 2005, based on a slightly higher order intake than in 2004.

SHW—increase
In 2004, SHW benefited from its good market position as a component supplier for successful automobile manufacturers and from new product launches. The order intake rose to €299 (€263) million. Following a €32-million increase in sales to €282 million, the operating profit climbed to €19 (€16) million last year. The return on capital employed (ROCE) reached 22.7% (22.6%). The return on sales rose to 6.7% (6.4%). 1,328 (1,268) people were employed. SHW is optimistic of achieving further growth in 2005.

OTHERS
€ million

	2004	2003
Order intake	804	890
Sales	813	833
Operating profit	45	50
Employees (number at Dec. 31, 2004)	4,186	4,459

MAN Financial Services—financing volume expanded

As the financial service provider for the MAN Group, MAN Financial Services (MFI) offers customised financing solutions to complement the products and systems marketed by the manufacturing divisions. In 2004, MFI was able to expand its new business volume by a third.

28,000 signed contracts form the basis for an increased financing volume of €2.3 billion.

New business up 33%

In spite of fierce competition in the financial service sector, MFI's 102 (2003: 87) employees were able to increase the company's financing volume from €2.1 to €2.3 billion during 2004. This volume was based on 28,000 contracts. New business grew by 37% compared with 2003 to reach €681 million. In Germany alone, the share of MAN commercial vehicles financed by MFI rose from 21% in 2003 to 24%. In the United Kingdom, MFI arranged financing for every second MAN vehicle sold.

Earnings before taxes amounted to €27 million last year, again marginally higher than the previous year's figure (€26 million). The pre-tax return on equity reached 20.2% (18.2%).

Fewer bad debts

MFI's credit rating system includes sensitive tools to bundle the various classes of risks (clustering), As a result, risk costs can be taken into account when structuring the financing conditions. This led to a further reduction in bad-debt losses, in spite of the difficult market environment.

A professional approach is also a key feature of the refinancing schemes developed by MFI. In addition to already existing schemes, another ABS programme was established in the United Kingdom during the year under review. By December 31, 2004, a total of €134 million had been refinanced via this tool.

Outlook—stable earnings

In addition to expanding the activities of existing companies in Germany, Austria and the United Kingdom in 2005, new MFI companies are to be launched in Italy, France and Spain, leading to a renewed increase in the volume of financing during the current financial year. In spite of the costs involved in setting up these new operations, MFI is predicting stable earnings.

MAN FINANCIAL SERVICES
€ million

	2004	2003
Order intake	863	607
Sales	899	627
Operating profit (earnings before taxes)	27	26
Employees (number at Dec. 31, 2004)	102	87
Return on equity before taxes ROE[1] (%)	20.2	18.2
Return on sales ROS based on EBT[1] (%)	3.0	4.1

[1] See pages 27 to 29 for details of the key return figures.

Consolidated Financial Statements

Fiscal year ended December 31, 2004

Since fiscal 1998/99, MAN has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS/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, MAN Ferrostaal, MAN Roland Druckmaschinen, MAN B&W Diesel, and MAN Turbomaschinen.

Consolidated income statement for fiscal 2004

€ million							
		MAN Group		Industrial Business		Financial Services	
	Note	2004	2003	2004	2003	2004	2003
Net sales	**(1)**	**14,947**	**13,546**	**14,048**	**12,919**	**899**	**627**
Cost of sales		(12,125)	(11,067)	(11,298)	(10,524)	(827)	(543)
Gross margin		**2,822**	**2,479**	**2,750**	**2,395**	**72**	**84**
Other operating income	(2)	270	407	231	369	39	38
Selling expenses		(958)	(959)	(953)	(955)	(5)	(4)
General administrative expenses		(611)	(571)	(604)	(566)	(7)	(5)
Other operating income	(3)	(892)	(922)	(871)	(895)	(21)	(27)
Income from associated affiliates		1	1	1	1	—	—
Other income from investments	(4)	(8)	8	(8)	8	—	—
Net interest expense of Financial Services	(5)	(51)	(60)	—	—	(51)	(60)
Operating profit		**573**	**383**	**546**	**357**	**27**	**26**
Net interest expense of Industrial Business	(5)	(120)	(122)	(120)	(122)	—	—
EBT		**453**	**261**	**426**	**235**	**27**	**26**
Income taxes	(6)	(130)	(69)	(121)	(56)	(9)	(13)
Net result of discontinued operations		—	43	—	43	—	—
Net income		**323**	**235**	**305**	**222**	**18**	**13**
Minority interests		(15)	(8)	(15)	(8)	—	—
Net income after minority interests		**308**	**227**	**290**	**214**	**18**	**13**
EpS incl. net result of discontinued operations (€)	**(7)**	**2.09**	**1.54**	**1.97**	**1.45**	**0.12**	**0.09**
EpS excl. net result of discontinued operations (€)	**(7)**	**2.09**	**1.25**	**1.97**	**1.16**	**0.12**	**0.09**

Consolidated balance sheet as of December 31, 2004

ASSETS
€ million

		MAN Group		Industrial Business		Financial Services	
	Note	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003
Intangible assets	(9)	413	401	412	400	1	1
Tangible assets	(10)	1,992	2,052	1,751	1,796	241	256
Shares in associated affiliates	(11)	2	4	2	4	—	—
Other investments	(11)	161	155	160	152	1	3
Assets leased out	(12)	610	722	12	17	598	705
Deferred tax assets	(6)	350	408	346	405	4	3
Other noncurrent assets	(15)	186	190	186	189	0	1
Noncurrent assets		**3,714**	**3,932**	**2,869**	**2,963**	**845**	**969**
Inventories	(13)	3,393	3,107	3,386	3,087	7	20
Trade receivables	(14)	2,993	2,851	2,231	2,231	762	620
Income tax assets		104	80	104	80	—	—
Other current assets	(15)	759	637	694	590	65	47
Short-term securities	(16)	157	168	157	168	—	—
Cash & cash equivalents	(16)	604	380	602	377	2	3
Current assets		**8,010**	**7,223**	**7,174**	**6,533**	**836**	**690**
		11,724	**11,155**	**10,043**	**9,496**	**1,681**	**1,659**

EQUITY & LIABILITIES
€ million

		MAN Group		Industrial Business		Financial Services	
	Note	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003
Capital stock		376	376				
Additional paid-in capital		795	795				
Retained earnings		1,795	1,596				
Accumulated OCI		(21)	(47)				
Equity of MAN AG stockholders		**2,945**	**2,720**	**2,799**	**2,591**	**146**	**129**
Minority interests		86	64	86	64	—	—
Equity	(17)	**3,031**	**2,784**	**2,885**	**2,655**	**146**	**129**
Noncurrent financial liabilities	(18)	366	626	67	327	299	299
Pension accruals	(19)	1,716	1,681	1,714	1,679	2	2
Deferred tax liabilities	(6)	352	391	317	359	35	32
Income tax liabilities		66	38	66	38	0	—
Other noncurrent accruals	(20)	518	455	518	455	0	0
Other noncurrent liabilities	(21)	4	—	4	—	—	—
Noncurrent liabilities and accruals		**3,022**	**3,191**	**2,686**	**2,858**	**336**	**333**
Current financial liabilities	(18)	387	361	369	361	18	—
Due to/(from) intragroup financing		—	—	(987)	(959)	987	959
Trade payables		1,622	1,618	1,510	1,462	112	156
Prepayments received		1,399	1,200	1,397	1,199	2	1
Other current accruals	(20)	1,217	1,060	1,185	1,029	32	31
Other current liabilities	(21)	1,046	941	998	891	48	50
Current liabilities and accruals		**5,671**	**5,180**	**4,472**	**3,983**	**1,199**	**1,197**
		11,724	**11,155**	**10,043**	**9,496**	**1,681**	**1,659**

Consolidated statement of cash flows 2004

€ million	MAN Group		Industrial Business		Financial Services	
	2004	2003	2004	2003	2004	2003
EBT	453	261	426	235	27	26
Statutory taxes	(124)	(62)	(109)	(49)	(15)	(13)
Amortization/depreciation/write-down of tangible/intangible assets and investments	402	373	360	348	42	25
Depreciation/write-down of assets leased out	145	152	14	7	131	145
Changes in pension accruals	38	46	37	46	1	—
Undistributed P/L of associated affiliates	(1)	(1)	(1)	(1)	—	—
Other noncash expenses and income	—	(1)	—	(1)	—	—
Cash earnings	**913**	**768**	**727**	**585**	**186**	**183**
Changes in inventories	(316)	165	(328)	177	12	(12)
Changes in prepayments received	217	2	217	1	0	1
Changes in trade receivables	(164)	(123)	(10)	(151)	(154)	28
Changes in trade payables	10	121	48	90	(38)	31
Changes in other accruals	221	25	221	23	0	2
Changes in other receivables and current assets	(61)	(6)	(67)	0	6	(6)
Changes in other liabilities	125	23	125	28	0	(5)
Elimination of the net gain/loss from the disposal of tangible/intangible assets and investments	(11)	(15)	(10)	(18)	(1)	3
Other changes in working capital	40	(54)	40	(56)	0	2
Net cash provided by operating activities	**974**	**906**	**963**	**679**	**11**	**227**
Expenditures for tangible/intangible assets	(357)	(402)	(327)	(322)	(30)	(80)
Expenditures for investments	(32)	(18)	(32)	(18)	—	—
Cash inflow from the disposal of tangible/intangible assets and investments	48	214	45	198	3	16
Expenditures for assets leased out	(335)	(245)	(14)	(9)	(321)	(236)
Disposal of assets leased out	307	134	5	15	302	119
Net cash used in investing activities	**(369)**	**(317)**	**(323)**	**(136)**	**(46)**	**(181)**
Free cash flow from operating and investing activities	**605**	**589**	**640**	**543**	**(35)**	**46**

€ million

	MAN Group		Industrial Business		Financial Services	
	2004	2003	2004	2003	2004	2003
Intragroup dividend distribution	—	—	20	21	(20)	(21)
Dividend payment	(117)	(93)	(117)	(93)	—	—
Sale/(purchase) of securities	14	3	14	3	—	—
Change in financial liabilities	(266)	(389)	(319)	(358)	53	(31)
Net cash (used in)/provided by financing activities	**(369)**	**(479)**	**(402)**	**(427)**	**33**	**(52)**
Net change in cash & cash equivalents	**236**	**110**	**238**	**116**	**(2)**	**(6)**
Cash & cash equivalents at beginning of period	**380**	**285**	**377**	**276**	**3**	**9**
Changes in cash & cash equivalents due to changed consolidation group	3	—	1	—	2	—
Parity-related changes in cash & cash equivalents	(15)	(15)	(14)	(15)	(1)	—
Cash & cash equivalents at end of period	**604**	**380**	**602**	**377**	**2**	**3**
Breakdown of net liquid assets at Dec. 31						
Cash and cash equivalents	604	380	602	377	2	3
Securities	157	168	157	168	—	—
Financial liabilities	(753)	(987)	551	271	(1,304)	(1,258)
	8	**(439)**	**1,310**	**816**	**(1,302)**	**(1,255)**

Statement of changes in equity 2004

€ million	Capital stock	Additional paid-in capital	Reserves retained from earnings	Accumulated OCI: Currency translation differences	Accumulated OCI: Statement at FV of fin. instruments	Minority interests	Total
Balance at Dec. 31, 2002	**376**	**795**	**1,500**	**(6)**	**(35)**	**261**	**2,891**
Dividend payment			(88)			(5)	(93)
Net income for 2003			227			8	235
Currency translation effects				(42)	2	(6)	(46)
Changes in unrealized gains/losses					19	6	25
Deconsolidation of SMS Group			(13)	(3)	16	(196)	(196)
All other changes			(30)	2		(4)	(32)
Balance at Dec. 31, 2003	**376**	**795**	**1,596**	**(49)**	**2**	**64**	**2,784**
Dividend payment			(110)			(7)	(117)
Net income for 2004			308			15	323
Currency translation effects				5		(1)	4
Changes in unrealized gains/losses					17	6	23
All other changes			1	4		9	14
Balance at Dec. 31, 2004	**376**	**795**	**1,795**	**(40)**	**19**	**86**	**3,031**

The accumulated other comprehensive income (OCI) of a negative €21 million (down from a negative €47 million) is allocable to Industrial Business at a red €34 million (down from an equally red €41 million) and Financial Services at a black €13 million (up from a red €6 million).

Notes to the consolidated financial statements

General

Accounting and valuation principles

The consolidated financial statements of MAN AG for the fiscal year 2004 conform with the International Financial Reporting Standards (IFRS) including the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB), London, UK. Moreover, all such Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC) as require application in fiscal 2004 have been duly taken into account, as have the standards of the German Accounting Standards Committee (GASC).

The IFRS-based consolidated financial statements also conform with the 7th EU Directive. MAN exercises the option offered in Art. 292a German Commercial Code ("HGB") to present consolidated financial statements according to internationally accepted accounting principles and refrain from formulating group accounts according to German accounting regulations. Disclosures additionally required under HGB regulations have been made in these notes.

With a view to deepening the insight into the MAN Group's net assets, financial position and results of operations, the consolidated financial statement data additionally breaks down into Industrial Business and Financial Services. Industrial Business covers all MAN Group companies other than the Financial Services subgroup (MAN Financial Services). Within the MAN Group, MAN Financial Services provides financial services for customers and group companies, including sales and capital expenditure financing and focusing on leasing commercial vehicles to customers. The balances from eliminating intragroup transactions between Financial Services and Industrial Business have been assigned to the latter segment.

Consolidation group

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, and/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 Schwäbische Hüttenwerke GmbH as of December 31, 2004, in which MAN AG holds 50 percent of the voting rights, and to Intermesa Trading Ltda., a Brazilian company in which MAN Ferrostaal AG holds a 48.5-percent stake.

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 excluded from consolidation as from the date of transfer of beneficial ownership or, if insignificant, retroactively as from January 1, 2004.

NUMBER OF CONSOLIDATED COMPANIES	Germany	Abroad	Total
Included as of December 31, 2003	74	119	193
Newly included in fiscal 2004	5	9	14
Excluded in fiscal 2004	5	8	13
Included as of December 31, 2004	**74**	**120**	**194**

The newly included companies are 14 smallish firms acquired or newly formed in 2004 or not consolidated the year before due to their insignificance. Altogether 13 companies retired from the consolidation group, through either divestment or merger with other consolidated subsidiaries, or due to their minor significance.

One investee (down from five) is carried at equity as associated affiliate. 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 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

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. The acquiree's liabilities and assets—particularly intangibles—are reassessed in terms of their recognition in the acquiree's accounts and, on certain conditions, thenceforth recognized, or restated to fair value. Any difference between the purchase cost of the acquiree and the prorated equity is allocated to one or more cash-generating units (CGUs) and capitalized as goodwill. The value of the CGU that includes the assigned goodwill is tested for impairment at least once annually and, if found impaired, written down accordingly.

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

Associated affiliates carried at equity are included on the basis of their financial statements as of December 31, 2004, and shown in a separate balance sheet line. The Group's shares in their net income or loss are disclosed in a separate income statement line.

Currency translation

For the consolidated financial statements, the functional-currency method is used to translate the financial statements of non-Euroland companies. Balance sheet lines are translated at the current, and income statement captions at the annual average, rates.

In the fixed-asset schedule, accruals analysis and statement of changes in equity, the fiscal year's opening and closing balances as well as consolidation group changes are translated at the applicable current rates, while for the remaining balance sheet lines, the annual average rates are used. Differences from the currency translation versus the prior year of balance sheet captions are recognized in equity only.

THE EURO (€) EXCHANGE RATES OF MAJOR CURRENCIES ARE AS FOLLOWS:

	Current rate of €1 at		Average rate of €1 in	
	12/31/2004	12/31/2003	2004	2003
US dollar	1.3621	1.2630	1.2424	1.1329
Pound sterling	0.7051	0.7048	0.6795	0.6911
Danish krone	7.4388	7.4450	7.4400	7.4303
Swiss franc	1.5429	1.5579	1.5445	1.5192
Swedish krona	9.0206	9.0800	9.1283	9.1453
Polish złoty	4.0845	4.7019	4.5429	4.4202
Turkish lira (1,000/€)	1,836.20	1,771.64	1,773.96	1,701.10
Japanese yen	139.65	135.05	133.93	131.31
South African rand	7.6897	8.3276	7.9721	8.4767
Canadian dollar	1.6416	1.6234	1.6162	1.5879

Income, gains, expenses and losses

Sales are recognized as and when the underlying products or goods have been delivered or the services rendered and after risk has passed to the customer, always net after all sales deductions, such as cash and other discounts, allowances granted to customers, etc. Revenues from long-term manufacturing contracts (see the notes thereto for details) are recognized on a percentage-of-completion (PoC) basis.

Operating expenses are accounted for 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 and other cost of debt are expensed in the period.

Intangible assets

Separately acquired intangible assets are capitalized at purchase cost. Applying IFRS 3 as from fiscal 2004 implies that intangibles acquired in a business combination are capitalized at fair value as of the acquisition date. Finite-lived intangibles are amortized on a straight-line basis over their useful lives, as a rule not in excess of ten years. Intangible assets whose useful life cannot be determined are not amortized but tested once annually for impairment. If found impaired, they are written down to their fair value. If the fair value of an intangible asset (other than goodwill) previously written down rebounds, the intangible asset is written up accordingly.

R&D costs are expensed in line with IAS 38. An exception to 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. Capitalized development costs are amortized as from the date of market rollout. 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 (labor and materials), as well as prorated indirect materials and indirect labor. Maintenance and repair (M&R) 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. Low-value assets (defined as assets at cost of €410 or less) are fully written off in the year of their purchase. Tangible assets whose fair value has decreased below net book value are written down accordingly. If the fair value of an asset previously written down rises again, the asset is written up accordingly.

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

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

Leasing, assets leased out

Tangible assets used under leases (investment leasing) are recognized mainly by the lessor as operating-leased. Where in isolated cases the criteria of IAS 17 are met, assets held under capital leases (*a.k.a.* finance leases) are capitalized and depreciated. Assets leased out under operating leases (customer financing) are recognized at cost by the lessor (mainly MAN Financial Services), unless sold to nongroup leasing firms for funding purposes, and depreciated on a straight-line basis over the underlying lease term.

The MAN Financial Services companies as lessors finance not only property, plant and equipment but also the marketing of products by companies of the MAN Group. The term of most leases is below 90 percent of the leased asset's estimated useful life, the general lease conditions being structured to ensure that the leased assets are allocable as operating leases to, and hence capitalizable by, MFI.

Inventories

Inventories are stated at the lower of (purchase or production) cost or net realizable value. Production cost includes all manufacturing-related direct costs, as well as proratable fixed and variable indirect materials and indirect labor. Overhead portions are mostly determined on a normal, in all other cases the actual, workload basis. General administrative and selling (GAS) 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, as well as uncompleted contracts that involve impending losses are all allowed for by writing them down to their net realizable values.

Long-term manufacturing contracts

Long-term manufacturing (or construction) contracts are recognized according to the percentage-of-completion (PoC) method. The contract progress, or PoC, is determined either on a cost-to-cost basis (i.e., from the ratio the costs incurred by the balance sheet date bear to the expected total contract costs), or on the basis of agreed milestones. Based on agreed revenues and expected contract costs, sales and cost of sales are recognized in line with the PoC achieved. In the balance sheet, the contract portions proratable according to such PoC are shown as trade receivables after deducting customer prepayments.

Expected losses on long-term manufacturing contracts (so-called onerous contracts) are immediately and fully expensed. Where the estimate of the outcome (P/L) of such a long-term contract is not yet sufficiently reliable, 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.

Receivables, other assets, securities

Receivables and other assets are carried at amortized cost. Receivables which are highly probable to be uncollectible are fully written off (specific bad-debt allowance). A flat allowance for doubtful accounts provides for the general collection risk on the basis of empirical data. Non- or low-interest receivables with a remaining term above 3 months are discounted at 5.5 percent. Where the reasons for any previous specific bad-debt allowance or other write-down have ceased to exist, the charge is reversed and the asset written up accordingly.

Securities and other monetary assets, if available for sale, are carried at fair value, the differences between amortized cost and fair value being recognized as other comprehensive income (OCI) within equity, after duly accounting for deferred taxes. Long-term securities held in connection with pension plans are recognized at amortized cost within noncurrent assets.

Accruals, liabilities

Pension accruals provide for future pension obligations according to the projected unit credit (PUC) method, duly taking into account future payroll and pension increases. For further details, see Note (19).

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 at an annual rate of 5.5 percent.

Liabilities are generally stated at their settlement amount.

Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between the values in the tax and the financial statements, for consolidation transactions recognized in net income, as well as for tax loss carryovers.

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 December 31, 2004; in Germany, this rate is an unchanged 39.4 percent.

Financial derivatives and hedges

The MAN Group uses various financial derivatives to hedge current or planned/forecasted underlying transactions. 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. Within the MAN Group, presently currency forwards, foreign exchange (forex) options and interest rate swaps are contracted. The fair value of currency forwards is determined on the basis of the forward rate as of December 31 for the remaining term of each contract in relation to the contracted forward rate. We determine the fair value of forex options by means of generally accepted option pricing techniques, key factors being the residual term, the reference interest rate and the current exchange rate and its volatility. The fair value of interest rate swaps is obtained by discounting the expected future cash flows over the remaining contract term on the basis of current market rates and the yield curve. If their fair value is positive, financial derivatives are shown within the other current assets and, if negative, as other current liabilities.

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 currency forward hedges an effective underlying transaction (including, without being limited to, an uncompleted contract or a trade receivable), it is a fair value hedge (FVH). In this case, changes in the currency forward'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 *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*) after deducting deferred taxes.

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 and current notional volumes, see Note (25).

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. If the original basis for an estimate changes, the effect of this change is recognized in the income statement.

Cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 and breaks down cash flows into those from operating, investing and financing activities. Effects of consolidation group changes are eliminated in the lines concerned. The net parity change in cash and cash equivalents is shown in a separate line. The indirect method is used to determine the cash flow from operating activities.

While the term *cash and cash equivalents* fully corresponds to the equivalent balance sheet caption, the MAN Group controls its financial position on the basis of its net liquid assets, these including not only cash and cash equivalents but also securities and financial debts. The balance of net liquid assets is disclosed in the cash flow statement in a separate line.

In the cash flow from operating activities, the noncash operating expenses and income, as well as the gains from the disposal of intangibles, tangibles and investments are all eliminated. Cash earnings are shown in a separate line within this caption and represent the change in cash and cash equivalents attributable to the net income for the year.

The cash flow from investing activities reflects the cash outflow for tangible and intangible assets, investments (including those newly consolidated in the period), and assets leased out. Cash and cash equivalents taken over are deducted from the expenditures for acquiring consolidated subsidiaries.

The cash flow from financing activities mirrors 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 and cash equivalents comprise cash on hand and in bank, as well as within the segments the receivables from MAN's intragroup finance transactions.

Changed accounting rules

In MAN's consolidated financial statements for fiscal 2004, we have applied the following new IFRS or revised IAS early: IFRS 2, *Share-Based Payment*; IFRS 3, *Business Combinations*; IFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*; IAS 36, *Impairment of Assets*; IAS 38, *Intangible Assets*; as well as the Standards revised in the scope of the IASB Improvements Project, viz. IAS 1, *Presentation of Financial Statements*; IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 10, *Events after the Balance Sheet Date*; IAS 16, *Property, Plant and Equipment*; IAS 17, *Leases*; IAS 21, *The Effects of Changes in Foreign Exchange Rates*; IAS 27, *Consolidated and Separate Financial Statements*; IAS 28, *Investments in Associates*; IAS 33, *Earnings per Share*; and IAS 40, *Investment Properties*.

The key changes in comparison to the prior year ensue from the application of the revised IAS 1 and the newly enacted IFRS.

Compared with 2003, the obligatory balance sheet classification rules of IAS 1 (presentation according to the order of liquidity) have entailed several changes in disclosure principles, an essential change being the consistent breakdown of assets, liabilities and accruals into noncurrent and current ones. Balance sheet lines are accordingly assigned to either maturity group in accordance with their remaining term (up to or above 1 year) and/or the company's operating cycle. The changes mainly affect the balance sheet:

– *Deferred tax assets* and certain *other noncurrent assets* are no longer disclosed as a separate caption or within current assets but now shown as noncurrent assets. Instead of financial assets, the shares in associated affiliates and the other investments are shown in separate lines, the remaining former financial assets being part of the *other noncurrent assets* caption.

– The fixed-asset schedule, which details intangible assets, tangible assets and assets leased out, is now based on net book values. For the annual opening and closing balances, the historical cost and accumulated amortization/depreciation/write-down are reported in addition.

– *Prepayments received* are shown on the liabilities side, their open deduction from inventories being discontinued.

– Liabilities and accruals are broken down into their noncurrent and current portions. This assignment to either liquidity category is based on the remaining term (for financial liabilities) or on the allocation to the operating cycle (for all other accruals and liabilities).

The prior-year comparatives have been regrouped accordingly.

IFRS 2 affects the valuation of MAN's SAR (stock appreciation rights) plan, which now requires to be exclusively measured at the fair value of the phantom stock option. Previously, we had carried the obligations at the intrinsic current value on the basis of MAN's stock price (i.e., the value by which the SAR was in the money at December 31, 2004); for further details, see Note (26).

IFRS 3, as well as the revised IAS 36 and 38, refer to the accounting for business combinations including goodwill from consolidation. Goodwill recognized prior to January 1, 2004, in accordance with IAS 22 is carried over at the book value as of December 31, 2003, and duly tested for impairment, amortization being no longer charged. On balance, the application of IFRS 3 has not had any impact on the MAN Group in 2004 since the discontinued amortization (€19 million in 2003) contrasts with write-down of €18 million charged to the goodwill of the *sheet-fed offset presses* CGU.

IFRS 5 regulates the accounting for, and valuation of, noncurrent assets held for sale, as well as the disclosure of discontinued operations. The Standard did not apply to the 2004 consolidated financial statements while in 2003, it concerned the disposal of the SMS Group—discontinued operations that have been shown on a comparable basis.

Applying the remaining revised IAS has affected the MAN Group merely inasmuch as certain disclosures in the notes have been added or omitted, the effect on the carrying amounts of our assets and liabilities being marginal.

Business acquisitions and disposals

The MAN Group made no major acquisitions in 2004 or 2003.

On December 7, 2004, Essen-based MAN Ferrostaal sold and transferred a majority stake in DSD Steel Group GmbH, a subsidiary bundling its structural steel business, to the Belgian Pirson Group. The 51-percent stake was sold at a price of €10.2 million while for the remaining 49%, put and call options exist that are exercisable by Pirson as from 2007 and by MAN Ferrostaal as from 2010 on the basis of the then current value of the stake.

The divestment was transacted with economic effect as of July 1, 2004. The MAN Group's accounts include the DSD companies disposed of for the 6-month period ended June 30, 2004. The transfer meant that an annual sales volume of about €100 million and 1,564 employees have retired from the MAN Group.

In fiscal 2003, with economic effect as of October 1, the MAN Group sold and transferred its 51-percent stake in SMS AG to the Weiss family, which held the remaining 49%. The sale and transfer were effected in two lots of 25.5 percent each; the first lot was transferred in fiscal 2003 whereas for the remaining 25.5 percent, reciprocal put and call options have been negotiated, exercisable by MAN as from December 31, 2007. In MAN's consolidated financial statements for 2004, the SMS Group is shown as discontinued operation according to IFRS 5: the consolidated income statement and statement of cash flows report the pertinent figures in a separate line for the 9 months ended September 30, 2003.

Notes to the consolidated income statement

(1) Sales by geographical markets

€ million	2004	2003
Germany	3,963	3,792
Other EU	5,217	4,609
Other Europe	1,160	1,070
Americas	2,037	1,671
Asia	1,780	1,693
Africa	657	607
Australia and Oceania	133	104
	14,947	**13,546**

(2) Other operating income

€ million	2004	2003
Income from other trade business, net	54	87
Income from the release of accruals	43	32
Gains from the disposal of tangible/intangible assets	25	17
Gains from foreign exchange and financial instruments	15	33
Miscellaneous	133	238
	270	**407**

(3) Other operating expenses

€ million	2004	2003
Research and development	326	325
Provisions in the year	179	199
Allowances for receivables	83	113
Losses on foreign exchange and financial instruments	18	33
Write-down of goodwill	18	19
Miscellaneous	268	233
	892	**922**

The other operating expenses comprise 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 unallocable personnel expenses, financing expenses, as well as a multitude of single items.

(4) Other income from investments

€ million	2004	2003
Income from P&L transfer agreements	4	4
Income from investments	7	5
Expenses from loss absorption	(2)	(2)
Write-down of investments	(17)	(3)
Write-up of investments	2	0
Net gain/(loss) from the disposal of investments	(2)	4
	(8)	**8**

The income from investments includes €4 million (down from €5 million) of income from, and €2 million (up from €1 million) of expenses to, nonconsolidated Group companies.

(5) Net interest expense

€ million	2004	2003
Interest and similar income	24	22
Interest and similar expenses	(102)	(110)
Interest portion of addition to pension accruals	(93)	(94)
	(171)	**(182)**

Out of the total net interest expense, Industrial Business companies account for €120 million (down from €122 million), Financial Services for €51 million (down from €60 million).

(6) Income taxes

€ million	2004	2003
Current taxes	124	63
Deferred taxes	6	6
	130	**69**

RECONCILIATION OF CALCULATED TO ACTUAL INCOME TAX EXPENSE
€ million

	2004	%	2003	%
EBT	**453**	**100.0**	**261**	**100.0**
Calculated income tax	178	39.4	103	39.4
Foreign tax rate differentials	(27)	–6.0	(15)	–5.7
Tax-free income	(23)	–5.1	(10)	–3.8
Utilization of loss carryovers not recognized in prior years	(21)	–4.6	(13)	–5.0
Non-utilization and adjustments of tax loss carryovers	7	–1.5	35	13.4
Goodwill amortization/write-down	7	1.5	7	2.7
Nonperiod taxes	(1)	–0.2	(35)	–13.4
Other	10	2.2	(3)	–1.2
Tax expense	**130**	**28.7**	**69**	**26.4**

Income tax was calculated by applying a total 39.4 percent to EBT, this percentage being the combined result from municipal trade income tax at 17.7 percent, corporate income tax at 25.0 percent, solidarity surtax of 5.5 percent of corporate income tax less 4.7 percentage points for deductibility from the corporate income tax assessment base.

Tax loss carryovers utilizable for an indefinite period of time existed at €365 million (up from €304 million) — of which foreign companies account for €365 million (up from €298 million) — but were not recognized 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

	12/31/2004	12/31/2003
Deferred tax assets		
Pension accruals	124	112
Inventories and receivables	41	53
Other accruals	86	120
Loss carryovers	93	112
Other	6	11
	350	**408**
Deferred tax liabilities		
Noncurrent assets	252	250
Inventories and receivables	73	101
Untaxed/special reserves in separate fin. statements	9	12
Other accruals	18	28
	352	**391**

(7) Earnings per share (EpS)

		excl. posttax profit of discontinued SMS Group operations	incl. posttax profit of discontinued SMS Group operations
	2004	2003	2003
Net income after minority interests (€ million)	308	184	227
Weighted average number of shares issued and outstanding (million)	147.0	147.0	147.0
EpS (€)	2.09	1.25	1.54

In accordance with IAS 33, the number of shares issued and outstanding on an annual average is divided into the Group's net income after minority interests to obtain earnings per share. No unexercised stock options existed to dilute earnings per share, whether at December 31, 2004 or 2003.

(8) Additional notes to the consolidated income statement

THE COST OF SALES INCLUDES THE FOLLOWING COST OF MATERIALS: € million	2004	2003
Cost of raw materials, supplies, and merchandise purchased	7,097	6,655
Cost of services purchased	468	677
	7,565	**7,332**

PERSONNEL EXPENSES BREAK DOWN AS FOLLOWS: € million	2004	2003
Wages and salaries	2,711	2,736
Social security taxes, pension expense and related employee benefits	609	617
	3,320	**3,353**

The pension expense of €73 million (up from €62 million) does not include the interest portion contained in the period's pension provision at €93 million (down from €94 million).

ON AVERAGE, THE MAN GROUP EMPLOYED:	2004	2003
Commercial Vehicles	33,955	34,492
Industrial Services	5,633	7,009
Printing Systems	9,319	9,939
Diesel Engines	6,670	6,748
Turbomachines	2,486	2,510
Other industrial holdings	4,378	4,494
Financial Services	98	85
MAN AG and assigned companies	251	244
	62,790	**65,521**

Notes to the consolidated balance sheet

(9) Intangible assets

€ million	Licenses, software, similar rights and assets	Capitalized development costs	Goodwill	**Intangible assets**
Gross book value at 1/1/2003	104	194	324	622
Accumulated amortization/write-down	(73)	(58)	(91)	(222)
Balance at 1/1/2003	**31**	**136**	**233**	**400**
Additions	22	61	3	86
Disposals	(4)	–	–	(4)
Amortization/write-down	(20)	(40)	(19)	(79)
Currency translation differences	0	0	(2)	(2)
Balance at 12/31/2003	**29**	**157**	**215**	**401**
Gross book value at 12/31/2003	115	255	325	695
Accumulated amortization/write-down	(86)	(98)	(110)	(294)
Balance at 1/1/2004	**29**	**157**	**215**	**401**
Additions	21	74	–	95
Disposals	(1)	–	–	(1)
Amortization/write-down	(17)	(47)	(18)	(82)
Balance et 12/31/2004	**32**	**184**	**197**	**413**
Gross book value at 12/31/2004	125	329	197	651
Accumulated amortization/write-down	(93)	(145)	–	(238)

The amortization charged in the period to finite-lived intangibles (licenses, software, similar rights and assets, as well as development costs) totaled €64 million (down from €79 million) and is included in the appropriate functional expense categories, mainly cost of sales, while the write-down of goodwill at €18 million (up from nil) is recognized in other operating expenses.

ANALYSIS OF GOODWILL
€ million

	Balance at 1/1/2004	Write-down	Balance at 12/31/2004
Trucks	34	–	34
Buses	91	–	91
Commercial Vehicles	**125**	**–**	**125**
Sheet-fed printing presses	18	(18)	0
Web offset presses	9	–	9
Printing Systems	**27**	**(18)**	**9**
Medium-speed diesel engines	**14**	**–**	**14**
Turbomachines	**49**	**–**	**49**
	215	**(18)**	**197**

The goodwill has been assigned to the above subdivisions as CGUs and originates exclusively from acquisitions and initial consolidation that took place prior to January 1, 2004. When IFRS 3 was applied for the first time, the goodwill was carried over at €215 million, its book value as of December 31, 2003.

We test goodwill at least once annually for impairment by contrasting the book values of the CGUs to which the goodwill has been assigned, to their values in use. The latter are calculated by taking the expected future cash flows as stated in the 3-year plan and discounting them at the MAN Group's WACC of 11.0 percent before taxes (DCF method). The value is impaired if the book value including assigned goodwill is smaller than the value in use.

Due to the result from the impairment test in 2004, we wrote down the goodwill of the sheet-fed printing presses subdivision (CGU) by €18 million. The impairment is largely attributable to the downturn in expected business and higher risks at our sales companies in Central and Eastern Europe.

(10) Tangible assets

€ million	Land and buildings	Production plant and machinery	Other plant, factory and office equipment	Prepay-ments on tangibles, construction in progress	**Tangible assets**
Gross book value at 1/1/2003	2,138	2,179	1,416	80	5,813
Accumulated depreciation/ write-down	(985)	(1,608)	(1,134)	0	(3,727)
Balance at 1/1/2003	**1,153**	**571**	**282**	**80**	**2,086**
Consolidation group changes	13	3	0	4	20
Additions	31	123	115	47	316
Book transfers	21	47	8	(80)	(4)
Disposals	(19)	(11)	(8)	(19)	(57)
Depreciation/write-down	(60)	(132)	(97)	–	(289)
Currency translation differences	(12)	(4)	(3)	(1)	(20)
Balance at 12/31/2003	**1,127**	**597**	**297**	**31**	**2,052**
Gross book value at 12/31/2003	2,136	2,159	1,428	31	5,754
Accumulated depreciation/ write-down	(1,009)	(1,562)	(1,131)	0	(3,702)
Balance at 1/1/2004	**1,127**	**597**	**297**	**31**	**2,052**
Consolidation group changes	(6)	(2)	(3)	0	(11)
Additions	33	111	83	35	262
Book transfers	8	49	(32)	(25)	0
Disposals	(8)	(3)	(5)	0	(16)
Depreciation/write-down	(63)	(149)	(91)	–	(303)
Currency translation differences	5	3	0	0	8
Balance at 12/31/2004	**1,096**	**606**	**249**	**41**	**1,992**
Gross book value at 12/31/2004	2,154	2,095	1,374	41	5,664
Accumulated depreciation/ write-down	(1,058)	(1,489)	(1,125)	–	(3,672)

The depreciation charged to tangible assets at €283 million (down from €285 million) is included in the appropriate functional expense categories, mainly cost of sales. Write-down is recognized in other operating expenses and came to €20 million (up from €4 million).

(11) Investments

STT Technologies Inc., Canada, is carried at equity as associated affiliate of Schwäbische Hüttenwerke as of December 31, 2004. This affiliate's 2004 sales came to €59 million (up from €50 million), its total assets to €36 million (down from €38 million), and its EBT to €4 million (up from €3 million).

In the period, write-down was charged to investments at €17 million (up from €3 million).

(12) Assets leased out

€ million	2004	2003
Gross book value at 1/1	1,062	1,104
Accumulated depreciation/write-down	(340)	(316)
Balance at 1/1	**722**	**788**
Additions	335	245
Book transfers	—	4
Disposals	(307)	(134)
Depreciation/write-down	(145)	(152)
Currency translation differences	5	(29)
Balance at 12/31	**610**	**722**
Gross book value at 12/31	904	1,062
Accumulated depreciation	(294)	(340)

Most of the assets leased out are commercial vehicles, besides printing presses and cranes. The total *depreciation/write-down* charged in 2004 breaks down into depreciation of €135 million (down from €152 million) and write-down of €10 million (up from €0 million).

FUTURE RENTS FROM NONCANCELABLE OPERATING LEASES
€ million

	12/31/2004	12/31/2003
Due within 1 year	249	254
Due >1 to 5 years	311	329
Due after 5 years	5	7
	565	**590**

(13) Inventories

€ million	12/31/2004	12/31/2003
Raw materials and supplies	495	513
Work in process and finished products	2,239	2,049
Merchandise	498	405
Prepayments made	161	140
	3,393	**3,107**

(14) Trade receivables

€ million	12/31/2004	12/31/2003
Future receivables under long-term manufacturing contracts	125	161
Due from investees	35	45
Receivables from customers	2,833	2,645
	2,993	**2,851**

The future receivables under long-term manufacturing contracts recognized according to the PoC method were determined as follows:

€ million	12/31/2004	12/31/2003
Production cost incl. P/L from l/t manufacturing contracts	1,746	1,551
less milestones capitalized as WIP	(10)	(20)
less amounts billed to customers	(344)	(286)
Future receivables under l/t manufacturing contracts, gross	**1,392**	**1,245**
less prepayments received	(1,267)	(1,084)
	125	**161**

Sales from long-term manufacturing contracts totaled €1,246 million (up from €886 million). Orders and parts thereof billed to customers are shown as other receivables due from customers.

€414 million (up from €367 million) of trade receivables falls due after one year.

(15) Other assets

€ million	12/31/2004	12/31/2003
Financial derivatives	242	234
Loans and other receivables due from third parties	185	165
Non-income tax assets	57	38
Due from investees from intragroup finance	56	55
Reserve from employer's pension liability insurance	42	43
Pension plan securities	41	40
Prepaid expenses and deferred charges	16	20
Sundry current assets	306	232
	945	**827**

The *other assets* are disclosed in the balance sheet in these lines:

€ million	12/31/2004	12/31/2003
Other noncurrent assets	186	190
Other current assets	759	637

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 underlyings.

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

€ million	12/31/2004	12/31/2003
Securities	157	168
Cash on hand and in bank	604	380
	761	**548**

The securities are held as liquid investments and have, according to IAS 39, been categorized as available for sale and hence stated at fair value. The gains realized in the year under review from the sale of securities amount to €2 million (down from €4 million), whereas no losses were incurred (down from €2 million). Unrealized gains and losses (netted, after deferred taxes) added €5 million to equity (up from €4 million).

(17) Equity

€ million	12/31/2004	12/31/2003
Capital stock	376	376
Additional paid-in capital	795	795
Retained earnings	1,795	1,596
Accumulated OCI	(21)	(47)
Stockholders' equity	**2,945**	**2,720**
Minority interests	86	64
	3,031	**2,784**

MAN AG's capital stock amounts to an unchanged €376,422,400, divided into 147,040,000 no-par shares which included 140,974,350 shares of common, and 6,065,650 shares of nonvoting preferred, stock.

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 for up to an aggregate 10 percent of the capital stock.

At their annual meeting on June 9, 2004, the stockholders further authorized the Executive Board, subject to the Supervisory Board's prior consent, to repurchase on or before December 8, 2005, once or several times MAN AG common and/or nonvoting preferred stock. The authority is capped to an aggregate 10 percent of the current capital stock, i.e., a maximum of 14,704,000 shares. Such treasury stock may also be repurchased by other Group companies and/or third parties for the account of MAN AG or other Group companies.

An unchanged stake in excess of 25 percent in MAN AG's voting stock was held in 2004 by Regina-Verwaltungsgesellschaft mbH, Munich (jointly owned at 25 percent each by Allianz AG, Allianz Lebensversicherungs-AG, Commerzbank AG, and Münchener Rückversicherungs-Gesellschaft). In January 2005, Regina Verwaltungsgesellschaft mbH notified us pursuant to Art. 21(1) WpHG that its voting interest in MAN AG is meantime nil. Futhermore, Allianz AG and Commerzbank AG communicated that their directly held or assigned voting stakes decreased to 0.82 and 0.74 percent, respectively.

In August 2004, AXA S.A., Paris, France, notified us according to Arts. 21(1), 22(1) and 24 WpHG that the voting stake allocable to AXA S.A. had come to around 7.6 percent as of May 31, 2004.

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 retained earnings cover MAN AG's reserves retained from earnings of €437 million (up from €387 million), as well as MAN AG's net earnings of €154 million (up from €110 million), the latter corresponding to the total cash dividends distributable. It will be proposed to the annual stockholders' meeting to distribute a €0.30 higher dividend of €1.05 per share.

The other comprehensive income covers the Group's share in currency translation and FI-related gains and losses not yet realized in the Group's earnings; the gains and losses from financial instruments originate primarily from the measurement at fair value of securities and financial derivatives (net after allowing for deferred taxes).

The minority interests in the equity of consolidated subsidiaries refer chiefly to Schwäbische Hüttenwerke (at €36 million), RENK (€19 million), and S.E.M.T. Pielstick (€13 million).

(18) Financial liabilities

€ million	12/31/2004	12/31/2003
Bonds	299	299
Due to banks	454	688
	753	**987**

Financial liabilities are disclosed in the balance sheet in the following lines:

€ million	12/31/2004	12/31/2003
Noncurrent financial liabilities (remaining term >1 year)	366	626
Current financial liabilities (remaining term ≤1 year)	387	361

Since December 2004, MAN AG has had a syndicated credit facility of €2,000 million at its disposal whose remaining term will expire in December 2009 (with two 1-year renewal options) and which has been granted by a syndicate of 25 German and foreign banks. The previous €1,500 million credit facility was thus superseded. The consortium lead managers are Bayerische Hypo- und Vereinsbank, Calyon, Citigroup Global Markets, Commerzbank, Dresdner Kleinwort Wasserstein, and HSBC Bank. The facility may be utilized in various currencies and amounts and for different terms on a EURIBOR/LIBOR basis plus a margin of 20 basis points or more annually. At December 31, 2004, this facility had not been utilized (down from €300 million).

In December 2003, MAN Financial Services plc, Swindon, UK, floated a €300 million 5.375-percent bond issue. As of December 31, 2004, the book and fair values amounted to €299 million (virtually unchanged) and €320 million (up from €301 million), respectively. The bond will mature on December 8, 2010. For this bond issue, MAN AG has issued an irrevocable guaranty for the payment obligations in accordance with the issuance terms.

The accounts due to banks include order- or contract-related refinancing, of which €19 million (down from €24 million) is secured through the assignment of receivables, another €7 million thereof (down from €13 million) has been collateralized by land charges and similar encumbrances.

(19) Pension accruals

The MAN Group's pension plans for the employees of German subsidiaries include mainly direct defined benefit obligations (DBO). As a rule, service periods with the Group and pensionable pay will define the amounts of future pensions. Employees recruited after July 1, 1999, benefit from defined contribution plans. The pension plans are in Germany funded by pension accruals. Pension accruals are measured on an actuarial basis according to the projected unit credit method with due regard to future trends. Outside of Germany, either defined benefit or defined contribution plans exist.

At some non-German subsidiaries (especially in the UK and the Netherlands), pension plans are based on contributions to pension funds which invest their assets in securities. The plan assets are measured with due regard to the returns expected thereon.

For the German MAN companies, the following assumptions underlie the present value of the DBO:

%	12/31/2004	12/31/2003
Discount rate	5.0	5.5
Pension rise	1.5	1.5
Pay rise	2.5	2.5

The biometric actuarial calculation is based on the 1998 mortality tables of Prof. Dr. Klaus Heubeck.

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

Pension accruals developed in the period as follows:

€ million	2004	2003
Balance at Jan. 1	**1,681**	**1,642**
Current service cost	40	40
Interest cost	93	94
Pension payments	(92)	(84)
Expense/income from unrecognized actuarial gains and losses	1	0
Effects of consolidation group, exchange rate and other changes	(7)	(11)
Balance at Dec. 31	**1,716**	**1,681**

Pension accruals were determined as follows:

€ million	12/31/2004	12/31/2003
Present value of accrual-funded DBO	1,878	1,748
Present value of plan-funded DBO	195	177
Present value of total DBO	**2,073**	**1,925**
Plan assets	(174)	(159)
Net liability	**1,899**	**1,766**
Short/(excess) cover of plan assets	6	6
Adjustment due to actuarial gains/(losses)	(189)	(91)
Pension accruals at Dec. 31	**1,716**	**1,681**

The present value of the defined benefit obligations shows the pension entitlements of employees at balance sheet date. Plan assets are stated at the present value with due regard to expected returns thereon.

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). This produced an actuarial loss of €189 million (up from €60 million) or 9.1 percent of total benefit obligations (up from 4.7), and this loss is essentially ascribable to the lower discount rate (down from 6.0 percent at December 31, 2002, then to 5.5 as of December 31, 2003, and to 5.0 at December 31, 2004).

(20) Other accruals

€ million	12/31/2003	Change in cons. group, curr. transl.	Utilization	Provisions in 2004	Release	12/31/2004
Warranties	376	(4)	(122)	241	(28)	463
Unbilled costs from contracts invoiced	251	(3)	(111)	177	(18)	296
Other business obligations	365	0	(201)	309	(41)	432
Obligations to personnel	220	0	(59)	88	(5)	244
Remaining accruals	303	6	(178)	192	(23)	300
	1,515	**(1)**	**(671)**	**1,007**	**(115)**	**1,735**

The other accruals are disclosed in these balance sheet lines:

€ million	12/31/2004	12/31/2003
Other noncurrent accruals	518	455
Other current accruals	1,217	1,060

The warranty accruals provide for implied and express warranties, as well as accommodation warranties voluntarily extended to customers. The accruals for unbilled costs refer to products or services yet to be provided under contracts already invoiced (or parts thereof) and to obligations under maintenance and service contracts. The other business obligations provide, inter alia, for losses and buyback commitments.

The obligations to personnel exist for accrued employment anniversary allowances, termination benefits, exit plans (severance/redundancy packages), and preretirement part-time work. Some of these accruals include an interest portion and have been discounted at €18 million (up from €10 million). The remaining accruals refer to a plethora of specific risks.

(21) Other liabilities

€ million	12/31/2004	12/31/2003
Liabilities to personnel	407	361
Due to investees from intragroup finance	184	87
Financial derivatives	145	134
Liabilities for non-income taxes	137	164
Deferred income	53	52
Remaining liabilities	124	143
	1,050	**941**

The other liabilities are disclosed in the following balance sheet lines:

€ million	12/31/2004	12/31/2003
Other noncurrent liabilities	4	—
Other current liabilities	1,046	941

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

Pursuant to IAS 39, the other liabilities include the negative market values of financial derivatives. Since they mostly serve hedging purposes, their negative market values contrast with increased values in the balance sheet lines of the underlyings.

€6 million of the other liabilities is collateralized by land charges and similar encumbrances (virtually unchanged).

Segment reporting

SEGMENT INFORMATION BY DIVISIONS
€ million

	Commercial Vehicles	Industrial Services	Printing Systems	Diesel Engines	Turbo-machines
2004					
Order intake by the divisions	**7,589**	**3,508**	**1,885**	**1,872**	**675**
thereof Germany	2,699	524	268	250	146
thereof abroad	4,890	2,984	1,617	1,622	529
Intersegment order intake	(558)	(91)	(69)	(34)	(3)
Order intake by the Group	7,031	3,417	1,816	1,838	672
Sales by the divisions	**7,409**	**3,185**	**1,620**	**1,421**	**659**
Intersegment transfers	(545)	(73)	(73)	(37)	(57)
Group sales	6,864	3,112	1,547	1,384	602
Order backlog at Dec. 31	**1,594**	**2,259**	**1,077**	**1,449**	**469**
EBITDA	**526**	**107**	**61**	**107**	**45**
Depreciation/amortization	(184)	(35)	(58)	(52)	(9)
EBIT	**342**	**72**	**3**	**55**	**36**
Interest	(82)	(10)	(11)	(15)	(6)
EBT	**260**	**62**	**(8)**	**40**	**30**
Operating profit/(loss)	**342**	**72**	**3**	**55**	**36**
Cash earnings	407	69	56	74	35
Cash flow from operating activities	567	(6)	120	90	74
Cash flow from investing activities	(205)	(14)	(32)	(21)	(17)
Free cash flow	362	(20)	88	69	57
Capital expenditures	209	36	32	27	17
2003					
Order intake by the divisions	**6,772**	**2,738**	**1,575**	**1,460**	**658**
thereof Germany	2,401	461	345	324	132
thereof abroad	4,371	2,277	1,230	1,136	526
Intersegment order intake	(471)	(74)	(75)	(28)	(43)
Order intake by the Group	6,301	2,664	1,500	1,432	615
Sales by the divisions	**6,707**	**2,880**	**1,516**	**1,312**	**567**
Intersegment transfers	(480)	(58)	(70)	(37)	(5)
Group sales	6,227	2,822	1,446	1,275	562
Order backlog at Dec. 31	**1,409**	**2,186**	**847**	**1,003**	**450**
EBITDA	**385**	**106**	**19**	**100**	**40**
Depreciation/amortization	(182)	(33)	(45)	(42)	(11)
EBIT	**203**	**73**	**(26)**	**58**	**29**
Interest	(82)	(8)	(11)	(14)	(6)
EBT	**121**	**65**	**(37)**	**44**	**23**
Operating profit/(loss)	**203**	**73**	**(26)**	**58**	**29**
Cash earnings	297	65	16	67	32
Cash flow from operating activities	225	233	65	72	41
Cash flow from investing activities	(161)	3	(30)	(39)	(10)
Free cash flow	64	236	35	33	31
Capital expenditures	189	22	41	42	11

	Others/Consolidation				
Remaining industrial holdings	Financial Services	Holding Company	Consolidation	Total	Group
804	**863**	**2**	**(1,091)**	**578**	**16,107**
406	607	2	(811)	204	4,091
398	256	0	(280)	374	12,016
(24)	(311)	(1)	1,091	755	0
780	552	1	0	1,333	16,107
813	**899**	**2**	**(1,061)**	**(1,059)**	**14,947**
(34)	(241)	(1)	1,061	785	0
779	658	1	0	1,438	14,947
972	**663**	**0**	**(234)**	**1,401**	**8,249**
93	**251**	**25**	**(44)**	**325**	**1,171**
(48)	(173)	(9)	(21)	(209)	(547)
45	**78**	**16**	**(23)**	**116**	**624**
(7)	(51)	11	0	(47)	(171)
38	**27**	**27**	**(23)**	**69**	**453**
45	**27**	**16**	**(23)**	**65**	**573**
68	186	16	2	272	913
79	11	(30)	69	129	974
(46)	(46)	16	(4)	(80)	(369)
33	(35)	(14)	65	49	605
39	30	1	(2)	68	389
890	**607**	**4**	**(960)**	**541**	**13,744**
483	463	4	(670)	280	3,943
407	144	0	(290)	261	9,801
(45)	(224)	0	960	691	0
845	383	4	0	1,232	13,744
833	**627**	**4**	**(900)**	**564**	**13,546**
(23)	(224)	(3)	900	650	0
810	403	1	0	1,214	13,546
1,049	**657**	**0**	**(238)**	**1,468**	**7,363**
91	**256**	**(8)**	**(21)**	**318**	**968**
(41)	(170)	(3)	2	(212)	(525)
50	**86**	**(11)**	**(19)**	**106**	**443**
(10)	(60)	8	1	(61)	(182)
40	**26**	**(3)**	**(18)**	**45**	**261**
50	**26**	**(11)**	**(19)**	**46**	**383**
59	183	33	16	291	768
48	227	59	(64)	270	906
(24)	(181)	31	94	(80)	(317)
24	46	90	30	190	589
27	80	9	(1)	115	420

CONDENSED FINANCIAL INFORMATION OF THE SEGMENTS
€ million

	Commercial Vehicles 2004	Commercial Vehicles 2003	Industrial Services 2004	Industrial Services 2003	Printing Machines 2004	Printing Machines 2003	Diesel Engines 2004	Diesel Engines 2003	Turbo-machines 2004	Turbo-machines 2003
Noncurrent assets excl. deferred taxes	1,395	1,403	239	242	245	271	194	221	98	90
Inventories	1,366	1,332	690	469	485	453	492	424	126	157
Receivables and other current assets	1,214	1,148	565	601	351	358	341	280	203	187
Deferred tax assets and income tax assets	117	130	101	107	24	34	18	25	7	16
Cash and cash equivalents incl. securities	17	19	619	732	305	205	14	22	2	2
Total assets/capital	4,109	4,032	2,214	2,151	1,410	1,321	1,059	972	436	452
Equity	992	898	307	331	312	311	318	241	88	70
Pension accruals	644	618	232	235	246	238	125	122	65	61
Financial liabilities	488	718	23	23	2	2	41	169	23	81
All other liabilities and accruals	1,816	1,610	1,581	1,487	824	739	563	418	236	214
Deferred tax liabilities and income tax liabilities	169	188	71	75	26	31	12	22	24	26
Net liquid assets/(financial debt)	(471)	(699)	596	709	303	203	(27)	(147)	(21)	(79)
Net sales	**7,409**	**6,707**	**3,185**	**2,880**	**1,620**	**1,516**	**1,421**	**1,312**	**659**	**567**
Cost of sales	(6,047)	(5,523)	(2,777)	(2,545)	(1,259)	(1,197)	(1,074)	(998)	(512)	(442)
Gross margin	**1,362**	**1,184**	**408**	**335**	**361**	**319**	**347**	**314**	**147**	**125**
Selling expenses	(467)	(461)	(123)	(139)	(148)	(140)	(123)	(121)	(59)	(58)
General administrative expenses	(258)	(233)	(97)	(105)	(89)	(91)	(68)	(67)	(36)	(32)
All other income/expenses, net	(295)	(287)	(116)	(18)	(121)	(114)	(101)	(68)	(16)	(6)
Net interest result of Financial Services	—	—	—	—	—	—	—	—	—	—
Operating profit/(loss)	**342**	**203**	**72**	**73**	**3**	**(26)**	**55**	**58**	**36**	**29**
Net interest result of Industrial Business	(82)	(82)	(10)	(8)	(11)	(11)	(15)	(14)	(6)	(6)
EBT	**260**	**121**	**62**	**65**	**(8)**	**(37)**	**40**	**44**	**30**	**23**
Headcount at Dec. 31	**33,810**	**34,094**	**4,679**	**6,689**	**9,026**	**9,465**	**6,731**	**6,625**	**2,472**	**2,494**
thereof in Germany	20,506	21,111	2,927	3,670	7,448	7,806	2,671	2,673	1,639	1,668
thereof abroad	13,304	12,983	1,752	3,019	1,578	1,659	4,060	3,952	833	826
on annual average	**33,955**	**34,492**	**5,633**	**7,009**	**9,319**	**9,939**	**6,670**	**6,748**	**2,486**	**2,510**
Indicators										
EBIT margin	4.6%	3.0%	2.3%	2.5%	0.2%	(1.7%)	3.9%	4.4%	5.5%	5.1%
Pretax ROS	3.5%	1.8%	1.9%	2.3%	(0.5%)	(2.4%)	2.8%	3.4%	4.6%	4.0%
ROCE [1]	16.6%	9.4%	15.8%	15.0%	1.1%	(4.4%)	10.7%	11.4%	19.2%	12.4%
Net operating assets at Dec. 31 [2]	2,150	2,271	649	535	257	345	460	503	190	221
Net operating assets (weighted annual average) [2]	2,252	2,269	705	595	330	378	504	515	214	228
Capital employed (weighted annual average) [2] [3]	2,830	2,773	779	642	457	574	504	515	214	228
ROCE [2]	12.1%	7.3%	18.5%	22.3%	0.6%	(4.5%)	11.0%	11.2%	16.8%	12.6%
Value added	30	(102)	58	73	(48)	(89)	0	1	12	4

[1] previous definition = EBIT ÷ CE [2] for Financial Services: equity or ROE [3] incl. addition of operating assets funded intragroup

Other Industrial Business											
Remaining industrial holdings		Holding Company		Consolidation		Total		Financial Services		**Group**	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
211	338	186	45	(45)	(52)	352	331	841	966	3,364	3,524
230	255	1	0	(4)	(3)	227	252	7	20	3,393	3,107
130	230	299	13	(178)	4	251	247	827	667	3,752	3,488
17	39	184	230	(18)	(96)	183	173	4	3	454	488
114	408	2,446	2,007	(2,758)	(2,850)	(198)	(435)	2	3	761	548
702	1,270	3,116	2,295	(3,003)	(2,997)	815	568	1,681	1,659	11,724	11,155
173	450	811	241	(116)	113	868	804	146	129	3,031	2,784
165	306	236	98	1	1	402	405	2	2	1,716	1,681
18	49	1,610	1,530	(2,756)	(2,843)	(1,128)	(1,264)	1,304	1,258	753	987
325	426	425	313	(158)	(171)	592	568	194	238	5,806	5,274
21	39	34	113	26	(97)	81	55	35	32	418	429
96	359	836	477	(2)	(7)	930	829	(1,302)	(1,255)	8	(439)
813	**833**	**2**	**4**	**(1,061)**	**(900)**	**(246)**	**(63)**	**899**	**627**	**14,947**	**13,546**
(676)	(697)	(1)	(2)	1,048	880	371	181	(827)	(543)	(12,125)	(11,067)
137	**136**	**1**	**2**	**(13)**	**(20)**	**125**	**118**	**72**	**84**	**2,822**	**2,479**
(37)	(39)	0	0	4	3	(33)	(36)	(5)	(4)	(958)	(959)
(33)	(39)	(47)	(40)	24	41	(56)	(38)	(7)	(5)	(611)	(571)
(22)	(8)	62	27	(38)	(43)	2	(24)	18	11	(629)	(506)
—	—	—	—	—	—	—	—	(51)	(60)	(51)	(60)
45	**50**	**16**	**(11)**	**(23)**	**(19)**	**38**	**20**	**27**	**26**	**573**	**383**
(7)	(10)	11	8	0	1	4	(1)	—	—	(120)	(122)
38	**40**	**27**	**(3)**	**(23)**	**(18)**	**42**	**19**	**27**	**26**	**453**	**261**
4,186	**4,459**	**253**	**245**	**0**	**0**	**4,439**	**4,704**	**102**	**87**	**61,259**	**64,158**
3,994	4,265	247	240	0	0	4,241	4,505	74	64	39,506	41,497
192	194	6	5	0	0	198	199	28	23	21,753	22,661
4378	**4494**	**251**	**244**	**0**	**0**	**4,629**	**4,738**	**98**	**85**	**62,790**	**65,521**
5.5%	6.0%	—	—	—	—	—	—	—	—	3.8%	2.8%
4.7%	4.8%	—	—	—	—	—	—	—	—	3.0%	1.9%
8.5%	7.9%	—	—	—	—	—	—	—	—	11.7%	8.3%
249	258	—	—	—	—	(484)	(445)	133	136	3,355	3,566
323	248	—	—	—	—	(426)	(372)	134	141	3,713	3,754
323	389	—	—	—	—	(353)	(320)	134	141	4,565	4,553
13.9%	20.3%	—	—	—	—	—	—	20.2%	18.2%	12.6%	8.4%
10	23	—	—	—	—	7	(15)	9	7	68	(121)

Comments on segment data

In accordance with the lineup of products and services, the MAN Group's operations break down into Commercial Vehicles, Industrial Services, Printing Systems, Diesel Engines, and Turbomachines. These segments are identical with the MAN Nutzfahrzeuge, MAN Ferrostaal, MAN Roland Druckmaschinen, MAN B&W Diesel and MAN TURBO subgroups. Under the umbrella of Others, the remaining industrial holdings are subsumed, primarily RENK, MAN Technologie, MAN DWE, and Schwäbische Hüttenwerke, as well as MAN Financial Services and the parent MAN AG as holding company, to which also companies with no operating business have been assigned (previously included in the other industrial holdings).

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

Segment financial information conforms with the disclosure and valuation methods applied in formulating the consolidated financial statements. Order intake data has been derived from the Group's reporting system and not been audited. Intersegment transfers are based on fair market prices as if at arm's length. Amortization, depreciation and write-down refer to the intangible and tangible assets, investments and assets leased out allocable to each corporate division. Segment assets correspond to the consolidated total assets of the companies in the regions concerned. For details of ROS and ROCE, see pages 27 et seq.

Segment information by regions

€ million	Germany	Other Europe	Other world	Total
2004				
Segment assets at Dec. 31	7,744	3,236	744	11,724
Capital expenditures for tangible and tangible assets	282	96	11	389
Headcount at Dec. 31	39,506	18,761	2,992	61,259
2003				
Segment assets at Dec. 31	7,314	3,221	620	11,155
Capital expenditures for tangible and tangible assets	310	101	9	420
Headcount at Dec. 31	41,497	19,141	3,520	64,158

Supplementary disclosures according to HGB regulations

Subject to the exceptions below, the accounting and valuation principles applied to and underlying these IFRS consolidated financial statements are, moreover, equivalent to those permitted under German Commercial Code ("HGB") regulations:

– The IFRS require that goodwill from consolidation be capitalized and its value tested annually for impairment and, where required, written down accordingly. In contrast, HGB provisions permit either to capitalize and thereafter amortize goodwill or else offset goodwill against retained earnings.

– The IFRS require that deferred taxes be recognized on (i) all temporary differences between tax bases and the carrying amounts in the consolidated balance sheet and (ii) tax loss carryovers. In contrast, the HGB prescribes in these cases that deferred taxes be recognized on all timing differences (i.e., reversing over time) between the values in the tax balance sheet and the consolidated balance sheet; the capitalization of deferred tax assets in HGB financial statements is optional.

– The recognition of accruals according to IFRS is more restrictive than under HGB regulations. Expenses may not be provided for—specific restructuring accruals excepted—since the recognition of accruals in line with IFRS is generally contingent on the existence of obligations to a third party.

– Pursuant to IFRS, profits from long-term manufacturing or construction contracts must be recognized according to the percentage of completion (PoC). The HGB principally prohibits the recognition of profits from long-term contracts until after the contract has been completed and formally accepted.

– According to IFRS, development costs of newly developed products and series are on certain conditions capitalized as intangible assets whereas the HGB prohibits the capitalization of any internally created intangible assets.

– Under IFRS rules, financial instruments are recognized at their current (i.e., as of the balance sheet date) fair value, with the result that any reserves inherent in these instruments, depending on the latter's classification, are recognized either in net income or solely in equity (OCI). In contrast, such financial instruments are according to HGB carried at the lower of purchase cost or current value.

Art. 292a HGB requires further disclosures to be made in the notes to ensure the equivalence of IFRS financial statements.

€ million							
	At cost						
	Balance at 12/31/2003	Consolidation group changes	Additions	Book transfers	Disposals	Currency translation differences	Balance at 12/31/2004
Licenses, software, similar rights and assets	115	0	21	0	(11)	0	125
Capitalized development costs	255	–	74	–	0	0	329
Goodwill	325	–	–	–	(128)	0	197
Intangible assets	**695**	**0**	**95**	**0**	**(139)**	**0**	**651**
Land and buildings	2,136	(12)	33	8	(17)	6	2,154
Production plant and machinery	2,159	(9)	111	49	(219)	4	2,095
Other plant, factory and office equipment	1,428	(8)	83	(32)	(97)	1	1,375
Prepayments made, construction in progress	31	(1)	35	(25)	0	0	40
Tangible assets	**5,754**	**(30)**	**262**	**0**	**(333)**	**11**	**5,664**
Assets leased out	**1,062**	**–**	**335**	**0**	**(498)**	**5**	**904**
Shares in associated affiliates	5	–	2	(5)	0	1	3
Other investments	206	10	32	5	(38)	1	216
Securities for pension plan	32	–	0	–	(6)	0	26
Long-term loans	24	1	29	–	(10)	0	44
Financial assets	**267**	**11**	**63**	**0**	**(53)**	**1**	**289**
Fixed assets	**7,778**	**(19)**	**755**	**0**	**(1,023)**	**17**	**7,508**

The net book values of securities for the pension plan correspond to their fair values and amount to €16 million (down from €20 million).

Within the MAN Group, liabilities with a remaining term above five years do not exist (unchanged).

€11 million of trade payables (down from €22 million) is owed to Group companies.

(22) Cash flow statement details

Other information

The cash flow from operating activities includes a cash inflow from interest of €24 million (up from €22 million), a cash outflow for interest of €102 million (down from €110 million), as well as the income taxes paid at €115 million (up from €92 million).

(23) Contingent liabilities

€ million	12/31/2004	12/31/2003
Buyback guaranties	298	258
Guaranties and suretyships	294	128
Notes endorsed and discounted	60	49
Obligations in favor of consortium partners	53	41
Warranty/indemnity obligations	0	1

The contingent liabilities from guaranties and suretyships refer almost exclusively to guaranty bonds furnished by MAN AG and MAN Ferrostaal AG for trade obligations of current and former investees and other entities. Also included in this caption are buyback guaranties on terms customary in the industry for debts of customers that finance MAN products through nongroup leasing firms or banks; these buyback guaranties refer to printing presses at €180 million (up from €178 million) and commercial vehicles at €118 million (up from €80 million). Moreover, a debt owed by of a consortium partner has been guaranteed, pledged securities providing additional collateral.

(24) Other financial obligations

These exist under leases and are incurred not only for funding investment (capital expenditure) projects but also for refinancing manufacturer leasing business via non-group financing companies.

Future lease payments within the minimum operating lease terms fall due as follows:

€ million	12/31/2004	12/31/2003
Investment leases, due		
within one year	19	16
after one but within five years	49	51
after five years	53	76
	121	**143**
Manufacturer leases, due		
within one year	117	118
after one but within five years	138	133
after five years	0	0
	255	**251**
Obligations under leases, due		
within one year	79	86
after one but within five years	215	213
after five years	212	257
	506	**556**

Customary buyback obligations of a total volume of €1,310 million (up from €1,235 million) exist in connection with the sale of commercial vehicles to customers and nongroup financing companies. Accruals of €176 million (up from €150 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.

(25) 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 generally 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 (primary) 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 and Supervisory Boards. 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 (99 percent) and currency options (1 percent). Out of the total hedging volume as of December 31, 2004, the US dollar accounted for 52 percent, the pound sterling for 29, and the Swiss franc for 7 percent.

€ million			12/31/2004	12/31/2003
Notional volume	≤1 year	>1 year	total	total
currencies bought	3,113	196	3,309	1,756
currencies sold	4,139	218	4,357	3,131
currency options	38	1	39	115
Market values	positive	negative	total	total
currencies bought	8	(130)	(122)	(95)
currencies sold	217	(6)	211	204
currency options	0	0	0	5

– 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 pay-back or redemption structure of defined customer portfolios and are further subject to the level of collateral security.

As of December 31, 2004, external interest rate swaps existed in €, US$, £ sterling, and Norwegian krone.

€ million			12/31/2004	12/31/2003
Notional volume	≤1 year	>1 year	total	total
interest rate receiver swaps	0	444	444	320
interest rate payer swaps	452	946	1,398	1,199
Market values	positive	negative	total	total
interest rate receiver swaps	16	0	16	2
interest rate payer swaps	1	(9)	(8)	(16)

– 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.

(26) MAN's SAR plan

Effective July 1, 2000, 2001, 2003, and 2004, 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 strike price of an SAR plan are the closing stock prices as quoted by the Xetra system for MAN shares, averaged over the ten trading days preceding July 1 (plan issuance date). If and when the MAN stock price rises at least 20 percent above the strike price and, after expiration of the qualifying period, MAN stock has outperformed the Dow Jones EURO STOXX 50 index at least once during five consecutive trading days, plan participants can exercise their SARs.

Under the 2000 and 2001 SAR plans (both granted on a DM basis), participants receive cash of DM 4.00 or €2.045 per SAR for an MAN stock price rise of 20 percent above the strike price. 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 2003 and 2004 SAR plans (€-based), participants will receive cash of €4 per SAR if the market price of an MAN share is 20 percent in the money, and €0.15 for each additional full percentage point of increase, up to an aggregate maximum of €24 per SAR.

The number of SARs developed in the year as follows:

	SARP 2000	SARP 2001	SARP 2003	SARP 2004
Total SARs at January 1, 2004	675,665	706,165	317,550	—
granted in the period	—	—	—	325,700
exercised in the period	—	(159,790)	—	—
Total SARs at December 31, 2004	675,665	546,375	317,550	325,700

The market prices relevant to SAR exercise are as follows:

Strike price in €	33.46	25.60	14.55	29.51
Minimum price for exercise in €	40.15	30.72	17.46	35.41
Maximum price for exercise in €	84.77	64.85	36.86	74.76
Market price at Dec. 31, 2004, in €	28.34	28.34	28.34	28.34

€380,000 (rounded; up from €0) was paid out in fiscal 2004 as SARs were exercised.

SARs granted and issued to MAN AG Executive Board members:

	SARP 2000	SARP 2001	SARP 2003	SARP 2004
Total SARs at January 1, 2004	293,500	281,000	154,397	—
granted in the period	—	—	—	154,500
exercised in the period	—	(70,000)	—	—
Total SARs at December 31, 2004	293,500	211,000	154,397	154,500

€168,000 (rounded; up from €0) was paid out in fiscal 2004 as SARs were exercised by MAN AG Executive Board members.

SAR valuation is based on the fair value, which in addition to the stock price trend up to the balance sheet date, also accounts for the potential future trend of MAN stock on the basis of historical volatility factors, as well as for contractual restrictions on exercise. The accruals for SAR plans total €5.978 million as of December 31, 2004 (up from €0.853 million), the expenses incurred amounting to €5.505 million (up from €0.853 million).

RENK AG implemented SAR plans modeled on MAN AG's. Members of RENK AG's executive board were granted SARs in previous years, of which the SARs remaining from the 2000 and 2001 plans were exercised in 2004, entailing the payment of a rounded €57,000 (down from €73,000). As of December 31, 2004, altogether 7,200 SARs remain from the 2003 plan; for these a (rounded) total of €27,000 has been provided (up from €8,000). An expense (rounded) of €85,000 was incurred in 2004 for the RENK SAR plans.

(27) Corporate Governance Code

In December 2004, MAN AG's Executive and Supervisory Boards issued, and disclosed to the stockholders on the Internet, their annual statement on the recommendations of the German Corporate Governance Code Government Commission. In its declaration of conformity pursuant to Art. 161 AktG, MAN AG states to adopt the recommendations of the Code as amended up to May 21, 2003, with the exception that the remuneration of individual Executive Board members will be disclosed in the notes to the consolidated financial statements only to the extent that the CEO's remuneration and the average salary of all other Executive Board members are indicated.

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

(28) 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 2004 a total remuneration of €1.278 million (up from €0.899 million), including approx. €58,300 as fixed (down from €58,800), and approx. €1,219,700 as dividend-related (up from €840,200), fee. No compensation was paid to Supervisory Board members for advisory or agency services.

The altogether eight (on annual average; unchanged) members of the Executive Board received a total €7.450 million (up from €5.293 million), breaking down into €3.771 million (up from €3.466 million) of fixed, and €3.511 million (up from €1.827 million) of variable, corporate performance-related, income, plus around €168,000 (up from nil) paid out under the SAR plan—see Note (26). CEO Dr.-Ing. E.h. Rudolf Rupprecht received a total compensation of €1.348 million (up from €0.965 million), breaking down into €0.659 million (up from €0.504 million) of fixed, and €0.689 million (up from €0.461 million) of variable, corporate performance-related, income. Consequently, the annual salary (rounded) of any of the other seven Executive Board members averaged €0.872 million (up from €0.618 million), including €0.445 million fixed (up from €0.423 million) and €0.403 million variable (up from €0.195 million), plus around €24,000 (up from nil) paid out under the SAR plans. The variable portion hinges on the scaling of the dividend and return on operating assets (ROA).

The compensation of former Executive Board members and their surviving dependants amounted to €4.299 million (up from €3.722 million), while for the accrued pension obligations to such former members and their surviving dependants, altogether €27.921 million (up from €26.753 million) has been provided.

One Supervisory Board member has been granted a housing loan secured by real collateral, carrying interest at the annual rate of 5.5 percent, and maturing after an agreed term of 25 years. At December 31, 2004, the residual loan balance came to €0.031 million (down from €0.033 million).

The Supervisory and Executive Board members including their memberships in other statutory supervisory and comparable boards are disclosed on pages 150–156 of this annual report.

Munich, March 1, 2005

MAN AG
The Executive Board

Independent auditor's report and 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, 2004. The preparation and content of the consolidated financial statements 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 International Financial Reporting Standards (IFRS).

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 IFRS, 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, 2004, 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 ended December 31, 2004, satisfy the requirements for exempting the company from preparing consolidated group accounts and a group management report in accordance with German law. The consistency with the 7th EC Directive, which is a prerequisite to the exemption from group accounts according to German Commercial Code regulations, has been audited by us on the basis of the interpretation of the Contact Committee for Accounting Directives of the European Commission.

Munich, March 9, 2005

BDO Deutsche Warentreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harnacke	Prof. Dr. Bolin
Wirtschaftsprüfer	Wirtschaftsprüfer

MAN Group: Seven-year financial summary

€ million	98/99	99/00	SFY 2000[1)]	2001	2002	2003	2004
Order intake	**12,489**	**15,640**	**7,773**	**15,678**	**15,720**	**13,744**	**16,107**
from Germany	4,239	4,623	2,195	4,026	3,862	3,943	4,091
from abroad	8,250	11,017	5,578	11,652	11,858	9,801	12,016
Order intake by division							
Commercial Vehicles	4,950	6,274	3,114	6,272	6,525	6,772	7,589
Industrial Services	2,228	2,927	1,359	2,737	3,178	2,738	3,508
Printing Systems	1,792	2,095	1,126	1,993	1,542	1,575	1,885
Diesel Engines	969	1192	861	1,489	1,363	1,460	1,872
Turbomachines	483	360	161	556	539	658	675
Remaining industrial holdings	841	840	355	763	818	894	804
Financial Services	224	267	183	635	602	607	863
SMS Group	1,323	2,068	907	2,117	2,001	—	—
Sales	**13,256**	**14,581**	**7,524**	**16,300**	**16,040**	**13,546**	**14,947**
in Germany	4,327	4,418	2,231	4,457	4,212	3,792	3,963
abroad	8,929	10,163	5,293	11,843	11,828	9,754	10,984
Sales by division							
Commercial Vehicles	4,931	5,755	3,048	6,741	6,564	6,707	7,409
Industrial Services	2,668	2,541	1,410	2,855	2,916	2,880	3,185
Printing Systems	1,680	1,848	946	2,081	1,808	1,516	1620
Diesel Engines	1,026	1,106	665	1,415	1,408	1,312	1,421
Turbomachines	576	360	161	555	530	567	659
Remaining industrial holdings	884	733	369	778	843	837	813
Financial Services	224	267	183	513	628	627	899
SMS Group	1,631	2,353	1,013	2,239	2,190	—	—
Order backlog[2)]	**8,604**	**10,643**	**10,962**	**10,313**	**9,597**	**7,363**	**8,249**
Germany	2,723	2,895	2,976	2,537	2,035	1,891	1,962
abroad	5881	7,748	7,986	7,776	7,562	5,472	6,287
Headcount[2)]	**66,838**	**74,324**	**76,604**	**77,606**	**75,054**	**64,158**	**61,259**
in Germany	47,520	49,487	50,611	51,240	48,863	41,497	39,506
abroad	19,318	24,837	25,993	26,366	26,191	22,661	21,753
Annual average headcount	67,157	71,239	76,049	78,608	76,346	65,521	62,790
Personnel expenses[2)]	1,904	2,648	2,822	1,715	2253	3,749	3,428
MAN stock							
Common stock[2)] (€)	33.30	31.66	27.10	23.75	13.15	24.05	28.34
Common stock, annual high (€)	39.63	40.01	34.41	34.20	30.25	24.15	32.23
Common stock, annual low (€)	21.20	28.20	26.52	16.96	10.65	12.09	24.33
Common stock, PER[2)]	14.9	12.6	—	23.5	14.3	15.6	13.6
Preferred stock[2)] (€)	22.12	21.45	21.00	18.00	9.90	19.80	24.75
Preferred stock, annual high (€)	27.87	25.01	24.68	26.10	26.10	20.49	29.59
Preferred stock, annual low (€)	14.90	17.90	20.50	12.95	8.20	10.30	20.00
Preferred stock, PER[2)]	9.9	8.5	—	17.8	10.8	12.9	11.8
Cash dividend (€)	0.92	1.00	0.50	0.60	0.60	0.75	1.05
Earnings per share (EpS)							
acc. to IAS 33 (€)	2.23	2.52	1.04	1.01	0.92	1.54	2.09
Annual cash flow per share (CFpS)							
acc. to DVFA/SG (€)	6.00	6.70	3.30	5.30	5.50	5.50	6.00
Equity per share (€)	15.40	17.20	17.30	17.30	17.90	18.50	19.30

€ million	98/99	99/00	SFY 2000[1]	2001	2002	2003	2004
Noncurrent assets	3,267	3,947	4,172	4,369	4,318	3,932	3,714
Inventories	3,531	4,353	4,532	4,618	3,774	3,107	3,393
Other current assets	3,214	4,064	4,183	4,204	4,002	3,568	3,856
Securities, cash & cash equivalents	1,267	1,365	1,442	1,481	1,277	548	761
Equity	2,623	2,953	2,964	2,862	2,891	2,784	3,031
Pension accruals	1,648	1,884	1,925	1,997	2,053	1,681	1,716
Noncurrent and current financial liabilities	502	936	1,728	1,801	1,538	987	753
Prepayments received	1,852	2,536	2,560	2,582	1,679	1,201	1,399
All other liabilities and accruals	4,655	5,420	5,152	5,430	5,211	4,502	4,825
Total assets	**11,280**	**13,729**	**14,328**	**14,672**	**13,371**	**11,155**	**11,724**
Net sales	13,256	14,581	7,524	16,300	16,040	13,546	14,947
Cost of sales	(10,710)	(11,915)	(6,135)	(13,625)	(13,365)	(11,067)	(12,125)
Gross margin	2,546	2,666	1,389	2,675	2,675	2,479	2,822
All other income/expenses, net	(1,908)	(1,950)	(1,051)	(2,259)	(2,284)	(2,036)	(2,198)
Earnings before interest and taxes (EBIT)	638	716	338	416	391	443	624
Net interest result of Financial Services	—	(34)	(30)	(52)	(67)	(60)	(51)
Operating profit	638	682	308	364	324	383	573
Net interest result of Industrial Business	(81)	(82)	(44)	(151)	(105)	(122)	(120)
Result from ordinary operations (EBT)	557	600	264	213	219	261	453
Income taxes	(186)	(244)	(87)	(62)	(72)	(69)	(130)
Net result of discontinued operations	0	68	0	0	0	43	0
Net income	371	424	177	151	147	235	323
Total dividend MAN AG	142	154	77	88	88	110	154
Capital expenditures and funding							
Tangible and intangible assets	486	537	294	554	463	402	357
Financial assets and acquisitions	103	283	24	223	62	18	32
Research and development	422	527	284	620	580	520	526
Amortization/depreciation	344	374	203	471	500	373	402
Cash earnings	981	1,117	552	822	885	768	913
Cash flow from operating activities	700	99	401	697	697	906	974
Cash flow from investing activities	(678)	(561)	(992)	(574)	(590)	(317)	(369)
Free cash flow	22	(462)	(591)	123	107	589	605
Key ratios (%)							
ROS (operating profit margin)	4.8	4.7	4.1	2.2	2.0	2.8	3.8
Pretax return on sales	4.2	4.6	3.5	1.3	1.4	1.9	3.0
ROCE (op. profit ÷ CE)	—	—	—	—	—	8.4	12.6
Aftertax return on equity	15.4	15.9	12.4	7.5	6.9	8.3	11.7
Value added in € mill.	—	—	—	—	—	(121)	68

[1] Short fiscal year (July 1 to Dec. 31, 2000; rates of return annualized)
[2] at June 30 or Dec. 31
Financial information as from 2003 conforming with the new IAS 1 balance sheet classification format, prior-year data having been restated on a comparable basis. Affected are fixed assets (now included in noncurrent assets), securities and cash & cash equivalents (now excl. intragroup finance transactions), total assets/total capital (prepayments received now recognized as liability), and analogously other current assets and all other liabilities and accruals. Disclosed in a separate income statement line are the operating profit and, for 1999/2000 and 2003, the net result of discontinued operations, this result also changing the previously disclosed EBIT and EBT data. The financial information up to 2002 includes the SMS Group disposed of in 2003.

Glossary

Capital employed (CE)
CE covers the operating assets less the deductible operating capital. Where applicable, operating assets funded intragroup by Financial Services are added unless MAN Financial Services has assumed the full underlying default risk.

Currency forward
Contract to buy or sell a currency amount at a fixed rate at a future (forward) date.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Free cash flow
Cash flow from operations less cash flow from investing activities. The free cash flow shows the funds actually remaining for a company's stockholders.

GASC
The German Accounting Standards Committee was established in 1998 as a private-law accounting body consisting of independent experts.

International Financial Reporting Standards (IFRS)
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.

Operating profit
Indicator to assess and control the profitability of MAN Group divisions. The operating profit of an Industrial Business (IB) company equals EBIT while for Financial Services (MFI), it corresponds to EBT. One-time factors or effects are eliminated.

Operating profit = $EBIT_{IB} + EBT_{MFI} \pm$ one-time factors

Other comprehensive income (OCI)
Other comprehensive income is an equity component that includes gains and losses which are recognized in the balance sheet but yet unrealized in the income statement, mainly from the statement at fair value of securities and hedges.

Percentage-of-completion (PoC) method
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 at the percentage of completion, although the contract has not yet been fully completed and invoiced to the customer.

Projected unit credit (PUC) method
Method for measuring pension obligations under IAS 19, according to which expected future pay and pension trends are accounted for in addition to the vested pension rights and entitlements existing at year-end.

ROCE (return on capital employed)
Ratio of operating profit to (i) the annual average capital employed (weighted quarterly) of Industrial Business (IB) and (ii) the equity of Financial Services (MFI).

$$\text{ROCE} = \frac{\text{operating profit}}{(\text{CE}_{\text{IB}} + \text{equity}_{\text{MFI}})}$$

ROE
Return on equity; for Financial Services, its EBT ÷ equity (excl. OCI)

ROS
Return on sales; the margin returned by the operating profit on net sales.

$$\text{ROS} = \frac{\text{operating profit}}{\text{net sales}}$$

Value added (VA)
Indicates whether the MAN Group and its divisions have earned their cost of capital and added value.

$$\text{VA}_{\text{Group}} = (\text{ROCE}_{\text{IB}} - \text{WACC}_{\text{IB}}) \times \text{CE}_{\text{IB}} + (\text{ROE}_{\text{MFI}} - \text{WACC}_{\text{MFI}}) \times \text{equity}_{\text{MFI}}$$

WACC
Weighted average cost of capital, for the MAN Group defined on a long-range basis at 10.5 percent and for Industrial Business divisions at 11 percent (pretax in either case); the equity portion is stated at fair value, the debt portion comprising pension accruals and financial liabilities.

Executive Board — outside appointments

Dipl.-Ing. Håkan Samuelsson
Munich,
Chairman (appointed Jan. 1, 2005)

[b] MAN Nutzfahrzeuge AG (Chairman)
MAN Ferrostaal AG (Chairman)
MAN Roland Druckmaschinen AG (Chairman)
MAN B&W Diesel AG (Chairman)
MAN TURBO AG (Chairman)
RENK Aktiengesellschaft (Chairman)
MAN Technologie AG (Chairman)
NEOMAN Bus GmbH (Chairman)
[c] MAN B&W Diesel A/S, Denmark

Dr.-Ing. E. h. Rudolf Rupprecht
Munich,
Chairman
(retired Dec. 31, 2004)

[a] SMS GmbH (Chairman)
Buderus AG
Salzgitter AG
Walter Bau-AG
[b] MAN Nutzfahrzeuge AG (Chairman)
MAN Ferrostaal AG (Chairman)
MAN Roland Druckmaschinen AG (Chairman)
MAN B&W Diesel AG (Chairman)
RENK Aktiengesellschaft (Chairman)
MAN Technologie AG (Chairman)
[c] MAN B&W Diesel A/S, Denmark

Dr. rer. pol. Ferdinand Graf von Ballestrem
Munich

[a] Bayerische Versicherungsbank AG
Hypo Real Estate Holding AG
SMS Demag AG
[b] Schwäbische Hüttenwerke GmbH (Chairman)
RENK Aktiengesellschaft (Deputy Chairman)
MAN Technologie AG (Deputy Chairman)
MAN Roland Druckmaschinen AG
MAN Nutzfahrzeuge Vertrieb GmbH
[c] MAN Capital Corporation, USA (Chairman)
MAN Financial Services plc., United Kingdom (Chairman)

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

[b] MAN Nutzfahrzeuge AG
RENK Aktiengesellschaft
Drei Mohren AG
[c] MAN Roland CEE AG, Österreich (Chairman)
MAN Roland Inc., USA (Chairman)
MAN Roland (China) Ltd., China (Chairman)
MAN Roland Western Europe Group B.V., The Netherlands (Chairman)
Votra S.A., Switzerland (Chairman)

Karlheinz Hornung
Munich
(appointed Oct. 1, 2004)

[b] MAN Nutzfahrzeuge AG
MAN Ferrostaal AG
MAN Roland Druckmaschinen AG
MAN B&W Diesel AG
[c] MAN B&W Diesel A/S, Denmark

Dr. jur. Matthias Mitscherlich
Mülheim a. d. Ruhr

[b] MAN TURBO AG (Deputy Chairman)
MAN Roland Druckmaschinen AG
DSD Industrieanlagen GmbH

Dr. jur. Hans-Jürgen Schulte LL.M.
Augsburg
(retired Jan. 31, 2005)

[b] Drei Mohren AG (Chairman)
MAN Nutzfahrzeuge AG
RENK Aktiengesellschaft
[c] S.E.M.T. Pielstick, France (Chairman)
MAN B&W Diesel Ltd., United Kingdom (Chairman)

Dipl.-Ökonom Anton Weinmann
Landensberg
(appointed Jan. 1, 2005)

[b] MAN B&W Diesel AG
RENK Aktiengesellschaft
MAN Nutzfahrzeuge Vertrieb GmbH (Chairman)
NEOMAN Bus GmbH
NEOPLAN Bus GmbH
[c] MAN Nutzfahrzeuge Österreich AG (Deputy Chairman)
MAN B&W Diesel A/S, Denmark

Dr. jur. Philipp J. Zahn
Munich
(retired Sept. 30, 2004)

[a] SMS Meer GmbH
[b] MAN Ferrostaal AG
MAN Roland Druckmaschinen AG
MAN B&W Diesel AG
NEOMAN Bus GmbH
NEOPLAN Bus GmbH
[c] MAN B&W Diesel A/S, Denmark

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

[b] MAN TURBO AG

At March 1, 2005 or the date of retirement

[a] Supervisory board apppointments in German companies
[b] Group mandates
[c] Appointments to comparable boards outside Germany (Group mandates)

Supervisory Board — outside appointments

Dr. Eng. h. c. Volker Jung
Munich,
former member of the Executive Board of Siemens AG,
Chairman

[a] Direktanlagebank AG
Messe München GmbH
Vattenfall Europe AG
[c] INTRACOM S.A., Greece

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

[a] Grammer AG

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

[a] Bayer AG
RWE AG
[b] Allianz Immobilien GmbH (Chairman)
Allianz Dresdner Asset Management GmbH (ADAM)

Jürgen Bänsch*
Augsburg,
Chairman of the Works Council at MAN Roland Druckmaschinen AG,
Augsburg Plant

Michael Behrendt
Hamburg,
Chairman of the Executive Board of Hapag-Lloyd AG

[a] Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a.G.
Barmenia Lebensversicherung a.G.
Esso Deutschland GmbH
ExxonMobil Central Europe Holding GmbH
Hamburgische Staatsoper GmbH
Pracht Spedition + Logistik GmbH
[b] Hapag-Lloyd Container Linie GmbH (Chairman)
VTG Aktiengesellschaft (Chairman)

Detlef Dirks*
Augsburg,
Chairman of the Works Council at MAN B&W Diesel AG,
Augsburg Plant

Jürgen Dorn*
Munich,
Chairman of the Central Works Council at MAN Nutzfahrzeuge AG

[a] MAN Nutzfahrzeuge AG

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

[a] Continental AG (Chairman)
Allianz Versicherungs-AG
Deutsche Telekom AG
[c] Schindler Holding AG

Jürgen Hahn*
Essen,
commercial employee
at MAN Ferrostaal AG

a) MAN Ferrostaal AG

Dr. jur. Heiner Hasford
Munich,
Member of the Executive Board of
Münchener Rückversicherungs-Gesellschaft

a) Europäische Reiseversicherung AG (Chairman)
Commerzbank AG
D.A.S. Deutscher Automobil Schutz – Allgemeine Rechtsschutz-Versicherungs-AG
ERGO Versicherungsgruppe AG
Nürnberger Beteiligungs-AG
Victoria Lebensversicherung AG
Victoria Versicherung AG
WMF Württembergische Metallwarenfabrik AG
d) American Re Corporation

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

a) Krones AG

Prof. Dr. rer. pol. Renate Köcher
Constance,
Managing Director of the Allensbach
Institute for Public Opinion Research

a) Allianz AG
BASF AG
Infineon AG

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

Andreas de Maizière
Bad Homburg,
Member of the Executive Board
of Commerzbank AG

a) Rheinische Bodenverwaltung AG (Chairman)
ABB AG
Borgers AG
RWE Power AG
ThyssenKrupp Stahl AG
b) Hypothekenbank in Essen AG (Chairman)
c) Arenberg-Schleiden GmbH (Chairman)
BVV Versicherungsverein des Bankgewerbes a. G.
d) Commerzbank (Eurasija) SAO (Chairman)

Prof. Dr.-Ing. Dr. h. c. mult. Joachim Milberg
Baldham,
former Chairman of the Executive Board
of BMW AG

a) BMW AG (Chairman)
Allianz Versicherungs-AG
FESTO AG
Leipziger Messe GmbH
TÜV Süddeutschland Holding AG
c) John Deere & Company

Thomas Otto*
Ottweiler,
Secretary of the German Metalworkers Union (appointed Dec. 1, 2004)

a) MAN Nutzfahrzeuge AG
MAN Nutzfahrzeuge Vertrieb GmbH
SMS GmbH
TA Triumph Adler AG

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

Karl-Heinz Schneider*
Augsburg,
First Delegate of the German Metalworkers Union
(retired Sept. 30, 2004)

a) MAN Roland Druckmaschinen AG
Eurocopter Deutschland GmbH
Augsburger Flughafen GmbH
Stadtwerke Augsburg Verkehrsbetriebe GmbH
Stadtwerke Augsburg Holding GmbH

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

a) RAG AG (additional Deputy Chairman)
Axa Konzern AG
Commerzbank AG
Deutsche Bahn AG
TUI AG
b) ThyssenKrupp Automotive AG (Chairman)
ThyssenKrupp Services AG (Chairman)
ThyssenKrupp Steel AG (Chairman)
d) ThyssenKrupp Budd Company

Ralf Simon*
Munich,
Director at MAN Nutzfahrzeuge AG

a) Gesellschaft zur Altlastensanierung in Bayern mbH

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

* Elected by Group employees

At March 1, 2005 or the date of retirement

a) Supervisory board apppointments in German companies
b) Group mandates
c) Appointments to comparable boards inside and outside Germany
d) Appointments to comparable boards outside Germany (Group mandates)

Supervisory Board Committees

Standing Committee
Dr. Eng. h. c. Volker Jung (Chairman)
Dr. oec. Paul Achleitner
Dr. jur. Heiner Hasford
Lothar Pohlmann
Dr. rer. pol. Gerlinde Strauss-Wieczorek

Executive Personnel Committee
Dr. Eng. h. c. Volker Jung (Chairman)
Dr. oec. Paul Achleitner
Dr. rer. pol. Gerlinde Strauss-Wieczorek

Audit Committee
Dr. oec. Paul Achleitner (Chairman)
Dr. jur. Heiner Hasford
Dr. Eng. h. c. Volker Jung
Lothar Pohlmann
Dr. rer. pol. Gerlinde Strauss-Wieczorek

Executive and Management Boards of Group Companies

MAN Nutzfahrzeuge AG,
Munich
Dipl.-Ökonom Anton Weinmann, Chairman
Prof. Dr.-Ing. Franz Breun
Dr.-Ing. Georg Pachta-Reyhofen
Frederik van Putten

MAN Ferrostaal AG,
Essen
Dr. jur. Matthias Mitscherlich, Chairman
Dipl.-Ing. Jens Gesinn
Helmut Julius
Dr.-Ing. Axel Wippermann

MAN Roland Druckmaschinen AG,
Offenbach
Prof. Dipl.-Ing. (FH) Gerd Finkbeiner, Chairman
Dr. oec. publ. Ingo Koch
Dipl.-Ing. (FH) Paul Steidle

MAN B&W Diesel AG,
Augsburg
Dipl.-Ing. Fritz Pape
Dr.-Ing. Peter Sunn Pedersen
Dr.-Ing. Stefan Spindler
Dr.-Ing. Stephan Timmermann

MAN TURBO AG,
Oberhausen
Jürgen Maus, Chairman
Dr.-Ing. Hans O. Jeske
Dr.-Ing. Josef Meyer
Dr. rer. oec. Gerhard Willi Reiff

RENK Aktiengesellschaft,
Augsburg
Prof. Dr.-Ing. Manfred Hirt, Spokesman
Ulrich Sauter

MAN Technologie AG,
Augsburg
Dr. rer. nat. Wolfgang Brunn, Chairman
Dipl.-Ing. Carl F. Kolbow
Dipl.-Ing. Walter Köppel (Deputy)

MAN DWE GmbH,
Deggendorf
Dr.-Ing. Josef Dachs, Spokesman
Dipl.-Betriebswirt (FH) Reinhold Stock

Schwäbische Hüttenwerke GmbH,
Aalen-Wasseralfingen
Dr.-Ing. Lothar Hauck, Chairman
Dipl.-Ing. Florian Hofbauer

MAN Financial Services GmbH,
Munich
Dipl.-Kfm. Christian Fellerer
Dr. mont. Dipl.-Ing. Lothar Habel
Dipl.-Verw.-Wiss. Rainer Laber

As at March 2005

MAN Group: Abridged List of Companies Consolidated

At December 31, 2004	Shareholding %	Sales € miilion	Employees at Dec. 31, 2004
MAN Nutzfahrzeuge Aktiengesellschaft, Munich/Germany	**100**	**4,853**	**12,881**
MAN Nutzfahrzeuge Österreich AG, Steyr/Austria	100	1,012	2,583
MAN Sonderfahrzeuge AG, Vienna/Austria	100	45	644
NEOMAN Bus GmbH, Salzgitter/Germany	100	889	1,474
NEOMAN Bus Vertrieb GmbH, Ismaning/Germany	100	393	138
NEOPLAN Bus GmbH, Stuttgart/Germany	100	289	1,106
MAN Türkiye A. S., Akyurt (Ankara)/Turkey	99	306	2,367
MAN STAR Trucks & Busses Sp. z o. o., Tarnowo Podgórne/Poland	100	237	2,586
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg/South Africa[1)]	100	214	592
MAN Nutzfahrzeuge Vertrieb GmbH, Munich/Germany	100	2,148	4,646
MAN ERF UK Ltd., Swindon (Wiltshire)/United Kingdom	100	611	1,090
MAN Nutzfahrzeuge Vertrieb OHG, Vienna/Austria	100	558	882
MAN Vehículos Industriales (España) S. A., Coslada (Madrid)/Spain	100	486	501
MAN Camions et Bus S. A., Evry Cedex/France	100	305	472
MAN Veicoli Industriali S. p. A., Dossobuono di Villafranca/Italy	100	215	110
MAN Truck & Bus S. A., Kobbegem (Brussels)/Belgium[1)]	100	120	128
MAN Last og Bus A/S, Glostrup/Denmark	100	116	191
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen/Switzerland	100	69	104
MAN Last og Buss A/S, Lorenskog/Norway	100	86	204
MAN Veiculos Industriais (Portugal) S. U. Lda., Avintes/Portugal	100	55	54
MAN Engines & Components Inc., Pompano Beach/USA	100[2)]	33	36
MAN uzitková vozidla Ceská republika spol. s. r. o., Cestlice/Czech Republic	100	72	66
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti/Hungary	100	65	110
MAN Gospodarska vozila Slovenija d. o. o., Ljubljana/Slovenia	100	33	33
MAN STAR Trucks Sp. z o. o., Nadarzyn/Poland	100	166	199
MAN Úzitkové Vozidlá Slovakia s. r. o., Bratislava/Slovakia	100	20	42
MAN Ferrostaal Aktiengesellschaft, Essen/Germany	**100**	**1,836**	**633**
DSD Industrieanlagen GmbH, Essen/Germany	100	121	400
MAN Ferrostaal Industrieanlagen GmbH, Geisenheim/Germany	100	213	257
MAN TAKRAF Fördertechnik GmbH, Leipzig/Germany[1)]	100[3)]	123	395
DSD de Venezuela C. A., Caracas/Venezuela	100	15	97
DSD Construcciones y Montajes S. A., Santiago/Chile	100	32	95
Intergrafica Print & Pack Pty. Ltd., Alexandria/Australia	100	30	63
Graphic Systems Australasia Pty. Ltd., Silverwater/Australia	100	19	42
Intermesa Trading Ltda., Rio de Janeiro/Brazil[1)]	48.5	216	32
MAN Ferrostaal Incorporated, Houston/USA[1)]	100[2)]	679	105
MAN Ferrostaal Industrie- und System-Logistik GmbH, Essen/Germany[1)]	100	113	1,058
MAN Ferrostaal Piping Supply GmbH, Essen/Germany[1)]	100	158	77
MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach/Germany	**100**	**1,225**	**7,012**
MAN Roland Vertrieb und Service GmbH, Mühlheim on Main/Germany	100	58	129
MAN Roland Vertriebsgesellschaft Bayern mbH, Munich/Germany	100	55	61
MAN Roland Western Europe Group B. V., Amsterdam/Netherlands[1)]	100[4)]	335	745

At December 31, 2004

	Shareholding %	Sales € million	Employees at Dec. 31, 2004
MAN Roland Nederland B. V., Amsterdam/Netherlands	100	61	154
MAN Roland Belgium N. V. Wemmel/Belgium	100	58	124
MAN Roland Great Britain Limited, Mitcham/United Kingdom	100	50	132
MAN Roland France SA, Roissy Charles de Gaulle Cedex/France	100	42	94
MAN Roland Swiss AB, Kirchberg/Switzerland	100	27	71
MAN Roland Italia SpA, Segrate Milan/Italy	100	56	75
MAN Roland Sverige AB, Trollhättan/Sweden[1]	100	35	51
MAN Roland Finland Oy, Vantaa/Finland[1]	100	18	35
MAN Roland Danmark A/S, Vaerloese/Denmark	100	16	25
MAN Roland CEE AG, Vienna/Austria[1]	100	71	169
MAN Roland Polska Sp. z o. o., Nadarzyn/Poland	100	12	44
MAN Roland Inc., Westmont/USA[1]	100[2]	232	267
MAN Roland (China) Ltd., Hong Kong/China[1]	100	62	169
DIC*MANROLAND Co. Ltd., Tokyo/Japan	80	26	69
ppi Media GmbH, Hamburg/Germany	75	10	132
MAN B&W Diesel Aktiengesellschaft, Augsburg/Germany	**100**	**517**	**2,477**
MAN B&W Diesel A/S, Copenhagen/Denmark	100	585	2,298
S.E.M.T. Pielstick, Villepinte/France	66.6	160	694
MAN B&W Diesel Ltd., Stockport/United Kingdom	100	106	667
MAN B&W Diesel (Singapore), Pte. Ltd., Singapore	100	64	145
MAN TURBO Aktiengesellschaft, Oberhausen/Germany	**100**	**454**	**1,639**
MAN TURBO AG Schweiz, Zürich/Switzerland	100	208	565
MAN TURBO S. r. l. De Pretto, Schio/Italy	100	29	198
RENK Aktiengesellschaft, Augsburg/Germany	**76**	**252**	**1,414**
MAN Technologie Aktiengesellschaft, Augsburg/Germany	**100**	**98**	**498**
MAN DWE GmbH, Deggendorf/Germany	**100**	**82**	**371**
Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen/Germany	**50**	**219**	**975**
MAN Logistics GmbH, Heilbronn/Germany	**100**	**20**	**152**
MAN WOLFFKRAN GmbH, Heilbronn/Germany	**100**	**24**	**141**
MAN Financial Services GmbH, Munich/Germany	**100**	**571**	**67**
MAN Financial Services plc, Swindon (Wiltshire)/United Kingdom	100	294	23

[1] Sales and employees include companies under operative management.
[2] Held by MAN Capital Corporation, New York/USA.
[3] Held by MAN AG.
[4] 7% share held by MAN Ferrostaal Piping Supply B. V., Hooge Zwaluwe/Netherlands.

FINANCIAL CALENDAR	
Presentation of the Annual Report 2004 in the internet	March 17, 2005
Report on the first quarter of 2005	May 10, 2005
Annual general meeting on financial year 2004	June 3,2005
Interim Report 2005	August 11, 2005
Report on the third quarter of 2005	November 10, 2005
Annual press conference on financial year 2005	February 21, 2006
Analysts' conference on financial year 2005	February 21, 2006
Presentation of the Annual Report 2005 in the internet	March 17, 2006
Interim Report 2006	May 11, 2006
Annual general meeting on financial year 2005	May 19, 2006
Report on the first half of 2006	August 10, 2006
Report on the third quarter of 2006	November 9, 2006

BASIC INFORMATION			
	shares		bond
	ordinary shares	preference shares	MAN Financial Services plc
ISIN	DE0005937007	DE0005937031	XSO181879650
WPK number	593700	593703	A0AART
VALOREN	340813	340814	–
Reuters abbreviation	MANG.F	MANG$^{P}_{R}$.F	0#DE018187965=
Bloomberg abbreviation	MAN GY	MAN3 GY	MANAG

The latest share prices can be found in the internet at www.man-group.com.

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Annual Reports published by MAN divisions may be ordered from our corporate communication department.

This Annual Report is printed on Papier Union's chlorine-free »Galaxi Supermat« paper, using an MAN Roland sheet-fed offset press.

MAN Aktiengesellschaft

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