

Annual Report 1996/97



MAN Aktiengesellschaft

At a glance

MAN Group		1995/96	1996/97
New orders	DM mill.	20 787	22 700
Turnover	DM mill.	20 270	21 354
Employees as of June 30	number	57 826	62 564
Investments	DM mill.	656	858
Depreciation	DM mill.	653	624
Cash flow	DM mill.	1 101	1 051
Shareholders' capital	DM mill.	3 936	4 058
Balance sheet total	DM mill.	13 012	14 022
Earnings before taxes on income	DM mill.	502	493
Consolidated group income	DM mill.	330	349
Income per share acc. to DVFA / SG	DM	26.00	23.80

MAN Aktiengesellschaft		1995/96	1996/97
Capital stock	DM mill.	771	771
Shareholders' capital	DM mill.	2 893	2 944
Dividends paid out	DM mill.	185	216
Dividend per DM 50 share	DM	12.00	14.00
Tax credit	DM	4.07	–
Gross dividend	DM	16.07	14.00

The companies of the MAN Group

Commercial vehicles



**MAN Nutzfahrzeuge
Aktiengesellschaft, Munich**

New orders	8,126 million DM
Turnover	7,955 million DM
Export share	52 %
Earnings for the year	182 million DM
Employees	27,031

One of Europe's leading manufacturers of commercial vehicles. Trucks from 6 to 50 t gross weight for any application. Buses and coaches. "Truck of the Year" for the fourth time in 1995, "Coach of the Year" in 1994. Engines for vehicles, boats and power generation. Production plants in Germany, Austria, Turkey, South Africa and Australia. Assembly under licence in many other countries. International sales and service network. A comprehensive range of services for customers, e. g. MAN EuroService 24 h, leasing and maintenance contracts, fleet management.

Industrial services



**Ferrostaal Aktiengesellschaft,
Essen**

New orders	5,269 million DM
Turnover	4,315 million DM
Export share	80 %
Earnings for the year	143 million DM
Employees	6,537

Worldwide projecting, delivery, assembly, starting up and maintaining of industrial facilities, including steel-based structures. Worldwide sale of machines used in manufacturing operations. Planning and carrying out of infrastructural projects. Trading in both Germany and abroad in steel products and non-ferrous metals. Maintaining of centers providing logistics-based supply services to automobile manufacturers. Financial services facilitating investments in industrial and infrastructural projects. International network of branch operations, offices and representatives located in nearly all of the world's countries, including company-owned subsidiaries handling assembly work.

Printing machinery



**MAN Roland Druckmaschinen
Aktiengesellschaft, Offenbach**

New orders	2,298 million DM
Turnover	2,471 million DM
Export share	68 %
Earnings for the year	- 115 million DM
Employees	9,383

World market leader in web-fed offset printing machines: wide range of products for printing newspapers with any run size; selected commercial printing machinery for applications from monochromatic book printing to full colour products of highest quality requirements. The world's second largest manufacturer of sheet-fed offset machines for advertising and commercial publications and for packaging. Electronic control and integration of the printing machines in production processes. Provider of systems for economic printing and wide-ranging printshop management. Worldwide sales and service network.

Diesel engines



**MAN B&W Diesel
Aktiengesellschaft, Augsburg**

New orders	1,730 million DM
Turnover	1,616 million DM
Export share	77 %
Earnings for the year	131 million DM
Employees	5,419

"Birthplace of the Diesel engine". World leader in large marine and stationary Diesel engines. World market share of over 60 % in two-stroke main engines. World market leader in seagoing ships of 2,000 gt and over with four-stroke engines. System provider for turnkey power stations and complete propulsion systems. Exhaust gas turbochargers for large engines. Production plants in Germany, Denmark, France and Singapore; largest international network of licensees in the large engine sector. Worldwide product support with spare parts and repair services.

All data refer to the relevant group divisions. Earnings for the year before income taxes, employee figures as of 30th June 1997. Data for Other industrial systems and facilities after allocation of business sectors of former MAN Gutehoffnungshütte group division (status 1st July 1997); the figures for MAN Technologie for 1996/97 have been adjusted accordingly.

Other industrial systems and facilities



MAN Technologie Aktiengesellschaft, Augsburg

New orders	1,140 million DM
Turnover	1,089 million DM
Export share	70 %
Earnings for the year	43 million DM
Employees	2,844

Major share in European space programme – supplier of subsystems for ARIANE 4 and ARIANE 5, including launching systems and work on ESA development projects. Components for space systems, lightweight products, services. Comprehensive range of compressors and turbines for industrial applications via GHH BORSIG Turbomaschinen. Development and construction of systems for decentralised energy generation.



RENK Aktiengesellschaft, Augsburg

New orders	550 million DM
Turnover	466 million DM
Export share	62 %
Earnings for the year	7 million DM
Employees	1,685

High-value products for power transmission engineering: vehicle transmissions, industrial and marine gear units, slide bearings and couplings, test systems, disc brakes. Production plants in Germany, France, Romania and USA.



MAN TAKRAF Fördertechnik GmbH, Leipzig

New orders	324 million DM
Turnover	280 million DM
Export share	77 %
Earnings for the year	1 million DM
Employees	678

Worldwide supplier of systems for open-cast mining and bulk materials handling systems and of heavy crane technology. The widest range of references in conveying technology up to giant bucket-wheel excavators. Development, manufacturing, delivery and servicing of equipment and complete systems for mining and handling raw materials in open cast mines.



Deggendorfer Werft und Eisenbau GmbH, Deggendorf

New orders	246 million DM
Turnover	119 million DM
Export share	72 %
Earnings for the year	15 million DM
Employees	503

The world's leading manufacturer of molten salt cooled reactors for the chemical industry. Apparatus and components for system engineering. Specialised shipbuilding favouring floating dredgers. Manufacturing plants in Germany and France.



SMS

SMS Aktiengesellschaft, Düsseldorf

New orders	3,054 million DM
Turnover	2,752 million DM
Export share	84 %
Earnings for the year	101 million DM
Employees	6,447

Leading systems engineering company offering entire process chains in iron and steel, continuous casting and rolling mill technology. World market leader with modern CSP (compact strip production) systems. Plastics machinery for injection moulding, extrusion and foil production. Pressing and forging systems. Worldwide interlinked engineering and production organisation.

SHW

Schwäbische Hüttenwerke GmbH, Aalen-Wasseraffingen

New orders	369 million DM
Turnover	344 million DM
Export share	41 %
Earnings for the year	11 million DM
Employees	1,339

World market leader in chilled cast calender rolls for papermaking machines. Castings and process equipment. Supplier of oil pumps, brake discs and sintered formed parts to the motor vehicle industry. Production plants in Germany and USA.



Contents

Members of the supervisory board		MAN Gutehoffnungshütte	39
Members of the executive board, executive vice-president	2	MAN B&W Diesel	41
Report of the supervisory board	3	MAN Technologie	44
Letter to our shareholders	4	RENK	46
Executive and management boards of consolidated companies and other major affiliates	7	Deggendorfer Werft und Eisenbau	48
Review of business	8	SMS	49
Proposal for the appropriation of profit	16	Schwäbische Hüttenwerke	51
Personnel	17	Major affiliated and associated companies of the MAN Group	52
Research and development, investments, environmental protection, operational security	19	MAN Group consolidated financial statements as of June 30, 1997	53
Sources and state of finances and earnings	24	– Balance sheet	54
MAN's shares	27	– Profit and loss accounts	55
MAN Group member companies: reports and results		– Capital inflow accounts	56
MAN Nutzfahrzeuge	28	– Notes to the accounts	57
Ferrostaal	32	MAN Aktiengesellschaft financial statements as of June 30, 1997 (shortened version)	69
MAN Roland Druckmaschinen	36	Summarized figures from the balance sheets of MAN's group divisions	70
		MAN Group: seven-year overview	74
		Products and services of the MAN Group	76



Inside front cover: At a glance · the companies forming the MAN Group
 Inside back cover: Important events/who to contact/MAN's shares

MAN Aktiengesellschaft

Supervisory Board

Dr. jur. Dr. rer. pol. h. c. Klaus Götte
Munich
Chairman
(as of Dec. 10, 1996)

Prof. Dr.-Ing. Karlheinz Kaske
Munich
(Chairman until December 10, 1996)

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

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

Dr. jur. Michael Blank*
Frankfurt/Main
secretary of the Union of German Metalworkers

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

Dr. jur. Friedhelm Gieske
Essen

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

Georg Hillebrand*
Augsburg
master workman MAN B&W Diesel AG

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

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

Wolfgang Ossenkop*
Karlsfeld
works fitter MAN Nutzfahrzeuge AG

Dr. rer. pol. Helmut Perlet
Munich
Deputy Member of the Executive Board of Allianz AG
(until December 10, 1996)

Lothar Pohlmann*
Oberhausen
boring machine operator GHF BORSIG Turbomaschinen GmbH

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

Klaus Schmidt*
Frankfurt/Main
milling machine operator MAN Roland Druckmaschinen AG

Dr. jur. Walter Seipp
Frankfurt/Main
Chairman of the Supervisory Board of Commerzbank AG

Dr.-Ing. Dieter Soltmann
Munich
Personally Liable Partner of Gabriel Sedlmayr
Spaten Franziskaner-Bräu KGaA

Paul Stötzel*
Hilchenbach
lathe operator SMS Schloemann-Siemag AG

Hermann J. Strenger
Leverkusen
Chairman of the Supervisory Board of Bayer AG

Karl-Heinz Vowinkel*
Ginsheim-Gustavsburg
technical staff member MAN Nutzfahrzeuge AG

* elected by group employees

Executive Board

Dr. jur. Dr. rer. pol. h. c. Klaus Götte
Munich
Chairman
(until December 10, 1996)

Dr.-Ing. E. h. Rudolf Rupprecht
Munich
Chairman (as of December 10, 1996)

Dr. rer. pol. Ferdinand Graf von Ballestrem
Munich

Dr.-Ing. Peter Brütt
Augsburg
(until December 31, 1996)

Dr. rer. pol. Klaus von Menges
Essen

Dr.-Ing. Gerd R. Schmidt
Munich
(until October 31, 1996)

Dr.-Ing. Klaus Schubert
Munich
(as of December 10, 1996)

Gerhard Thulmann
Augsburg

Dr. jur. Philipp J. Zahn
Munich
deputy member

Executive Vice President

Dr. jur. Gerd Federlin
attorney at law
Munich

Report of the Supervisory Board

Through written reports and briefings delivered on a regular basis, the Executive Board of MAN Aktiengesellschaft kept us informed throughout the 1996/97 financial year on all of the major business developments and undertakings of MAN Group companies.

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

These consultations assured the supervisory board of continually having the information it required to carry out its duties in a fitting and proper way. The plenum of the supervisory board was convened four times in the 1996/97 financial year.

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

The supervisory board has taken note of the results of this audit and indorses them.

After having conducted its own examination of the financial statements and the review of business, the supervisory board has no objections to bring forth. We therefore approve the annual financial statements prepared by the executive board, thus officially authorizing these statements.

The executive board has presented us with a proposal for the appropriation of the Group's net income. After having reviewed it, we concur with it.

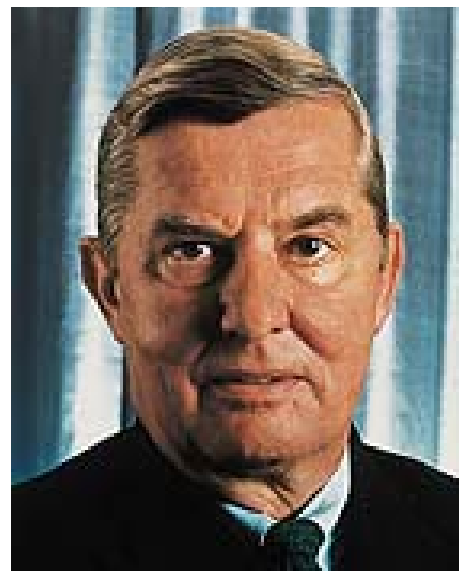
The consolidated financial statements and review of business, which had been affixed with an unqualified auditors' examination certificate, were submitted and explained to us by the executive board. We have taken cognizance of the auditors' report.

In a move taking effect at the end of the Annual General Meeting held on December 10, 1996, Dr. Klaus Götte resigned from his position of being chairman of the executive board of MAN Aktiengesellschaft. In a move taking place simultaneously, he was elected by the General Assembly of Shareholders to serve on the supervisory board after the relinquishing of the seat held by Dr. Helmut Perlet through his having tendered his resignation from the supervisory board. In the statutory meeting constituting the supervisory board, held subsequent to this event, Dr. Götte was elected to be chairman of the supervisory board.

As of October 31, 1996, Dr.-Ing. Gerd R. Schmidt, who had been a member of the executive board for ten years, left the executive board upon reaching the end of his term of tenure. On December 31, 1996, Dr.-Ing. Peter Brütt, who had been a member of the executive board since January 1, 1991, also retired from it. We wish to thank Dr. Schmidt and Dr. Brütt for their long years of handling their responsibilities.

In a move taking effect on December 10, 1996, Dr.-Ing. E. h. Rudolf Rupprecht was named chairman of the executive board and head of labor-related affairs. On the same day, Dr.-Ing. Klaus Schubert was appointed to the executive board of MAN Aktiengesellschaft.

We wish to also thank all the members of the executive and management boards and of personnel employed by MAN group companies for the high level of achievement and motivation they have displayed. Our thanks also go to the representatives of the Group's workforce for the issue-oriented and constructive spirit they have shown in working with us in furthering the interests of our company.



Munich, October 14, 1997

Chairman of the Supervisory Board

A handwritten signature in blue ink, appearing to read 'Götte', written over a horizontal line.

Dr. Dr. h. c. Klaus Götte

To MAN's shareholders

Dear shareholders,

Upon the conclusion of the last Annual General Assembly of our company, held on December 10, 1996, I assumed the position of chairman of the executive board of MAN Aktiengesellschaft. I succeeded Dr. Götte, who, for thirteen years, had laid down the course of development followed by the company. During this time, Dr. Götte successfully guided the Group out of a deep business crisis, gave it a modern operating structure, one meeting the demands on companies arising from international business' high level of competition, and provided it with a solid financial base of sustainable strength. These achievements constitute a further major step forward in the long history of the MAN Group's successful operations. Dr. Götte's accomplishments merit the thanks of us all.

These accomplishments form the foundation for our further modernization of the Group. We will strengthen the standing of its products in their sectors by concentrating our attention on our core areas of expertises and, also of great importance, by expanding our provision of entire systems. We will also improve our cost-efficiency, and alleviate any areas of weakness still remaining. Our measures are designed to expand our distribution networks on the international scale, to permit us to continue with the never-ceasing rejuvenation of our products, systems and services, and to increase the efficiency of our production process. This is linked to the expending of an appropriate amount of resources on research and development. Our objective in undertaking these measures is the achieving of a good level of results in all of the Group's business divisions, and thus to augment the Group's capital resources. These corporate policies have been implemented to assure you, dear shareholders, of continuing to receive a high and reliable return on the capital you have entrusted to us. The policies will also allow the Group to consolidate and develop its standing on its international markets, and to thus secure employment.

Now for a few words on the 1996/97 financial year.

Viewed as a whole, it was a successful year for the MAN Group. Even after allowing for the effects of our acquisitions, the value of the new orders secured rose 9 % – as compared to the 1 % averaged by Germany's capital goods manufacturing industry. Joined with the fact that sales abroad accounted for 68 % of our sales, this figure shows that our products and systems are commercially viable on the world's markets. Large-sized, cost-related encumbrances notwithstanding, we were able to maintain our earnings from ordinary business operations in 1996/97 at about those of the previous financial year. A reduction in taxes paid, arising from the restructurings carried out in the Group, allowed us to increase the Group's consolidated net income by 6 % to DM 349 million. This rise puts us in the position of proposing to you that the dividend paid out be increased from DM 12 to DM 14 per share. We view this figure to be a respectable accomplishment, considering the economic operating environment in which it was achieved. It should be also noted that we are confident that the advanced technologies incorporated into our lines of products and the increasing ability to compete evinced by our business divisions showing a lower rate of profitability will form the basis of our achieving operating results tending higher in the years to come.

A range of measures serve to meet this objective.

Primary among them is the reassigning of MAN Gutehoffnungshütte's business divisions to other MAN Group companies. We completed this process in financial year 1996/97.

MAN Gutehoffnungshütte AG has discontinued its sales activities. All of the details on this subject are elucidated in-depth in this annual report. The process' guiding idea was to transfer the existing core areas of this group division into strategically-coherent clusters situated in the Group, thus imparting to them a greater power of market impact. Several business divisions were not active in our core areas of operation, and we sold them to companies outside the Group. Other business divisions are now being operated as legally-independent companies, so as to allow them to be assigned over the medium term to areas

within the Group, or to outside parties. By undertaking these measures and by disposing of areas of activity whose structure or size precluded them from fitting into the Group, we have taken an important step towards further streamlining and strengthening our range of products. We have of course also applied this policy to other Group companies.

The strengthening of our core areas of expertises from within does not of course exclude our making acquisitions extending and complementing our areas of activity, in those cases where such actions make sense and are possible to realize. The MAN Group's finances are solid. The Group's net liquidity staged a further increase in 1996/97, rising from DM 1.5 billion to DM 1.7 billion. The Group is thus optimally equipped for the making of such acquisitions, an example of which was provided in the period under review by the acquisition of the 62 % of DSD Dillinger Stahlbau GmbH's equity not previously held by the Group. DSD is one of Europe's most important builders of steel-based and other facilities. It has been working successfully with Ferrostaal for several decades, with the companies jointly undertaking international-level facility-building projects. It would have been impossible to have realized many large-scale projects had this working relationship not existed. This acquisition has therefore greatly strengthened Ferrostaal's standing on its international markets. Other Group companies, such as MAN Nutzfahrzeuge, MAN Technologie, RENK, or the pressing and forging technologies division of the SMS group have also fortified their standings on their markets and extended their range of expertises by acquiring external assets.

A difficult problem, one whose solving will require further efforts, is the reconfiguring of MAN Roland, so as to put the company on a firm footing on a lasting basis. In 1996/97, a year in which the company recorded a large-sized loss, we suffered a setback on the way to this goal. The markets are playing a dominant role in forcing us to further streamline and trim already configured corporate operations in important business areas. In 1996/97, we stepped up the implementing of the cost-

cutting and capacity adjustment programs. Now vitally necessary is the undertaking of further measures leading to the reduction of personnel-related costs and to the clustering of activities at certain areas of operation. We have already begun carrying out these measures. We are confident that we will succeed, within the foreseeable future, through this restructuring of operating capacities and costs, in providing MAN Roland with an appropriate level of profitability, even if demand remains at the level prevailing today. The positive developments taking place over the past few months have underscored this.

While these measures are being carried out, we are of course pursuing our group-wide efforts to enhance the innovativeness of our products and the efficiency of our production processes. We have further increased our expenditures for research and development. We have developed new products and systems and modernized existing ones in our major fields of business: commercial vehicles, Diesel engines, printing machines and industrial equipment and facilities. By doing so, we have gained further shares of our international markets, and, in a number of cases, strengthened our number one position in world markets. We were also able to fortify our position in our smaller-sized areas of business. MAN Technologie has participated highly successfully in Europe's space program, and Deggendorfer Werft has established itself as the leading supplier on the world's market for certain kinds of reactors used in the chemical industry, to mention but two business divisions. In perusing this annual report, you will find a range of other, similar examples involving our other group companies.

In 1996/97, we of course also further extended our world-spanning network of distribution and service centers. Showing that these efforts are well-conceived are the successes achieved on markets in the Americas and Asia, and, especially, our having further increased our share of Europe's markets for commercial vehicles. Demand for the products from the commercial vehicle sector and for industrial equipment and facilities from the markets in central and eastern Europe and the CIS is



growing, making it increasingly important for us to keep pace with these markets' rate of development by rapidly expanding our service provision and distribution network in them.

But all this is no longer enough. To adequately cover markets on an on-the-spot basis and to produce on a more cost-efficient basis, we have set up production support facilities and concluded working arrangements in a number of countries. For instance, MAN Nutzfahrzeuge has acquired an 81 % stake in MANAS, giving it a substantial majority of its equity. This Turkish company manufactures MAN buses for both its domestic and for export markets. The company also assembles and distributes MAN trucks. We are also building a factory in Poland. It will produce buses for the eastern European market. It will serve as a cost-efficient supplier of components to our domestic production facilities. In addition, a joint venture with BelavtoMAZ, a manufacturer based in Belarus, is planned. It will produce trucks. Also planned is a joint venture with Russia's PAZ, to produce buses. MAN B&W Diesel and MAN Technologie, to give but two further examples, have also been engaged in expanding their activities in central and eastern Europe. MAN B&W Diesel has founded a jointly-owned company. It will manufacture and distribute turbo-superchargers in the Czech Republic. MAN Technologie has concluded a contract with a company in the Ukraine. It sets up a working relationship in the space transport sector.

To open up new markets, we therefore use, with the actual form being determined by the scope of the opportunities presented by the markets and by the costs, the widest range of working relationships extant.

These extend to the producing in the new areas of sales. We will pursue this policy on a stepped-up basis over the next few years.

Dear shareholders, we can only reach the goals set by having highly-qualified, highly-motivated staff members, and by adapting our operating structures and methods of work to meet changes on markets. We have further developed the Group's in-company staff training and occupational education programs, and imparted a greater flexibility to our operating procedures and organization. Most importantly, we place a high priority on educating young persons. We currently have nearly 1600 new occupational trainees, meaning that we are, in several cases, educating far more persons than our own need would dictate. We also view this step as paying our due to society by assuring the young generation of having occupational opportunities in the future.

Viewed as a whole, we are certain that the MAN Group is on the right path and that we will be able to further increase its profitability. Your capital, dear shareholders, will continue to be in good hand with us.



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

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

MAN Nutzfahrzeuge AG, Munich

Dr.-Ing. Klaus Schubert
Chairman
Prof. Dr.-Ing. Franz Breun
Dr. rer. oec. Günther Dietz
Dr. rer. pol. Ulf Hülbert

Ferrostaal Aktiengesellschaft, Essen

Dr. rer. pol. Klaus von Menges
Chairman
Dipl.-Ing. Jens Gesinn
Hannfried Haun
Dr. jur. Hans-Georg von Heydebreck
Helmut Julius
Dr. h. c. Heinz Staudinger

MAN Roland Druckmaschinen AG, Offenbach

Dipl.-Ing. (FH) Gerd Finkbeiner
Dipl.-Ing. Martin Lange
Dr.-Ing. Rainer Opferkuch
Dipl.-Wirtsch.-Ing. Kurt Wildhagen

MAN B&W Diesel AG, Augsburg

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

MAN Technologie AG, Augsburg

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

RENK Aktiengesellschaft, Augsburg

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

MAN TAKRAF Fördertechnik GmbH, Leipzig

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

Deggendorfer Werft und Eisenbau GmbH, Deggendorf

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

SMS Aktiengesellschaft, Düsseldorf

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

Schwäbische Hüttenwerke GmbH, Aalen-Wasseraalfingen

Dipl.-Kfm. Klaus Borusiak
Chairman
Dr.-Ing. Manfred Heinritz

as of October, 1997

Review of business

Viewed as a whole, 1996/97 was a year of success for the MAN Group. At DM 22.7 billion, new orders were up 9 % over 1995/96. Turnover rose 5 % to DM 21.4 billion. Both of these figures are all-time highs. The Group's consolidated net income came to DM 349 million, 6 % higher than in 1995/96. The greater profitability achieved and the lower amount of taxes paid allow us to propose the raising of the dividend by DM 2 to DM 14 per share of DM 50 par value.

The financial year's most important activities were the further expansion and reconfiguring of the Group's core areas. MAN Nutzfahrzeuge expanded its international activities by setting up and enlarging production facilities located outside western Europe. By taking over DSD Dillinger Stahlbau, Ferrostaal strengthened its standing on the world's market for large-scale facilities. MAN Gutehoffnungshütte's core business areas have been reassigned to other parts of the Group. We have expedited and stepped up the implementation of measures cutting the operating costs of MAN Roland Druckmaschinen.

We expect the upswing on the world's economy to continue in 1997/98. The growth of our companies in Germany will largely be impelled by sales outside the country, all the more since the conditions under which the companies compete for business on the international level have improved. Demand from customers inside the country has been picking up recently; this trend should continue in the future.

These trends join with the large amount of orders on hand in forming the basis for the confidence with which we face the future. Our range of products features high quality technologies. We are competing increasingly successfully on our markets. The measures we have taken to restructure corporate operations are having the desired effects, and particularly so in the cases of MAN Roland and MAN Gutehoffnungshütte. Our activities outside Germany are growing. These factors give rise to our forecast that the MAN Group will record good profits in 1997/98.

Economic conditions

Export-driven upswing in Germany's economy

As expected, the economic conditions under which the MAN Group operates further improved in 1996/97. All of the business sectors in which we are active continued to grow. Impetus for our growth stemmed largely from non-German markets, with domestic demand expanding only slightly.

Manufacturers of capital goods continue to operate under divergent economic conditions. For them, the dominant engine of growth remains export sales: the total value of new orders from outside Germany in 1996/97 was a strong 11% higher than in 1995/96. This rise was produced mainly by two factors: the economies of most important industrial countries continued to experience an upswing and the DM's exchange rate normalized vis-à-

vis the world's other currencies, a normalizing improving the German business sector's relative ability to compete on the international level. The individual business sectors did not, however, experience this upswing in a uniform way. The commercial vehicles and industrial equipment and facilities sectors – two areas of key importance to us – recorded rises in new orders of only 4% and 2% respectively. Demand in these sectors cooled noticeably at the beginning of 1996/97, showing tangible signs of recovery only during the financial year's last few months.

The domestic market's demand for capital goods, on the other hand, has still not staged a thoroughgoing recovery. For 1996/97 as a whole, it was down a substantial 5 %. Although orders did show a slight rise during the last few months of 1996/97, it is still not possible to discern a sustained spilling over of the export

sector's strength on to Germany's domestic market.

Orders

Strong rise in new orders

The MAN Group exploited the positive development of the world's economy, recording a substantial, 9 % rise in new orders secured, which amounted to DM 22.7 billion, a new all-time corporate record. Two thirds of this rise accrued from the growth in business transacted and one third from the effects of the initial consolidation of companies into the Group.

At DM 7.3 billion, orders from Germany were up 11%. This increase is primarily attributable to several very large-sized, large-scale orders and to input from companies new to the Group. The Group's day-to-day business picked up only in the last few months of the year and was 3 % higher for the year as a whole.

At DM 15.4 billion, orders from outside Germany rose 9 %, matching the rise in those from the rest of Europe. Our business activities in the Americas increased by more than a third. The total value of orders secured from Asia showed a slight decline, arising from a drop in the volume of large-scale orders.

Large-scale facility construction projects continue to account for a large portion of the MAN Group's new order total. The volume of large-scale orders of a total value of DM 30 million and more rose DM 0.3 billion, and came to DM 4.2 billion. Of that, DM 3.4 billion – or some 80% – stemmed from abroad, an amount representing a fifth of all our non-German orders.

All of the Group's business divisions showed a rise in new orders in 1996/97.

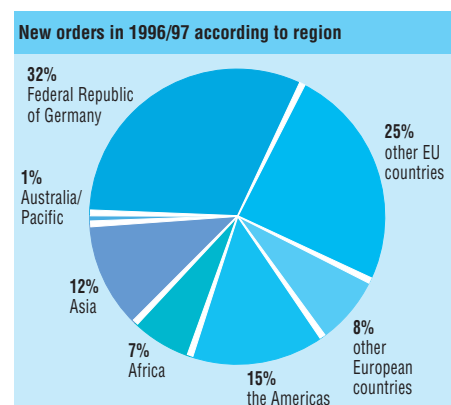
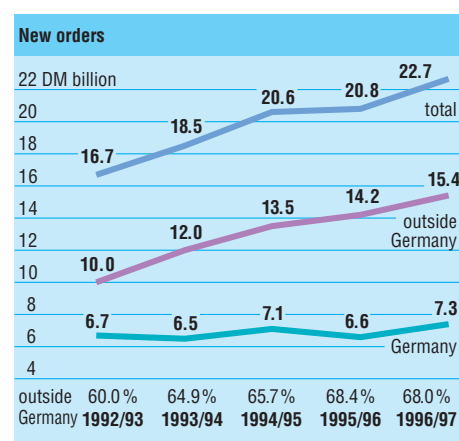
At DM 8.1 billion, orders for commercial vehicles were up 8 % in 1996/97, and that despite the 9 % decline in sales on the western European market, our main area of sales. By stepping up our distribution activities, we were able to maintain our standing on the German market, recording a 25 % market share,

and to increase our share of the western European one to 13 %.

Stable levels of orders for buses, components and services were recorded. A greater amount of exports to countries outside western Europe compensated to a great extent for a drop in those from the western Europe market; at the middle of the year, the amount of orders secured on this core market of ours also began to rise. For the first time, more than 50 % of our total orders stemmed from outside Germany.

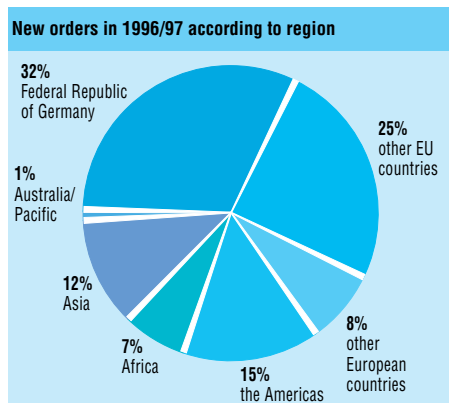
The volume of world trade staged a further rise. The world's need for capital goods remained strong. These factors joined with an extending of the range of products and services supplied – issuing from the acquisitions made – in causing the volume of orders received by the industrial services sector to rise to DM 5.3 billion, an increase of a strong 33%. The steel-trading operations recorded a drop. Large-scale increases were, however, recorded in new orders for the planning, financing and constructing of large-sized industrial facilities and infrastructural systems. Consolidated into the group division accounts from January 1, 1997 on, DSD supplied DM 436 million to the new orders figure.

Many printing operations recorded unsatisfactory rates of facility utilization. Uncertainties prevail on the printing sector as to the future course of economic conditions and technological development. These factors straitened the overall demand for printing machines. New orders rose 3 %, coming to DM 2.3 billion. After experiencing a marked drop in the first six months of 1996/97, the new orders for sheetfed printing machines figure showed a strong rise during the rest of the year, and particularly in the fourth quarter, finishing 1996/97 with a total above that of 1995/96. We were not quite able to maintain the previous financial year's order total in the webfed sector, as the placing of orders for several projects in the newspaper printing machine area – orders already in the works for a long time – was delayed. The demand for machines for the printing of illustrations developed gratifyingly well, with new orders rising by more than a third.



New orders according to areas of operation

in DM million	1995/96	1996/97
commercial vehicles	7 539	8 126
industrial services	3 954	5 269
printing machines	2 235	2 298
Diesel engines	1 703	1 730
other industrial equipment and facilities	5 761	5 800
inter-sector transactions	– 405	– 523
	20 787	22 700



□ The Diesel engine sector profited from the continuing strength shown by the shipbuilding sector and from the growth in the world's market for stationary power generation facilities. Demand for two-stroke and four-stroke motors remained strong. At DM 1.7 billion, orders were up 2 % over 1995/96, a figure easily maintaining our position of being the leading supplier of low-speed and medium-speed Diesel engines.

□ The other companies active in the industrial equipment and facilities sector secured new orders worth DM 5.8 billion, a rise of 1 % over 1995/96. Substantial increases were recorded for GHH BORSIG's turbomachines, DWE's reactors and special-purpose ships, and by SMS' plant and rolling and plastics processing sectors. The declines in new orders recorded by MAN Technologie's space transport sector and by MAN Gutehoffnungshütte's industrial facilities division were primarily due to the size of the large-scale orders secured in 1995/96. The tower crane division was negatively affected by the weakness of Germany's construction sector. RENK and MAN TAKRAF Fördertechnik were able to slightly improve upon the previous year's good results.

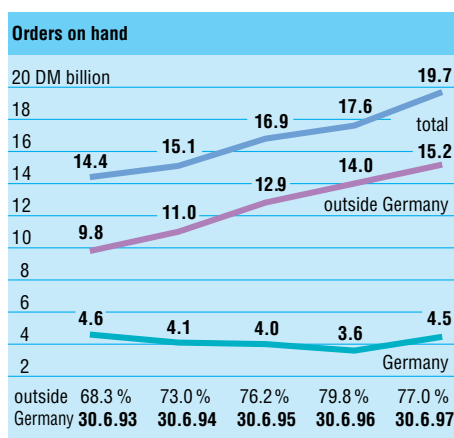
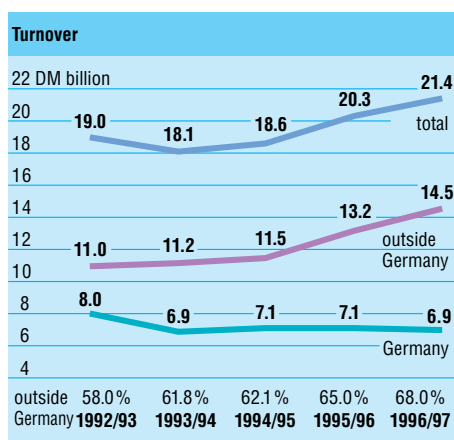
Further rise in turnover

The Group's turnover rose DM 1.1 billion or 5 % to DM 21.4 billion. This increase was especially attributable to the rise in the volume of large-scale orders invoiced and from the consolidation of new companies into the Group. The large increase in new orders has not yet produced a corresponding rise in turnover. This is due to the long terms of completion of orders for large-scale facilities, and to the below-average amount of orders secured during 1996/97's first six months for items produced on a serial basis.

The amount of orders secured by the commercial vehicles sector was unsatisfactory at the beginning of 1996/97. Despite this, the sector registered a turnover of some DM 8 billion, a result at the record level of 1995/96. Contributing to this success were an unfolding of an upswing during the year in orders received and the expansion of activities conducted outside western Europe. The industrial services sector recorded a turnover of DM 4.3 billion. This increase of 12 % accrued from the inclusion of the business done by DSD. At DM 2.5 billion, the printing machine sector's turnover was 5 % above 1995/96's figure. This rise was due to the invoicing of long-term orders for web-fed systems. This sufficed to compensate for the low rate of orders recorded at the beginning of 1995/96. The Diesel engine and other industrial equipment and facilities sectors profited from the years of growth in their new orders totals, rises which produced increases in turnover of 6 %, to DM 1.6 billion, and of 10 %, to DM 5.4 billion, respectively.

Further increase in orders on hand

At DM 19.7 billion, the orders on hand total staged a 12 % rise. The largest part of this rise stemmed from the long-term orders secured for facilities by the industrial services, Diesel engine and other industrial equipment and facilities sectors. The commercial vehicles sector's total was boosted during 1996/97's last few months by a rise in the orders received. Due to the invoicing schedules of large-scale orders, the orders on hand total of the printing machine sector was lower at 1996/97's end than at the beginning.



Earnings

Slight increase in income

In 1996/97, the Group's consolidated net income amounted to DM 349 million, a rise of DM 19 million over 1995/96. The earnings before taxes on income amounted to DM 493 million, a decline of DM 9 million. This result was the product of the opposing trends experienced by the individual business sectors.

□ The commercial vehicles sector's net income fell by DM 79 million to DM 182 million. The uneven pace of the new orders secured led to an underutilization of the sector's production facilities in especially the first half of the year. The increase in demand and output subsequently registered during the rest of the year did not quite suffice to make up for this weakness. The total operating performance fell nearly 6%. We managed to further reduce the cost of manufacturing by unceasingly implementing measures increasing the company's operating efficiency and by instituting new, flexible work schedules. These measures did not, however, suffice to fully absorb the encumbrances resulting from the massive pressures continuing to be exerted on prices and on other conditions of sale.

□ The industrial services sector's income came to DM 143 million. This improvement of DM 38 million over 1995/96 was the result of a good year of business. It was also partially attributable to earnings not ascribable to the current financial year, and to corresponding taxation becoming due.

□ 1996/97 interrupted the progress we had been making in getting the printing machines sector out of the red. This setback was primarily caused by the nearly 6 % decline in total operating performance, a decline resulting from the insufficient amount of new orders secured during the first half of 1996/97 and by strong competitive pressures. The sector's loss amounted to DM 115 million, a rise of DM 34 million over 1995/96. As had been the case in previous years, the losses arose primarily in the sheet-fed area. To enhance the ability to compete of the sheetfed and webfed sectors, we have stepped up the pace and extended

the scope of implementation of our programs designed to cut costs, increase productivity and adapt operating capacities. This has, once more, necessitated the carrying out of measures, and these have given rise to expenditures provided for in the Group's accounts. Our overall gameplan for the printing machine sector is to set the size of its capacities and amount of operating costs to levels making it possible to realize, on a sustained basis, earnings of a suitable size, even when faced with an amount of demand remaining at today's levels.

□ The Diesel engine sector had a net income of DM 131 million, a decline of DM 10 million. The sector's production facilities had, as a whole, a good rate of capacity utilization. The level of prices charged for large-size Diesel engines continues to be determined by the fierce competitive pressures prevailing in the shipbuilding industry, a situation only partially offset by projects involving Diesel-powered energy generating stations.

□ The other companies active in the industrial equipment and facilities sector had a total net income of DM 108 million, up DM 14 million over 1995/96. In the black were MAN Technologie, RENK, Deggendorfer Werft und Eisenbau, the SMS group and two of MAN GHH's companies – GHH BORSIG Turbomaschinen and MAN TAKRAF Fördertechnik. These companies increased their cumulative net income by DM 29 million to DM 167 million, a figure countered by the loss of DM 59 million registered by several other business areas of the MAN Gutehoffnungshütte business division, areas contending with an insufficient level of profitability and, in some cases, with problems in processing orders. The expenditures arising from the restructuring of MAN Gutehoffnungshütte were provided for in the Group's accounts.

□ The net income of DM 44 million registered by MAN Aktiengesellschaft arose from the activities of the company's financial division, from the other participations held by MAN AG, from expenditures for restructurings and provisions not assigned to any part of the Group, and from consolidation procedures. The

Net income according to areas of operation

in DM million	1995/96	1996/97
commercial vehicles	261	182
industrial services	105	143
printing machines	– 81	– 115
Diesel engines	141	131
other industrial equipment and facilities	94	108
holding company	– 18	44
	502	493
taxes on earnings	– 172	– 144
Net income for the financial year	330	349

Sources and application of capital

in DM mill.	1995/96	1996/97
cash flow	1 101	1 051
other funds accruing from business activities	– 437	110
inflow of funds from business activities	664	1 161
outflow of funds going for investments	– 524	– 704
outflow of funds going for financing activities	– 364	– 349
changes in the amount of financial funds having an effect on the accounts	– 224	108
Net liquidity as of June 30	1 505	1 738

rise of DM 62 million over 1995/96's result derives primarily from the larger expenditures in the previous financial year for Group-related matters and from the improvement in the earnings achieved in 1996/97 by companies held as direct participations.

The Group's expenditure for taxes amounted to DM 144 million. This reduction of DM 28 million accrued from the tax-alleviating effects of expenditures arising from the restructurings of the MAN Gutehoffnungshütte and MAN Roland group divisions, for which provisions had already been made in 1995/96, in accordance with the stipulations of Germany's commercial code. These restructurings created losses brought forward and used in the tax accounts. Offsetting this alleviation were the larger amount of taxes paid outside Germany and the paying of DM 59 million in taxes on earnings realized in previous years, with this particularly applying to MAN Aktiengesellschaft.

Finances, net output

No change in the Group's solid finances

The Group's finances remain strong. The company's equity ratio amounts to 29%. The excess cover of fixed assets by stockholders' equity is 112 %, a high figure. Some DM 2.9 billion of the stockholders' and creditors' equity available on a long-term basis has gone to finance current assets. These funds cover some 40 % of the capital committed to inventories and receivables, a figure remaining at the previous financial year's level. This situation gives us a position of financial strength when taking on large-scale facility-related projects.

The MAN Group's financial situation also remains good. The Group's net liquidity rose DM 0.2 billion to DM 1.7 billion. The company was able to finance the increase in the overall volume of business, the acquisition of participations and other investments out of its own funds.

The cash flow amounted to DM 1.1 billion. All told, we accrued nearly DM 1.2 billion in funds from our business activities. This allowed us to finance a volume of investments larger than that of the previous year, and to further reduce our total financial liabilities.

Net output up slightly

The MAN Group's performance amounted to DM 22.2 billion, down 1 % over 1995/96, a decline caused by the low amount of orders received in 1996/97's first six months and a reduction in the inventories stocked by several business divisions. These factors led to a drop in output. The reason why the decline in expenditures for materials, down 2 % to DM 12.9 billion in 1996/97, was larger than that of the performance figure was because a greater percentage of supplies were purchased outside Germany, because our array of non-German production facilities was expanded and because a larger percentage of the work carried out for large-scale projects was done on or at-site. The total net output of the MAN Group rose 2 % to DM 6.4 billion.

Accounting of net output

in DM mill.	1995/96	1996/97
operating performance	22 315	22 186
costs of materials	– 13 210	– 12 901
other purchased materials and services	– 2 816	– 2 898
Net output from operations	6 289	6 387
personnel costs	5 470	5 563
lenders	262	265
taxes and social payments	227	210
shareholders, MAN AG	213	249
transfers to retained profits reserves	117	100
Total distributed	6 289	6 387

Dividend increased by DM 2 to DM 14

The Group's consolidated net income amounted to DM 349 million. Of that, DM 33 million is to be distributed to outside interests, and DM 100 million will be transferred to corporate reserves, leaving a net income of DM 216 million in the corporate accounts.

This amount and the reduction in taxes paid form the basis for our proposing the paying out of a dividend of DM 14 per share of DM 50 par value (in 1995/96: DM 12 per share). This rise represents a setting forth of our policy of linking pay-outs to corporate results. This dividend will be exclusively financed by earnings arising from activities outside Germany and not subject to the country's taxes. The dividend does not come with a tax credit. For our shareholders outside Germany, this represents a DM 2 increase in pay-out per share held. The gross dividend received by our shareholders unrestrictedly subject to the provisions of Germany's tax code will decline from DM 16.07 per share to DM 14. After removing all one-time and other special items from the earnings accounts, the income per share (as calculated according to DVFA/SG) fell by DM 2.20 to DM 23.80.

Personnel

New acquisitions caused workforce to grow

Of the net output, DM 5.6 billion or 87 % (a figure unchanged from 1995/96) accrued to our employees.

As of June 30, 1997, the MAN Group employed 62,564 persons, 8 % more than at the end of 1995/96. This increase is attributable to the incorporation of new companies, and especially of those based outside Germany, into the Group's roster. Put on a comparable basis, there was a decline of 1179 persons, or 2 % of the total workforce. This decline was a product of the measures of adjustment carried out by the commercial vehicles and printing machine sectors, and by MAN Gutehoffnungshütte. As of June 30, 1997, persons employed outside Germany accounted for 25 % of the group's total workforce, up from June 30, 1996's 21 %.

The 4 % decline in expenditure per employee, amounting to DM 91,454, was also caused by the rise in the percentage of non-Germany-based employees working for the company, and by the decline in encumbrances resulting from packages of compensation and other benefits. The decline also resulted from the reductions in costs achieved by expanding programs setting up flexible work schedules.

Changes in the Group's structures and the expansion of Group divisions

Reconfiguring of the MAN Gutehoffnungshütte group division

Through measures taking effect in 1996/97, or as of July 1, 1997, we redeployed the MAN Gutehoffnungshütte's business divisions. The process' guiding idea was to use the transferring of the existing core areas of this group division as a basis for the forming of new, high-performing clusters situated within the MAN Group and configured to successfully implement corporate strategies for the developing of markets.

□ Comprising the blast and electric furnace and steel mills areas, MAN GHH's smelting

technologies and facilities division was incorporated into SMS Schloemann-Siemag, as were the secondary metallurgy activities of VACMETAL. As a result of these moves, SMS is now responsible for the supplying of a single, unified range of technologies covering all phases of the manufacturing and processing of steel.

□ Taken over by Ferrostaal or, in some cases, DSD were the business divisions supplying direct reduction processes, and products and services for the oil and gas industries, as well as parts of those providing industrial assembly and nuclear-related services.

□ GHH BORSIG Turbomaschinen GmbH was assigned to the MAN Technologie group division, with which it shares areas of common activity in the energy generation facility area. The MAN Group expanded its activities in the compressors and turbines product sector by acquiring the minority stake in GHH BORSIG held by Deutsche Babcock-Borsig AG.

□ To realize potential synergy effects, the product division supplying complex mechanical facilities and systems and related products and services to the space transport and lightweight technologies sectors was incorporated into MAN Technologie AG.

□ MAN TAKRAF Fördertechnik GmbH is to become a subsidiary reporting directly to MAN Aktiengesellschaft.

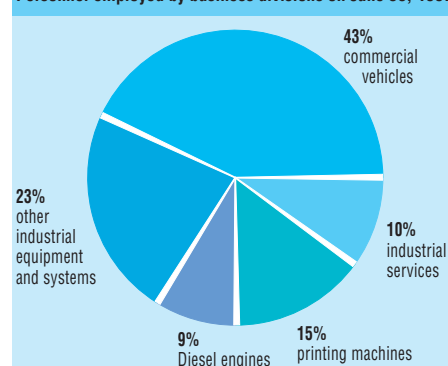
□ Other business areas of the group division were sold to third parties. The tower crane, material handling systems, mining vehicles and airplane movers business areas and GHH Bau will be operated as legally-independent subsidiaries for the time being. Over the medium-term, they will be assigned to new configurations.

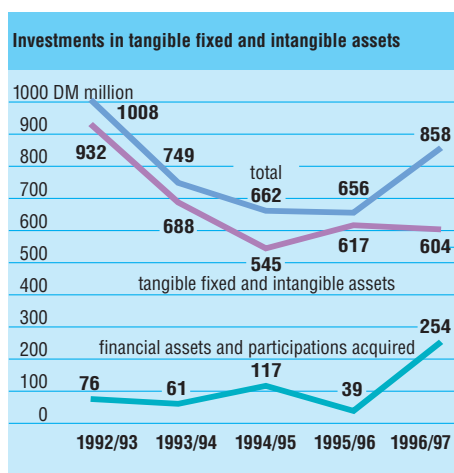
Through these moves, the MAN Gutehoffnungshütte group division has been dissolved. MAN GHH AG has ceased all active sales activities.

Personnel

	June 30, '96	June 30, '97
in Germany	45 919	47 161
outside	11 907	15 403
	57 826	62 564
percentage, outside Germany	21%	25%

Personnel employed by business divisions on June 30, 1997





Group expanding its activities by founding companies

MAN Nutzfahrzeuge has further expanded its activities outside western Europe. In addition to the extending of its network of distribution and services centers by the setting up of import processing facilities in Poland and Hungary, this has primarily included the adding on of capacities in production facilities located in non-German areas. This has been especially centered around the manufacturing of buses, for which wages comprise a high percentage of the costs. In Poland, we are building a factory in which buses for the Polish markets and components requiring a large input of labor will be produced, with the latter going to the company's production facilities in Salzgitter. Trucks will also be assembled at the factory. In Turkey, we have increased our holdings in MANAS to 81 % of its equity. MAN buses are being manufactured by MANAS, with the finished products going to both the Turkish and export markets. The Turkish company also assembles and distributes MAN-brand trucks.

AC Austro Car, a subsidiary of MAN Nutzfahrzeuge and the general importer of Chrysler cars in Austria, was acquired as of June 30, 1997 by Chrysler, which paid a suitable price for the company.

Ferrostaal has acquired the equity in DSD Dillinger Stahlbau not already in its possession. Ferrostaal had already owned 38 % of the company, with which it has closely worked since the mid-60's in the international facility construction sector. The acquisitions of DSD and MAN GHH's activities in the sector have strengthened Ferrostaal's standing in the international large-sized facility sector and set forth Ferrostaal's transformation into a provider of services facilitating investments in industrial and infrastructural projects.

MAN Technologie (MT) has extended the range of products and services it provides in the space transport sector by acquiring, in addition to the space transport-related activities of MAN GHH, DASA's operating facility in Oberpfaffenhofen, Bavaria. Tanks and related components used by the ARIANE program are manufactured at the facility. MT also took over the Friedrichs-

hafen-based Zeppelin Technologie GmbH as of July 1, 1997. The latter company develops and manufactures vessels used in the space transport sector.

Acquisition of participatory stakes causes volume of investments to rise substantially

We expended DM 858 million on investments, a rise of DM 202 million or 31 % over 1995/96's figure. Our investments in tangible fixed and intangible assets amounted to DM 604 million, a figure at the previous year's level. The expenditures in 1996/97 went primarily to modernize and streamline our production facilities, so as to counter any further intensification of cost-related competitive pressures. Further focuses of investment were the extending of Group companies' networks of distribution and service centers and of our range of services.

We invested DM 254 million in investments held as financial assets. This figure includes the expenditures for the acquisitions of DSD and MANAS. As these and other newly acquired companies have been consolidated in the Group's accounts, the participations are manifested in corporate balance sheets as a DM 173 million increase in fixed assets and a DM 600 million rise in current assets.

Research and development

in DM million	1995/96	1996/97
Expenditures for R&D	573	585
in % of the turnover earned by Group companies active in manufacturing	3.5	3.5
R&D funds from Group	491	518
R&D personnel	3 200	3 300

Research and development

Expenditures for R & D show a further rise

The further developing of our products, systems and services is the responsibility of our research and development activities. The overall development objectives are to improve the economy of operation of these items by both saving on the costs of producing them and by upgrading the performance of the individual products, and to enhance the products' environmental compatibility, while optimizing their reliability and security of use.

The creating of successful products necessitates the maintaining of close links to the market and to prospective customers. To achieve this immediacy of contact, it is the MAN Group's operating companies which have been charged with research and development. Their

expenditures in this area amounted to DM 585 million, equivalent to 3.5 % of the total turnover earned by the MAN Group's manufacturing companies. The number of persons working on our R & D projects came to some 3,300 persons, a rise of some 100 persons. Some 60 % of our R & D-related expenditures go to basic research and to the development of new products; some 40% for the ongoing improving and extending of existing lines of programs. To speed up the times of development and to reduce costs, we are also applying new methods of operation to the R & D process. We use a carefully targeted range of simultaneous engineering methods when managing projects. We form "partnerships in development" with suppliers. By using computers when designing and developing new generations of products, we profit from the advances being realized in the fast-moving IT (information technologies) sectors. The computer-supported methods, to give one example, are comprised of technologies of simulation and tools allowing for the management of versions.

Prospects

Stable economic conditions expected

As of the beginning of 1997/98, the healthy level of demand from abroad for German products is providing the country's economy with a stable basis for further growth. The upswing has recently manifested itself on our domestic markets, but it is not yet convincingly strong. A rise in the country's total investments is the key to the sustaining of the upswing. The operating conditions continue to favor the engendering of this investment. These conditions include low rates of interest and the increase in the German corporate community's ability to compete. The increase is a product of the wage restraint exhibited by the country's workforce, the improving of operating efficiency and the changes in rates of exchange. Still tempering the forces impelling the upswing are, however, the cost encumbrances arising from non-wage labor costs and from corporate taxes.

The economies of the most important countries with which we have dealings and in which we are active are showing signs of strength, as is

the world economy as a whole. These trends will produce a further rise in orders from abroad. This forecast is borne out by a steady, large-sized rise in the volume of world trade. Western Europe's economy has been developing restrainedly. This hesitancy will engender a rather moderate rise in demand. We expect the rapidly developing countries in East Asia and the reform-minded central and eastern European countries, which are in the midst of an economic transition, to step up their demand for goods, providing upward impetus for our markets. We also see the markets in Latin America as holding good prospects for future growth, as the preponderance of the demand from these markets is for capital goods. Above-average rates of growth should be achieved in North America.

Prospects for the Group's business divisions

These factors should engender a further rise in the new orders received and rate of facility utilization recorded by the MAN Group.

□ The upswing manifesting itself at the end of 1996/97 on the market for commercial vehicles was set forth at the beginning of 1997/98. Should this trend be sustained, the commercial vehicles group division will record rises in output and turnover in 1997/98. Our range of products is modern. Our markets are not expected to experience a further worsening of price-related conditions. These factors are leading us to forecast, at this time of writing, that we will be able to increase the business division's profits.

□ Ferrostaal will continue to develop well. The group division has a large amount of orders on hand, and a wealth of project-related activities. With these facts in mind, we expect Ferrostaal to record a rise in total turnover in 1997/98 and to register earnings from day-to-day business activities at the previous years' high level.

□ The printing machines group division has taken steps to further increase its ability to compete on world markets. It has extended its range of products and services, gotten in better touch with its customers and their needs and wishes, increased its level of reliability and undertaken additional measures to reduce its costs and adjust its capacities. The last few

months of 1996/97 and the beginning of 1997/98 have brought a substantial rise in new orders, a rise allowing us to confidently predict that we will link up with the trend towards profitability established in previous years. This will result in a reduction in the losses recorded by the group division.

□ MAN B&W Diesel will maintain its position of leadership on its markets. We expect the group division to record a rate and amount of profitability at the previous financial years' high level.

□ Two important reasons why the other companies active in the industrial equipment and facilities sector should record rises in profitability are the strong demand for their products and the large amount of orders they have on hand. We expect no unforeseen encumbrances to materialize from the further streamlining of the product division of MAN GHH, and from the discontinuing of this group division's main administrative operations.

The MAN Group's finances are strong, a strength facilitating the individual group divisions' further development. We will not reduce our pace of investment and of research and development. Rather, we will maintain our thrusts of innovation and will step up this pace, in cases where doing so makes business sense. We will further develop and extend our range of products and services, while making sure that they meet the needs and wishes of their markets. The Group has a large cash flow. Its level of liquidity remains comfortably ample. The value of our assets is solid, as is that of our capital. These facts and factors will facilitate this development, and allow us to expand and streamline our operations in the future.

The MAN Group's range of products features advanced and high-quality technologies. With this also applying to our less profitable business divisions, the Group has displayed an increased ability to compete successfully on its markets. It has expanded its activities outside Germany. These facts and trends form the basis of our confidence that the MAN Group will set forth its upswing, and will realize a good level of earnings in 1997/98.

The balance sheet of MAN Aktiengesellschaft for 1996/97 shows a net income of DM 215,885,055.

The proposal from the executive and supervisory boards to be submitted to the general meeting of shareholders on December 12, 1997 is that this profit be appropriated as follows:

– Dividend payouts to shareholders

DM 14.00 per share of DM 50 par value for both ordinary and preference shares, yielding a total par value of DM 771,000,000 and a payout of DM 215,880,000.

– Balance to be carried forward: DM 5,055.

This dividend does not come with a tax credit.

Personnel

Non-Germany-based employees now account for 25 % of the Group's workforce

As of June 30, 1997, the MAN Group employed a total of 62,564 persons, an increase of 4,738 persons or 8 % over the figure at the end of 1995/96. This increase is attributable to the incorporation of new companies into the Group. Put on a comparable basis, the number of persons employed declined by 1,179 or 2 %.

Acquisitions brought the MAN Group an additional 6,483 employees, with the selling of companies causing a reduction of 566 employees. As of June 30, 1997, 25 % of all persons employed by the Group worked outside Germany, up from June 30, 1996's 21 %.

The expenditures for personnel increased from 1995/96's DM 5,470 million to DM 5,563 million, a rise of DM 93 million or 1.7 %. The expenditure per employee figure declined by 3.6 % to DM 91,454. This decline is also a product of the larger share of non-Germany-based employees in the Group's workforce, of lower termination-of-employment compensation and payments precluding social hardship, and of cost reductions arising from the instituting of flexible work schedules. Partially negating

these trends were increases in pay scales and in non-wage labor benefits.

The ongoing efforts to reduce the amount of sick leave taken by personnel working in Group facilities led to a decline in the percentage of time not at work from 1995/96's 5.5 % to 1996/97's 4.7 %. This decline was also produced by the discussions on changing the basis of continuing remuneration for those on sick leave. We reduced this remuneration for employees whose salaries are not set by collective bargaining agreements to the levels established by Germany's new regulations. Excepted from this reduction are hospitalized employees.

Building a new flexibility into our operations

The pace of change on markets continues to speed up, as does that of our customers' requirements. Keeping up with this pace entails the instituting of ways and structures of work evincing a high degree of flexibility. Making these changes poses a challenge to both Group executives and employees. This reshaping of forms and structures of organization also, however, fulfills the wish of our employees for a greater say in how they perform their duties.

Personnel as of June 30

	1995/96	1996/97
persons on wages	32 722	35 368
salaried employees	25 104	27 196
total	57 826	62 564
percentage, persons employed by the Group's non-German subsidiaries	21%	25%

Expenditures for personnel

in DM mill.	1995/96	1996/97
wages and salaries	4 503	4 566
non-wage labor benefits	781	847
old-age pensions and support programs	186	150
total	5 470	5 563
per employee in DM		
wages and salaries	78 106	75 062
non-wage labor benefits	13 554	13 921
old-age pensions and support programs	3 225	2 471
total	94 885	91 454



A worldwide transfer of know-how. The MAN Group accords the highest importance to the training of its employees and of those of its customers. This is carried out on a worldwide scale. Shown is a training program at MAN Plamag.



The same training for people doing similar jobs: Mastercraftspersons and staff members doing comparable work at MAN Roland, MAN B&W Diesel and RENK have joined in attending courses running for the next two years and providing them with advanced qualifications.

Supported by the works council, we have formulated other ways of scheduling work in the Group. It is now possible to conclude agreements setting up individual "accounts" for employees, who "pay" the hours they work during the year into them. This model of calculating times of work allows for a wide variety of individual scheduling arrangements and has been formulated to adhere to the parameters laid down by the current collective bargaining agreement. The greater flexibility resulting from such agreements produces a reduction in the company's manufacturing costs. For company personnel, such arrangements represent an enhancement of their security of employment in times of fluctuating levels of facility utilization.

Increase in number of trainees

An important source of the MAN Group's ability to develop and achieve has been and continues to be the work of its vocational and occupational education programs, and the training of interns. In 1996/97, nearly 1,600 new trainees began their vocational education at MAN. In many areas, we are training a number of persons greater than the hiring needs of Group companies would mandate. This is one way we meet our responsibilities to the society in which we live. The further occupational programs provided assure that employees working in all Group business divisions have the requisite qualifications.

The further education of executives also constitutes another important factor ensuring that the Group will survive and grow. This is carried out in seminars and workshops held by the Group itself. Our objective is to appoint

persons already working for the company to vacant positions in the upper executive echelons. This objective was achieved in 1996/97. This process entails the conducting of dialogues with employees, the fostering of the talents of a select group of young executives, and the further developing of the precepts informing our culture of leadership.

Relations of trust with workforce representatives

In 1996/97, as in years past, there was a good and open-minded working relationship with the bodies charged with codetermining the Group's conducting of its affairs. This was true of all levels – in-facility and company-wide and in the Group's Supervisory Board – upon which this codetermination takes place. This working relationship is centered around the striving to take into account all of the various parties' interests in a fair way. This striving has proven its merits.

In autumn, 1996, the committees of the European Works Council met for the first time. This process of consulting and advising with the organizations representing workers in various European countries will become increasingly important in the years to come.

The executive board thanks all persons employed by the Group for the high degree of motivation they showed in carrying out their work. These thanks also go to the representatives of the workforce for the responsible way they facilitated the Group's conducting of its operations and the making of structural changes, and for the care shown in making use of their right of codetermination.



People who work together produce high quality items. Shown is a timed assembly line, forming part of MAN Roland's Factory No. 1 in Offenbach. On it, the Roland 700 – in all of its configurations – is assembled.

Research and development

The further developing of its lines of products, systems and services and of its production processes and business operations, and the coming up with new ones constitutes the key to the MAN Group's ability to continue to compete successfully on its markets. The creating of successful products is dependent upon the maintaining of close links to prospective customers and to the market. To achieve this immediacy of contact, it is the MAN Group's operating companies which have been charged with research and development. The fundamental objectives of this work are the achieving of products providing economy and security of operation, and evincing high degrees of quality, reliability, environmental compatibility and last and certainly not least – ease of use.

A further increase in expenditures for R & D

In 1996/97, MAN Group companies allocated DM 585 million to their research and development activities, equivalent to 3.5 % of the total turnover earned by the MAN Group's manufacturing companies, a figure at 1995/96's level. Some DM 518 million – or nearly 90 % of the Group's total R & D activities – were financed from internal sources. Outlays for these in-house activities were increased a further 5.5 %. Expressed as an annual average, the number of employees working on R & D projects rose from 1995/96's 3,200 to 3,300.

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

□ Over the past few years, MAN Nutzfahrzeuge had completely rejuvenated its entire range of trucks. In 1996/97, it was the bus division's turn. At autumn, 1996's IAA, we introduced our new inter-city buses and new models of our touring coaches to the general public. In June, 1997, we presented a new generation of low-floor buses, used in mass transit systems. It is especially the support structure for the body work and its running gear which feature important innovations. This new range of models will be put into serial production at the

beginning of 1998. It will replace the first and, in some cases, second generation of MAN's low-floor buses, of which more than 5,000 units have been sold in Europe.

The objective informing our R & D activities is the developing of products providing a great economy and security of operation. A very good example of such a product is the newly developed and patented exhaust valve brake. This motor-based braking system yields a more than 60 % greater braking power. Nevertheless, it is also extremely cost-effective and avoids wear-and-tear on brake linings.

In cooperation with Siemens and Linde, MAN Nutzfahrzeuge is also working on the development of a hydrogen-powered bus featuring a fuel cell-based propulsion unit. The development of this "bus of the future" is being supported by the Bavarian Ministry for Economic Affairs, Transport and Technology, in conjunction with the "Bavarian Initiative for Hydrogen" project. The employing of this technology allows for the manufacturing of buses producing no harmful emissions at all. The power unit emits only steam. Siemens will develop the fuel cell-based system, in which hydrogen will be transformed into electric energy. Linde is responsible for producing the system conveying hydrogen to the bus. MAN Nutzfahrzeuge will make substantial modifications in its NL 223 model low-floor bus. MAN Technologie will supply the system storing the hydrogen on board. This system will be installed on the bus' roof. A prototype of the bus is to be put into trial service at the beginning of 2000.

□ MAN Roland's development work has been centered around improving print shops' operating efficiency. Its "power plate loading" system automatizes the changing of plates and can be deployed by even the largest of machines producing illustrations. We have provided PECOM, our electronics-based system of automatization, with the MAINSYS (maintenance system) package of software. It allows companies to plan the maintenance and upgrading of their printing systems.



Shown is the discharge valve, which is equipped with an exhaust valve brake. Thanks to it, no pressure builds up in the cylinder. This would speed up the piston on its way downwards.

Research and development



The power plate loading system automatizes the changing of even large format plates. It thus represents an important step towards a system capable of being operated by a single person.

MAN Roland's new lines include the R900, a large-format sheetfed model, plus webfed offset machines powered by individual motor drives, thus giving them a great flexibility of operation. The new lines were developed to the point where they could be put into serial production, and then successfully launched on to their markets.

Used in newspaper presses, these individual motor direct drives not only replace the mechanical propulsion and synchronization shafts, clutches and mechanical circumferential registers, but also form the basis for the extending of the production facilities' range of operations. The company's trio of computer-controlled "quick change artists" – the "Dyna-Plate" system, for changes of plates; DynaPage, for changes in page size; and DynaColor, for changes in spot colors can be used without causing any slowing down of the production process. This allows the avoidance of machine down times and discard waste arising during the start-up and turn-off periods. Printers can also put out runs with a variety of regional editions or looks, or those configured to meet the individual needs of various target groups. Developing the technologies presented at DRUPA '95, we have carried out further work on the "computer to press" procedure. It is used to impose digitalized images on to the printing press' print cylinders. The goal of this work is to take the solutions created in experiments and transform them into marketable products, thus providing customers with access to them. Digital-based printing systems are forecast to be major sellers on their markets in the long run.

□ MAN B&W Diesel has set forth its work on developing a new line of medium-speed, four-stroke engines, designed for use in the low power range. The first engine from this range – the 16/24 model – has already been launched on its market, setting new standards in the process. It can burn all kinds of heavy fuels, thus reducing fuel costs. Its lower number of parts reduces the costs of manufacturing the engine. New innovations in design make the engine especially easy to operate and to maintain. The testing of a prototype of the next model in this family of engines – the 27/38 – is pending. In the two-stroke sector, we have developed new compact

versions of our large-sized Diesel engine. They have been launched on their markets.

□ MAN Technologie's development and systems activities were focused on the definition and carrying out of systems studies on advanced and prospective space launch and transport systems, among them, on one transferring crews to and from the international Alpha space station. In the latter area, we are working with other suppliers of systems. These advanced programs form the forefront of the European space program. In the satellite-based navigation systems area, we have further developed systems receiving combined signals from both America's GPS and Russia's GLONASS satellites. We are also participating in the definition, designing and developing of EGNOS, a European system supplementing existing ones.

□ GHH BORSIG Turbomaschinen has developed the world's first ten-stage integrally geared compressor. The first trial run of the compressor, which exposed it to high pressures, was successfully completed. The compressor is now being employed in a factory producing fertilizers and located near Moscow. Three patents were registered during the three years of development work on the compressor.

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

□ SMS has further upgraded its well-proven CSP (compact strip production) technology, used in the production of hot rolled strip. Paralleling this was the developing of the MPS (multi-purpose section) technology, now patented, into a system ready to be put into operation in section mills. By optimizing the throughput of the entire manufacturing process, MPS reduces the costs of reshaping and permits companies to manufacture an extraordinarily broad range of products.

Investments

Investments

In 1996/97, the MAN Group invested DM 858 million in capital assets, a rise of 31 % over 1995/96. A total of DM 604 million (1995/96: DM 617 million) went to tangible fixed and intangible assets. In addition to funding the setting forth of the process of innovation in the Group's operating procedures and organization, these investments primarily went to modernization and efficiency-raising measures countering the increasing pressures exerted by costs. Other focuses were the expanding of networks of distribution and service centers, and the extending of our range of services.

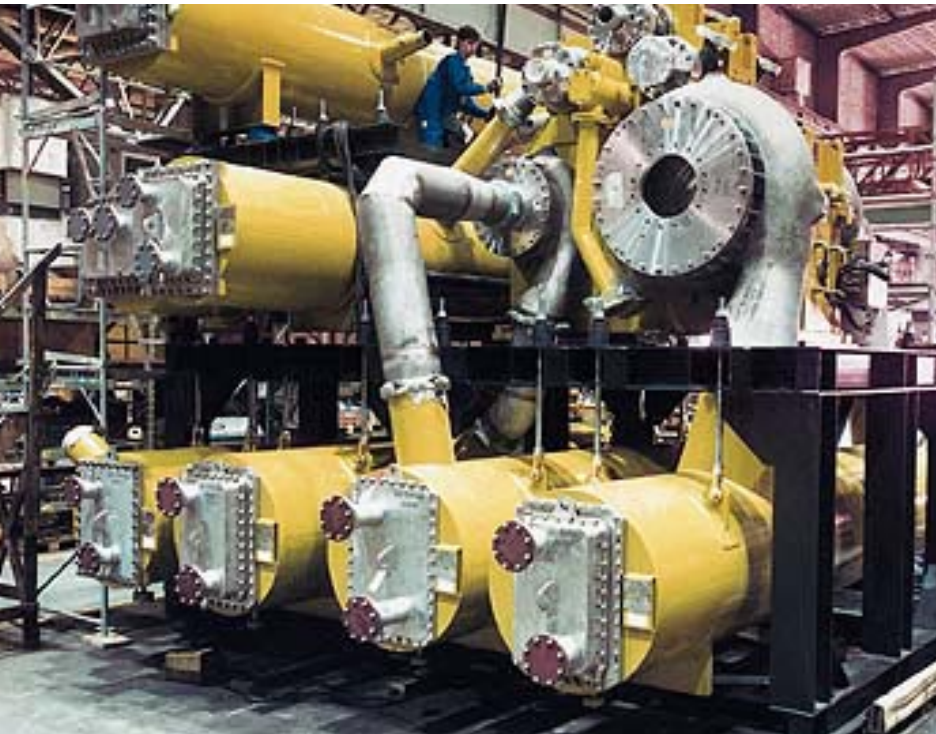
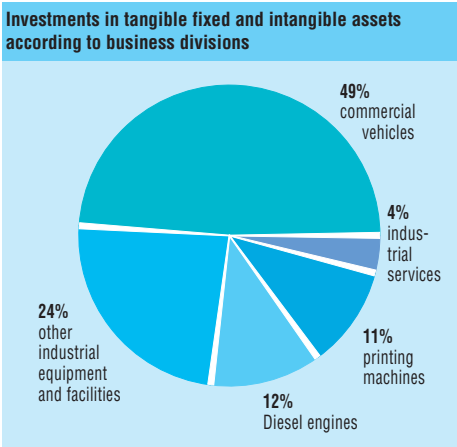
With this including the acquisition of new participatory stakes, the MAN Group expended DM 254 million for investments held as financial assets. The consolidation of the newly acquired companies into the Group's accounts has caused its intangible and tangible fixed assets to show a total rise of DM 173 million.

□ The preponderance of MAN Nutzfahrzeuge's investments went to expand its outreach to international markets. The company's network of sales and service centers has been developed

on a step-by-step basis. The ties among the companies joined in the production process have been further improved. Working relationships have been entered into in markets outside the company's traditional areas of activity. Targets of the company's investments were also its testing facilities, which are devoted to retaining the company's position of technological leadership in the commercial vehicles sector, and the modernization and raising of efficiency of the facilities owned by the companies joined in production operations.

Outside Germany, MAN Nutzfahrzeuge laid the cornerstone for a new production facility in Poznan, Poland. To be put into operation at the end of 1997, it will produce finished buses for the Polish market, and labor-intensive components for the production operations in Salzgitte, while also assembling kits into finished trucks. We increased our stake in MANAS' equity to 81 %. We also greatly expanded the bus manufacturing facilities of MANAS, which is headquartered in Ankara, Turkey. Also set forth were the measures optimizing the operating procedures in STEYR Nutzfahrzeuge's facility for the painting of drivers' cabs.

Investments		
in DM mill.	1995/96	1996/97
intangible assets	26	29
tangible fixed assets	591	575
	617	604
equity stakes acquired and other		
financial assets	39	254
	656	858



A worldwide first: GHH BORSIG is the first company in the world to manufacture a 10 stage integrally geared compressor. It has a discharge pressure of 200 bar and is used in the processing of urea. The compressor has a highly innovative design, featuring five pinion shafts and working speeds of up to 50,000 rpm. In mid-1997, it was delivered to a customer based in Russia.

Investments, protecting the environment

Ferrostaal took over DSD and MAN GHH's direct reduction technologies business division and its operations supplying facilities and services to the oil and gas-processing industries. By doing so, Ferrostaal has greatly strengthened its standing on the world's market for large-sized facilities.

Many of the manufacturing systems in the production facilities in Munich and Penzberg were overhauled. Measures improving their infrastructure, largely involving communication systems, were carried out. Construction was begun on a Dachau-based spare parts storage facility. The automatizing of Gustavburg's press working line has lowered the costs of manufacturing of sheet metal parts.

□ MAN Roland's investments in Offenbach were focused on the facility manufacturing cylinders. It is being reconfigured to deploy the newly-developed combined lathing and milling method of manufacturing. It substantially reduces times and costs of processing by joining together a number of hitherto discrete steps. We have started replacing the CAD systems hitherto used by the design and development department with state-of-the-art systems. Through the developing of four more technology transfer centers – located in Kuala Lumpur, Johannesburg, Sydney and Buenos Aires – MAN Roland has broadened its coverage of the international market and strengthened its ties to customers.

□ MAN B&W Diesel invested in measures improving the efficiency of all the facilities linked into its production network. This has involved the fundamental reshaping of logistics processes, the speeding up of order processing operations and the improving of the flows of information. The modernizing of the engine frame processing facility and the revamping of the center for the production of gasoline pumps and injection valves (both located in Augsburg) have been largely completed. The revamping of the Holeby, Denmark-based crankshaft production facility was set forth. Located in Frederikshavn, Denmark, new facilities for the production of two-stroke engines were put into operation.

□ The primary focus of MAN Technologie's investments was the further expanding and upgrading of the infrastructure of its property and buildings in Augsburg. Coinciding with a pooling of operations at Augsburg's facilities, these measures will produce a reduction in infrastructure-related costs. The company has also largely completed the expansion of the

facilities producing the casings for ARIANE 5's boosters. We took over DASA's Oberpfaffenhofen-based production facilities, at which tanks and related components are manufactured for the ARIANE program. Also acquired was the Friedrichshafen-based Zeppelin Technologie GmbH, which develops and manufactures vessels for the space transport sector.

□ MAN TAKRAF launched the construction of an administration building in Leipzig. It will be ready for occupancy at the end of 1997.

Using as a basis our existing thrusts of growth, we will continue to invest in capital improvement and R & D projects at an undiminished pace. We will increase these investments where doing such makes business sense. By doing this, we will assure ourselves of manufacturing both new items and existing families of products in a cost-competitive way.

The requisite innovations in production technologies are being made to upgrade the operations of the most important individual phases of the value added process, to deploy information technologies in ways intelligently supporting processes, and to make use of the improvement of quality and efficiency resulting from the deployment of decentralized ICT (information and communication technologies).

An active approach to environmental protection: a way of securing business success

A company which does not actively protect the environment is not assured of operating successfully in the long-run. For that reason, we plan the avoidance of environmental impact into the designs of new production processes, thus precluding the incurring of costs arising from the end-of-the-pipe reduction and disposal of noxious wastes. The same procedure is applied to new products. They are designed to produce the lowest amounts possible of emissions and wastes when put into operation by our customers.

The paradigm being applied to environmental protection has changed. End-of-the-pipe and technology-based forms of environmental protection are increasingly being replaced

Protecting the environment, managing security

by precautionary measures and are being supplemented by changes in how production facilities are organized.

In order to emphasize the important role played by corporate-level efforts in environmental protection, we have formulated a model expressing the principles of the MAN Group's environmental policies. Through it, the general public, the company's clients and its personnel have become aware of the commitment made by the MAN Group to protecting the environment. The following principles and measures derive from it:

- ❑ the creating of designs taking a product's whole life cycle into account, with this comprising the developing of products capable of being recycled;
- ❑ the coming up with environmentally-compatible materials and the procuring of supplies incorporated into products or used in operations;
- ❑ the optimizing of the efficiency of production processes and operating procedures;
- ❑ the adapting of in-facilities procedures for the starting up and carrying out of operations;
- ❑ the staging of further occupational training programs providing staff members with the requisite qualifications.

Decision-makers working at all levels can avail themselves of the information on methods of organization provided by the environmental handbooks, which have been adapted to account for the special features of the operating facility covered. The handbook lays down the proper way for carrying out procedures impacting on the environment, supplies details on facilities and materials affecting the environment and establishes accountabilities.

Our having set up a system of environmental management is now also of benefit in our dealings with our customers, who increasingly expect their business partners to adhere to standards of environmental protection.

Europe's "Eco-Audit" and DIN ISO 14001, valid around the world, are systems of environmental management gaining in importance as instruments of environmental protection.

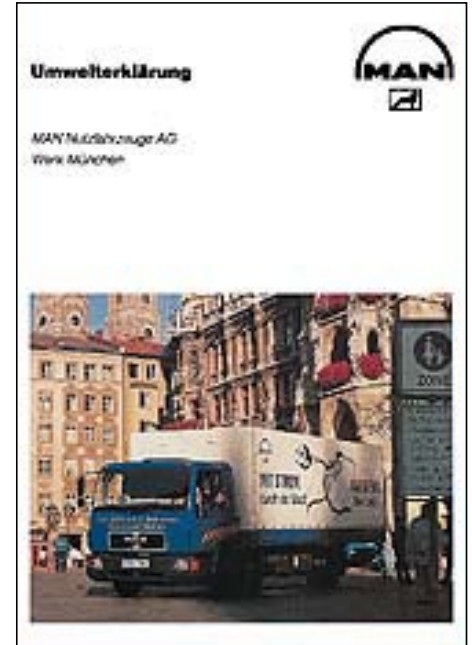
The Eco-Audit fosters the willingness of the company to take voluntary measures improving its environment-related figures. The DIN ISO 14001 establishes what is required to manage a facility on an environmentally-compatible basis.

MAN Nutzfahrzeuge's facility in Munich has been certified according to the regulations of the EU's Eco-Audit, as has been STEYR Nutzfahrzeuge's one in Steyr, Austria, with the latter also holding the DIN ISO 14001 certification.

To ensure the entire company of adhering to the same, high standards of environmental practice, MAN Nutzfahrzeuge is moving towards having all of its facilities located in the EU certified according to the EU Eco-Audit and to DIN ISO 14001. The other Group companies will also configure their systems of environmental management so as to meet the stipulations of these certifications. By doing so, the facilities will continually improve their environment-related results.

Managing to provide security of operation

The taking of precautions against possible risks is practiced not only in the environmental protection sector, but also in such other areas of in-facility operation as employee protection, the maintenance of workforce health and quality assurance. Manufacturing operations are giving rise to ever-greater risks. These hold the potential to cause widespread damage, thus mandating the working of plans and measures for the coping with such eventualities into an integrated system of security provision applying to all areas. We are now introducing such a system into Group companies' operations. It presents all conceivable ways of warding off risks, thus also assuring the maintenance of insurance coverage.



The formulation of an environmental statement is part of the EU's "Eco-Audit". This statement provides staff members and the general public with information on how MAN Nutzfahrzeuge's system of protecting the environment is applied to and at its facility in Munich.

Sources and state of finances and earnings

Balance sheet remains solidly strong

The Group's assets and liabilities and capital structures remain strong.

The consolidation of newly-acquired companies and the expansion in business caused the balance sheet total to rise by DM 1 billion to DM 14 billion. Shareholders' funds rose by DM 0.2 billion to DM 4.1 billion. The company's equity ratio declined slightly from 30.3 % to 28.9 %. Adding on the long-term capital from outside sources, which amounts to DM 2.4 billion (of which DM 2.3 billion is comprised of reserves accrued for pensions), the MAN Group disposes of DM 6.5 billion in capital funds, DM 0.3 billion more than in 1995/96.

Amounting to DM 3.6 billion, the fixed assets figure showed a rise of DM 0.2 billion. Including the expenditures for the acquisition of stakes in companies consolidated for the first time into the Group, investments amounted to DM 0.9 billion. They were offset by DM 0.6 billion in writeoffs and DM 0.1 billion in asset disposals. The excess cover of fixed assets by shareholders' funds amounts to 112 % (in 1995/96: 114 %).

After subtracting prepayments made by customers, the net amount of funds committed to inventories and accounts receivable rose DM 0.3 billion to DM 6.9 billion. This rise is a

result of the changes in the roster of companies consolidated in the Group's accounts. Put on a comparable basis, we were able to reduce the net amount by DM 0.1 billion. In the commercial vehicles sector, we reduced the total of inventories and accounts receivable by DM 0.2 billion. We were largely able to finance the rise in inventories and receivables arising from our long-term transactions through the receipt of prepayments from customers. Not including the financial funds, our current assets rose DM 0.6 billion to DM 7.9 billion.

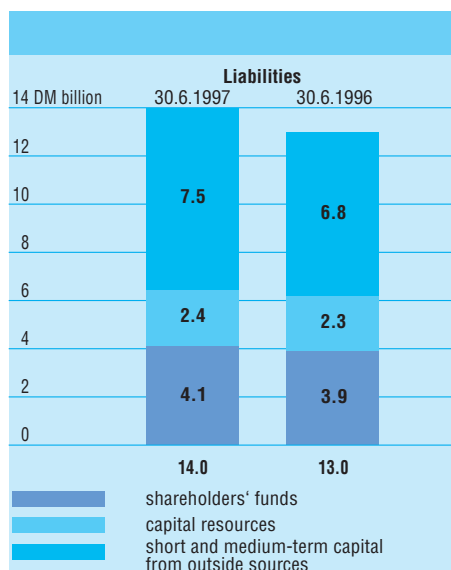
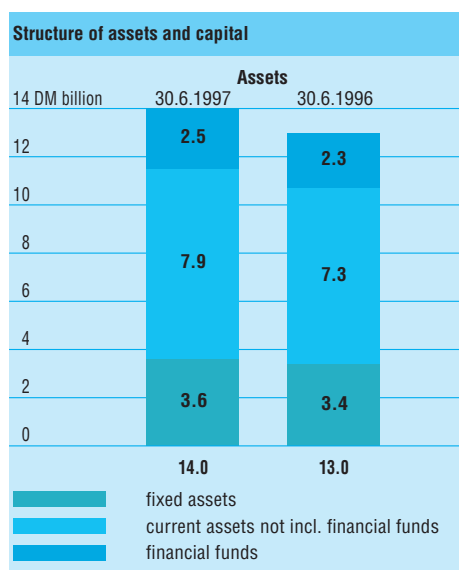
Some DM 2.9 billion of the capital available on a long-term basis has gone to finance current assets. As was the case in 1995/96, this covers some 40 % of the net funds committed to inventories and receivables. This situation gives us a position of financial strength when taking on large-scale projects.

The short and medium-term capital from outside sources rose DM 0.7 billion to DM 7.5 billion. Corresponding to the expansion in business volume, the short-term reserves increased DM 0.3 billion to DM 3.8 billion, with the trade accounts payable rising DM 0.2 billion to DM 1.8 billion. We were able to further reduce our total short-term indebtedness to banks.

Finances remain strong

The MAN Group's financial situation remains good. The Group's net liquidity rose from June 30, 1996's DM 1,505 million to June 30, 1997's DM 1,738 million. This represented the balance of DM 2,455 million in financial funds and securities, and DM 717 million in financial liabilities.

The increase in business volume, the acquisition of equity stakes and the other investments were financed from the company's own funds. Our cash flow of DM 1,051 million and DM 110 million in other funds accruing from business activities provided us with DM 1,161 million. Of that, DM 858 million went to investments, of which DM 604 million was devoted to tangible fixed and intangible assets. Including the acquisition of participations already consolidated into the Group in 1996/97, DM 254 million was invested in financial assets. The disposal of assets brought revenues of DM 154 million.



These assets were property, plant and equipment no longer needed in the carrying out of corporate operations and participations in companies not active in the MAN Group's core areas of expertise.

The balancing of the Group's business and investment activities produced a surplus of DM 457 million. Of that, DM 197 million was used to finance 1995/96's dividend payout. DM 27 million went to acquire minority interests' outstanding holdings in consolidated participations. We also reduced our financial obligations by DM 125 million.

The balancing of the flows of payments yielded a rise in the Group's financial funds of DM 108 million. Changes in the roster of companies consolidated in the Group and in the rates of exchange produced a further rise of DM 72 million, offset by an increase in financial obligations – arising from the companies acquired – also amounting to DM 72 million.

We foresee our continuing to have a comfortable amount of financial capital for 1997/98. We expect no substantial changes in the Group's key ratios. The Group has large amounts of capital funds. Its liquidity is good. Our cash flow will be of 1996/97's magnitude. These facts form the basis of our current prediction that we will have no problems financing the investments to be made in 1997/98 and the further rise in funds committed, a product of the increase in business transacted by the Group. In addition, MAN Aktiengesellschaft has an approved capital amounting to DM 300 million on a nominal basis, with this extending to December 13, 1999.

MAN Aktiengesellschaft: responsible for the Group's financing

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

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

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

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

Sources and application of funds

in DM mill.	1995/96	1996/97
Cash flow		
acc. to DVFA/SG	1 101	1 051
Additions to/reductions in net funds committed to inventories and receivables	– 863	106
Other funds from ordinary business operations	426	4
Total funds from business activities	664	1 161
Investments in tangible fixed and intangible assets	– 617	– 604
Investments in financial assets	– 39	– 254
Proceeds from asset disposals	132	154
Reduction in funds through investments	– 524	– 704
Dividend pay-outs	– 154	– 197
Changes in minority interests	–	– 27
Repayment of financial liabilities	– 210	– 125
Reduction in funds employed in financing activities	– 364	– 349
Operative changes in financial funds affecting group accounts	– 224	108
Non-operative increases resulting from changes in rates of exchange and in the line-up of consolidated companies	24	72
Changes in financial funds	– 200	180
Financial funds as of June 30	2 275	2 455
Financial liabilities as of June 30	– 770	– 717
Net liquidity as of June 30	1 505	1 738

Accounting of net output

in DM mill.	1995/96	1996/97
Turnover	20 270	21 354
changes in inventories of finished and unfinished products	1 042	– 138
Net income from interest	280	269
Other output	723	701
Total operating performance	22 315	22 186
costs of materials	13 209	12 901
depreciation	653	624
other operating expenditures	2 164	2 274
Net output from operations	6 289	6 387
Personnel costs	5 470	5 563
Lenders	262	265
Taxes	227	210
Shareholders, MAN AG and minority interests	213	249
transfers to retained profits reserves	117	100
Total distributed	6 289	6 387

The group's net output up slightly

Group turnover rose 5 % to DM 21.4 billion. The MAN Group's net output amounted to DM 22.2 billion, 1 % below 1995/96's figure, because part of the growth in turnover accrued from the increase in the volume of long-term, large-sized transactions invoiced and because of a concerted reduction of the stock of serially-manufactured products. Developments in the first six months of 1996/97 were the primary cause of the production in the commercial vehicles and printing sectors being lower than in 1995/96. In a number of cases, the output of the industrial services, Diesel engines and other industrial equipment and facilities sectors (with the exception of MAN GHH) was substantially larger than in 1995/96.

At DM 12.9 billion, expenditures for materials were down 2 %. The reason why this reduction is larger than that of the net output is also attributable to the relative growth of non-German supplies in the Group's procurements, to the expansion of our network of production the facilities located outside Germany, and to the increasing amount of locally-supplied input going into large-scale projects.

At DM 6.4 billion, the net output of the MAN Group was up 2 %, an increase arising particularly from the January, 1997 addition of DSD to the roster of companies consolidated into the Group. At DM 105,000 the net output per employee was down 4 %. This resulted from the fall in production recorded in the first six months of 1996/97 and the changes in the make-up of the Group.

The expenditure per employee fell by the same amount. Causing this decline were savings realized through the expanding of flexible work scheduling arrangements for personnel, the relative growth in the number of non-Germany-based employees working for the Group, and the reduction of encumbrances resulting from compensation payments and packages. As was the case in 1995/96, the employees received 87 % of the net output, which amounted to DM 5.6 billion.

As elucidated in the review of business above, we expect a setting forth of stable economic conditions in 1997/98, and that the MAN Group will record rises in production and total performance. Our procurement operations will set forth, undiminished, their efforts to reduce the costs of acquisition of materials and other supplies purchased. Their success in doing so should cause the net output of the Group to rise.

A further rise in group earnings and total payout

After deducting interest and taxation payments, the group's consolidated net income rose from DM 330 million to DM 349 million in 1996/97. Of that, DM 249 million or 71 % will be paid out to MAN Aktiengesellschaft's shareholders and to minority interests. DM 100 million will go to augment the MAN Group's inner resources.

The Group's rates of return on investment were about those of 1995/96. After allowing for taxation, the return on shareholders' equity amounted to 8.7 %, as opposed to 8.6 % in 1995/96. The rate of return on interest-bearing capital is derived from dividing the sum of the earnings before taxes on income and outlays for interest into that of the shareholders' equity and interest-bearing capital employed. This rate amounted to 10.4 % in 1996/97, down slightly from 1995/96's 10.8 %. The divergent levels of profitability shown by the individual areas of business are detailed by the Group divisions' rates of return, which we have included, for the first time, in the overviews of Group key facts and figures. These overviews start on page 70 of this report.

MAN's shares

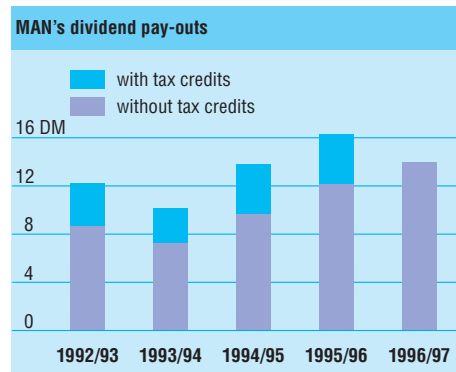
MAN's shares yield gratifying rates of return

The DAX (Deutscher Aktienindex – Germany's Dow Jones) reached an all-time high in 1996/97. MAN's shares largely matched the trends prevailing on the stock exchanges. Those investors immediately reinvesting their net dividend payouts realized a 49 % rate of return on their holdings of MAN ordinary shares in 1996/97, with the holders of preference shares attaining a rate amounting to no less than just under 58 %.

Our plans to expand our presence in the Internet represents a further investor relations measure. Our Website – <http://www.man.de> – will offer the latest stock market quotes, articles appearing in the press, key corporate figures and annual reports.

A policy of linking dividend payouts to operating results

Continuing our policy of orienting dividends to earnings, the increase in consolidated net income allows us to propose the raising of



MAN's shares: facts and figures

Facts and figures	1995/96	1996/97
quotation as of June 30		
ordinary shares DM	378.80	540.00
preference shares DM	294.00	440.00
market capitalization DM mill.	5 469	7 888
Earnings per share acc. to DVFA/SGDM	26.00	23.80
Cash payout per share DM	12.00	14.00
shareholders' funds per share DM	240.30	246.70
price-earnings ratio (as of June 30)		
ordinary shares	14.6	22.7
preference shares	11.3	18.5
rate of return*)		
ordinary shares %	9.3	49.2
preference shares %	10.6	57.7
number of shares (as of June 30)		
ordinary shares (thousands)	11 028	11 028
preference shares (thousands)	4 392	4 392

*) assuming the reinvestment of dividend payouts

Stepping up our investor relations activities

The goal of our investor relations measures is to elucidate MAN's operations and the potential possessed by the Group. These measures help current and potential shareholders gain a better appreciation of the advantages of investing in MAN's shares. The issuing of detailed information on the MAN Group as a whole and the providing of individual reports by Group companies are as much a matter of course as the holding of a large number of discussions with financial analysts and investors based in both Germany and abroad. The institutional investors' interest – and especially those located outside Germany – in holding MAN shares has noticeably increased.

the dividend payout from DM 12 to DM 14 per share of DM 50 par value.

Stock exchanges

MAN's ordinary (Stock Exchange Number 593700) and preference (SEN 593703) shares are traded on all eight stock exchanges in Germany and on the Vienna Stock Exchange. The ordinary shares are also listed in the IBIS electronic system and on the Swiss Stock Exchange (SEN 340813).

MAN Nutzfahrzeuge –

MAN Nutzfahrzeuge group division

in DM mill.	1995/96	1996/97
New orders	7 539	8 126
Sales	7 984	7 955
Personnel (as of June 30)	26 592	27 031
Net income	261	182



Substantial growth in non-German business

At DM 8.1 billion, the **MAN Nutzfahrzeuge group division** recorded a substantial 8 % rise in new orders received in 1996/97, in which the company produced 40,000 vehicles, a figure, however, lower than 1995/96's all-time record of 43,000 units. This drop was caused by the low level of orders received during 1996/97's first few months.

Responsible for 85 % of our sales, the western European market recorded a slump in demand in 1996/97, in which 242,000 trucks of 6 t and more total weight were newly registered, a decline of 9 % over 1995/96. Double digit drops were registered in France, Great Britain and Italy, all important markets. In Germany, with 28 % of all sales, western Europe's most important market, 68,000 trucks were newly registered, 6 % less than in 1995/96. With 5,000 new registrations of buses of 10 t tw or more, Germany's bus market remained mired at the previous year's low levels.

The result of the drop in the market's volume was a further intensification of the competition for business, carried out through pricing and the offering of other conditions. Undertaken in previous years, the step-by-step expansion of our network of distributors allowed us to contend with this situation. We were able to maintain our 25 % share of the German market for trucks and to increase it to a strong 13 % for the western European one as a whole. Our exports to countries outside western Europe rose strongly. At DM 4.3 billion, the new orders placed by customers outside Germany were up 17 %. German customers placed DM 3.8 billion

This MAN-brand garbage truck is powered by natural gas. With very low rates of emissions, it is thus a true "Mr. Clean".

in orders, a figure at the previous year's level. Non-German orders accounted for 53 % of the total, the first time that this figure had broken the 50 % mark.

Turnover at the previous year's record level

The unsatisfactory amount of orders received at the beginning of the year notwithstanding, the group division's turnover came to DM 8 billion, a figure at the previous year's record level. Helping achieve this result were subsidiaries in Turkey, Poland and Hungary, all of which were consolidated into the group division for the first time. Sales earned outside Germany amounted to DM 4.2 billion, up 8 % over 1995/96's figure. Sales in Germany totaled DM 3.8 billion, down 9 % over 1995/96.

Expansion of activities outside western Europe

Implementing corporate plans, we expanded our network of sales and service centers in Germany's eastern neighbors by opening up new importer centers in Poland and Hungary. In addition, we stepped up our manufacturing operations in the region, with this especially applying to the wage-intensive bus. We are building a facility in Poland, in which entire buses for the Polish market and labor-intensive components for our factory in Salzgitter will be manufactured and kits for complete trucks will be assembled. The objective of this Poland-based manu-



This high-speed MAN Diesel engine's 12 cylinders produce 380 kW. The engine is designed for the cogeneration of electricity and heat. The method of energy utilization achieves rates of efficiency of more than 80 %.

trucks and buses rolling down Europe's roads



Following corporate plans, we expanded our network of sales and service centers in Germany's eastern neighbors. We are also stepping up our manufacturing operations in the region, with this especially applying to the labor-intensive bus.

From our F2000 range, this semitrailer tractor merits many superlatives. It is outfitted to provide drivers with a great ease of operation. Producing 600 HP, its engine gives the truck ample power to take on long stretches in mountainous terrain and to achieve a high average speed.

facturing is to increase our sales on the local market and to allow us to offer German-manufactured vehicles at competitive prices by incorporating low-cost components in them. In Turkey, we further developed our relationship with MANAS, increasing the share held of its equity to 81 %. In 1996/97, the latter produced and sold 1,000 MAN trucks – with these largely going to Turkish customers – and nearly 400 buses, a large portion of which were exported.

We have entered into promising joint ventures with a Minsk, Belarus-based producer of trucks, BelavtoMAZ, and with PAZ, a Russian producer of buses. It is based in Pavlovo. It is planned to jointly produce and distribute a range of trucks with the former, and to manufacture a line of city-service buses with the latter. We expect both projects to serve as our conduits for the opening up of the CIS' markets, which are bound to be important in the long run.

New lines of buses

Our R & D activities were primarily focused on overhauling almost our entire range of buses. We presented our newly developed inter-city and touring coaches to the general public at September, 1996's IAA international automobile exhibition. All of these vehicles feature a module-based design. This allows us to meet in a cost-efficient way the highly variegated needs and wishes of our customers. This variety of need is especially marked in the bus sector. Manufactured at MANAS' facilities in Turkey, our new "Lion's Coach" allows us to meet our customers' increasingly strong wish for a touring coach featuring both high quality technologies and a low price tag.

We launched a new family of city-service buses, the third generation to feature a low-floor design. Destined for use in mass transit systems, this family consists of both rigid and articulated buses, complemented by a midi-bus. The latter has a superstructure built by another company.



MAN's "Lion's Star" is a long-distance, high-rise coach featuring a quality of technology and outittings unequalled anywhere else. The coach provides travelers with every comfort imaginable and an ambiance of luxury.

Shown is the new generation of MAN low-floor scheduled service buses. This model is powered by a Diesel-electric drive. This modern technology allows the bus to dispense with platforms for the entire length of its floor.



These models can also be outfitted with either a newly-developed 12 liter, natural gas-powered motor, or with a Diesel-electric propulsion system.

EVB: an increase of more than 60 % in braking power

An important innovation which has emerged from our truck-related R & D activities is the "exhaust valve brake" (EVB) system. Recently developed and patented, it provides a more than 60 % improvement in braking power. Now ready to go into series-type production, this highly effective motor-based braking system is also cost-efficient. It represents a major step forward towards improving traffic safety.

Further expansion of our distribution and after-sales service activities

To further develop our ties to customers, we once more expanded our network of service and distribution centers in western Europe. New, company-owned branch offices were set up in Antwerp, Liverpool, Manchester, Toulouse, Avignon and Nancy. Our European customers avail themselves of the support and services provided by 1,100 outlets.

Our maintenance and repair agreements provide our customers with the greatest availability of service possible. By offering such agreements, we foster a steady level of utilization of the facilities maintained by our service centers and those of our contract partners.

From the L2000 line of vehicles, this truck is used to transport cold-stored foodstuffs.



To meet the growing demand for truck-related services, we have made MAN TransCom GmbH responsible for providing our entire range of existing services. This move improves our ability to supply our customers single-source packages solving all their problems. Our services range from financing and full-service and other leasing arrangements to fleet management and logistics consulting.

The Vienna-based AC Austro Car Handelsgesellschaft m.b.H. serves as the general importer of Chrysler automobiles in Austria. As of June 30, 1997, the company was taken over by Chrysler, at a suitable price.

As expected, profits show a decline

The uneven distribution of orders received and the step-by-step reduction in the number of vehicles already produced from the previously large-sized amount led to production facilities being underutilized, with this especially being the case in the first half of 1996/97. Agreements concluded with workforce representatives have led to the setting up of "accounts", into which hours worked are "paid". This measure allows us to link the amount of person-hours worked to the rate of facility utilization, thus giving us a new flexibility of operation. Demand and output rose during 1996/97. Despite this, it was not possible in the

second half of 1996/97 to entirely regain the ground lost.

By implementing efficiency-raising measures on an ongoing basis, we managed to further reduce costs of manufacturing. This, however, did not suffice to erase the encumbrances arising from the massive pressures constantly exerted on prices and on other conditions of sale. Coupled with the lower level of production, this led to a fall in profitability, a fall already forecast at the beginning of 1996/97. The group division's earnings before taxes on income amounted to DM 182 million (1995/96: DM 261 million).

Prospects

Manifesting itself in the last few months of 1996/97, the upswing on our markets has continued into the new financial year. Our new orders total is running above that of the previous year. Should this trend be maintained, our output and turnover will be greater than those of 1996/97.

Our range of products is modern. We expect the price situation on our markets not to further worsen in 1997/98. Based on these facts, we are forecasting profitability to show a commensurate rise in 1997/98.



These heavy-duty tractor trains, powered by engines with outputs of 790 HP and 400 HP, are transporting a reactor which weighs 350 t to an oil refinery in Austria. The total weight of the transport job is 450 t, an exceptionally large amount.

We provide all services needed by trucks and their operators. These range from financing and full-service and other leasing services to fleet management and logistics consulting.



This winter service vehicle is from MAN's M2000 range of trucks. It is outfitted with a snow plow and with a gritter, allowing it to keep the roads safe for travel.

Ferrostaal group division

in DM million	1995/96	1996/97**)
New orders*)	3 954	5 269
Turnover*)	3 837	4 315
Personnel (as of June 30)	1 611	6 537
Earnings	105	143

*) not including brokerage revenues

**) 1996/97 including DSD

The volume of world trade showed a further rise in 1996/97. This joined with an extending of the range of industrial services provided in causing the **Ferrostaal group division** to record a gratifying, 33 % rise in new orders secured.

Industrial plants and system sector grows strongly

We are a provider of services facilitating investments in the industrial and infrastructure sectors. Offered on a worldwide basis, these services are centered around the planning, financing and building of plants and systems. As had been the case in previous years, we concentrated our activities on the rapidly developing and newly industrialized countries

in Africa, Asia and Latin America, as well as on eastern Europe's "reform-minded" countries.

Working with Reynolds International Inc. USA, we are constructing an aluminium smelting facility in Ikot Abasi, Nigeria. We secured further follow-up orders for the facility, which is ready for partial operation.

In 1996/97, we secured an order to build a methanol processing facility from Methanol IV Company. It is the third such project in Trinidad to be launched or completed over the last six years in which Ferrostaal has served as an industrial partner.



The construction industry calls on Ferrostaal Bewehrungstechnik GmbH for technical supplies and services. Shown is the delivery of bent bars. The next step is for the firms laying the steel to weave it into a skeleton. It then forms the concrete's backbone.



industrial services and systems for the world market

In addition, Ferrostaal's activities in this sector have initiated the restructuring of the methanol producing industry in Trinidad and Tobago. All of the shares held by the country's government in the Trinidad and Tobago Methanol Company (TTMC) have by now been placed with national and international investors. This has represented an important step forward in the country's attempt to gain full access to international financial markets.

A consortium comprised of Ferrostaal and Klöckner INA is processing an order placed by Lebedinsky GOK, a Russian vertical trust processing iron ore. The order is for the planning and supplying of a direct reduction

facility employing the HYL III process. The consortium will also supervise the facility's assembly and put it into operation.

Working with Babcock-BSH we are delivering a facility for the manufacturing of plasterboard to a customer in Shanghai, PR China. Within the consortium, Ferrostaal is responsible for the construction and assembly activities, for the importing of several kinds of components into China, and for the procuring of locally-made equipment and materials.

Increase in business in individual machines division

Operating on a worldwide scale, our individual

Carried out on a worldwide scale, our facilities and systems division focuses its work on the planning, financing and constructing of industrial processing facilities.

The world uses steel to build. Located near Lisbon, this bridge spans the Tejo River. The expanding of the bridge's carrying capacity is being carried out by DSD Dillinger Stahlbau GmbH.





Ferrostaal often serves as a general contractor. Shown is a partial view of the aluminium processing facility in Ikot Abasi, Nigeria. Now under construction, the facility has a gas turbine-powered energy generating station integrated into it.

machines division distributes machines forming part of a very wide range of sectors' industrial production activities. Powered especially by strong rises in textile machines and machine tools, the division's new orders total rose.

A decline in steel trading

Showing a decline of 7 % in tonnage sold, the international steel trading operations were not able to maintain 1995/96's high level.

The weakness of Germany's construction industry caused the domestic steel trading operations to record sales lower than those of 1995/96. Our facilities providing steel and services, on the other hand, recorded a gratifyingly positive trend. The provision of services for the automobile industry – the delivering of modules and systems – is being stepped up.

A major expansion of facilities and systems activities

Through a series of takeovers, Ferrostaal has fortified its standing on the world's market for facilities and has created new focuses of activities.

□ In a move taking effect on January 1, 1997, Ferrostaal acquired the 62 % of the equity it did not already hold of **DSD Dillinger Stahlbau GmbH**, Saarlouis (DSD). Since 1979, Ferrostaal had held 38 % of the equity of DSD, which is one of the most important companies in Europe in the field of constructing steel-based structures and facilities. In addition to a number of operating centers in Germany, DSD maintains a range of production and assembly facilities and offices around the world. Consolidated into the Ferrostaal group division, DSD has an



This Diesel-powered energy generating station is located in El Salvador. It is being constructed by Ferrostaal on a turnkey basis. It has been equipped with Diesel engines manufactured by MAN B&W Diesel.

annual turnover of more than DM 1 billion and employs 4,836 persons. Ferrostaal has been working with DSD since the mid-60's in the international facilities-related project sector. Over the last few years, the companies have jointly provided logistics-based supply services to the automobile industry.

□ In conjunction with the restructuring of MAN Gutehoffnungshütte, Ferrostaal took over **MAN GHH Öl and Gas**. It provides engineering and facility-constructing services in a wide variety of countries to the oil and natural gas industry. In western Europe, the company supplies full-scale maintenance services for refineries and for petrochemical facilities.

□ MAN GHH's activities in the direct reduction facilities sector were integrated into those of

Ferrostaal. DSD extended its range of activities by taking over parts of MAN GHH's assembly and nuclear services areas of service.

By incorporating these companies into the group division, Ferrostaal has extended the range of products and services it provides in the engineering, steel-based construction, assembly and maintenance business sectors, and has set forth its transformation into a provider of services facilitating investment in the industrial and infrastructural sectors.

Improvement in results

In 1996/97, the Ferrostaal group division recorded earnings before taxes on income of DM 143 million (1995/96: DM 105 million). This increase arose from the good level of business conducted, and partially also from

earnings accruing from operations in previous years, earnings offset by taxation arising from this period.

Our various business divisions are recording a high level of project-related activity. Based on this, we are expecting to secure once more a good amount of new orders in 1997/98. With turnover rising, we are forecasting that earnings from our ordinary business operations will remain at previous financial years' high level.



DSD supplied and assembled some 18,000 t of steel structures for this high rise, which houses the Commerzbank's headquarters in Frankfurt.

MAN Roland group division

in DM million	1995/96	1996/97
New orders	2 235	2 298
Turnover	2 361	2 471
Personnel (as of June 30)	10 006	9 383
Earnings	– 81	– 115

Delay in rise in demand for printing presses

Many printing operations recorded unsatisfactory rates of facility utilization. Uncertainties prevail on the printing sector as to the future course of economic conditions and technological developments. These factors curtailed print operations' total amount of investment. The rise in demand for printing presses, which had been expected to manifest itself throughout 1996/97, showed up only at the end of the financial year. Several regions and market segments, however, did prove relative bright spots in this sector.

This unevenness of demand shaped the pace of new orders received by the **MAN Roland group division**. Orders were sharply lower during the first half of 1996/97, then staged a rise, experienced primarily in the last quarter in the sheetfed sector. In the webfed sector, several projects, involving machines for newspapers and in the works for a long time, became firm orders. The demand for presses used in the printing of illustrations was gratifyingly strong, rising more than a third. The new orders total was up 3 % over 1995/96.

Turnover rose 5 % over 1995/96. In the webfed sector, we were able in 1996/97 to substantially increase the value of orders invoiced over the previous year, thanks to the large amount of orders on hand and to the lively business done in illustration machines. The rise in demand in the sheetfed sector was registered only in the last few months of 1996/97, meaning that it didn't fully make its presence felt in the turnover figure and that 1995/96's level was not quite attained.

Output and total operating performance decline

Contrary to our original expectations, the amount of new orders was low. It was, moreover, uneven. Inventories of products were trimmed. These factors led to our facilities in both the sheetfed and webfed sectors registering an unsatisfactory overall level of utilization. At DM 2.35 billion, the group division's total operating performance was 6 % lower than that of 1995/96. During the first half of 1996/97, considerable idle capacity costs ensued from the sheetfed sector's



Available in a wide range of configurations, the LITHOMAN range of models has been a great success in Europe, the USA and Asia with printers of illustrations.

overcapacities; these were only partially reduced by the instituting of short working hours. It was not possible during the second half of 1996/97 to make up for the shortfall in production. The value of the orders on hand and the good amount of business done in illustration presses gave the webfed sector an adequate level of facility utilization during the financial year's first six months. The lack of orders for large-sized newspaper printing presses caused the level of utilization to weaken during 1996/97's second half.

In the years to come, we will continue to have to contend with fluctuations of demand coming in ever-shorter intervals. We are working with workforce representatives on apportioning personnel resources in ways providing more flexibility. In line with this, an in-facility agreement was reached in the webfed sector for the setting up of "accounts", into which hours worked are "paid".

systems of products for sheetfed and webfed printing operations



This modern CROMOMAN belongs to Frankfurt's Brönnert-Umschau group. It is mostly used to print the Börsen-Zeitung, a German financial journal.

An interruption in progress towards reducing losses makes further revamping measures necessary

The previous years had brought reductions in losses, but 1996/97 brought a halt in MAN Roland's move towards the break-even point. This was caused by the reduction in total operating performance, the over-capacities and the high level of competitive pressures. The company recorded a loss before taxes on income of DM 115 million (1995/96: DM 81 million), a loss largely incurred by the sheetfed sector, as had been the case in previous years.

The printing presses sector still has an excess of capacity, engendering strong competitive pressures. To improve the company's ability to compete, we stepped up the implementing of programs leading to the cutting of costs, the

increasing of productivity and the adapting of capacities. A further adjustment of workforce size, the taking of further measures causing the reduction of personnel-related costs and the setting forth of the clustering of activities at certain areas of production (in both Germany and abroad) are requisite for the company to push into the black and to achieve an appropriate level of profitability. This new package of measures necessitated an expenditure. This had been provided for by MAN Aktiengesellschaft, which is taking an active role in helping MAN Roland out of its structural problems. We are configuring the MAN Roland group division to have capacities and costs which allow it to realize suitable amounts of earnings on a sustained basis, even at a level of demand remaining unchanged from current ones.

We have centralized a number of operations in the sheetfed sector in Germany, basing them at our facilities in Offenbach. This has streamlined our business procedures and improved the providing of services to customers. These measures and further streamlining and capacity adjustment ones will cause the workforce to decline by 1,200 by the end of 1997. As of June 30, 1997, more than 500 persons had terminated their employment in ways compatible with societal imperatives.

As of June 30, 1997, the number of persons working for the webfed sector in Augsburg had been reduced by 160 persons, with this largely ensuing through the expiration of limited-term contracts. This number will fall by a further some 180 employees by the end of 1997.

Putting the customer and a variety of applications first

We strive to not only supply our customers with good products and systems, but also to attend to their needs immediately, whatever they are. To do so, we are continuing to simplify our in-company procedures. This move means that our employees have to handle an increasing number of interdisciplinary responsibilities. The manufacturing personnel are, however, to concentrate on their core areas of operation. The reorganizing of our machine park is being done to allow a carrying out of a full range of processing. At the same time, the amount of



In 1996/97, we launched the new ROTOMAN on to Europe's markets. Shown is a 16-page commercial press being demonstrated at BPC Chromoworks, which is located in Nottingham, Great Britain.



Configured according to the customer's wishes. In putting together a system meeting its needs, a customer gets to select from among a wide variety of reel changers, printing units, folders and drive types. Shown is an ECOMAN.

We are configuring the MAN Roland group division to have capacities and costs which allow it to realize suitable amounts of earnings on a sustained basis, even at a level of demand remaining unchanged from current ones.

proprietary input going into production work is being reduced in those cases in which a benchmarking process indicates that doing so makes business sense and will cut costs. The great diversity of demand shown by our customers can no longer be met by supplying standardized solutions. Our systems are comprised of modular "building blocks" which can be assembled into configurations fulfilling the customers' requirements. Our strategy is based on meeting our customers' wishes for individualized systems characterized by a great availability of supply. This strategy is centered around commencing with full service packages, which we then develop on a step-by-step basis. These packages integrate pre-press, print and post-print operations. By setting up further technology transfer centers in Kuala Lumpur, Johannesburg, Sydney and Buenos Aires, we have strengthened our standing on our international markets and intensified our ties to local customers.

Prospects

We expect the economic upswing to continue during 1997/98. This will foster the printing industry's willingness to invest, meaning that pending replacement of existing systems will now be quickly realized. Also improving our opportunities on non-German markets will be the normalization in the DM's rate of exchange.

High levels of competition will persist on international markets, with the capacities of

manufacturers of printing presses remaining large and customers still contending with strong downward pressures on the prices for their products. They have to survive in a media market still in the midst of a fundamental transformation. The trend is towards offering items of higher quality and with more color, towards smaller-sized print runs of products meeting highly differentiated needs, towards short deadlines of delivery, and towards providing customers with a comprehensive range of services. We are fulfilling these requirements. Our wide-spread ranges of products feature improved levels of automatization and reliability, speed of production, diversity of applications and other benchmarks of performance. We want to further strengthen our position on the world's market by deploying new approaches to the provision of services and by having forms of organization in touch with markets. The measures instituted will take effect. They will substantially enhance our ability to compete. The one-year interruption in its way out of the red notwithstanding, MAN Roland completed or launched in 1996/97 measures greatly fostering its corporate health.

We will therefore return to the previous years' form and will speed up our cutting of losses in 1997/98. The strong rise in orders experienced during 1996/97's last few months augments our optimism, as does the good start we've gotten off to in 1997/98. In the year's first two months, double-digit rises in new orders were recorded in both the sheetfed and webfed sectors.

Gold-effect printing for costly packagings. Outfitted with a twin coater module, a six-color Roland 700 is used by TSO Packaging Printers. Headquartered in the Netherlands, the company insists on having the most advanced equipment available. The model also comes with an interim and final UV-drying attachment.



MAN Gutehoffnungshütte – machines and facilities

In 1996/97, the **MAN Gutehoffnungshütte group division**'s core areas further strengthened their already strong standings on their markets.

The DM 604 million in orders secured for GHH BORSIG Turbomaschinen GmbH's compressors and turbines was larger than 1995/96's strong result. Nearly 80 % of the orders were for products going to the materials processing industry. Southeast Asia, the Middle East and western Europe constituted the main sales markets.

MAN TAKRAF Fördertechnik GmbH was able to stabilize and develop its standing on the world's market for handling systems and technologies. New orders for systems used in open cast mines and in bulk handling operations, and for heavy-duty cranes came to DM 324 million, up 4 % over 1995/96.

An unsatisfactory amount of business was done by the material handling systems and tower crane sectors.

Restructuring of MAN Gutehoffnungshütte 1996/97 was marked by the restructuring of the MAN Gutehoffnungshütte group division's areas of operation. Its guiding idea was to reassign MAN GHH's core areas of operation to

new clusters formed within the MAN Group, so as to implement our strategies for taking on markets and to give the areas a greater impact of operation. This restructuring was completed in the course of 1996/97, with certain measures taking business effect on July 1, 1997.

❑ The sector constructing facilities for smelting operations is comprised of the blast furnace, converter and electric steel manufacturing plants, and VACMETAL's secondary metallurgy product divisions. The sector was incorporated into SMS Schloemann-Siemag. By doing so, all of the individual activities in the process of manufacturing and treating steel are now the responsibility of a single body.

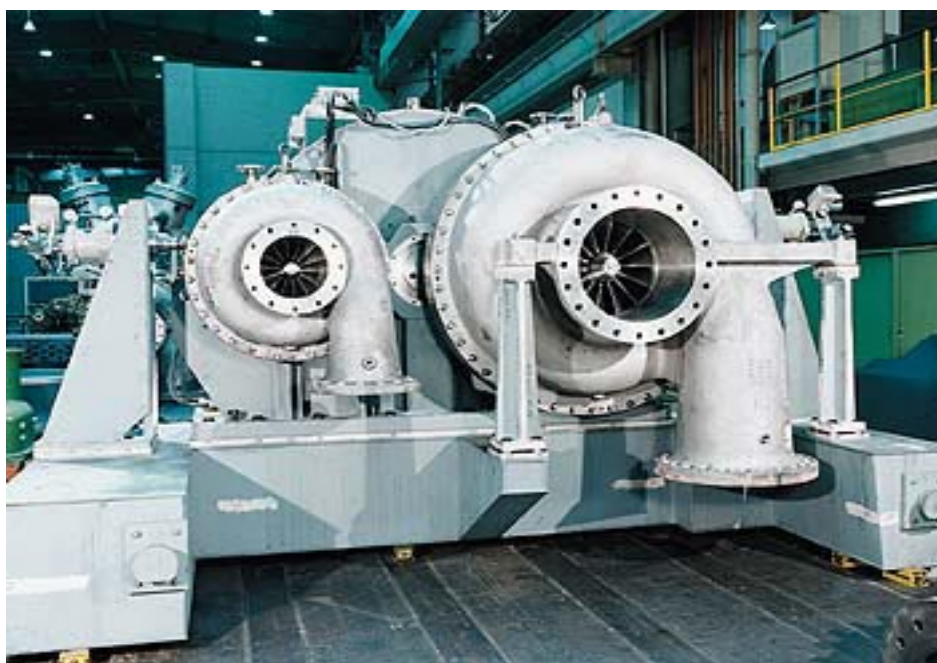
❑ Ferrostaal took over the direct reduction facilities product division, which holds licenses for the HYL process, and the sector providing systems and services to the oil and gas industry. DSD, Ferrostaal's subsidiary, is now managing parts of the industrial assembly and nuclear-related services divisions.

❑ GHH BORSIG Turbomaschinen GmbH was assigned to the MAN Technologie group division, with which it has interests in common in the energy generating facilities area. The acquisition of Deutsche Babcock-Borsig AG's

MAN Gutehoffnungshütte group division

in DM million	1995/96	1996/97
New orders	1 855	1 528
Turnover	1 792	1 604
Personnel (as of June 30)	4 807	4 124
Earnings	– 25	– 38

We have reassigned MAN GHH's core areas of operation to new clusters formed within the MAN Group to implement our strategies for taking on markets. By doing so, we have given them a greater impact of operation.



GHH BORSIG supplied this two-stage radial expander, plus a multishaft gear-type air compressor and a condensing steam turbine to an Indonesian manufacturer of terephthalic acid.

MAN Gutehoffnungshütte



A peak of precision on the peak: This is probably Europe's highest construction site at the moment: the Säntis mountain (2,502 meters) in Switzerland. A WOLFF tower slewing crane has been assembled on the mountain. It is now being used to build a 115 meter high tower. Owned and operated by Switzerland's PTT-Telekom, the tower will relay radio and television signals, upon its completion, set for 1998.

minority holdings of GHH BORSIG's equity extended the involvement of the MAN Group in the compressors and turbines business sector.

□ The mechanical and technical facilities and systems products division serves the space transport and lightweight sectors. To realize potential synergies, the division was incorporated into MAN Technologie AG.

□ MAN TAKRAF Fördertechnik GmbH is to be constituted as a subsidiary reporting directly to MAN Aktiengesellschaft.

Other group division activities in the industrial technologies, industrial engineering and logistics sectors were sold to companies outside the Group. GHH Bau, the mining vehicles and air-plane movers, tower cranes and material handling systems product divisions are to be constituted initially as legally independent subsidiaries. Over the medium term, they will be situated in in-Group or non-Group corporate arrays in ways making business sense. Through these moves, the MAN Gutehoffnungshütte group division has been dissolved. MAN Gutehoffnungshütte AG has discontinued its active sales activities.

Group division in the red

In 1996/97, the MAN Gutehoffnungshütte group

division recorded a loss before taxes on income of DM 38 million (1995/96: a loss of DM 25 million). The extraordinary charges arising from the restructuring were covered by the reserves constituted by MAN Aktiengesellschaft for this purpose. They did not affect MAN GHH's operating results.

Registering strong profits were GHH BORSIG and the product division providing facilities and services to the oil and natural gas industries. Negatively affecting earnings were problems in processing orders for material handling systems, the weakness of the construction crane market and the large follow-up costs incurred by the thermic processes and environmental technologies sectors. Thanks to its having unswervingly carried out its restructuring program, MAN TAKRAF was in the black for the first time, recording a small profit.

Our products' advanced technologies make them well able to compete on their markets. The new corporate arrays have created a potential for success. This will be firmly exploited. The demand for capital goods is rising. These factors form the basis of our forecast that the activities formerly carried out by MAN GHH and situated within the MAN Group will develop positively in 1997/98.



MAN TAKRAF received an order from Chile's CODELCO for the supplying, on a turnkey basis, of two semi-mobile crushing stations, with each including the attached conveyor belts. Ferrostaal's operations in Chile have assumed responsibility for carrying out the locally-based work (procurement of components, building of steel structures and assembly).

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

Strong demand for large-sized Diesel engines persists

The volume of world trade increased in 1996/97. As some 95 % of the intercontinental trade is transported by ships, this factor kept the demand for new ship – and thus for ships' engines – at a high level.

Also registering continuing growth was the market for stationary electricity generating facilities with an output of more than 1 MW. The world ordered facilities producing a total of 9 400 MW – an all-time record.

In 1996/97, MAN B&W registered a record amount of orders for its two-stroke MC engines. Also making a great impact on their market are the four new super long-stroke compact versions of the S-MC-C.

The level of prices for large-sized motors is still being determined by the fierce competitive pressures prevailing among the shipbuilding yards, which are contending with overcapacities. The market for Diesel power stations, however, offers more attractive margins of earnings.

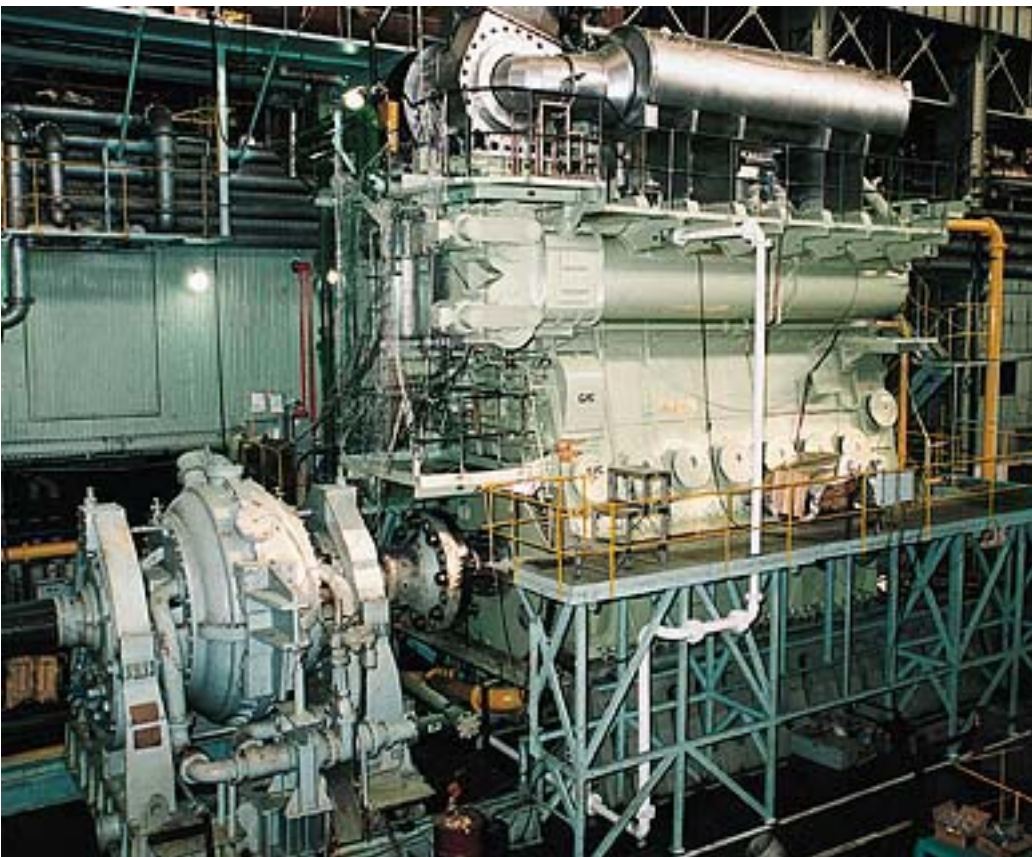
Position of leadership maintained

Operating under these conditions in 1996/97, the **MAN B&W Diesel group division** maintained its position of being the leading supplier of slow and medium-speed Diesel engines. It was able to improve its standing in the market for ships' engines.

The strong demand for our line of MC engines persisted on the world's market for two-stroke engines used to power ships. Some 4,500 of these engines, with a total output of 49 million kW (66 million HP), have been sold to date. In 1996/97, MAN B&W Diesel and its licensees once more attained a more than 60 % share of the world's market for low-speed Diesel engines. As had been the case in

MAN B&W group division

in DM million	1995/96	1996/97
New orders	1 703	1 730
Turnover	1 529	1 616
Personnel (as of June 30)	5 339	5 419
Earnings	141	131



The world's shipbuilding industry is enjoying excellent business health, the shifts in the relative weight of individual regions notwithstanding.

The merits of our MC line of engines have been proven on world markets, winning the trust of our customers in the process. More than 50 % of all large-sized ships plying the world's oceans are powered by MAN B&W Diesel engines.

previous years, manufacturing was largely carried out by licensees in Japan and the Republic of Korea. The new, compact models in the MC-C family of engines were successfully launched on their markets.

Shipyards in Europe and in China were the principal purchasers of four-stroke engines. As of the end of 1996/97, we had sold more than 600 of our modern, four-stroke, medium-speed engines, with a total output of 4.5 million kW (6.1 million HP). In 1996, together with its licensees and its associate S.E.M.T. Pielstick, MAN B&W Diesel increased to 33.5 % its share of the world's market for four-stroke engines used in ocean-going ships of more than 2,000 gross t. Also holding a number one position are our ships' auxiliary motors, which have 32 % of their market.

Demand for Diesel power stations remained strong. Playing an ever more important role on the market are captive power plants, with which industrial corporations meet their proprietary power needs, and facilities operated by privately-owned, independent power producers. To serve this market segment, we avail ourselves of our distribution subsidiaries and licensees, with this network having been strengthened and expanded.

Our stationary engine business was centered around the Far East and central and South America. In Sri Lanka, serving as the contractor for a turnkey project, we are expanding a 40 MW power station, originally built by us, to one producing a total of 80 MW. Being added on are four 8L58/64 engines. Mitsui, our licensee, is expanding the output of a power station in Macao, adding on two 12K90MC-S engines. After they are put into operation, the power station will have an output of 225 MW, making it the largest two-stroke engine-powered one in the world.

To enhance our ability to compete on the market for exhaust gas turbochargers, we and Velká Bíteš, a renowned manufacturer of turbochargers, have joined in founding PBS Turbo. Based in Brno, Czech Republic, the new company, a licensee of ours, manufactures and distributes our range of radial flow turbochargers.

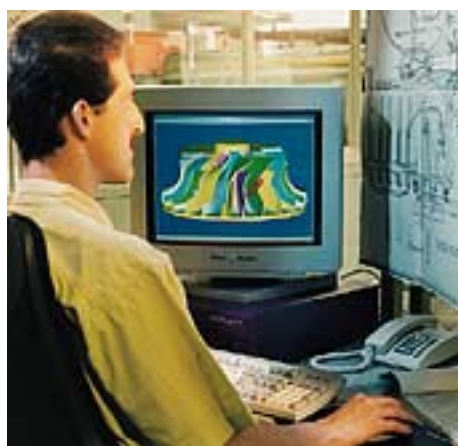
MAN B&W Diesel provides operational management for S.E.M.T. Pielstick's medium-speed engines sector, which secured new orders worth DM 265 million and registered a turnover of DM 296 million in financial year 1996. Business in this area remained centered around stationary engines and spare parts.

Research and development: improving upon proven products

Although it's more than one hundred years old, the Diesel remains the most efficient thermal heat engine in the world, achieving an overall rate of energy efficiency ranging up to 53 %. The frontiers of what can be technologically achieved by the engine are continually being pushed outwards by the further increasing of its already excellent economy of operation and of its environmental compatibility (drastically improved over the last few years). While this is being done, the engine has maintained its tremendous long-term durability of operation.

To extend our range of four-stroke, medium-speed engines, we have created a new, innovative family of engines with outputs of 500 kW and more. The first model being marketed from this family, the 16/24, has set new standards of achievement. It is unlimitedly able to „burn“ heavy fuels. It can be operated at 1,200 rpm. Both factors reduce fuel costs. The engine is made up of a relatively small number of parts, cutting its cost of manufacturing. Its pioneering design makes the engine especially easy to operate and to maintain. It already has a rate of nitrogen oxide emissions below those stipulated by the International Maritime Organization (IMO), whose standards will become binding in 2000 for new ships. Seventy of these engines have already been sold, getting the 16/24 off to a very promising start. We are currently intensively working on the family's next engine, to be designated the 27/38. Paralleling the development of the family's new, small-size four-stroke engines has been that of the range of turbo-superchargers for them, extending the company's line in this area.

Because it is environmentally-friendly, natural gas is being increasingly used by the energy producing sector. We have developed gas



Our five axis programming system, used in the machining of turbocharger compressor wheels, ensures the achieving of the highest standards of production.

motors for this carefully-targeted area of application. The 28/32SI spark-ignition engines are available in both in-line and V configurations. The 32/40DG range of dual-fuel engines will also be put into operation in 1997.

High level of profitability

The MAN B&W group division's profitability remained high. Earnings before taxes on income amounted to DM 131 million in 1996/97.

Prospects

We expect the world economy's upswing to gain strength in 1997/98, and that demand for our products in the shipbuilding and stationary sectors will thus maintain its high level.

Our working relationships with our licensees are long-term in orientation. Thanks to this, MAN B&W Diesel's position of leadership on its markets will not be threatened by the

process of concentration taking place on the supplier side. We do expect, however, no diminishing in price-related pressures. That is why we are intensifying our efforts to continually improve our engines' economy and reliability of operation and environmental compatibility by coming up with carefully-chosen new developments. By doing so, we will continue to be able to supply our customers with products optimally meeting their needs. On the in-facility level, we are countering cost-related pressures by increasing still further the efficiency and throughput of our operating procedures.

All in all, we forecast that our level of profitability will remain high and that we will be able to consolidate and develop our position as the leading supplier of low and medium-speed Diesel engines.

The growth in the world's need for energy is arising primarily from the rapidly industrializing countries. By supplying Diesel power stations, we are profiting from this trend.



A manufacturer in India has assured itself of a steady supply of energy by setting up this Diesel power station. Its 25 MW are produced by two 12V48/60 four-stroke engines.



Working with S.E.M.T. Pielstick and our worldwide network of licensees, we have maintained our position as the leader on the market for two-stroke and four-stroke engines.

MAN Technologie group division

in DM million	1995/96	1996/97
New orders	580	422
Turnover	426	461
Personnel (as of June 30)	1 092	1 194
Earnings	26	23

In 1995/96, the securing of the first order from the ARIANE 5 program for serially produced items had boosted the new orders total of MAN Technologie to an exceptionally high level. In 1996/97, this total returned to normal. The increase in turnover manifests the rise in the amount of long-term transactions invoiced. The good rate of facility utilization in the space transport division was primarily behind our hiring new employees.

ARIANE 4 worked at full capacity, the starting up of series-type production for ARIANE 5 went according to plan. We have successfully completed our development work on ARIANE 5. By taking over DASA's facilities in Oberpfaffenhofen, in which 36 employees manufacture tanks and related components for ARIANE 4 and ARIANE 5, MT was able to further fortify its position in Europe's space transport supply market.

Continuing success in the space transport business

Focuses of the space transport division's activities are the processing of orders for serially-produced items going into ARIANE 4 and ARIANE 5, as well as the participating in ARIANE 5-related programs of development. The operations producing components for

Inceptive products from the space transport supply and satellite-based technologies sectors

In autumn 1995, the ESA's council of ministers approved the launching of the CTV/CRV (crew transport vehicle/crew rescue vehicle) study program. We were commissioned with the lead managing of the work done in Germany on

In conjunction with the carrying out of ESA's range of studies, we have taken an important step towards proving ourselves to be a company capable of assuming responsibility for systems going into space transport-related projects.



The tank for the second stage of ARIANE 4 and the tank bulkheads of the oxygen/hydrogen tanks of ARIANE 5's main stage are manufactured at MAN's new production facilities in Oberpfaffenhofen.

part of Europe's space program

the definition study. That represented a major step forward towards our goal of becoming a company qualified to manage systems-based space transport projects. We are currently also conducting intensive discussions with American companies participating in the space transport program on possible working relationships in the areas of heat and wear-resistant ceramics. These relationships would form part of the development work on NASA's X38 program, which involves the creating of re-entry vehicles transporting crews staffing the future Alpha international space station back to earth.

We have further developed the navigation devices capable of receiving the combined signals from America's GPS (Global Positioning System) and Russia's GLONASS (Global Navigation Satellite System) satellites. In addition, we are participating in the definition and development of the EGNOS (European Geostationary Navigation Overlay Service), a Europe-based system supplementing existing ones. We have targeted the aviation, road and sea-based transport markets for such products. Special-purpose applications also exist in agriculture and in geodesy.

Increase in demand for lightweight tanks

The division develops, manufactures and distributes lightweight components for use by the transport, defense and capital goods industries. New orders for tanks going into Airbuses and for tanks storing the natural gas fueling buses boosted the total.

New markets targeted by system electronics sector

In the information technologies sector, we develop and produce passenger information systems for railroads, train stations and airports. We expect an increasing need for such modern cost-effective systems of information provision to materialize over the medium-term, causing a rise in demand, which was at a low level in 1996/97.

More competition in the market for cogeneration facilities

MAN Dezentrale Energiesysteme GmbH's (MDE) main areas of activity are the planning, supplying and commissioning of combined

heat and power (CHP) modules and systems powered by gas motors and gas turbines, and the providing of related services. The attempts to liberalize Europe's market for energy have caused uncertainties in Germany as to how energy prices will develop, an uncertainty sapping the flow of investment. Competitive pressures remain strong, further worsening the operating margins in the sector. Notable among the measures taken to improve the company's ability to compete are the ongoing standardization of the CHP modules, and the reducing of their costs of manufacturing.

Results and prospects

The persistence of the space transport division's good rates of facility utilization and the success of our ongoing measures to cut costs led to our being able to basically maintain earnings at 1995/96's level, the unsatisfactory level of earnings recorded by MDE notwithstanding. The MAN Technologie group division had earnings before taxes on income of DM 23 million in 1996/97 (1995/96: DM 26 million).

In conjunction with the restructuring of MAN Gutehoffnungshütte, MT took over two areas of activity as of July 1, 1997:

□ GHH BORSIG Turbomaschinen GmbH, which provides a wide range of compressors and turbines used in industrial applications. The company and MT have areas of common activity in the energy generation sector.

□ The mechanical and technical facilities and systems product division, which supplies products and services to the space transport and lightweight technologies sector.

The good rate of facility employment will persist in 1997/98 in the project management and manufacturing departments of the space transport and lightweight technologies business divisions. We expect GHH BORSIG to maintain its stable rate of facilities utilization and good profitability. The restructuring measures launched by MDE will be set forth. All in all, we expect 1997/98 to bring a substantial rise in volume of business transacted and in profitability.



These tanks store water and sewage in A 330/340 model Airbuses. Shown is the installing of an electrical heating system and an insulating mat.



From MAN Technologie: the modern way of keeping air passengers informed. Shown is the arrivals-and-departures board in Berlin's Schönefeld Airport. The board's use of glare-free LCD technologies makes it easy to read, allowing passengers to find their bearings quickly and reliably.

RENK group division

in DM mill.	1995/96	1996/97
New orders	525	550
Turnover	407	466
Personnel (as of June 30)	1 708	1 685
Earnings	– 4	7

The market for propulsion systems in 1996/97 was shaped by an upswing in business done outside Germany, with domestic demand remaining listless. It actually declined in several segments of the market. The strong dollar helped provide an additional boost to exports.

Growth in new orders and turnover

In registering all-time records for new orders and turnover, the **RENK group division** set forth the previous years' upswing.

The previous years' strong demand for tracklaying vehicle gears persisted. We booked the first series-type order for the medium weight-class HSWL 106 transmission, which was recently developed and which is used in tracklaying vehicles. Among the HS transmissions for heavy-duty wheeled vehicles it was especially the gears for fire-fighting vehicles which enjoyed a strong amount of demand. Used in buses and municipal services vehicles, the DOROMAT product line's range of automatic gear units failed to display indications of satisfactory profitability. The line was discontinued.

Stable levels of orders were recorded in the areas supplying gears to trading ships and to high-speed ferries. Noteworthy was that the Bundeswehr (Germany's army) picked RENK's CODAG gearing system for its new frigates.

The world's demand for facilities used by the cement industry fell, negatively affecting the sales of our products in the area. We were only partially able to offset this drop through the securing of orders for gearing units used in steam and gas turbines and for turbogears used in compressor facilities. The business of supplying wind-power energy stations has come to a stop. Sales of clutches fell slightly.

The market for transmission units' demand for our plain bearings showed a further rise, with it arising from a slight increase in Germany-based business and a strong expansion in exports. As of July 1, 1997, we took over Desch Antriebstechnik GmbH & Co. KG's plain bearings product division. We expect this move to sustainably fortify our range of plain bearings used in electric machines.

Set forth in 1996/97 was the upswing on the market for testing rigs used by the automotive and aviation industries. We secured our first orders for testing rigs stationed in automobile industry production facilities. Demand for rigs used in the rail sector remained low.

Our French subsidiary, Société Européenne d'Engrenages (SEE), recorded a slight rise in orders secured. Showing increases were the orders for brake discs used in tracked vehicles and those for marine gear units.

A very large part of the new orders total of Société d'Equipements, Systèmes et Mécanismes (SESM), our French associate, stemmed from its securing a further job lot for the providing of gear boxes used in France's Leclerc tank program.

The growth in turnover in 1996/97 arose primarily from the tracklaying vehicle gears, with the maritime gearing units, transmission units and testing systems also recording rises in volumes of orders invoiced. Declining slightly were the sales of gearing units for stationary systems and of clutches.

Ongoing further development of our line of products

The focus of development work in the vehicle gear units sector continued to be the preparing of tracklaying vehicle gear boxes for standard production. In the plain bearings sector, we worked on reducing costs of manufacturing and extending areas of application by employing new procedures and materials. The adapting of products to meet the individual requirements of customers was the primary focus of the marine gearing units sector. The designs of the gear units used in stationary facilities were overhauled. The goal was to cut costs and improve rates of operating efficiency. We have optimized the design of our new RAFLEX® turbo-steel disk clutches, thus opening up new areas of application.



Manufactured by RENK, this marine step-down gear unit transmits a total power output of 2 x 16,000 kW – providing a speedy catamaran-based ferry with its “zip”.

products for propulsion systems



We have successfully carried out the process of adaptation, thus laying the basis for further positive development.

Shown are bevel wheel planetary gears being put through a trial run. The gears will be used in a clinker pregrinder situated in a facility manufacturing cement and with an output of 800 kW.

Growth in profitability

The group division had recorded a loss in 1995/96 of DM 4 million, the result of one-off factors and expenditures for restructuring. Earnings improved markedly in 1996/97. RENK AG's substantial increase in operating earnings arose from the good levels of orders and facility utilization and from the effects of the measures made in previous years to enhance our ability to compete. Large-scale encumbrances ensued in the participations item from RESITA-RENN S.A, a Romanian subsidiary; and from SEE. In 1996/97, the RENK group

division recorded earnings before taxes on income of DM 7 million.

Prospects for the future

We have a large amount of orders on hand. The standing of all our important product divisions on their markets is firm. These facts lead us to forecast our once more achieving satisfactory new orders and turnover totals in 1997/98. We foresee a good chance that earnings will continue to develop positively.



These radial/axial plain bearings bed a "Francis" turbine, which forms part of a power plant in Switzerland.

DWE – reactors and special-purpose ships

DWE group division

in DM mill.	1995/96	1996/97
New orders	104	246
Turnover	119	119
Personnel (as of June 30)	490	503
Earnings	11	15

In 1996/97, we set a new all-time high for new orders, more than doubling 1995/96's total.

In 1996/97, the **DWE group division** more than doubled the amount of new orders secured, setting a new all-time high. All of DWE GmbH's product divisions recorded large-sized rises in orders, as did our French subsidiary, Franc-Comtoise Industrie S.A. (FCI).

Demand for apparatuses and reactors remains strong

The large amount of investments made by the chemical industry continued to be the main engine of demand for DWE's apparatuses and reactors. Our main areas of sales continue to be the USA and Asia, with Europe returning to prominence once more. The largest single order booked was for the building of two fluidized bed crack reactors for a refinery in Taiwan, which will use them to raise the quantities of gasoline and kerosine extracted. The demand for salt bath-cooled chemical reactors also exceeded the already high level of 1995/96.

Our shipbuilding division secured orders for the constructing of a Danube-based hotel ship and of a tanker providing liquid gas on the Rhine. The floating dredger sector experienced further delays in the commissioning of international projects worked on by us.

FCI strengthens its market standing

FCI recorded a good level of new orders, securing a follow-up one for further switch condensers from a customer in the USA. Two complete reactor systems used in the manufacturing of phthalic acid anhydride were ordered by customers in the Far East. We were able to further improve our standing on the market for replacement parts and for services alleviating refinery standstills.

The large amount of new orders did not yet manifest itself in the group division's turnover, as the orders secured by the shipbuilding and reactor business sectors were largely placed in 1996/97's second half. In addition to ones for components going to German power plants, orders invoiced included especially those for chemical reactors supplied to customers in the Far East and the USA. We supplied a reactor used in the manufacturing of sponge iron to a consortium comprised of Klöckner INA and Ferrostaal, for delivery to a customer in Russia.

Earnings remain on a high level

The DWE group division's operating capacities are now working at a high rate of employment, a result of the large amount of new orders secured, and coming after short hours had to be instituted for a time in several areas. To handle this large amount of work, it has become necessary to contract out some of it and to increase our operating capacities by hiring on more employees. They will receive limited-term contracts at the beginning of their employment.

The DWE group division's earnings rose from DM 11 million to DM 15 million in 1996/97. The high level of project-related activities and the positive influence of the strong dollar on our businesses are behind our forecast that we will once more achieve a good rate of profitability in 1997/98.



Shown is a DWE regenerator dome being put into place. Equipped with built-in cyclones, the dome is being lifted on to a FCC (fluid catalytic cracking) facility.

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

Business continued to develop well for the **SMS group** in 1996/97, with the new orders and turnover figures registering further large-sized gains over those of the previous financial year. By adding on carefully selected products and services to our range of offerings, we have laid the foundation for a further strengthening of our standing on markets.

Plant and rolling mills technologies sector improves its position

As part of the reassigning of the MAN Gutehoffnungshütte's operating divisions to other parts of the MAN Group, SMS Schloemann-Siemag took over the division providing smelting systems for blast furnaces and other facilities used in the manufacturing of steel. Also being incorporated into the SMS group are VACMETAL's secondary metallurgical operations and non-German subsidiaries. These acquisitions allow SMS to offer "liquid phase" systems, thus

This is the main control center of the CSP hot rolling mill at Spain's ACB. The facility is highly automatized. The main job of the company's personnel is supervising operations.

extending its range of products and services to cover all the steps involved in the processing and manufacturing of pig iron and steel.

Products from this "one-stop steel specialist" include continuous casting and rolling mill technologies and extend to the shaping and processing of band.

Recording a further rise in new orders secured, the plant and rolling mills technologies business division (as it has been renamed) profited from the recovery of the steel industry.

The plant technologies business area received orders for the building of electric furnaces and for the modernizing of blast furnace facilities. Our copper plate coolers, for which we hold a patent, were in especial demand in this area. The hot rolling mills and continuous casting technologies business areas continued to be very successful, thanks to the CSP (compact strip production) thin slab casting and rolling technology. In addition to ones from the USA, Mexico and Asia, the division booked an order for a CSP-based facility from Thyssen Stahl AG, the first placed by a Germany-based customer. This facility is especially designed to produce high-strength hot slab with the smallest final

SMS group

in DM mill.	1995/96	1996/97
New orders	2 697	3 054
Turnover	2 152	2 752
Personnel (as of June 30)	5 935	6 447
Earnings	86	101

We have by now sold 18 CSP facilities. They have a total annual output of 25 million t. These sales successes have allowed us to further extend our position of leadership on the world's market for this technology, which features an especially high economy of operation.



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



North American Plastics Corp. (Ohio, USA) employs a total of thirteen Battenfeld facilities in the manufacturing of plastic bags. The facilities feature state-of-the-art film and sheet processing technologies.

From molten steel to coils of hot rolled strip in thirty minutes: that's what SMS' new technology for the casting and rolling of thin slab can accomplish. This new technology has revolutionized the production of hot strip.



thickness possible: less than 1 mm. It is the second integrated plant in the world to feature a CSP system. We have by now sold 18 CSP facilities. They have a total annual output of 25 million t. These sales successes have allowed us to further extend our position of leadership on the world's market for this technology, which provides an especially high economy of operation.

The facilities for the casting of slab supplied by the conventional continuous casting sector are among the highest performing and most flexible of their kind. This sector also secured important orders, with these including one for the building of a facility which will cast slab sized 2,200 mm x 400 mm – the thickest of its kind in the world. The slab will be produced in an extremely wide range of steel grades.

Demand for the products from our cold rolling mill/strip processing sector was also strong. Orders for facilities featuring complex technologies came from a customer in the USA, which ordered the world's highest performing tandem cold rolling mill, and from one in Brazil, which we supplied with a joint pickling and cold mill featuring state-of-the-art technologies. The section rolling mills sector received its first order for a "multipurpose section" (MPS) rolling mill. Like the well-proven CSP technology, the MPS one provides much lower costs arising from deformation, and allows its operators to produce an extraordinarily broad range of products. The development of new products in the plant and rolling mills business division ensues largely at the behest of our customers. This assures that the technologies created precisely meet the clients' requirements, and that the innovations directly boost ongoing production operations. A focus of the division's R & D activities is the further development of the CSP technology. Of increasing importance are the products we have developed for the automatic control and automatization sectors.

Plastics processing technologies division develops positively

The world's production of plastic displayed a further rise in 1996/97. The automobile

SMS supplied Thyssen Stahl AG with a vertical bend caster, used to cast slab of up to 2600 mm wide.

manufacturing and supply industries served as the engines of the growth for the plastics processing machines sector, as had been the case in previous years, along with the construction industry in several regions. The Battenfeld Group profited from this trend, recording rates of growth far above those of its sector's average. In the injection molding area, a period of consolidation was succeeded by the resumption of the gaining of further market shares. The extruding technologies sector maintained its position of being the world's leading supplier of pipe, profile and processing technologies. The film and sheet technologies sector was also able to fortify its number one position on world markets. The blowing mold technologies sector, on the other hand, was sold as of January 1, 1997.

Pressing and forging technologies division extends product range

In the pressing and forging technologies division, all of the equity still outstanding in SMS Schloemann GmbH and the Eumuco Hasenclever GmbH was acquired as of July 1, 1996. The activities of these 100% subsidiaries were grouped into the new SMS Eumuco GmbH. In addition, we acquired WDB Ringwalztechnik Wagner Dortmund-Banning GmbH from Thyssen Industrie. These moves have strengthened our standing on the world's markets for pressing and forging technologies and for ring rolling technologies.

A further rise in earnings

The SMS Group's earnings before taxes on income rose from 1995/96's DM 86 million to DM 101 million. Good results were once more achieved by the plant and rolling mills technologies business division. An improvement in profitability was recorded by the plastics processing technologies division. Large-scale encumbrances, on the other hand, accrued in the pressing and forging technologies business division.

We expect our markets to sustain their strength in 1997/98. The large amount of orders on hand and the overall stability of demand lead us to forecast satisfactory levels of new orders and of turnover, and that earnings will rise further.

SHW – components for automotive and industrial production

The **Schwäbische Hüttenwerke GmbH** continued to develop positively in 1996/97. After deducting the results of the machine tool and handheld devices/galvanizing business divisions – which were sold – from 1995/96's accounts, the company recorded sharp rises in new orders and turnover. The intensive efficiency-raising measures instituted in previous years have yielded a major rise in output and an improvement in profitability.

Large amounts of automobile-related supplies

Strongly impelling this upswing was the growth in automobile production in Europe. Our oil pump, sintered formed parts and brake discs divisions are suppliers of components and constituent parts to this industry, in whose growth we participated. The strong rise in sales of oil pumps to the automobile industry was primarily due to the launching of new series of motors equipped with SHW pumps. In our facility in Wilhelmshütte, we started large-scale production of oil pumps for a car manufacturer. The demand for pumps used for non-automobile applications was also strong. As safety considerations are increasingly mandating that cars be equipped with internally ventilated brake discs, demand increased gratifyingly well in this sector.

Largely positive results from industrial engineering divisions

We were able to maintain our position of leadership on the market for calander rolls used by the paper manufacturing industry. Activities were centered around supplying products to paper machines being revamped and new ones,

with these largely located in East Asia. The process technologies division secured new orders at the previous year's level. The sector is facing listless economic conditions in Europe. We have accordingly intensified our activities on markets outside Europe.

The foundry division's facility focuses its energies in producing at the facility in Wasseralfingen highly demanding hand castings, and especially those large-scale casts used in energy generating stations and motors. The closing down of the foundry in the facility in Wilhelmshütte, serving only the local region, was instituted.

Rising profitability allows the recommencing of dividend payouts

SHW has good levels of orders and facility utilization. The measures initiated in previous years to raise operating efficiency and to streamline structures have taken effect. These facts and factors have caused SHW's output to show the expected rise. Earnings before taxes on income increased from DM 1 million in 1995/96 to DM 11 million. This profit allows us to once more start paying dividends to the company's shareholders, and to augment the shareholders' equity through transfers to the reserves. Economic conditions on SHW's markets are being increasingly positively evaluated. That is why we expect facility employment to remain good. We will unswervingly continue to carry out our performance-raising measures. These facts and factors form the basis of our predicting, on the whole, a further year of good business for SHW in 1997/98.

Schwäbische Hüttenwerke GmbH

in DM mill.	1995/96	1996/97
New orders	333	369
Turnover	346	344
Personnel (as of June 30)	1 325	1 339
Earnings	1	11

The intensive efficiency-raising measures instituted in previous years have yielded a major increase in output and an improvement in profitability.



Shown is the processing of bolted-on journals at the Königsbronn production facilities. The journals will go into calander rolls forming part of machines producing paper.



This large-cast hub will be incorporated into a wind-powered energy generating station. It took only one cast to produce the hub, which weighs 13,000 kilograms.

Major affiliated and associated companies of the MAN Group

as of June 30, 1997	Shareholding %	Stockholders' equity DM mill.	Turnover DM mill.	Employees as of end of financial year
MAN Nutzfahrzeuge Aktiengesellschaft, Munich	100	960	6 594	19 652
Österreichische Automobilfabrik ÖAF-Gräf & Stift AG, Vienna/Austria	100	70	320	896
STEYR Nutzfahrzeuge Aktiengesellschaft, Steyr/Austria	100	155	859	2 116
MAN Kamyon ve Otobüs Sanayi Anonim Sirketi, Ankara/Turkey	81	50	185	1 163
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg/South Africa	100	23	120	320
ÖAF & STEYR Nutzfahrzeuge OHG, Vienna/Austria	100	63	643	1 039
MAN Truck & Bus UK Ltd., Swindon/Great Britain	100	31	405	305
MAN Camions et Bus S. A., Evry/France	100	33	306	362
MAN Vehículos Industriales (España) S. A., Madrid/Spain	100	12	306	189
MAN Veicoli Industriali S. p. A., Verona/Italy	100	18	223	100
Ferrostaal Aktiengesellschaft, Essen	100	396	2 940	686
DSD Dillinger Stahlbau GmbH, Saarlouis ^{1) 2)}	100	166	472	4 836
Deutsche Industrianlagengesellschaft mbH (DIAG), Essen ¹⁾	100	192	217	391
Ferrostaal Bewehrungstechnik GmbH, Essen	100	30	270	118
Franz Kirchfeld GmbH & Co. KG, Düsseldorf	100	15	17	33
Ferrostaal Incorporated, Houston/USA	100	40	611	107
MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach	98	555	2 134	7 596
MAN Plamag Druckmaschinen Aktiengesellschaft, Plauen	100	57	262	1 036
MAN Roland Inc., Groton/USA	100	84	395	370
MAN Gutehoffnungshütte Aktiengesellschaft, Oberhausen	100	288	217	687
GHH BORSIG Turbomaschinen GmbH, Oberhausen	100	75	584	1 527
MAN TAKRAF Fördertechnik GmbH, Leipzig	100	130	280	678
MAN B&W Diesel Aktiengesellschaft, Augsburg	100	259	750	2 981
MAN B&W Diesel A/S, Copenhagen/Denmark	100	191	880	2 317
S.E.M.T. Pielstick, St. Denis/France ³⁾	50	58	373	939
MAN Technologie Aktiengesellschaft, Augsburg	100	29	328	997
MAN Dezentrale Energiesysteme GmbH, Augsburg	100	2	133	197
RENK Aktiengesellschaft, Augsburg	76	53	407	1 455
Deggendorfer Werft und Eisenbau GmbH, Deggendorf	100	23	105	419
SMS Aktiengesellschaft, Düsseldorf	51⁴⁾	345	—	5
SMS Schloemann-Siemag Aktiengesellschaft, Düsseldorf and Hilchenbach	100	86	1 255	2 679
Battenfeld GmbH, Meinerzhagen	100	29	181	539
Battenfeld Kunststoffmaschinen Ges. m. b. H., Kottlingbrunn/Austria	100	17	120	331
Battenfeld Extrusionstechnik GmbH, Bad Oeynhausen	100	25	132	366
SMS Eumuco GmbH, Leverkusen	100	14	140	316
SMS Capital Corporation, Pittsburgh/USA ¹⁾	100	106	700	1 048
Schwäbische Hüttenwerke GmbH, Aalen-Wasseraffingen	50	81	344	1 339

Shareholders' capital held in non-German companies has been translated at the mean rate quoted at the balance sheet reporting date, sales figures of these companies at the average annual exchange rate.

¹⁾ sales and employees figures including those of operating subsidiaries ²⁾ deviating financial year 1.1.–30.6.1997 ³⁾ deviating financial year ⁴⁾ parity of voting rights

MAN Group:

Consolidated balance sheet as of June 30, 1997

TDM = in DM thousands

Assets	See notes no.	June 30, 1997 TDM	June 30, 1996 TDM
intangible assets		43 674	36 382
tangible fixed assets		3 105 241	2 963 428
financial assets		467 080	443 796
Fixed assets	(1)	3 615 995	3 443 606
inventories	(2)	9 224 285	8 561 560
prepayments received		– 7 024 611	– 6 562 968
		2 199 674	1 998 592
trade accounts receivable	(3)	4 666 779	4 535 552
other receivables and miscellaneous assets	(3)	991 848	675 654
securities	(4)	1 475 901	1 420 264
liquid funds	(5)	978 922	854 698
Current assets		10 313 124	9 484 760
Prepaid expenses	(6)	92 479	83 314
		14 021 598	13 011 680
Liabilities	See notes no.	June 30, 1997 TDM	June 30, 1996 TDM
subscribed capital		771 000	771 000
capital reserves		1 321 792	1 321 792
retained profits		1 495 178	1 427 506
minority interests		253 956	230 992
Unappropriated profit		215 885	185 045
Shareholders' equity	(7)	4 057 811	3 936 335
Tax-privileged special reserves	(8)	33 501	34 204
provisions for pensions		2 337 838	2 124 533
other provisions		3 761 229	3 445 493
Provisions	(9)	6 099 067	5 570 026
Financial liabilities		716 774	770 049
trade accounts payable		1 764 897	1 574 001
miscellaneous liabilities		1 258 448	1 034 409
Liabilities	(10)	3 740 119	3 378 459
Deferred income	(12)	91 100	92 656
		14 021 598	13 011 680

MAN Group:

Consolidated profit and loss accounts 1996/1997

(TDM = in DM thousands)

	See notes no.	1996/97 TDM	1995/96 TDM
Revenue from sales	(13)	21 354 118	20 269 926
changes in inventories, and other capitalized internal supplies and services	(14)	– 93 452	1 083 175
Total operating performance		21 260 666	21 353 101
other operating income	(15)	574 843	602 538
cost of materials	(16)	– 12 901 196	– 13 209 523
personnel costs	(17)	– 5 562 600	– 5 469 906
depreciation	(18)	– 609 388	– 646 079
other operating expenditure	(19)	– 2 335 309	– 2 213 814
net income/loss from holdings	(20)	76 572	74 968
write-downs of financial assets		– 14 231	– 6 465
net income/loss from interest	(21)	3 606	17 608
Income from ordinary activities		492 963	502 428
taxes on earnings	(22)	– 143 743	– 172 004
Consolidated net income for the financial year		349 220	330 424
profits carried forward from previous year		5	5
profits accruing to other interests		– 35 590	– 32 103
losses accruing to other interests		1 906	4 059
transfers to retained earnings		– 99 656	– 117 340
Unappropriated profit		215 885	185 045

MAN Group: Sources and application of funds in 1996/97

TDM = DM thousands

	1996/97 TDM	1995/96 TDM
net income	349 220	330 424
write-downs of fixed assets	623 619	652 544
transfers to pension reserves	80 677	126 309
other non-operative expenditures and earnings	– 2 611	– 8 424
Cash flow for the year acc. to DVFA/SG	1 050 905	1 100 853
increase in inventories	– 28 956	– 1 233 620
changes in accounts receivable	168 269	– 273 064
changes in prepayments received	– 33 134	643 640
Decline/increase in net funds committed to inventories and receivables	106 179	– 863 044
increase in other reserves	208 110	310 082
other changes resulting from business activities	– 203 853	116 586
Funds accruing from business activities	1 161 341	664 477
investments in tangible fixed and intangible assets	– 603 917	– 617 337
investments in financial assets	– 253 755	– 38 514
revenues from asset disposals	153 588	132 068
Outflow of funds to investments	– 704 084	– 523 783
dividend payouts	– 197 087	– 154 140
changes in minority interests' holdings in consolidated companies	– 27 008	0
repayments of financial obligations	– 124 776	– 210 376
Outflow of funds from financial activities	– 348 871	– 364 516
Operative changes in financial funds	108 386	– 223 822
exchange rate-caused changes in financial funds	10 333	9 069
consolidation-related changes in financial funds	61 142	14 335
Changes in financial funds	179 861	– 200 418

Composition of financial funds and net liquidity

TDM	June 30, 1997	June 30, 1996
liquid funds	978 922	854 698
securities	1 475 901	1 420 264
Financial funds	2 454 823	2 274 962
financial obligations	– 716 774	– 770 049
Net liquidity	1 738 049	1 504 913

Notes to the accounts of the MAN Group 1996/97

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

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

and loss have been calculated using the total costs accounting method.

In a change from the practice of previous years, the expenditure arising from interest paid on funds transferred to the provisions for pensions is not comprised in the personnel costs item, but rather in the net income from interest one. The figure for the previous year has been modified to provide comparability.

Fundamental principles of the consolidated accounts

Consolidated in these accounts are a total of 144 companies. They all operate under the central direction of MAN Aktiengesellschaft:

Number of companies consolidated	in Germany	outside Germany	total
consolidated as of June 30, 1996	70	68	138
initially consolidated in 1996/97	8	9	17
departing in 1996/97	6	5	11
consolidated as of June 30, 1997	72	72	144

A listing of the major affiliated and associated companies of the MAN Group is to be found on page 52 of this report. A complete listing of the shareholdings of the MAN Group has been filed with the commercial registry of Munich's district court, HRB 78 706.

Seventeen companies were added to the Group's roster of consolidated companies since the issuing of the last annual report. Of them, seven companies belong to DSD Dillinger Stahlbau GmbH, Saarlouis (DSD), which was an associated company in the previous year and thus valued at equity. It was after the remaining equity was acquired on January 1, 1997 that the company was fully consolidated. SMS Eumuco Hasenclever GmbH, Leverkusen, was also carried as a minority participation in our 1995/96 accounts, in which it was valued at equity. The company was fully consolidated as of July 1, 1996, after the acquisition of the remaining equity not in Group company hands. Another major company consolidated on an initial basis is MAN Kamyon ve Otobüs Sanayi A. S., Ankara (MANAS), in which we acquired a majority shareholding as of July 1, 1996.

The complete consolidations of the companies into the Group increased the consolidated balance sheet total by some DM 800 million, of which DM 700 million accrued from DSD. These moves have also added on DM 550 million in turnover, of which DM 420 million accrued from DSD, prorated according to the period of time since consolidation.

Six companies have been removed from the consolidated group because of their being merged into other MAN Group companies, as have a further five because of their having been sold or because of their negligible importance.

Two companies affiliated with DSD (in 1995/96: 0) and three participations (in 1995/96: 5) are listed as associates and consolidated using the equity method.

Subsidiaries not included in the consolidated financial statements are of negligible importance as regards the statements of the MAN Group on its assets, finances and earnings.

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

Capital consolidation is made according to the book consolidation method. The prices of acquisition of subsidiaries are calculated at the value of the portion held of the subsidiaries' total share capital at the time of acquisition or at the time of the initial consolidation. Should the costs

Consolidated companies

Principles of consolidation

of acquisition be higher than the value of the portion of the company acquired's shareholders' equity, the resulting surplus is assigned to the subsidiary's assets on a full or partial basis. Any remaining differences accruing are directly charged as goodwill to the Group's retained earnings reserves. Deficits arising from the consolidation of companies are assigned to either the Group's liability reserves or to its reserves, according to the balance-sheet character of the deficits.

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

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

Principles of currency exchange

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

The financial statements of non-German companies are translated according to the reporting date method. The items in their annual accounts and their results for the financial year are translated at the mean

currency exchange rate prevailing on the balance sheet date. The annual average rate is used for the other items in the non-German companies' profit and loss accounts. This results in a translation-caused discrepancy in the profit and loss accounts, which is provided for in the "other operating expenditure" item.

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

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

		rate of exchange on reporting date		average rate of exchange for the financial year	
		June 30, 1997	June 30, 1996	1996/97	1995/96
1	US dollar	1.744	1.522	1.595	1.464
1	pound sterling	2.901	2.358	2.583	2.262
100	French francs	29.66	29.56	29.56	29.19
100	Austrian schillings	14.21	14.21	14.21	14.22
100	Danish crowns	26.27	25.95	26.11	25.83
1000	Italian lire	1.024	0.993	1.002	0.927
100	Spanish pesetas	1.183	1.187	1.183	1.178

Principles of accounting and valuation

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

Tangible fixed assets are valued at the cost of their acquisition or production, less scheduled

and, in some cases, extraordinary depreciation. The manufacturing costs of proprietary-produced items include the direct costs of materials and of manufacturing as well as the portions of capitalized indirect costs liable to taxation. Costs of repair and interest payment arising

from capital from outside sources is reported as expenditure.

Building depreciation is calculated in accordance with the principles of § 7 of Germany's Income Tax Act at the highest rates allowed. The prospective terms of utility amount to between 25 and 50 years. Other depreciation methods constituted by taxation codes are exploited.

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

Special depreciation allowances listed in the individual balance sheets of the Group's consolidated companies in Germany are taken over in the consolidated balance sheets without any change. No increases are made in the valuation of fixed assets in cases in which it is possible to retain the lower valuation in tax balance sheets.

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

Inventories are reported at the cost of acquisition or production, or at the current

market value, should that be lower. Production costs include direct costs as well as appropriate portions of the requisite costs of materials and manufacturing-related overhead, plus the amount of depreciation caused by manufacturing; the valuation corresponds to the capitalized costs of manufacturing liable to taxation. Adequate adjustment in value is made for the risk of reduced asset utility and for impending losses from pending transactions.

Prepayments made and received are reported without inclusion of the proportionate value added tax.

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

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

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

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

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

The accounting of sources and application of funds lists flows of payments discretely, separating them into those accruing from and those going to ordinary business activities, investments and financing activities, in accordance with the precepts of the official statement made by the main technical committee of Germany's Institute

of Auditors. The financial funds comprise the liquid funds and the securities held as current assets. Effects arising from changes in the group's consolidation are eliminated, with this being carried out in the items they affect. Such effects, like the effects on financial funds arising from changes in rates of exchange, are listed separately.

Sources and application of funds

Notes to the consolidated balance sheet

(1) Fixed assets

in DM thousands	Acquisition and production costs						balance on June 30, 1997
	balance on July 1, 1996	initial con- solidations	additions	transfers	disposals	currency adjustments	
Intangible assets	128 550	11 213	29 216	–	– 19 373	1 801	151 407
Tangible fixed assets							
real estate, equivalent titles and buildings, including buildings on land owned by others	3 417 193	180 803	103 707	38 546	– 39 279	16 583	3 717 553
plant and machinery	3 140 261	73 416	179 330	67 319	– 241 651	15 795	3 234 470
other facilities, fittings and fixtures	2 174 366	95 139	194 340	– 20 022	– 205 404	12 172	2 250 591
prepayments made and work in progress	73 198	6 569	97 324	– 85 843	– 3 689	131	87 690
	8 805 018	355 927	574 701	–	– 490 023	44 681	9 290 304
Financial assets							
shares in affiliated companies	129 701	34 169	30 197	1 576	– 3 785	321	192 179
loans to affiliated companies	11 766	7 876	4 183	1 000	– 5 093	25	19 757
shares in associated companies	128 520	18 520	7 188	–	– 2 659	96	151 665
other holdings	148 876	– 54 170	12 390	– 1 576	– 25 065	305	80 760
loans made to companies in which there is a participating interest	4 557	– 4 376	600	–	–	74	855
securities	51 337	3	35 718	–	– 16 850	2 894	73 102
other loans	46 791	2 336	8 001	– 1 000	– 7 554	338	48 912
	521 548	4 358	98 277	–	– 61 006	4 053	567 230
Fixed assets	9 455 116	371 498	702 194	–	– 570 402	50 535	10 008 941

The initial consolidation of new companies caused the total net book value of the intangible assets to rise by DM 4,234,000, and that of the tangible fixed assets to

increase by DM 168,548,000. Of that, DM 142,815,000 arose from the consolidating, as of January 1, 1997, of DSD's companies. The financial assets were reduced by the initial

(2) Inventories

in DM thousands	June 30, 1997	June 30, 1996
raw materials, indirect materials and supplies	781 971	793 883
work in process	5 401 047	4 945 957
finished products, merchandise	1 954 426	1 907 122
prepayments made	1 086 841	914 598
	9 224 285	8 561 560

(3) Receivables and miscellaneous assets

in DM thousands		June 30, 1997	June 30, 1996
	falling due in more than one year	total	total
trade accounts receivable	778 374	4 666 779	4 535 552
receivables from affiliated companies	2 715	147 046	93 962
receivables from companies in which there is a participating interest	316	28 902	45 505
miscellaneous assets	237 398	815 900	536 187
	1 018 803	5 658 627	5 211 206

Accumulated depreciation						Net book value		
value as of July 1, 1996	initial con- solidations	depreciation during the year	transfers	disposals	currency adjustments	value as of June 30, 1997	as of June 30, 1997	as of June 30, 1996
92 168	6 979	24 915	–	– 17 894	1 565	107 733	43 674	36 382
1 616 696	68 529	100 793	618	– 26 480	4 496	1 764 652	1 952 901	1 800 497
2 520 419	54 239	259 473	27 070	– 239 638	10 557	2 632 120	602 350	619 842
1 703 923	64 611	221 243	– 27 137	– 185 963	8 649	1 785 326	465 265	470 443
552	–	2 964	– 551	–	–	2 965	84 725	72 646
5 841 590	187 379	584 473	–	– 452 081	23 702	6 185 063	3 105 241	2 963 428
25 892	41 460	6 122	238	– 2 699	– 8	71 005	121 174	103 809
1 151	–	1 952	–	– 1 547	– 18	1 538	18 219	10 615
–	–	–	–	–	–	–	151 665	128 520
26 413	439	4 962	– 238	– 14 277	88	17 387	63 373	122 463
–	–	736	–	–	69	805	50	4 557
15 134	–	–	–	– 15 010	– 1	123	72 979	36 203
9 162	43	459	–	– 699	327	9 292	39 620	37 629
77 752	41 942	14 231	–	– 34 232	457	100 150	467 080	443 796
6 011 510	236 300	623 619	–	– 504 207	25 724	6 392 946	3 615 995	3 443 606

consolidation and by the valuating at equity on a first-time basis of associated companies, with this amounting to DM 37,584,000. Of the depreciation of financial assets,

DM 8,649,000 (in 1995/96: 0) was non-scheduled.

This item consists of funds invested in fixed interest-bearing securities.

These are largely available at short notice.

(4) Securities

These consist of funds at credit institutions, including time deposits, checks, cash on hand as

well as deposits at the Bundesbank (Germany's central bank) and at the Post Office's girobank.

(5) Liquid funds

in DM thousands	June 30, 1997	June 30, 1996
discounts	286	147
tax accruals	26 773	22 456
other accruals	65 420	60 711
	92 479	83 314

(6) Prepaid expenses

Tax accruals comprise taxes deferred in the course of consolidation processes and reserves

formed by subsidiaries to provide for deferred taxes.

(7) Shareholders' equity

in DM thousands	total as of June 30, 1996	net income 1996/97	dividends	other changes	total as of June 30, 1997
subscribed capital MAN AG	771 000				771 000
capital reserves MAN AG	1 321 792				1 321 792
retained earnings reserves	1 427 506	99 656		– 31 984	1 495 178
minority interests	230 992	33 684	– 12 047	1 327	253 956
unappropriated profit	185 045	215 880	– 185 040		215 885
	3 936 335	349 220	– 197 087	– 30 657	4 057 811

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

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

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

The Group's **retained earnings reserves** include those of MAN Aktiengesellschaft, as

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

The **minority interests** hold equity in consolidated subsidiaries, with this largely comprising the holdings of outside interests in the SMS group, amounting to DM 223 million, and in RENK AG, amounting to DM 13 million.

The other changes in the retained earnings reserves and the minority interests items contain the charging of goodwill of companies being consolidated for the first time or of companies being valued at equity, with this amounting to – DM 42 million; the reduction in shareholders' funds resulting from the purchasing of the holdings of outside interests in subsidiaries already consolidated into the group and amounting to – DM 27 million; and currency-caused adjustments amounting to + DM 38 million.

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

(8) Tax-privileged special reserves

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

(9) Provisions

in DM thousands	June 30, 1997	June 30, 1996
reserves for pensions	2 337 838	2 124 533
tax-related reserves	206 888	136 654
personnel-related reserves	752 773	669 401
business-related reserves	1 621 045	1 489 106
other reserves	1 180 523	1 150 332
	6 099 067	5 570 026

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

The reserves for personnel-related matters are primarily comprised of accruals made for employees with vacation time still outstanding, for annual gratuities, for expenditures for work-related anniversaries as well as for

termination-of-employment and related compensation.

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

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

in DM thousands		June 30, 1997	June 30, 1996
	due within one year	total	total
liabilities to credit institutions	483 484	716 774	770 049
trade accounts payable	1 722 565	1 764 897	1 574 001
liabilities to affiliated companies	127 006	128 652	68 968
liabilities to companies in which there is a participating interest	144 834	203 578	230 532
miscellaneous liabilities	899 513	926 218	734 909
	3 377 402	3 740 119	3 378 459

(10) Liabilities

The liabilities to credit institutions are also comprised of order-related refinancing, of which DM 282,106,000 is secured through the assignment of claims.

The miscellaneous liabilities include tax liabilities amounting to DM 219,940,000 (in 1995/96: DM 173,578,000) and DM 149,353,000 (in 1995/96: DM 131,664,000) accruing from social account payments.

Of the liabilities, a total of DM 273,775,000 has a remaining term of between one and 5 years. Of that, DM 171,200,000 is due to credit institutions. DM 88,942,000 has a remaining term of more than five years, of which DM 62,090,000 is due to credit institutions.

Of the liabilities to credit institutions, DM 27,461,000 is secured by encumbrances on real property.

(11) **Contingent liabilities and other financial obligations**

in DM thousands	June 30, 1997	June 30, 1996
Notes payable	188 858	152 489
Obligations arising from guarantees	195 172	124 717
Obligations arising from warranties	238 330	199 919
	622 360	477 125

The rise in contingent liabilities arising from commitments made in the form of guarantees is primarily attributable to the consolidation of DSD. The obligations arising from warranties have primarily been entered into with financial corporations providing financing for sales of products in North America.

The other financial obligations are comprised of rent, hiring and leasing contracts. As of June 30, 1997, these obligations amounted to a total

of DM 766,183,000. Divided according to due dates, the obligations amounted to

falling due within one year	DM 129,676,000
falling due within two to four years	DM 249,218,000
falling due after more than four years	DM 387,289,000

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

(12) **Deferred income**

This item serves to assign income from leasing installments, rentals, hire arrangements and

interest over an appropriate period of time.

Notes to the profit and loss accounts

(13) **Revenues from sales**

Sales according to markets

in DM thousands	1996/97	1995/96
Federal Republic of Germany	6 841 661	7 094 143
other EU countries	5 216 214	4 966 333
other European countries	1 822 185	1 452 408
Asia	2 362 136	2 586 912
North and South America	3 416 371	2 798 222
Africa	1 530 065	1 085 401
Australia and Pacific	165 486	286 507
	21 354 118	20 269 926

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

in DM thousands	1996/97	1995/96
increase/decrease in the value of inventories of finished products and of works in process	- 137 732	1 042 171
other capitalized internal supplies and services	44 280	41 004
	- 93 452	1 083 175

(15) **Other operating income**

This item includes income accruing from the disposal of fixed assets, amounting to DM 104 million (1995/96: DM 77 million); from the retransferring of reserves, amounting to DM 85 million (in 1995/96: DM 125 million); from rental, hire and leasing agreements, amounting to DM 33 million (in 1995/96:

DM 42 million); from the charging on of expenditures, amounting to DM 33 million (in 1995/96: DM 54 million) and from the retransferring of tax-privileged special reserves, amounting to DM 4 million (in 1995/96: DM 18 million).

in DM thousands	1996/97	1995/96
expenditures for raw materials, indirect materials, supplies and goods purchased	11 251 642	11 762 116
expenditures for services purchased	1 649 554	1 447 407
	12 901 196	13 209 523

(16) **Cost of materials**

in DM thousands	1996/97	1995/96
wages and salaries	4 565 592	4 502 609
contributions to social accounts and expenditures for old-age pensions and benefit payments	997 008	967 297
	5 562 600	5 469 906

(17) **Personnel costs**

The expenditures for old-age care amounted to DM 134,632,000 (in 1995/96: DM 172,661,000). Not comprised was the interest paid on transfers to reserves for

pensions. This amounted to DM 123,838,000 (1995/96: DM 113,134,000), which is listed in the income from interest-paying investments item.

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

	1996/97	1995/96
employees paid on an hourly basis	34 433	32 840
salaried staff	26 391	24 808
	60 824	57 648

The DSD companies employed an average of 4,620 persons during the period January 1 – June 30, 1997, their short fiscal year.

This figure has been incorporated into the MAN Group's average number on a prorated basis.

in DM thousands	1996/97	1995/96
depreciation of intangible assets	24 915	23 431
depreciation of tangible fixed assets	584 473	622 648
	609 388	646 079

(18) **Depreciation**

The depreciation of tangible fixed assets item contains special tax depreciation of DM 9,272,000 (in 1995/96: DM 22,785,000) and non-scheduled depreciation of DM 6,123,000 (in 1995/96: 0).

Viewed as a whole, the earnings of the MAN Group were only marginally affected by tax-related depreciation, and by the balance

of transfers to and retransfers from tax-privileged special reserves and the changes in taxation ensuing from it. Due to the exploiting of tax allowances, we expect to have a lower rate of expenditures in the forthcoming years, which will be coupled with larger amounts of taxes on income, corresponding to the tax brackets to be applied at the time.

(19) Other operating expenditures

This item primarily contains operating expenditures arising from distribution and administrative activities, amounting to DM 1,507,000 (in 1995/96: DM 1,424,000); from rentals, hire arrangements, and leasing installments, amounting to DM 226 million (in 1995/96: DM 232 million); from writedowns on receivables, with these costs including

accruals from interest payments incurred from long-term transactions, amounting to DM 81 million (1995/96: DM 119 million); expenditures for other taxes, amounting to DM 67 million (in 1995/96: DM 55 million), as well as transfers to tax-privileged special reserves, amounting to DM 4 million (in 1995/96: DM 14 million).

(20) Income from investments in affiliates

in DM thousands	1996/97	1995/96
income from profit transfer agreements	2 744	8 052
income from associated companies	36 763	32 747
income from other shareholdings	42 410	38 888
expenditures arising from assumption of loss	– 5 345	– 4 719
	76 572	74 968

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

in DM thousands	1996/97	1995/96
income from profit transfer agreements	1 436	3 697
income from other shareholdings	32 041	26 152
expenditures arising from assumption of loss	– 5 345	– 4 719

(23) Information on the Group's segments

Results and financial information segmented according to areas of business activity

in DM thousands	Turnover		
	in Germany 1996/97	other Europe 1996/97	other regions 1996/97
commercial vehicles	3 794 704	3 521 098	638 920
industrial services	861 316	661 252	2 792 765
printing machines	780 202	775 408	915 605
Diesel engines	373 795	582 928	659 299
other industrial systems and facilities	1 411 715	1 495 998	2 494 067
intra-group consolidations	– 380 071	1 715	– 26 598
	6 841 661	7 038 399	7 474 058

The operating results of associated companies have been reported before deducting for income tax. The proportionate income tax payments

of DM 11 million (1995/96: DM 16 million) have been included in the Group's tax expenditure total.

in DM thousands	1996/97	1995/96
income from other securities and from loans held as financial assets	4 204	4 877
other interest earned and similar income	264 400	274 825
interest paid and similar expenditures	– 141 160	– 148 960
interest paid on transfers to pension reserves	– 123 838	– 113 134
	3 606	17 608

(21) **Income from interest-paying investments**

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

in DM thousands	1996/97	1995/96
income from loans held as financial assets	483	272
other interest earned and similar income	3 639	1 911
interest paid and similar expenditures	– 5 057	– 5 389

DM 58,894,000 in taxes on income and revenues was incurred in previous financial years.

(22) **Taxes on income**

(23) **Information on the Groups' segments**

		earnings before taxes on income		assets		investments		depreciation	
total	total								
1996/97	1995/96	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
7 954 722	7 984 132	182 240	260 733	4 856 205	5 025 016	303 247	321 315	274 485	298 792
4 315 333	3 837 365	142 950	105 336	2 528 838	1 763 967	38 621	25 577	27 830	14 352
2 471 215	2 360 680	– 115 418	– 80 976	1 920 448	1 977 159	55 655	79 893	78 158	90 184
1 616 022	1 529 089	131 336	141 321	1 135 431	1 058 951	88 600	63 330	58 378	50 933
5 401 780	4 895 861	107 958	93 887	4 183 601	3 979 477	195 177	140 130	132 664	124 326
– 404 954	– 337 201	43 897	– 17 873	– 602 925	– 792 890	20 894	25 606	52 104	73 957
21 354 118	20 269 926	492 963	502 428	14 021 598	13 011 680	702 194	655 851	623 619	652 544

The assets are comprised of the fixed assets, current assets and financial funds held by the group divisions. As a portion of the liquidity is disposed of by MAN AG for intra-group financing operations, the total assets of the MAN Group are less than the sum of those of its individual segments. A more detailed

listing of the group divisions' facts and figures, containing their financial statements and other key indicators, is to be found starting on page 70.

(24) Derivative financial instruments

MAN employs derivative-based financial instruments exclusively to secure itself against risks arising from changes in rates of interest and foreign exchange. As of June 30, 1997, DM 615 million in basic transactions carried out by the MAN Group had been secured against changes in rates of interest, and DM 4,914 million had been secured against changes in rates of foreign exchange.

Some 85 % of the latter have a term of less than one year. All derivative-related financial transactions are only undertaken with banks of unimpeachable financial standing. The use of these instrumentalities is strictly monitored. This monitoring is especially assured through the separation of trading, invoicing and controlling operations.

Other information

Remuneration of the supervisory board and of the executive board

Under the provision that the proposed dividend pay-out will be approved by the general meeting of shareholders, the members of the supervisory board will receive a total of DM 1,470,000 (in 1995/96: DM 1,259,000) in remuneration. The corresponding figure for the members of the executive board will be DM 7,162,000 (in 1995/96: DM 8,266,000). Payments to former members of the executive board or their surviving dependents came to DM 6,076,000 (in 1995/96: DM 3,647,000). Some DM 47,874,000 (in 1995/96: DM 36,371,000) has been allocated to meet pension obligations involving former members of the executive board or their surviving dependents.

A loan has been made to a member of the supervisory board. This loan bears a 6 % annual rate of interest and an agreed-upon term of 25 years. On June 30, 1997, the amount outstanding was DM 85,000 (a year earlier: DM 88,000).

Listings of the members of the supervisory board and of the executive board are to be found on page 2 of this report.

Munich, September 26, 1997
MAN Aktiengesellschaft

The Executive Board

Auditors' report

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

Munich, October 7, 1997

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff
Independent
Public Accountant

Goppelt
Independent
Public Accountant

Financial statements of MAN Aktiengesellschaft as of June 30, 1997

MAN Aktiengesellschaft: balance sheets

(TDM = in DM thousands)	June 30, 1997 TDM	June 30, 1996 TDM
Assets		
intangible assets	374	137
tangible fixed assets	48 272	20 711
financial assets	2 343 070	2 451 431
Fixed assets	2 391 716	2 472 279
receivables from affiliated companies	2 926 643	3 128 499
other receivables and miscellaneous assets	68 273	22 408
securities	34 890	40 315
liquid funds	553 536	423 568
Current assets	3 583 342	3 614 790
accruals and deferrals	542	580
	5 975 600	6 087 649

Liabilities

subscribed capital	771 000	771 000
capital reserves	1 321 792	1 321 792
retained earnings	635 108	615 108
unappropriated profit	215 885	185 045
Shareholders' equity	2 943 785	2 892 945
Tax-privileged special reserves	4 246	3 822
provisions for pensions	129 249	121 087
other provisions	395 906	526 346
Provisions	525 155	647 433
Liabilities to affiliated companies	2 470 078	2 513 889
other liabilities	32 336	29 560
Liabilities	2 502 414	2 543 449
	5 975 600	6 087 649

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

MAN Aktiengesellschaft: profit and loss accounts

(TDM = in DM thousands)	1996/97 TDM	1995/96 TDM
income from investments in affiliates	271 975	353 688
income from interest-paying investments	46 387	44 863
other operating income	139 929	113 103
personnel costs	– 49 714	– 52 019
depreciation and other operating expenditures	– 121 702	– 156 307
Income from ordinary business activities	286 875	303 328
taxes on income	– 50 995	– 98 288
Net income	235 880	205 040
profits brought forward from previous year	5	5
transfers to retained earnings	– 20 000	– 20 000
Unappropriated profit	215 885	185 045

Proposal for the distribution of profits

The financial statements of MAN Aktiengesellschaft as of June 30, 1997 show an unappropriated profit of DM 215,885,055. It will be proposed to the general meeting of shareholders that this sum be distributed as follows:

pay-out of a dividend of DM 14 per share of DM 50 par value	215 880 000 DM
profit carried forward	5 055 DM
net profit for the year	215 885 055 DM

The dividend does not come with a tax credit.

Munich, September 26, 1997

The Executive Board

Summarized financial statements of MAN Group companies

in DM million	MAN Nutzfahrzeuge group division		Ferrostaal group division	
	1996/97	1995/96	1996/97	1995/96
Fixed assets	1 427	1 404	347	197
Inventories	1 821	1 973	1 878	1 013
Receivables and other assets (incl. accr. and def.)	1 610	1 611	2 701	2 311
Securities and liquid funds	52	71	687	665
Current assets	3 483	3 655	5 266	3 989
Total assets	4 910	5 059	5 613	4 186
Shareholders' funds	1 030	1 036	672	618
Tax-privileged special reserves	1	2	22	23
Provisions for pensions	668	638	299	156
Other reserves	877	890	513	386
Prepayments received	53	34	3 084	2 422
Other liabilities (incl. accr. and def.)	2 281	2 459	1 023	581
Capital from outside sources	3 880	4 023	4 941	3 568
Capital resources	4 910	5 059	5 613	4 186
Revenues from sales	7 955	7 984	4 315	3 837
Changes in inventories and other capitalized costs of internal supplies and services	– 99	352	59	8
Total operating performance	7 856	8 336	4 374	3 845
Costs of materials	– 4 532	– 4 906	– 3 665	– 3 378
Personnel costs	– 2 240	– 2 266	– 327	– 169
Depreciation of tangible fixed and intangible assets	– 273	– 297	– 25	– 12
Other income and expenditures	– 507	– 506	– 322	– 298
Income/loss from interest	– 122	– 100	108	117
Income from ordinary activities	182	261	143	105
Taxes on income	– 57	– 93	– 56	– 36
Net income/loss	125	168	87	69
Transfers to (–)/withdrawals (+) from reserves	– 5	– 29	– 55	– 37
Income (–)/losses (+) accruing to minority interests	– 1	–	–	–
Profit/loss transferred to MAN AG	119	139	32	32
New orders	8 126	7 539	5 269	3 954
of which from Germany	3 809	3 860	1 001	700
of which from outside Germany	4 317	3 679	4 268	3 254
Orders on hand as of June 30	2 491	2 296	4 978	3 205
Personnel as of June 30 (number)	27 031	26 592	6 537	1 611
in Germany	19 849	20 435	3 908	1 324
outside Germany	7 182	6 157	2 629	287
Personnel expressed as annual average (number)	27 319	26 547	4 024	1 581
Investments in tangible fixed and intangible assets	293	315	25	15
Cash flow for the year acc. to DVFA/SG	426	516	122	102
Net operating margin (after taxes on income)	1.6%	2.1%	2.0%	1.8%
Rate of return on interest-bearing capital	10.3%	12.8%	18.4%	15.6%
Ratio of cash flow acc. to DVFA/SG to turnover	5.4%	6.5%	2.8%	2.7%

MAN Roland group division		MAN Gutehoffnungshütte group division		MAN B&W Diesel group division	
1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
466	507	132	139	294	268
1 206	1 322	657	1 060	621	514
534	612	1 394	1 525	388	380
4	2	11	12	7	10
1 744	1 936	2 062	2 597	1 016	904
2 210	2 443	2 194	2 736	1 310	1 172
528	539	329	314	397	372
—	—	—	—	—	—
268	258	380	402	155	152
278	226	429	387	272	271
289	466	545	942	175	113
847	954	511	691	311	264
1 682	1 904	1 865	2 422	913	800
2 210	2 443	2 194	2 736	1 310	1 172
2 471	2 361	1 604	1 792	1 616	1 529
— 120	139	— 1	94	90	98
2 351	2 500	1 603	1 886	1 706	1 627
— 1 196	— 1 211	— 922	— 1 196	— 886	— 793
— 883	— 963	— 507	— 548	— 492	— 492
— 78	— 90	— 37	— 35	— 56	— 49
— 258	— 263	— 175	— 138	— 137	— 150
— 51	— 54	—	6	— 4	— 2
— 115	— 81	— 38	— 25	131	141
— 3	— 2	— 2	—	— 42	— 46
— 118	— 83	— 40	— 25	89	95
—	2	— 32	2	— 22	— 11
— 1	—	—	— 1	—	—
— 119	— 81	— 72	— 24	67	84
2 298	2 235	1 528	1 855	1 730	1 703
639	661	674	728	369	381
1 659	1 574	854	1 127	1 361	1 322
1 612	1 776	1 636	2 543	1 281	1 179
9 383	10 006	4 124	4 807	5 419	5 339
8 991	9 549	4 051	4 694	3 014	2 997
392	457	73	113	2 405	2 342
9 681	9 998	4 487	4 724	5 429	5 293
53	77	36	28	75	60
— 32	23	— 4	11	151	154
— 4.8%	— 3.5%	— 2.5%	— 1.4%	5.5%	6.2%
— 3.2%	— 0.6%	0.7%	3.0%	26.2%	28.4%
— 1.3%	1.0%	0.0%	0.6%	9.3%	10.0%

in DM mill.	MAN Technologie group division		RENK group division*	
	1996/97	1995/96	1996/97	1995/96
Fixed assets	83	67	79	93
Inventories	222	208	166	184
Receivables and other assets (incl. accr. and def.)	140	161	131	121
Securities and liquid funds	–	–	3	3
Current assets	362	369	300	308
Total assets	445	436	379	401
Shareholders' funds	29	29	50	42
Tax-privileged special reserves	–	1	2	–
Provisions for pensions	60	53	62	59
Other reserves	59	46	53	53
Prepayments received	241	230	69	61
Other liabilities (incl. accr. and def.)	56	77	143	186
Capital from outside sources	416	407	329	359
Capital resources	445	436	379	401
Revenues from sales	461	426	466	407
Changes in inventories and other capitalized costs of internal supplies and services	12	2	– 16	23
Total operating performance	473	428	450	430
Costs of materials	– 257	– 227	– 213	– 208
Personnel costs	– 141	– 126	– 160	– 160
Depreciation of tangible fixed and intangible assets	– 14	– 15	– 19	– 18
Other income and expenditures	– 38	– 34	– 44	– 41
Income/loss from interest	0	0	– 7	– 7
Income from ordinary activities	23	26	7	– 4
Taxes on income	– 12	– 11	– 1	–
Net income/loss	11	15	6	– 4
Transfers to (–)/withdrawals (+) from reserves	–	–	– 6	2
Income (–)/losses (+) accruing to minority interests	–	–	–	2
Profit/loss transferred to MAN AG	11	15	–	–
New orders	422	580	550	525
of which from Germany	153	108	192	219
of which from outside Germany	269	472	358	306
Orders on hand as of June 30	740	801	597	513
Personnel as of June 30 (number)	1 194	1 092	1 685	1 708
in Germany	1 194	1 092	1 455	1 448
outside Germany	–	–	230	260
Personnel expressed as annual average (number)	1 144	1 062	1 704	1 717
Investments in tangible fixed and intangible assets	31	15	9	15
Cash flow for the year acc. to DVFA/SG	32	36	34	15
Net operating margin (after taxes on income)	2.4%	3.6%	1.3%	– 1.0%
Rate of return on interest-bearing capital	32.1%	38.0%	6.9%	2.1%
Ratio of cash flow acc. to DVFA/SG to turnover	7.0%	8.4%	7.3%	3.8%

*) RENK group division: including change in balance sheet loss

Deggendorfer Werft and Eisenbau group division		SMS group		Schwäbische Hüttenwerke GmbH	
1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
18	17	359	304	61	56
35	29	2 024	1 696	43	46
64	46	1 035	826	109	90
1	1	1 101	1 026	12	10
100	76	4 160	3 548	164	146
118	93	4 519	3 852	225	202
23	22	422	378	81	72
—	—	4	5	—	1
15	14	296	262	30	30
24	12	707	550	62	47
46	33	2 569	2 273	6	7
10	12	521	384	46	45
95	71	4 097	3 474	144	130
118	93	4 519	3 852	225	202
119	119	2 752	2 152	344	346
5	1	— 95	339	1	2
124	120	2 657	2 491	345	348
— 54	— 52	— 1 544	— 1 543	— 169	— 164
— 43	— 44	— 714	— 647	— 125	— 130
— 3	— 3	— 52	— 52	— 19	— 20
— 10	— 10	— 299	— 211	— 23	— 34
1	—	53	48	2	1
15	11	101	86	11	1
— 7	— 5	— 39	— 27	— 2	—
8	6	62	59	9	1
—	—	— 42	— 40	—	—
—	—	— 9	— 9	—	—
8	6	11	10	—	—
246	104	3 054	2 697	369	333
105	33	827	291	227	202
141	71	2 227	2 406	142	131
223	100	6 468	5 360	170	145
503	490	6 447	5 935	1 339	1 325
419	406	4 039	3 728	1 339	1 325
84	84	2 408	2 207	—	—
498	491	6 295	5 962	1 327	1 423
4	3	64	68	23	18
12	10	129	119	28	22
6.7%	5.0%	2.3%	2.7%	2.6%	0.3%
42.3%	31.5%	17.0%	16.4%	11.6%	3.4%
10.2%	8.6%	4.7%	5.5%	8.2%	6.4%

The MAN Group: a seven-year overview

in DM mill.	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
New orders	20 663	18 096	16 672	18 463	20 602	20 787	22 700
in Germany	9 431	8 344	6 673	6 489	7 059	6 567	7 261
outside Germany	11 232	9 752	9 999	11 974	13 543	14 220	15 439
New orders acc. to area of activity							
commercial vehicles	9 048	7 215	6 255	6 775	7 734	7 539	8 126
industrial services	3 906	3 310	3 194	3 519	3 860	3 954	5 269
printing machines	2 311	1 765	1 596	2 094	2 379	2 235	2 298
Diesel engines	1 287	1 659	1 543	1 659	1 658	1 703	1 730
other industrial systems and facilities	4 626	4 483	4 424	4 793	5 342	5 761	5 800
intra-group orders	- 515	- 336	- 340	- 377	- 371	- 405	- 523
Turnover	19 031	19 171	18 972	18 144	18 602	20 270	21 354
in Germany	7 246	8 398	7 975	6 929	7 056	7 094	6 842
outside Germany	11 785	10 773	10 997	11 215	11 546	13 176	14 512
Turnover acc. to area of activity							
commercial vehicles	7 391	7 901	7 236	6 903	7 236	7 984	7 955
industrial services	3 406	3 208	3 559	3 606	4 028	3 837	4 315
printing machines	2 538	2 369	2 237	2 041	2 002	2 361	2 471
Diesel engines	1 404	1 442	1 543	1 576	1 607	1 529	1 616
other industrial systems and facilities	4 921	4 631	4 745	4 421	4 103	4 896	5 402
intra-group sales	- 629	- 380	- 348	- 403	- 374	- 337	- 405
Orders on hand as of June 30	18 394	16 792	14 360	15 139	16 891	17 621	19 704
from Germany	6 335	6 017	4 549	4 080	4 026	3 567	4 540
from outside Germany	12 059	10 775	9 811	11 059	12 865	14 054	15 164
Number of employees as of June 30 – number	64 604	63 256	60 837	56 997	56 503	57 826	62 564
employed by companies in Germany	52 779	51 910	49 893	46 164	45 085	45 919	47 161
employed by companies outside Germany	11 825	11 346	10 944	10 833	11 418	11 907	15 403
Personnel average for the year	64 170	64 292	62 720	58 527	56 112	57 648	60 824
personnel costs per employee in DM	76 347	80 026	84 052	84 804	88 757	94 885	91 454
Investments and financing							
Investments in tangible fixed and in intangible assets	899	1 001	932	688	545	617	604
Investments in financial assets							
and in the acquisition of holdings	115	105	76	61	117	39	254
Depreciation	618	657	711	721	692	653	624
Cash flow acc. to DVFA/SG	1 410	1 158	941	771	1 037	1 101	1 051
Key figures in percent							
Equity ratio	27.9	28.5	27.8	29.4	30.0	30.3	28.9
Fixed assets to shareholders' equity ratio	108.0	101.9	95.3	98.3	108.1	114.3	112.2
Net operating margin (after taxes on income)	2.1	2.2	1.2	0.9	1.5	1.6	1.6
Net return on shareholders' equity (after taxes on income)	11.7	11.8	6.4	4.4	7.3	8.6	8.7
Return on interest-bearing capital	16.6	15.3	9.5	6.9	8.9	10.8	10.4
Ratio of cash flow acc. to DVFA/SG to turnover	7.4	6.0	5.0	4.2	5.6	5.4	4.9
Ratio of cash flow + interest expenditure to interest-bearing capital	23.9	20.5	16.2	13.5	16.9	17.6	16.3
Income per share acc. to DVFA/SG in DM	31.60	33.00	15.10	9.10	22.70	26.00	23.80
Cash flow per share acc. to DVFA/SG in DM	88.90	74.10	57.40	47.00	63.70	67.00	63.00

in DM mill.	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Fixed assets	3 224	3 559	3 790	3 709	3 482	3 444	3 616
Inventories	6 736	7 023	6 679	6 192	7 328	8 562	9 224
Prepayments received	– 5 698	– 5 664	– 5 346	– 5 214	– 5 919	– 6 563	– 7 024
Receivables and other assets (inc. accr. and def.)	6 024	5 869	5 798	5 711	5 175	5 294	5 751
Securities and liquid funds	2 189	1 928	2 050	2 024	2 475	2 275	2 455
Current assets	9 251	9 156	9 181	8 713	9 059	9 568	10 406
Total assets	12 475	12 715	12 971	12 422	12 541	13 012	14 022
Shareholders' funds	3 481	3 627	3 611	3 647	3 763	3 936	4 058
Tax-privileged special reserves	342	304	168	29	42	34	33
Reserves for pensions	1 588	1 712	1 931	1 964	1 994	2 125	2 338
Other reserves	3 000	3 168	3 124	3 088	3 135	3 446	3 761
Financial liabilities	1 590	1 433	1 662	1 273	980	770	717
Other liabilities (inc accr. and def.)	2 474	2 471	2 475	2 421	2 627	2 701	3 115
Capital from outside sources	8 994	9 088	9 360	8 775	8 778	9 076	9 964
Total capital	12 475	12 715	12 971	12 422	12 541	13 012	14 022
Revenues from sales	19 031	19 171	18 972	18 144	18 602	20 270	21 354
Changes in inventories and other capitalized costs of internal supplies and services	151	408	– 194	– 285	488	1 083	– 93
Total operating performance	19 182	19 579	18 778	17 859	19 090	21 353	21 261
Costs of materials	– 11 179	– 11 164	– 11 077	– 10 665	– 11 599	– 13 210	– 12 901
Personnel costs*)	– 4 899	– 5 146	– 5 271	– 4 963	– 4 981	– 5 470	– 5 563
Depreciation of tangible fixed and intangible assets	– 569	– 649	– 702	– 705	– 685	– 646	– 609
Other income and expenditures	– 1 753	– 1 972	– 1 414	– 1 344	– 1 501	– 1 542	– 1 698
Income/loss from interest*)	29	48	25	2	34	17	3
Income from ordinary activities	811	696	339	184	358	502	493
Taxes on income	– 405	– 278	– 109	– 24	– 86	– 172	– 144
Net income/loss	406	418	230	160	272	330	349
Profit/loss accruing to minority interests	24	10	8	10	16	28	33
Transfers to reserves	197	223	91	42	110	117	100
Dividend pay-out, MAN AG	185	185	131	108	146	185	216
Dividend pay-out per share in DM	12.00	12.00	8.50	7.00	9.50	12.00	14.00
Gross dividend, including tax credit	18.75	18.75	12.14	10.00	13.57	16.07	14.00
MAN's shares: facts and figures							
Shareholders' funds per share DM	212.60	222.70	220.60	222.70	230.20	240.30	246.70
Quotation (as of June 30) DM							
– ordinary shares (DM)	386.00	383.20	285.00	393.50	355.50	378.80	540.00
– preference shares (DM)	302.00	299.00	237.50	308.50	276.00	294.00	440.00
Price-earnings ratio (as of June 30)							
– ordinary shares	12.2	11.6	18.9	43.2	15.7	14.6	22.7
– preference shares	9.6	9.1	15.7	33.9	12.2	11.3	18.5

*) Expenditures for interest arising from transfer to the pension reserves are reported in the "income/loss from interest" item

Products and services of the MAN Group

MAN Nutzfahrzeuge

Trucks

Dropsiders, tippers, semitrailer tractors and chassis for interchangeable and fixed bodies of all types, in forward control drive



- ❑ with outputs of between 75 and 441 kW (102 to 600 HP),
- ❑ with 6 to 50 t permissible gross vehicle weight,
- ❑ with 2, 3, 4 or 5 axles,
- ❑ with leaf, leaf/air and all-air suspension,
- ❑ available with all-wheel drive.

Highly-mobile all-terrain trucks with low torque box section-type frames, progressive coil springs, four wheel drive and individual tires

- ❑ with up to 32 t gross vehicle weight,
- ❑ with 2, 3 or 4 axles.

Buses

Touring coaches, inter-city coaches, scheduled service buses as rigid frame, articulated or double decker buses; chassis with 2 or 3 axles, with Diesel, gas-driven, electric or Diesel-electric propulsion systems.



Diesel engines

for automotive and industrial uses, with outputs of between 75 and 735 kW (102 to 1000 HP), for gensets and pumps, with outputs of between 116 and 682 kW (158 to 927 HP), for tracked vehicles, with outputs of between 133 and 735 kW (181 to 1000 HP), for marine power systems, with outputs of between 60 to 882 kW (82 to 1200 HP).

Gas motors

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

Components

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

Services

MAN's EuroService is available on a 24-hour-a-day basis.

Spare parts supply, MAN's ComfortServiceSystem, full-service leasing and full-service hire, fleet management, logistics consulting services, mobile communication operations, automotive engineering and superstructures consulting services, drive and save training courses, in-class and on-the-road driver instruction programs, stationary and mobile workshops for marine and industrial Diesel engines.

Ferrostaal

Industrial services

Design, delivery, assembly and starting up of industrial facilities of every kind, including steel-based



structures; acting outside Germany as both general contractor or consortium member (in large-scale projects), particularly for producers and processors of steel, aluminium and other metals; for the petrochemical, pulp, paper, wood, furniture and food-processing industries and for the industrial equipment sector.

Planning and carrying out of infrastructural projects of all kinds, with these including bridge building, the constructing or extending of track-based passenger and freight transport systems and facilities, and of systems used in airports; the supplying of railroad equipment, ships and ship equipment packages, port and shipyard facilities, as well as power plants and waterworks.

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



Worldwide distribution of and the provision of services for machine tools and plastics processing, textile, printing, packaging and woodworking machines. Trading in steel products and non-ferrous metals in both Germany and abroad, including the provision of related transport and financing services. The furnishing of logistics services supplying steel, individual components and pre-assembled systems on a just-in-time and in-process basis to the automobile and other industries in both Germany and abroad.

Operating of warehouses with facilities processing and providing reinforcing steels and steel mats used in construction projects.

Financial services facilitating investments in the industrial and infrastructural sectors.

MAN Roland Druckmaschinen

Sheet-fed offset machines

Flexible unit-type machines, available with sheet-turning devices for conversion to and from and for the carrying out of face and perfecting operations, also compact machines in the five cylinder system:

- ❑ Small-format presses for job printing in short and medium-sized runs (the R200 and R300 ranges).
 - ❑ Medium-sized machines for brochures, picture page sections, posters, and for packaging printing (R700 range).
 - ❑ Large-sized machines used in the large job printing of brochures, posters and large-sized runs of packagings range (R900).
- Additional assemblies for special jobs; for instance, in-line coating systems for economical print finishing.





PECOM is an electronic production control and monitoring system which increases printing efficiency and which has such features as technical production planning (TPP station) and scanning (EPS), deployed at the organization-wide level.

Employing central console technologies, PECOM also has such features as the RCI inking control system and CCI inking adjustments at the individual machine level.

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

The AUPASYS palette handling system.

Web-fed offset machines

- A wide variety of ranges of systems for newspaper printing and the production of selected commercials, in a variety of formats and performance ranges, for short, medium, long and very long runs.
- Bespoke, highly flexible web-fed offset facilities assembled from a wide variety of system components, for any kind and scale of color and page configurations. Facilities designed for specialized applications and with short inking systems used in anilox offset or flexo printing.
- Small, medium and large-format web-fed offset machines with a wide variety of folding modalities and yielding high-quality illustrated products on high-value paper: brochures, catalogues and periodicals in various edition lengths.
- Specialized and special-purpose folding assemblies for book production.
- Featuring a central control console, PECOM is an electronic system carrying out high-efficiency, industrial web-fed offset printing operations of all job sizes. The system meets the ever-higher demands for printing quality.
- The proprietary development and production of hardware components and of integrated, full-system software.
- The PASUSYS paper feeding system, the AURO-SYS materials handling system.
- The planning of printing shops and the supplying of equipment for printing operations, including pre-print and post-print systems.

MAN B&W Diesel

Four-stroke Diesel engines

for marine propulsion systems, marine auxiliary units, and for stationary power stations, with outputs of between 450 and 23,400 kW (610 to 31,825 HP).

Two-stroke Diesel engines

for marine propulsion systems and stationary power stations, with outputs of between 1,100 and 68,520 kW (1,480 to 93,120 HP).



Gas motors

Dual fuel engines for all areas of application, with outputs of between 405 and 16,200 kW (550 to 22,000 HP). Spark-ignition engines with outputs of 950 to 3,600 kW (1,300 to 4,860 HP).

Exhaust-gas turbochargers, power turbines

Propulsion systems

(Diesel engines, reduction gear units, couplings, controllable pitch propellers and remote control systems) for oceangoing, coastal and inland ships and fishing boats.

Power stations

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

Services

Spare parts supply and maintenance services worldwide, parts reconditioning and replacement services, modernizing of engine facilities, troubleshooter service, materials testing operations.



Repair of marine propulsion systems and shipbuilding work

as general contractors at the works-owned quay in Hamburg.

Pattern-making and die sinking

Cast products

Grey cast iron, nodular cast iron.

Jobbing

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

Thermal treatment

Assembly work

for the general industrial engineering sector.

Heating technologies

Heating systems, oil and gas burners, heat output technologies.

MAN Technologie

Space transport systems/launchers

Development and manufacturing of lightweight structures, tanks, tank and propulsion components going into ARIANE, the European launcher; the planning and carrying out of systems studies on advanced and prospective launcher-based systems.



Space transport systems/transport components and satellite-based navigation systems

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

the development and supply of GPS / GLONASS receivers and antennas, and of EGNOS system components.

Lightweight systems and equipment

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

Infrastructural systems

Ground systems used by ARIANE, the European launcher; components incorporated into communication facilities; ground facilities for satellite-based communication systems and telescopes for extra-terrestrial research; bridge-building systems.

Systems electronics

The development and supplying of electronic equipment and systems used in:

- passenger information systems used by mass transit and intra- and inter-regional rail networks and placed in mobile or stationary units;
- mobile navigation and data communication systems, especially for the management of freight transport operations;
- operation control systems providing special features to commercial vehicles and corporate facilities;
- testing and diagnosis systems used in and for commercial vehicles;
- drive and power control systems for stages.



MAN Dezentrale Energiesysteme GmbH

Plants and equipment used to generate energy efficiently and in decentralized systems:

- MAN gas engines with outputs of between 100 kW and 300 kW;
- CHP aggregates and plants for the cogeneration of electricity / heat / cooling and using gas engines

and turbines with outputs of between approx. 100 kW el. to 40 MW el.;

- Technical services for cogeneration aggregates and plants;
- Heat pump systems.



GHH BORSIG Turbomaschinen

Axial- and radial-flow compressors, multi-shaft geared compressors, process-gas turbines, radial expanders, complete packages of machines, process-gas screw compressors.
Areas of application: the basic materials and processing industries, the fertilizer industries, air separation plants, the manufacturing of terephthalic acid; in the petrochemical industries; for refineries, for the oil and gas industries.

- Industrial gas turbines of up to 25 MW in output, in "twin-pac" with up to 50 MW and powering mechanical power units and generators. Industrial and steam turbines of up to 85 MW in output, powering mechanical power units and generators.
- energy generating facilities. The "turbolog DSP" machine controlling and monitoring system.

Technical and assembly services for all products.

RENK

Vehicle gear units

- Hydrodynamic mechanical powershifting, reversing and steering transmissions with brake systems and final drives for medium and heavy-weight tracked vehicles. Automatic powershift transmissions for medium and heavy-weight special-purpose wheeled vehicles.



Industrial gear units

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

Marine gear units

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

Drive components

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

Test systems

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

Couplings

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

Disc brakes

Brake discs and rods for high-speed trains and regional transport systems, braking systems



for commercial vehicles.

MAN TAKRAF Fördertechnik

Systems for open-cast mining

Bucket wheel excavators, belt-type spreaders, transfer conveyors, crushing facilities, conveyance systems, transport caterpillars.

Bulk handling equipment and systems

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

Heavy-duty crane technologies

Cranes for steel mills and ports, dock and floating cranes.

Assembly and other services

Personnel training, reconstruction operations, supplying of spare parts, complete assembly of



machines and systems.

Deggendorfer Werft und Eisenbau

Special-purpose ships

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

Reactor construction

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

Apparatus construction

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

Plant construction

Components for refineries and power plants, fluidized bed reactors, apparatuses for the manufacturing of cellulose, assembly projects. Work on facilities which have come to a still-stand.



SMS

Plant and rolling mills technologies

Machines, plants and systems for the producing and processing of steel and non-ferrous metals:

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



Plastics processing technologies

Machines, plants and automation systems for the processing of plastics:

- ☐ injection molders,
- ☐ pipe and profile extrusion facilities,
- ☐ film and sheet production facilities.

Pressing and forging technologies

Extruding presses and pipe extruders for light and heavy alloy metals, runout equipment for extruding press systems.

Open-die forging presses, radial forming presses, stamping presses, ring and geared rolling mills. Robots and manipulators, process control and management information systems.

Schwäbische Hüttenwerke

Process equipment

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

Rolls, wear-resistant chilled castings

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

Bright steel products

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

Shafts

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



Schwäbische Hüttenwerke (continuation)

Castings

Castings with laminates and nodular graphite, nonalloyed or alloyed, non-machine cast, for objects of up to 30 t, machine-cast for items of up to 180 t. Processing of casts. "Ludwigstal" internally ventilated brake discs for automobiles, Luperlit® brand metal materials.

"Wasseralfingen" iron art castings.

Pumps

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

Sintered structural parts, tools

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

Tools, treatment technologies

Cold formed, extruded and sintered tools, jigs and fixtures. Processing of parts on CNC-based machine tools and high precision jig drills. Finishing accuracy of $\pm 2 \mu\text{m}$. Large-sized parts of up to 15 t.

Other Companies

MAN Logistics

Consulting on, planning and creating of material flow systems; provision of related services.

MAN WOLFFKRAN

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

GHH Bau

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

GHH Fahrzeuge

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

MAN Grundstücksgesellschaft

Management of real estate.

MAN Leasing

Financing of distribution activities and investments.

Important events

General meeting of shareholders 1996/97	December 12, 1997
Report on the first half of 1997/98	February 26, 1998
Conferences with analysts	March 9 and 10, 1998
Letter to MAN's shareholders on the 1997/98 financial year	September 8, 1998
Conferences with analysts	September 10 and 11, 1998
MAN Nutzfahrzeuge AG: Press conference on 1997/98's balance sheet MAN AG:	October 20, 1998
Press conference on 1997/98's balance sheet	November 5, 1998
General meeting of shareholders 1997/98	December 10, 1998

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MAN shares

	ordinary shares	preference shares
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