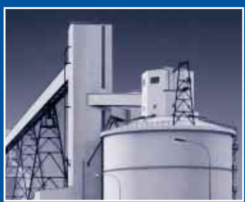


Annual Report 1998/99

MAN Aktiengesellschaft

Commercial vehicles

MAN Nutzfahrzeuge AG
Munich

One of the leading manufacturers of commercial vehicles in Europe. The largest company within the MAN Group develops, manufactures and sells trucks of between 6 to 50 t for every kind of application, scheduled-service buses and coaches. Engines from the Nuremberg works are used in vehicles, boats and for the generation of energy. Production facilities located in Germany, Austria, Poland, Turkey, South Africa and Australia. Assembly under licence in many other countries. International network of sales and service centres. MAN EuroService 24 h, MAN ComfortServiceSystem, and the provision of transport logistics, financial services, fleet management and communication services constitute a comprehensive service package for customers. »Bus of the Year 1999« (NL 263) and »Scheduled-service Bus of the Year« in the international readers' choice 1999.

DM million	
New orders	9 682
Sales	9 645
Export share (%)	53
Earnings	451
Employees (6/30)	29 391

Industrial services

Ferrostaal AG
Essen

Ferrostaal supplies trading, contracting and other services throughout the world. Its core areas of expertise encompass facility engineering and management: the assembly of steel-based and other structures, the operation and maintaining of large-sized industrial facilities, the marketing of their products, as well as the producing of plans of financing tailored to its customers' individual needs. Ferrostaal supplies ships for navies and trading fleets, distributes single-unit machines and infrastructure-related equipment, trades in steel and non-ferrous metals, and provides related technical services. Serving to strengthen its role of being the MAN Group's prime provider of industrial services have been Ferrostaal's takeover of the Votra Group (which distributes printing machines and provides related services in six Southeast Asian countries), and the expanding of its operations in Germany supplying industrial maintenance services and of its logistics-based facilities.

DM million	
New orders	4 357
Sales	5 219
Export share (%)	76
Earnings	139
Employees (6/30)	6 811

Printing machines

MAN Roland Druckmaschinen AG
Offenbach

Worldwide leading systems supplier of complete printing plants, from pre-press to printing technology through to finishing and logistics. The company is the world market leader in web-fed offset printing machines with a broad product portfolio for the printing of newspapers to suit any circulation; printing machines for general commercial products ranging from the monochrome printing of books to magazines requiring the very highest colour and quality standards. Second largest manufacturer of sheet-fed offset machines for advertising and business printing as well as packaging. Included in the product range are paper supply, materials handling systems and the electronic technology for the control and integration of the printing machine into the entire printing process. Global sales, service network, marketing – apart from the company's own products – all peripheral equipment and consumables accompanying the printing process.

DM million	
New orders	3 506
Sales	3 286
Export share (%)	79
Earnings	135
Employees (6/30)	9 860

Diesel engines

MAN B&W Diesel AG
Augsburg

»Birthplace of the Diesel engine«. Leading supplier of large Diesel engines for marine propulsion and power plants. The Group Division, with manufacturing locations in Germany, Denmark, France and Singapore, is world market leader for two-stroke marine main engines with a share of 65 %, for four-stroke marine main engines for ships larger than 2 000 gt with a share of 24 % and for marine auxiliary units with a share of 33 %. Supplier of systems for complete marine propulsion packages and for land-based as well as floating power plants. Exhaust gas turbochargers for large Diesel engines. CoCoS engine diagnosis system.
Industrial awards: »Seatrade Awards« for the L 16/24 four-stroke engine and for the MC two-stroke engine »VOC System«, »iF Prize« for the EcoStar oil unit. MAN B&W has the largest international family of licensees for large engines and a worldwide network of representatives and service facilities.

DM million	
New orders	1 895
Sales	2 006
Export share (%)	82
Earnings	72
Employees (6/30)	6 010

The companies of the MAN Group

Industrial equipment and facilities

MAN Turbomaschinen AG GHH Borsig
Oberhausen

Most comprehensive range of compressors and turbines worldwide for the process industries and power generation. Process control and monitoring system »turbolog«. Worldwide service.
Sales: DM 1 127 mill.
Earnings: DM 50 mill.

MAN Technologie AG
Augsburg

Major systems partner in space programs, structure and propulsion components (Ariane launchers); infrastructure systems; lightweight bridges; tank systems for planes ; lightweight structures.
Sales: DM 401 mill.
Earnings: DM 30 mill.

Renk Aktiengesellschaft
Augsburg

World market leader with automatic transmissions for heavy-weight tracked vehicles and horizontal slide bearings. Industrial and marine gear units for maximum power values. Couplings and test systems.
Sales: DM 442 mill.
Earnings: DM 47 mill.

MAN Takraf Fördertechnik GmbH
Leipzig

Engineering, design, fabrication and erection of machinery and complex systems for open cast mining, materials handling, spoil bank dumping and stockyard operations, and for heavy good handling operations.
Sales: DM 261 mill.
Earnings: DM 2 mill.

Deggendorfer Werft und Eisenbau GmbH
Deggendorf

World market leader for salt-operated reactors for the chemical industry. Equipments and components for plant construction, special shipbuilding, particularly floating dredgers. Locations in Germany and France.
Sales: DM 208 mill.
Earnings: DM 23 mill.

SMS Aktiengesellschaft
Düsseldorf

World leader in metallurgical plant and rolling mill technology, offering a full line of plant and equipment for the whole process chain. Plastics machinery, press and forging technology. Worldwide engineering and fabrication group.
Sales: DM 3 189 mill.
Earnings: DM 118 mill.

Schwäbische Hüttenwerke GmbH
Aalen-Wasseralfingen

World market leader in chilled-iron calender rolls for paper machines. Casting and industrial processing engineering. Supplier to the Automotive Industry in oil pumps, brake discs and sintered parts.
Sales: DM 417 mill.
Earnings: DM 31 mill.

DM million	
New orders	5 177
Sales	6 045
Export share (%)	71
Earnings	301
Employees (6/30)	14 071

http://www.man.de
http://www.man-nutzfahrzeuge.de
http://www.ferrostaal.de
http://www.man-roland.de
http://www.manbw.de
http://www.ghh-borsig.de
http://www.man-technologie.de
http://www.renk.de
http://www.man-takraf.de
http://www.dwe.de
http://www.sms-ag.de
http://www.shw.de

At a glance

MAN Group
DM million

	1998/99	1997/98
New orders	24 427	25 110
Sales	25 927	24 710
Employees as of June 30 (Number)	66 838	63 887
Capital expenditures	1 723	1 466
Cash flow	1 786	1 684
Shareholders' equity	5 130	4 586
Earnings before taxes on income	1 090	818
Consolidated group income	725	633
Income per share (DM)	4.36	3.90
Dividend per share (DM)	1.80	1.60

MAN Aktiengesellschaft
Ungererstraße 69
D-80805 Munich
Phone +49. 89. 3 60 98-0
Fax +49. 89. 3 60 98-2 50
http://www.man.de

MAN Group
Euro million

	1998/99	1997/98
New orders	12 489	12 839
Sales	13 256	12 634
Employees as of June 30 (Number)	66 838	63 887
Capital expenditures	881	750
Cash flow	913	861
Shareholders' equity	2 623	2 345
Earnings before taxes on income	557	418
Consolidated group income	371	324
Income per share (Euro)	2.23	1.99
Dividend per share (Euro)	0.92	0.82

Contents

Report of the Supervisory Board

Dr.-jur. Dr. rer. pol. h. c.
Klaus Götte
Chairman

Through written reports and briefings delivered on a regular basis, the executive board of MAN AG kept us informed throughout the 1998/99 financial year on the course of business developments of the MAN Group. At these encounters, we were appraised of all of the major events and undertakings of MAN Group companies, and how they relate to corporate plans and to special projects being carried out by Group companies.

As had been the practice in previous years, the chairman of the supervisory board secured briefings, on a monthly basis, on the company's operating situation. The provision of the minutes of the meetings held on a regular basis by the executive board assured the chairman of having an overview of the subjects treated at them. These briefings were complemented by detailed elucidations delivered personally by members of the executive board, as required by the course of corporate development or by the importance of the matters at hand. The written reports were provided to all members of the supervisory board on a quarterly basis.

These consultations assured the supervisory board of continually having the information it required to carry out its duties in a fitting and proper way, and to evaluate the company's current situation and future prospects.

The plenum of the supervisory board was convened four times in the 1998/99 financial year. The supervisory board's standing commission met once, as did its commission handling executive board membership-related matters.

A crux of the supervisory board's deliberations in 1998/99 was the corporate strategy of strengthening the Group's companies through mergers and acquisitions. The forming of SMS Demag AG through the merging of SMS Schloemann-Siemag AG and of Mannesmann Demag Metallurgie was accordingly treated intensively. Other subjects covered were the acquisition of Omnigraph Group N. V. and Votra S. A., two companies distributing MAN Roland Druckmaschinen AG's products.

A further subject was Germany's newly-enacted Law on Corporate Controlling and Comprehensibility (KonTraG), and especially its implications for the Group's management of risks and the Y2K (»year 2000«) changeover. As had been the case in the past, the supervisory board concerned itself with the forecasts advanced for the Group's development in the financial year, with the technical planning for 1999/2000 (with this involving research and development and capital expenditures), and with the setting of corporate strategy for the period from 1999 to 2001.

BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich, was elected by the annual general meeting of shareholders to serve as auditors. In that capacity, BDO has audited the consolidated annual accounts, which were compiled – in a corporate first – using the International Accounting Standards, 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.

In addition, taking into account the areas of priority established by us, the independent auditors examined in 1998/99 the risk management system in place in the company. Such audits will be mandatory in the future. The audit established that the executive board has taken the measures – prime among them, the setting up of a monitoring system – capable of alerting the company, at an early stage, to the arising of developments posing a threat to its continuing existence. The auditors attended the statutory meeting on the balance sheet and reported the results of the audits made. The supervisory board has taken note of the results of these audits and indorses them.

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

The 118th annual general assembly of shareholders resolved to empower the supervisory board, once the Council of the European Union had irrevocably set the rate of exchange between the DM and the Euro, to undertake an alteration of the company's articles of association taking full account of this changeover.

On March 10, 1999, in accordance with the resolution passed by us, the executive board was instructed to give notice of the changes to the Commercial Registry. The accompanying registration of these changes took place on April 20, 1999.

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

Munich, October 1, 1999
The Chairman of the Supervisory Board

Klaus Götte

Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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* elected by group employees

Executive Board

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

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

Dr. rer. pol. Klaus von Menges
Essen

Dr.-Ing. Klaus Schubert
Munich

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

Dr. jur. Philipp J. Zahn
Munich

Executive Vice President

Dr. jur. Gerd Federlin
attorney at law, Munich

Group companies: executive and management boards

MAN Nutzfahrzeuge AG, Munich
Dr.-Ing. Klaus Schubert, *Chairman*
Prof. Dr.-Ing. Franz Breun
Dr. rer. oec. Günther Dietz
Dr. rer. pol. Ulf Hülbert

Ferrostaal Aktiengesellschaft, Essen
Dr. rer. pol. Klaus von Menges, *Chairman*
Dipl.-Ing. Jens Gesinn
Hannfried Haun
Dr. jur. Hans-Georg von Heydebreck
Helmut Julius
Dr.-Ing. Axel Wippermann

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

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

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

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

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

MAN Takraf Fördertechnik GmbH, Leipzig
Dipl.-Ing. Claus D. Fortkord, *Chairman*
Dr. rer. pol. Mathias Kretzschmar
Dipl.-Ing. Gerhard Nies

Deggendorfer Werft und Eisenbau GmbH, Deggendorf
Dr.-Ing. Josef Dachs, *Speaker*
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
Dipl.-Finanzwirt Heinz Wirke

Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen
Dr.-Ing. Manfred Heinritz, *Chairman*
Dr. jur. Stefan Söhn

as of October, 1999

Letter to our shareholders

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

Dear shareholders,
The MAN Group turned in a very good performance in 1998/99. We set a new corporate record for earnings. It enabled us to increase the pay-out of dividends to you, our shareholders, for the fifth time in a row. We had set ourselves the goal of achieving a 15% rate (calculated on the basis of pre-tax earnings) of return on capital employed. We met that objective for the first time in 1998/99. As a matter of fact, we even exceeded it slightly. As had been the case in the past, the rate recorded is, additionally, substantially higher than the costs we faced in procuring capital, thus causing MAN's corporate worth to rise.

As the profitability figures show, our Group – all of it – is strongly built. This strength derives from the dedication shown by all of our employees in carrying out their work, and from the intermeshing of our units into an entity headed by MAN AG. This strength gives us the confidence to take on the new millennium and its challenges, one of which is achieving the objectives for growth we have set for ourselves.

Stepping up the pace of growth
Growth is for us not an end in itself. In today's globalizing economy, the achieving of a large scale of operations has, however, become a prerequisite for companies – and that includes MAN – wishing to enhance their ability to successfully compete and to ensure the viability of their employees' jobs. Markets important to us are undergoing a process of consolidation and change. It is our objective to help further this process and to strengthen ourselves while doing so.

We've targeted the very strong standings already enjoyed by most of our core businesses on their respective markets for further enhancing. This will be achieved either through the facilitating of the existing operations' internal growth, or through their augmenting via takeovers and alliances.

Our strategic planning has come up with projects holding the promise of increasing the volume of business done by the Group as a whole by between – depending on how they pan out – 50% and 100% over the next five years.

Take-overs have to make business sense
Whether various take-overs or alliances are actually carried out or forged is dependent upon the conditions offered by the other negotiating parties – and upon their making business sense. Only those projects promising to produce a rise in our earnings and intra-Group synergies will get the go-ahead, to come after the projects, like their predecessors, have undergone a painstakingly thorough assessment of their potential. There will be no purchases for the sake of achieving growth alone, as that would be inimical to our achieving our earnings-related goals, which have been quantified in two benchmarks: All of the MAN Group, a 15% gross (based on pre-tax earnings) rate of return on capital employed and net operating margins of 5% on the Group's production operations.

These figures, moreover, are to be averages of the results achieved during an entire economic cycle. This amount of earnings growth will assure the MAN Group's corporate worth – and the quotes of its shares – of continuing to grow soundly and steadily.

Portfolio of activities is being optimized
A precondition for the achieving of the above is the further implementing of our strategic policy of optimizing our

business areas, with this meaning the expanding of their operations, the getting out of unprofitable businesses and the consigning of marginal activities to new forms of corporate links offering them greater chances of development. Over the last ten years, we have fortified our core areas by making purchases of companies with a total volume of sales of over DM 6 billion – and we've disposed of activities recording more than DM 4 billion in sales. A fundamental of our policies is that MAN will continue to be active in its core areas: commercial vehicles, industrial services, printing machines, Diesel engines and industrial equipment and facilities.

Paychecks working for more corporate worth

We expect our new system of rate of return-driven remuneration to be an important engine of growth of corporate worth. As had been previewed at 1998's annual general assembly, our rank-and-file employees in Germany have received in 1998/99, in a corporate first, supplemental payments whose size is derived from the net operating margins achieved by the group company for which they work. Our employees have always shown a high degree of dedication and motivation. We are convinced that the instituting of this system will further enhance these qualities.

Undergoing a similar reconfiguration was the method of establishing how much our executives are paid. Some two thirds of an executive's remuneration is now determined by the rate of return on corporate assets and net operating margin recorded by his or her business unit, along with the executive's success in meeting the individual goals set for him or her.

Information

Submitted by MAN AG for the 1998/99 financial year, the annual report you have in front of you features a completely new, highly contemporary design – and changes in its contents. These have made our report easier to understand and have enhanced the comparability between it and its international counterparts. In a first for MAN, our annual accounts were compiled using the IAS. This will make it even easier for you, our shareholders, to evaluate the operations of your company. It will also enhance the performance of MAN and its shares on the »Euroland«-wide market for capital now in the process of emerging.

As had been announced at 1998's annual general assembly, we have stepped up our investor and public relations work. Increased has been the number of encounters at which members of MAN's executive board answer the questions of international-level analysts and investors, and elucidate the Group's performance and strategy. We have also increased our outreach to the world's business journalists. To increase the level of recognition accorded to the MAN Group and its major companies, we will launch an international image-building campaign, centered around advertisements, in autumn, 1999.

What we achieved in 1998/99

The Group's consolidated pre-tax earnings came to nearly DM 1.1 billion in 1998/99. This rise of 33% stemmed primarily from the commercial vehicles and printing machines sectors and represented a new all-time record for MAN.

Calculated on the basis of earnings before taxes on income the rate of return on capital employed rose from 13.7% to 15.4%.

With this including the effects of companies newly consolidated into the Group, we increased sales by 5%, breaking the DM 25 billion mark for the first time in the process. In a countervailing development, our new orders total was down somewhat from the previous year's figure, a drop caused by the weak markets for commodities and for operating facilities. This weakness was a product of the crises gripping Southeast Asia, Russia and South America. Factoring out the industrial services and plant and rolling mills business areas, our new orders total rose 6%.

Also increasing was the number of persons working for the Group. As of June 30, 1999, they numbered more than 66,800 persons, up 5% from the previous year. Of these employees, 29% work for companies based outside Germany, as opposed to the previous year's 26%.

We continued to build up our world-spanning distribution network and our services and systems business. As part of this, MAN Roland Druckmaschinen AG took over Votra and Omnigraph, which had partnered the company's distribution activities. These moves have given MAN Roland a new, third core business: trading and service provision.

A further, major step in the implementing of our growth strategy was also made in 1998/99. SMS Schloemann-Siemag AG and Mannesmann Demag Metallurgie merged, forming SMS Demag AG. The new company has annual sales of some DM 3.5 billion, and is the world's largest provider of facilities for the steel, aluminum and copper industries.

from left to right:

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

Dr. rer. pol. Ferdinand Graf von Ballestrem
Munich

Dr. rer. pol. Klaus von Menges
Essen

Dr.-Ing. Klaus Schubert
Munich

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

Dr. jur. Philipp J. Zahn
Munich

Outlook for 1999/2000 is positive
The new orders totals secured during the first few months of 1999/2000 bear out the economists' view that an economic upswing is in the works. Southeast Asia and South America have touched bottom and are now on their ways back up, the USA's economy is continuing to grow strongly. We expect these trends to impact positively on western Europe's market for capital goods, and to thus benefit the MAN Group.

A strongly-built group
Over the last three financial years, we've doubled our earnings before taxes on income, with our rates of return achieving above-average rises. The MAN Group is comprised of units, each conducting its business on its markets with a great deal of independence, each supported by a centralized system of controlling and financial management, and all linked via a »thin« holding company into an entity whose portfolio of activities mutually optimize one another. As the above results detail, this structure has repeatedly proven its worth.

The Group is active in the commercial vehicles, printing machines, Diesel engines, turbomachines and gearing units business areas, all of which have terms of completion stretching from a few weeks to a few months, and each of which has its own cycle of market development. The Group is also active in the facility construction sector, whose times of order completion are very long-term in nature. This mix allows for a highly desirable balancing of risks. Strictly avoided is any cross-subsidizing.

It all adds up to a powerful array of activities. The companies carrying them out have everything they need to keep on developing and manufacturing products providing the advanced technologies and showing the high quality that customers want and need. Thanks to this, the odds are very good that your company will continue to be successful, that its business volume and earnings will keep on growing. This pace of expansion, wherever doing such makes business sense, will be stepped up.

In doing so, we will increase the worth of the investments made by you, our shareholders, and will ensure the existence and attractiveness of our employees' jobs. To achieve this, we will be a reliable partner to our customers, one eminently capable of providing them, over the long term, with efficient, high quality products and high capability services.

R. Rupprecht

Rudolf Rupprecht
Chairman of the Executive Board
MAN Aktiengesellschaft

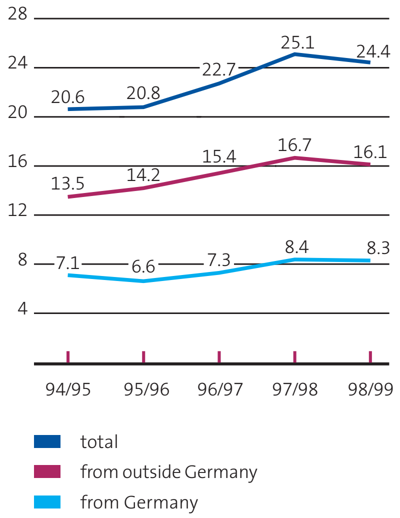
Review of business

The MAN Group's earnings before taxes on income came to DM 1.1 billion in 1998/99 . Its net income amounted to DM 725 million. Both figures are new records for the Group. Especially large-scale increases in earnings were recorded by our commercial vehicles and printing machines business areas. We exceeded the 15% rate of return on capital employed targeted by us, and did so ahead of corporate schedule. An economic upswing is manifesting itself in financial year 1999/2000, in which we expect to increase our new orders and sales totals, and to register earnings of the large amount attained this year. In a first for MAN, the Group's consolidated accounts for 1998/99 were compiled using the International Accounting Standards.

Economic conditions and development of business

A trough of growth for the world's economy
The regions comprising the world's economy developed highly divergently during our financial year 1998/99 (July 1–June 30). The USA's economy continued to grow strongly. After getting off to a promising start, western Europe suffered a subsequent, substantial slowdown in economic growth. The crises gripping the economies – and especially the financial sectors – in parts of Asia and Latin America joined with the low prices prevailing for raw materials and other commodities in progressively cooling off the industrial countries' economies. This caused a slump in the exports made by a number of sectors comprised in Germany's economy, triggering, in turn, an increasing softness of demand for capital goods and a weakening of the country's economic growth as a whole. After rising 3.5% during the first half of the financial year, the new orders secured by Germany's manufacturers of capital goods fell 3% in the second half, yielding a near no-growth total for demand in 1998/99 as a whole.

New orders
(in DM billion)



New orders down from the previous year
At DM 24.4 billion, the MAN Group's new orders total was down 3% from 1997/98's figure. This drop was largely attributable to the 22% drop in new orders secured by the industrial services and plant and rolling mills business areas, which were most strongly affected by the economic slump. The Group's other business areas recorded a collective 6% rise in new orders, of whose total 4% stemmed from companies consolidated into the Group for the first time.

The orders secured from customers in Germany fell 2%, to DM 8.3 billion, with those from customers outside the country amounting to DM 16.1 billion, 3% less than in 1997/98, a trend being the net sum of highly divergent regional-level developments. Falling were our new orders totals from customers in Latin America (– 44%), Asia (– 27%) and central and eastern Europe (– 18%). We recorded further increases in our two most important markets – western Europe (+10%) and North America (+17%) – as well as in Africa (+22%).

Sales approach the DM 26 billion mark

Up 5% over 1997/98, the MAN Group's sales came to DM 25.9 billion, with 4% of this total stemming from companies consolidated into the Group for the first time. The Group's sales in Germany amounted to DM 8.5 billion, up 6%, with those recorded abroad growing by 4%, to DM 17.4 billion. An especially large increase – 10% – was recorded in the sales registered in the EU's other countries.

As of June 30, 1999, the Group had orders on hand worth DM 16.8 billion, down 8% from June 30, 1998.

Sources of new orders: regions

in DM million

	1998/99	%	1997/98	%
Federal Republic of Germany	8 291	(34)	8 449	(34)
other EU countries	7 318	(30)	6 628	(26)
North and South America	3 487	(14)	3 846	(15)
Asia	1 910	(8)	2 609	(11)
other European countries	1 737	(7)	2 108	(8)
Africa	1 416	(6)	1 163	(5)
Australia and Oceania	268	(1)	307	(1)
	24 427	(100)	25 110	(100)

Sources of new orders: business areas

in DM million

	1998/99	%	1997/98	%
commercial vehicles	9 682	(40)	9 502	(38)
industrial services	4 357	(18)	5 606	(22)
printing machines	3 506	(14)	3 061	(12)
Diesel engines	1 895	(8)	1 801	(7)
industrial equipment & facilities	5 177	(21)	5 401	(22)
others	634	(2)	537	(2)
intra-Group orders	– 824	(– 3)	– 798	(– 3)
	24 427	(100)	25 110	(100)

Business areas show a divergence of development

– The commercial vehicles business area's new orders came to DM 9.7 billion, up 2% over the previous year's strong figure and another new record. The total amount of orders from customers in Germany remained at the previous year's high level, with those received from France, Italy, and Spain – all important markets (in terms of sales volume) in western Europe – registering further rises. The difficulties in operating conditions notwithstanding, the expansion of our activities in central and eastern Europe proceeded successfully.

The commercial vehicles area's sales came to DM 9.6 billion, up 9%. The area sold 55,100 units, of which some 45,000 were trucks sold in western Europe, our most important market. This represents a rise of 7,000 units or 18%. This caused our share of the western European market, which as a whole grew 16%, to rise from 13.5% in 1997/98 to 13.7%.

The buses, separate-sales engines, components and services divisions also had good amounts of orders, with the number of buses sold rising 11%, to 4,200 units.

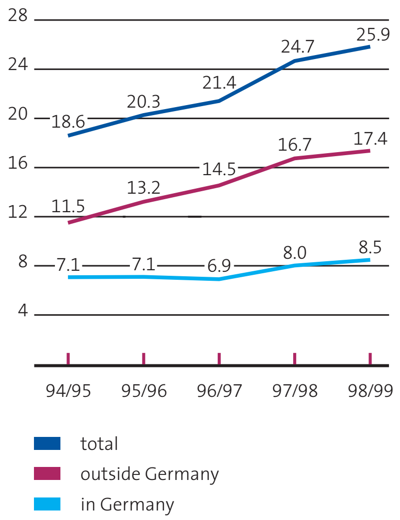
– Strongly impairing the business done by the industrial services business area were the slumps in the economies constituting important sales markets and the low prices prevailing for commodities and raw materials. After rising for six years in a row, the area's new orders total suffered a fall of 22%, amounting to DM 4.4 billion. Sales came to DM 5.2 billion. This decline of 17% was attributable to the drop in revenues earned by the steel trading operations and to the fall in the volume of items supplied by the facility construction and contracting segment.

– The volume of business done by the printing machines business area registered a further, strong rise, with its new orders total, at DM 3.5 billion, up 15%, and its sales, at DM 3.3 billion, climbing 24%.

At DM 1.5 billion each, the sheetfed machines division's new orders (– 6%) and sales (+ 9%) totals were at 1997/98's high levels. Profiting from an expansion in demand for newspaper printing systems, the webfed division secured new orders worth DM 1.5 billion (+ 13%) and sales of DM 1.2 billion (+ 7%). The acquisition of several distribution companies expanded the operations of the trading and service provision division, whose new orders and sales total came to DM 0.5 billion each.

– The Diesel engines business area recorded new orders of DM 1.9 billion and sales of DM 2.0 billion, up 5% and 4% respectively over 1997/98. The economic difficulties being experienced by important trading regions and the drop in the charges prevailing for freight forwarding caused the demand for new ships and for Diesel engines incorporated into ships to drop. Also listless was the demand for large-sized stationary Diesel power plants. The securing of two large-sized orders for »power barges« (floating power plants) allowed us to offset the slumps in business done in important markets now experiencing crises.

Sales
(in DM billion)



Sources of sales: business areas
in DM million

	1998/99	%	1997/98	%
commercial vehicles	9 645	(37)	8 833	(36)
industrial services	5 219	(20)	6 314	(25)
printing machines	3 286	(13)	2 659	(11)
Diesel engines	2 006	(8)	1 924	(8)
industrial equipment & facilities	6 045	(23)	5 127	(21)
others	679	(3)	631	(2)
intra-Group sales	– 953	(– 4)	– 778	(–3)
	25 927	(100)	24 710	(100)

– The industrial equipment and facilities business area's new orders total came to DM 5.2 billion, down 4% from 1997/98; up 4%, once the plant and rolling mills division's results are factored out. The large amount of orders on hand at the beginning of 1998/99 and the good rate of facility utilization achieved caused the area's sales to rise 18%, to DM 6.0 billion, of which 11% stemmed from changes in the line-up of companies consolidated into the Group.

Thanks to the initial consolidation of Elliott (done on a pro rata basis) into MAN Turbomaschinen's accounts, the group division's new orders and turnover totals were above 1997/98's ones. Though recording a drop in new orders secured, as was also the case with MAN Technologie, SMS' plant and rolling mills technologies division and DWE recorded increases in sales. RENK's new orders total rose substantially, with its sales being slightly below 1997/98's amount. SHW's new orders and sales totals were up. Those of the company's materials handling systems division were inadequate.

– Of prime importance among the other companies comprised in the Group are MAN AG's subsidiaries providing financial services. These companies' volume of business registered a further, strong rise.

The business areas' orders on hand

in DM million

	1998/99		1997/98	
		%		%
commercial vehicles	3 184	(19)	3 164	(17)
industrial services	3 868	(23)	4 716	(26)
printing machines	1 948	(12)	1 760	(10)
Diesel engines	1 104	(6)	1 256	(7)
industrial equipment & facilities	6 723	(40)	7 393	(40)
others	113	(1)	173	(1)
intra-Group orders	– 113	(– 1)	– 246	(– 1)
	16 827	(100)	18 216	(100)

Adoption of IAS

Like the audited annual accounts published by the group divisions, MAN AG's consolidated financial statements for the 1998/99 financial year were prepared, in a corporate first, using the International Accounting Standards (IAS). As the figures for 1997/98 have been adapted accordingly, the two financial years' data can be compared to each other. The figures from the years previous to 1997/98 were prepared according to the precepts of Germany's Commercial Code (GCC) and have not been recalculated. The application of the newly-enacted § 292 a of GCC has exempted us from the requirement to compile consolidated annual accounts adhering to the GCC's provisions.

The adoption of IAS caused the shareholders' equity figure as of July 1, 1997 to rise by DM 120 million or 3%, with this not having any effect on the earnings accounts. The adoption caused the income from ordinary activities in 1997/98 to rise by DM 9 million or 1%, and the net income (after taxes) to increase by DM 21 million or 3%. The differences between the methods of balance sheet reporting and of valuation applied by IAS and by GCC are detailed in the Group's financial statements, starting on page 66.

The income statements were reconfigured through the adopting of a cost-of-sales accounting format.

Earnings rose substantially

Return on capital breaks 15% mark for the first time

The MAN Group's income from ordinary activities came to DM 1,090 million in 1998/99, up DM 272 million or 33% over 1997/98 and a new all-time high.

The profitability attained also manifested itself in the Group's key rates of return. The Group's net operating margin (before taxes on income) rose from 1997/98's 3.3% to 4.2% in 1998/99, with the rate recorded by the Group's manufacturing operations reaching 4.6% (1997/98: 3.8%), very close to the target of 5%. We had set ourselves the goal of achieving a 15% rate of return on the capital employed by the MAN Group. At 15.4% (1997/98: 13.7%), we reached, even exceeded that goal. With the exception of the Diesel engine one, all of the Group's business areas recorded year-to-year rises in their key rates of return.

– The commercial vehicles business area's earnings came to DM 451 million, a rise of DM 129 million. The strong demand in western Europe for commercial vehicles allowed us, once more, to substantially increase our output and sales.

Our manufacturing facilities had a good rate of facility utilization. In a countervailing trend, the prices faced further downward pressures. Despite this, the ratio of manufacturing costs to sales was reduced, primarily through the upping of the business area's efficiency of production operations, the employing of its personnel in ways flexibly reacting to changes in capacity, and the achieving of cost benefits arising from improvements in procurement methods.

The increase in business volume caused the need for capital to rise. Notwithstanding this, the rate of return on capital employed rose from 14.4% to 16.2% – far more than the 15% targeted. The area's return on sales rose from 3.7% to 4.7%.

– The industrial services business area's earnings came to DM 139 million. This rise of DM 11 million stemmed from the invoicing of large-sized orders by the facility construction and contracting segment. The area's rate of return on capital employed came to 15.5% (1997/98: 14.1%), its return on sales to 2.7% (1997/98: 2.0%).

– The printing machines business area saw its earnings rise from DM 13 million in 1997/98 to DM 135 million. This climb was primarily attributable to the creating of new products – and to the further development of existing ones – meeting the needs of their markets, to the increasing of productivity, to the good rate of facility employment achieved, and to the successful investing in the expansion of the proprietary networks of distribution and service provision. The area's profitability is detailed by its key rates of return, with the return on capital employed going from 6.4% to 15.7%, and the return on sales rising from 0.5% to 4.1%.

Sources of earnings: business areas

in DM million

	1998/99	1997/98
commercial vehicles	451	322
industrial services	139	128
printing machines	135	13
Diesel engines	72	117
industrial equipment and facilities	301	258
holding, others, consolidation	– 8	– 20
income from ordinary activities	**1 090**	**818**
taxes on income	– 365	– 185
Net income	**725**	**633**
net operating margin	4.2 %	3.3 %
return on capital employed	15.4 %	13.7 %
earnings per share in DM	4.36	3.90
Dividend pay-out in DM	**1.80**	**1.60**

– The Diesel engines business area experienced a substantial drop in profits. Its earnings in 1998/99 came to DM 72 million, DM 45 million less than in 1997/98. Weakening rates of facility employment and a further intensification of the price-driven competition for business were the prime encumbrances on results. The area's return on capital employed came to 11.4% (1997/98: 19.4%) and its return on sales to 3.6% (1997/98: 6.1%).

– The companies active in the industrial equipment and facilities sector had total earnings of DM 301 million, DM 43 million more than in 1997/98. Substantial rises in earnings recorded the MAN Turbomaschinen, RENK and DWE group divisions and SHW. RENK was able to pay off the rest of the moneys owed to MAN AG, which had issued a guaranty bond for the company. The SMS group and MAN Technologie realized earnings near 1997/98's levels, a feat not quite matched by MAN TAKRAF. At 18.2% (1997/98: 17.4%), the return on capital employed was once more substantially above the Group's target figure. At 5.0%, the return on sales was unchanged.

– At DM – 8 million, the holding company's results were DM 12 million higher than in 1997/98. The year's results comprise, among other things, the income recorded by MAN AG and by its subsidiaries providing financial services, and the follow-up expenditures and income ensuing from the winding up of MAN GHH.

Key rates of return
in %

	1998/99	1997/98
Rate of return on capital employed		
commercial vehicles	16.2	14.4
industrial services	15.5	14.1
printing machines	15.7	6.4
Diesel engines	11.4	19.4
industrial equipment & facilities	18.2	17.4
Net operating margin		
commercial vehicles	4.7	3.7
industrial services	2.7	2.0
printing machines	4.1	0.5
Diesel engines	3.6	6.1
industrial equipment & facilities	5.0	5.0

Group's net income DM 725 million

The taxes paid on income rose from DM 185 million in 1997/98 to DM 365 million. This rise was primarily attributable to the increase in income from ordinary activities, to deferred taxes and to tax liabilities incurred before the current financial year.

The Group's net income (before minority interests) came to DM 725 million, a rise of DM 92 million or 15% over 1997/98. After deducting the income accruing to minority interests, the net income amounted to DM 673 million, up DM 72 million over 1997/98. Calculated according to IAS 33, the earnings per share came to DM 4.36 (1997/98: DM 3.90).

A bonus of DM 0.20 raises dividend pay-out

MAN AG's net income came to DM 328 million in 1998/99 (1997/98: DM 297 million). Of that, DM 50 million (also 1997/98's total) will be transferred to the retained earnings reserves, leaving an unappropriated profit of DM 278 million.

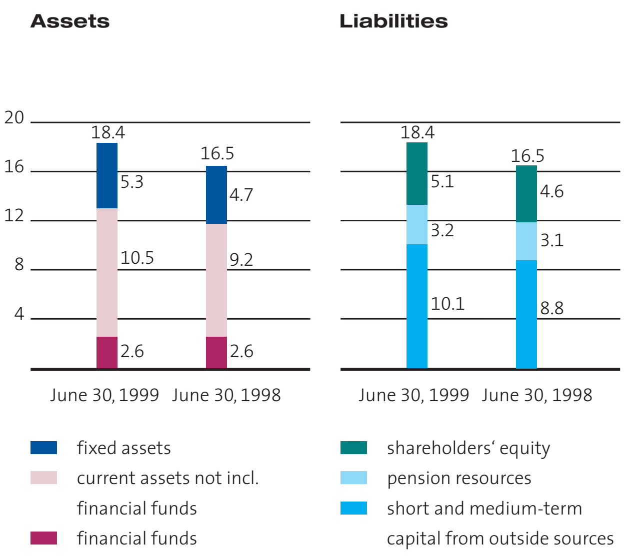
We will propose the paying out of a dividend of DM 1.60 per share – 1997/98's amount – and of a bonus of DM 0.20 per share. As had been the case in 1997/98, the dividend will be exclusively financed from proceeds emanating from outside Germany, ones which are therefore not liable to German taxation. This means that the dividend does not come with a tax credit. Thanks to the bonus, the gross dividend comes to DM 1.80 per share, a rise of 12.5%.

Finances remain strong

Ample assets, strong capital base
The balance sheet total rose DM 1.9 billion or 12% to DM 18.4 billion. The fixed assets increased by DM 0.6 billion or 13% to DM 5.3 billion. Showing an above-average rate of growth was the value of objects leased, which increased 26% to DM 1.0 billion.

The current assets, not including the financial funds, increased DM 1.3 billion to DM 10.5 billion, a rise attributable to the increase in the amounts committed to inventories and receivables. This, in turn, was primarily caused by the growth in the volume of business done by the commercial vehicles sector, by the drop in the amount of financing provided by customers ordering large-sized industrial facilities, and by the effects of the initial consolidation of companies into the Group's accounts.

Structure of assets and liabilities
(in DM billion)



The plowing back of net income for the year was a prime cause of the DM 0.5 billion rise in shareholders' equity, to DM 5.1 billion. The company's equity ratio did not change, remaining at 28%. The coverage of fixed assets by shareholders' equity comes to 96% (1997/98: 97%).

Including the pension reserves, which come to DM 3.2 billion, the MAN Group disposes of DM 8.3 billion in long-term capital. The short and medium term outside capital rose DM 1.3 billion to DM 10.1 billion. DM 0.5 billion of the rise was caused by an increase in reserves.

Investing activities financed fully from cash flow
Calculated according to the precepts established by DVFA/SG, the cash flow, which details the financing of operations (and which does not include the net changes in current assets), increased by 6% to DM 1.8 billion. The increase in funds committed to inventories and receivables caused the inflow of funds accruing from business activities to decline to DM 1.4 billion. This amount sufficed to finance the net expenditures for investments, which staged a further rise.

The investments came to DM 1.7 billion, DM 0.3 billion or 18% more than in 1997/98. After subtracting the proceeds stemming from the disposal of fixed assets, the net expenditures for investments came to DM 1.3 billion (1997/98: DM 1.2 billion).

The financing activities produced a slight outflow of DM 0.1 billion. Viewed as a whole, the stock of liquid funds remained virtually unchanged. The net liquidity – defined as the net of financial funds (with this including securities) and of financial liabilities – declined by DM 0.3 billion to DM 1.4 billion.

MAN AG: responsible for the Group's finances

MAN AG serves as the central source of finance for the MAN Group as a whole and for its operating companies. Comprised in this responsibility is the maintaining of a level of liquidity commensurate with the Group's volume of operation, with this entailing the arranging of lines of credit from banks, and the facilitating of export sales by utilizing financing instruments provided on the national and international levels. Both the Germany-based and non-German companies in the MAN Group are integrally linked into the centralized »cash management« system. MAN AG and its subsidiaries in the field of financing are responsible for the investing of surplus liquidity as well as for the refinancing of customer orders and investments.

Cash flow statement (abridged)

DM million

	1998/99	1997/98
Cash flow acc. to DVFA/SG	1 786	1 684
Other funds from operating activities	– 420	– 249
Cash flows from operating activities	1 366	1 435
Cash flows from investing activities	– 1 327	– 1 213
Cash flows from financing activities	– 63	– 478
Net decrease in cash and cash equivalents	**– 24**	**– 256**
other changes in cash and cash equivalents	79	109
Cash and cash equiv. as of July 1	926	1 073
Cash and cash equiv. on June 30	**981**	**926**

Derivative financial instruments are employed exclusively to secure the Group against risks arising from changes in interest and exchange rates. As of June 30, 1999, the amount of interest-rate hedges entered into by the MAN Group for its underlying transactions came to DM 404 million (1997/98: DM 534 million), with that of exchange rate hedges coming to DM 5,763 million (1997/98: DM 5,786 million). Some 85% of the latter have a term of less than one year.

Number of employees increased

Number of employees

	30.6.1999	30.6.1998
in Germany	47 520	47 347
outside Germany	19 318	16 540
	66 838	63 887
%, outside Germany	29	26
consolidation-caused increases	2 878	1 339

As of June 30, 1999, the MAN Group employed 66,838 persons, 5% more than on June 30, 1998. Additions to the line-up of companies consolidated into these accounts produced an increase of 2,878 employees. Put on a comparable basis, the number of persons employed was up 73. The percentage of employees working for the Group's companies outside Germany increased from 26% as of June 30, 1998 to 29% a year later. (For more detailed information, please go to the chapter »Personnel« on page 29.)

Capital expenditures greatly increased

We increased our capital expenditures for tangible fixed and intangible assets by DM 160 million or 20% to DM 951 million.

The main object of investment was the further optimizing of our chains of development and production, with »optimizing« meaning to us the configuring of the chains so as to produce an optimum yield on a sustained basis. To accomplish that, we have to achieve and maintain peak performances in terms of throughput times, product quality and employee productivity, achievements made possible by the efforts of the Group's staff members, working at all levels of responsibility. The instituting of innovative methods of production and business organization has cut costs and increased productivity. Our industrial facilities are invariably equipped with state-of-the-art machinery, thus assuring them of operating efficiently and manufacturing products of the highest quality. Our through-times of manufacturing and other product-related processes are progressively being shortened by the employing of concurrent methods of operation and of IT (information technology) networks extending throughout the Group and equipped with cutting-edge software. In 1998/99, we also invested in the expansion of our networks of distributors and of service centers, and in the extending of our range of services.

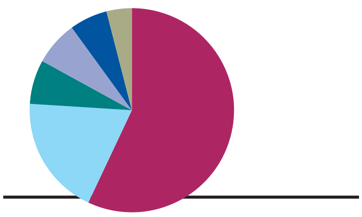
A further DM 570 million (1997/98: DM 497 million) was invested in objects leased out. Of that, DM 545 million went to finance the leasing out of commercial vehicles.

We expended DM 202 million (1997/98: DM 178 million) for financial assets. DM 108 million was spent to acquire stakes in companies initially consolidated into the Group's accounts in 1998/99. These purchases were made by the printing machines business area, which considerably expanded its distribution and services provision operations by acquiring the 79% of the equity of the Amsterdam-based Omnigraph Group N. V. previously not in Group hands, and by purchasing Switzerland's Votra Group and its subsidiaries engaged in distributing in Asia, plus companies based in Denmark and Germany.

Investments
in DM million

	1998/99	1997/98
for tangible fixed and intangible assets	951	791
for objects leased out	570	497
for financial assets	202	178
	1 723	1 466

Investments by business areas for tangible fixed and intangible assets
(not including objects leased)



- commercial vehicles (57%)
- industrial equipment and facilities (19%)
- printing machines (7%)
- Diesel engines (7%)
- industrial services (6%)
- holding company, others (4%)

Research and development remain a priority

In the MAN Group, the creating of new and further development of existing products, systems and services is one of the responsibilities assigned to the individual group companies, as they are in close touch with their markets, and thus know what they want and need. (These activities are reported on in the chapters devoted to the individual group divisions, found on pages 32–60.) MAN AG plans and coordinates all inter-group company development work, and facilitates and fosters the exchange of information and experiences among these companies.

The carrying out of research and development activities oriented towards customer needs constitutes the key to the MAN Group's ability to compete successfully on its markets on a sustained basis. Our fundamental objective is the creating of products and systems providing an ever-greater economy, security and reliability of operation, and ever-higher levels of quality, environmental compatibility and ease of use. Companies undertaking large-scale capital projects increasingly expect the entire project and all of its individual activities to be managed by a single provider. To satisfy this expectation, we are developing an increasing number of project-encompassing mixes and modules of goods and services, and a growing number of high-complexity systems.

Expenditures for research and development in 1998/99 came to DM 825 million, up DM 56 million or 7% over 1997/98, and amounting to 4.0% (1997/98: 4.2%) of the sales earned by the Group's manufacturing operations. Of the total, DM 643 million (up 9% over 1997/98) stemmed from proprietary funds, with DM 182 million (1997/98: DM 177 million) accruing from order-incurred R & D activities.

Nearly 60% of our R & D-related expenditures went to basic research and to the development of new products; the rest to the ongoing improving and extending of existing lines of programs. Expressed as an annual average, 3,644 (1997/98: 3,623) persons were employed by Group R & D departments.

Research and development
in DM million

	1998/99	1997/98
expenditures for R & D	825	769
as % of the sales earned by manufacturing companies	4.0	4.2
proprietary funds for R & D	643	592
R & D personnel (annual average)	3 644	3 623

1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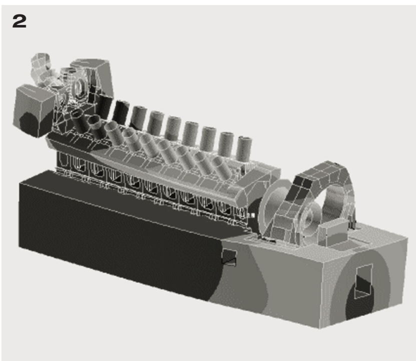


1 Shown is a prototype of the Crew Return Vehicle, which will serve the International Space Station

2 This finite element model-based grid is being used to determine the range of vibration of a large-sized Diesel aggregate

Environmental protection: guidelines reformulated

At MAN, the effective protection of the environment constitutes one of the prerequisites for the sustaining of corporate development. Our efforts are centered around the developing of integrated systems not producing any undesirable ancillary and downstream effects, and thus precluding the arising of any environmental encumbrances both now and in the years to come. This approach represents a cornerstone of sustainable development, the principle intermeshing economic, ecological and societal imperatives into a single entity.

To protect the environment, the MAN Group engages in the following:

- evaluating of technologies and products
- compiling of materials
- entering into voluntary commitments
- institution of environmental and quality management systems adhering to DIN EN ISO 14 001 and to DIN EN ISO 9 001 respectively
- audits and certification procedures
- reducing the use of materials and the developing of easy-to-recycle products, ones whose components are reused.
- using energy efficiently, finding substitutes for hazardous materials, and assuring an environmental security of operation.

Long in use at our operating facilities, our environmental management systems undergo a never-stopping process of further development and auditing. Environmental audits have been, by now, regularly carried out at all of our large-sized production facilities. The audits' findings were submitted to corporate management, which, after evaluating them, instituted whatever corrective measures were required.

In spring, 1996, we issued our first report on the environment. It detailed our activities to protect the environment and presented, in a set of guidelines, the precepts of our environmental policies. The report also listed the ideas and concepts associated with the protecting of the environment at the corporate level. It listed examples of the individual Group companies' investments in systems protecting the environment and of the measures carried out. Our second report on the environment was published in summer, 1999. It can be ordered from us at the address listed on the inside back cover.

1 The 1999 edition of MAN's Environmental Report

2 Hydrogen-powered buses emit virtually no pollutants.

1

2

Risk management systems: a multi-stage approach

Risks – an inescapable component of doing business

The incurring of risks is an inescapable part of doing business. The MAN Group is no exception to this rule.

The wide range of risks to which the Group is exposed include primarily the ups-and-downs of the economies and the cycles of demand sometimes shown by the sectors in which it operates. As previously depicted, the negative economic conditions prevailing in 1998/99 in the large-sized facilities business caused the industrial services and plant and rolling mills technologies business areas to experience a slump in demand. This drop's impact on the areas' earnings was minimized by, among other factors, the long times of project completion generally prevailing in the areas. The areas are now experiencing a substantial increase in the volume of project-related business, one triggered by economic upswings.

Of prime importance to the commercial vehicles and Diesel engines business areas are the progressive beefing up of the regulations on the allowable amounts of emissions produced and of the rising of customer expectations vis-à-vis the engines' fuel consumption. The business environment in which the printing machines business area operates is being shaped by the fundamental transformation being undergone by the world's media, manifesting itself in the publishers of print items' expectation that manufacturers provide them with digital-based, decentralized systems integrating all phases of printing into single entities.

All-encompassing risk management system

The MAN Group is eminently capable of adequately responding to the challenges arising from our markets, and from the other companies active in them. We manage and monitor all of our world-spanning activities on a 'round-the-clock' basis. The managing of risks arising from our daily business operations is primarily the responsibility of the Group companies. We use a multi-stage process of planning, information gathering, and controlling to identify, analyze and evaluate the opportunities and risks arising in our individual business areas. This process forms the heart of the MAN Group's risk management system, whose operation has been charged to the controlling, finance, technical planning and accounting and auditing departments of MAN AG, the lead company of the group it heads.

Group companies report their results on a monthly basis. Their controlling processes produce the latest figures on their orders and earnings totals, and on their rates of facility employment. Using the target figures set by corporate planners (updated several times during the course of the financial year), these results are then analyzed. Any risks or negative trends manifesting themselves outside the times of regular intra-Group consultation are immediately reported. All pending and possible acquisitions of holdings in non-Group companies are subjected to a special-purpose analysis of risk.

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

Our technical planners analyze and evaluate the individual group divisions' capital projects and R & D activities, establish technical benchmarks and coordinate the cross-sector operations of IT-based systems. The planners are also responsible for monitoring the operations of our quality assurance, job safety, environmental protection and other risk-incurring systems, and for the compiling and securing of the related and appropriate reports, audits and certificates. These include DIN EN ISO 9 001 and DIN EN ISO 14 001.

In addition to handling its traditional responsibilities, our accounting and auditing department has been given a number of important risk management-related assignments for the MAN Group. We have set up a dedicated system for the monitoring of how large-sized projects are being carried out. We are currently working on welding our existing systems of facility safety and security into a single, easy-to-deploy and universally-applicable one.

Our group-wide systems of reporting and controlling thus ensure the individual decision-makers of having a flow of up-to-date and accurate information. The analyses made of our markets and of the other companies active in them allow us to discern, at an early stage, significant changes in our business environments and to quickly react to them.

Also subject to ongoing monitoring is the risk management system itself, and particularly its capability to do the job entrusted to it, and where and how it can be improved. That's why we saw to the inclusion of our risk management system in the auditing of our financial statements for the year ending on June 30, 1999, carried out by BDO Deutsche Warentreuhand Aktiengesellschaft, with this step coming in advance of the taking effect of the legal obligation, stemming from KonTraG, to do such. This audit is based on the examinations already carried out of the group companies' risk management systems.

We're ready for Y2K (»year 2000«)

It was as far back as 1996 that the MAN Group began to prepare itself to make the Y2K (»year 2000«) change over. Encompassed in these preparations were the group companies and their products and processes, and the Y2K-capabilities of our suppliers. In line with the MAN Group's decentralization of operations, the responsibility for making the Y2K-related changes rested with the group companies, with their activities and reporting on same being coordinated by MAN AG, which also saw to the exchange of information among them. The executive board was briefed on a regular basis on the progress of the preparations. The carrying out of changeover-related projects was monitored by the Group's accounting and auditing department.

As of mid-September, 1999, the making of the changeover had very nearly been completed. These preparations notwithstanding, emergency plans have been prepared to handle malfunctions and interruptions of production arising from the failure of systems outside the province of the MAN Group.

Major developments in the new financial year

Special events
At the end of 1998, it was agreed that SMS Schloemann-Siemag AG would merge with the metallurgy department of Mannesmann Demag Krauss-Maffei AG. The contract finalizing the agreement took effect on August 28, 1999. With SMS AG holding 72% of its equity and Mannesmann Demag Krauss-Maffei AG the rest, SMS Demag AG, the name given to the company resulting from the merger, is the world's largest supplier of facilities used by the steel, aluminum and copper industries to carry out all of their operating processes.

Managed via MDE Gasturbinen GmbH, the operations providing decentralized systems of energy generation were transferred to the ownership of Tuma MDE GmbH, in a move taking effect on July 1, 1999. MAN Technologie AG holds 30% of the equity of Tuma MDE, with the rest being held by Borsig Energy GmbH, which consigned TUMA TURBOMACH GmbH, Griesheim, to the new company.

As had been previewed, the ownership of the equity of MAN Turbomaschinen AG GHH BORSIG was transferred from MAN Technologie to MAN AG, in a move taking retroactive effect on July 1, 1999.

After Dieselmotorenwerk Rostock GmbH (DMR) went bankrupt, MAN B&W Diesel AG founded MAN B&W Diesel Rostock GmbH. The new company's job is to provide technical services to the large number of engines designed by MAN B&W and manufactured by DMR.

Off to a good start
The new financial year has developed well for the MAN Group. The amount of new orders secured by the Group during July and August, months of summertime-caused slack business, came to DM 3.8 billion, at 1998/99's level. The Group's business areas showed a divergence of development, with the commercial vehicles one recording large-scale rises and the other business areas declines, with these arising from the large-sized orders category.

The Group's sales came to DM 2.8 billion, a rise of 2%. Both the commercial vehicles and printing machines business areas registered increases in sales, with the other ones recording declines.

The total value of orders on hand rose by DM 1.1 billion, or 6%, to DM 17.9 billion, with all group divisions and business areas recording rises.

Forecast for 1999/2000: further growth

Economic upswing expected
Things have been looking better and better for the world's economy since mid-1999. The turnaround now taking place in Asia constitutes the prime reason why a large number of emerging markets are believed to have touched bottom and to be now on their ways up. Although the growth of the USA's economy is forecast to abate, demand from the country will continue to boost Germany's exporters. In most of Europe's economies, the forces for growth are gaining the upper hand. A further boost for Germany's exporters is expected to ensue from the stability of conditions increasingly evincing itself on markets outside the country. The resulting rise in exports, should it materialize and extend into the year to come, will constitute a major wellspring of economic growth and will stoke demand for capital goods.

What's in store for the business areas
The forecasts made for the group divisions' performances in 1999/2000 are to be found in the individual chapters on them, which start on page 32. Below is a summary of these forecasts' key points.

– The commercial vehicles business area has continued during the first few months of 1999/2000 to secure a good amount of orders and to record a high level of employment. The rate of capacity utilization has remained high. We are forecasting that the rest of 1999/2000 will see a further rise in sales, notwithstanding a predicted weakening of demand, hitherto very strong.

We are striving to further improve our standing on western Europe's market, and to expand our activities in central and eastern Europe. We will continue to cut operating costs, thus establishing the preconditions for the recording of earnings of – at the very least – of the amount of those of 1998/99.

– The industrial services business area's new orders total will probably rise in 1999/2000, with this being a product of the ongoing rises in the prices paid for commodities and raw materials. These increases have made it once more profitable to operate plants. This fact is expected to activate capital investments originally set to be made in the markets of importance to our industrial services business area and then subsequently postponed. The business area's sales in 1999/2000 will probably be at the previous year's level. It has targeted the achieving in 1999/2000 of earnings of 1998/99's magnitude.

– Improvements in its international-level operating environments should cause the printing machines business area to register further, albeit moderately-sized, increases in new orders and sales in 1999/2000, with earnings at a high level. We expect the aftermath of next May's drupa 2000 to bring a substantially-sized picking up of demand.

– Conditions will remain difficult in 1999/2000 on the markets in which our Diesel engines business area does business. Demand for marine Diesels and Diesel-powered energy stations will remain weak, with competitive pressures gaining further strength. We expect these trends to cause a decline in the volume of orders and a weakening of earnings. We will counter this by taking the appropriate measures.

– The picking up of economic growth in Asia, Europe and other continents should increase demand for the industrial equipment and facilities business area's products. We expect the new orders and sales totals in 1999/2000 to be above those of 1998/99. Sector-specific conditions could, however, cause several of the area's companies to experience declines. As matters now look, the industrial equipment and facilities business area will record earnings in 1999/2000 at 1998/99's level.

Forecast for the Group as a whole

Based on the prospects enjoyed by the individual business areas, and viewing matters from today's vantage point, we are confident that the MAN Group will be able to secure in 1999/2000 new orders worth a total of DM 27 billion, with the actual size of the total being largely dependent upon how the market for commercial vehicles further develops and whether or not the projected picking up of the world's demand for capital goods does in fact materialize. The rise in sales is set to be less than that of new orders – we are striving for a total of DM 26.5 billion.

Currently applicable plans foresee an increase in the amount of capital expenditures. Expenditures for tangible fixed assets should reach the DM 1 billion level, with the main object of investment continuing to be the commercial vehicles business area. As matters now look, the amounts invested in objects leased out and in financial assets will also rise.

We expect to continue to have an ample amount of financial resources in 1999/2000. We have a large amount of fixed assets and of liquid funds, with our cash flow being set to remain at the previous financial year's level. As matters now look, these amounts will suffice to finance the capital investments being undertaken, and the further increase in funds committed, with the latter being a product of the increase in the volume of business transacted. MAN AG has at its disposal two tranches of approved capital. They have a nominal value of DM 377.1 million.

Should the preconditions and assumptions detailed above be met and come true, it should be possible, as matters now look, to absorb the increases in expenditures caused by the introduction of new products, and to achieve earnings in 1999/2000 at the level of 1998/99.

Objectives for the MAN Group in 1999/2000

	1998/99	Objectives for 1999/2000
New orders (DM bill.)	24.4	about 27
Sales (DM bill.)	25.9	about 26.5
Income from ordinary activities (DM mill.)	1 090	same
Net income (DM mill.)	725	same
Earnings per share (DM)	4.36	same
Rate of return on capital employed (%)	15.4	15 +
Investm. in tangible fixed assets, not incl. objects leased (DM bill.)	0.95	about 1.0

MAN's stock – moving on up

Through rises in dividend pay-outs and rises in stock quotes exceeding market-wide averages, our shareholders have been profiting from MAN's strength of performance. Our investor relations activities aim to deeper our shareholder's confidence in MAN and to attract new investors.

Gratifying rise in MAN's stock quotes since beginning of 1999
MAN's stock has been among the best performers listed in the DAX (Deutscher Aktienindex) since the beginning of 1999. Our shareholders could enjoy the company's ordinary shares' quote having risen nearly 36% by June 30th, and its preference shares' one increasing more than 26%. The DAX itself rose only somewhat more than 2% during this time. Notwithstanding this gratifying development, the shares were down for 1998/99 as a whole. Even after taking into account the effects of a reinvesting of the dividends paid out, the ordinary shares' market value declined nearly 4% over the year, with the preference shares' one experiencing a more than 7% drop. The falls were caused by the extreme weakness of performance shown by the shares during the first half of the financial year. The DAX itself, however, fell nearly 9% during the same period. The comparisons with sector-specific indices, due to their make-ups, have little pertinence. The nearly 26% rise recorded by the DAX 100's index of industrial engineering companies was largely attributable to the boost from sector-extraneous factors experienced by the company with the largest weighting. Factoring out this company, the FAZ's index of the sector showed a more than 17% drop.

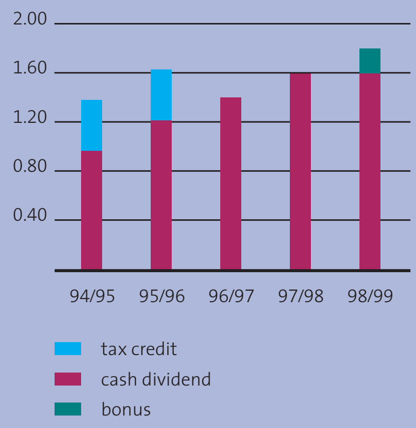
MAN's shares: facts and figures

	1998/99*)	1997/98
quotation as of June 30		
ordinary shares (in EURO)	33.30	36.12
preference shares (in EURO)	22.12	25.26
market capitalization (in EURO mill.)	4 644	5 093
Earnings per share (in EURO)*	2.23	1.99
Cash flow per share (in EURO)*	5.50	5.30
Dividend per share (in EURO)*	0.92	0.82
Equity per share (in EURO)*	15.40	14.00
price-earnings ratio (as of June 30)		
ordinary shares	14.9	18.1
preference shares	9.9	12.7
dividend yield**) of		
ordinary shares (%)	3.9	3.1
preference shares (%)	5.5	3.9
total yield***)		
ordinary shares (%)	– 3.9	34.2
preference shares (%)	– 7.4	16.1
DAX yield (%)	– 8.8	54.4
Fixed-income-yield REXP	5.9	7.7
number of shares (as of June 30)		
ordinary shares (thousands)	110 280	11 028
preference shares (thousands)	43 920	4 392

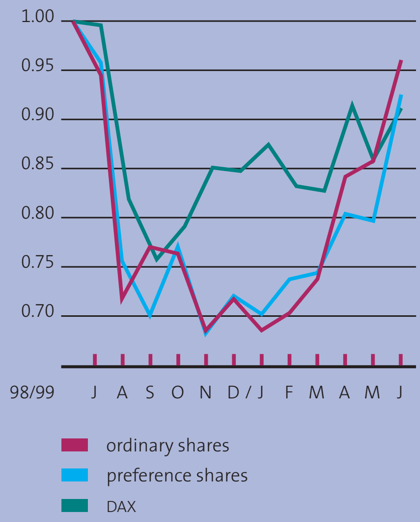
*) adjusted to account for 1:10 stock split
**) referring to cash pay-outs and according to the quotes prevailing on the day after the previously-held annual general assembly
***) assuming the reinvestment of dividend pay-outs on the day after the annual general assembly

Fifth successive increase in dividends
In accordance with our policy of linking dividend pay-outs to the earnings realized, we are proposing to add on a bonus of DM 0.20 per share to the dividend paid out for the 1998/99 financial year, boosting the total dividend per share to DM 1.80 – a new all-time high for MAN. As had been the case in the previous two financial years, the pay-out will be financed from proceeds not liable for taxation in Germany. For that reason, the dividend does not come with a credit for corporate income taxes. Using the ex-dividend quote of 1998's annual general meeting produces a dividend yield of 3.9% for the ordinary shares, and of 5.5% for the preference ones – yields ranking us among the DAX's best performers, and ones standing comparison to those produced by one year fixed-income financial investments.

MAN's dividends per share
(in DM)

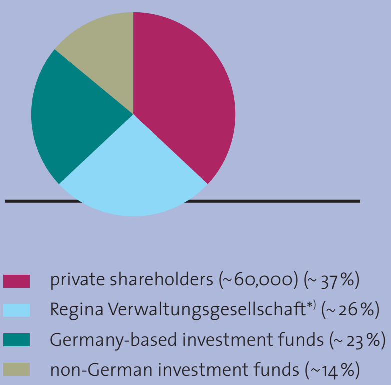


MAN's stock vs. the DAX 1998/99
(June 30, 1998 = 1)



MAN's stock: highs, lows, and final quotes
(in EURO)

MAN's shareholders



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

MAN's stock: a new currency of quotation and new indices

MAN's stock quote has been denominated in Euros since January 1, 1999, which is when that currency became official tender of 11 European countries. On March 1, 1999, implementing a resolution passed by December, 1998's annual general meeting, the base of valuation of MAN's shares was changed. This valuation now arises from individual share certificates. This was accompanied by a 1:10 stock split. Our stock's quotes – both current and previous ones – can also be obtained by visiting our Website (http://www.man.de). MAN's ordinary shares form part of the DAX and of the sub-indexes Deutsche Börse AG have compiled for Germany's industrial engineering sector, and of a number of other national and international-level indices. At the European level, MAN's ordinary shares are listed in Dow Jones EURO/EUROPE STOXX index and its »industrials« sub-indices.

Adding corporate value: investor relations

The relating of the objectives and strategies pursued by MAN, the elucidating of its structures and the detailing of its potential all constitute an important part of the boosting of MAN's corporate worth. For that reason, these activities have been greatly expanded. A wealth of basic and specific corporate data is available in the annual reports issued by MAN AG and by its major subsidiaries, reports which have formed the cutting edge of information provision over the last few years. The newly-instituted application of the International Accounting Standards has enhanced the international-level comparability of these accounts. Via quarterly reports, bulletins and press releases, we inform the world on current developments and events. All of this information is available from our Website (http://www.man.de), which also contains an on-line sign-up form for those wishing to receive our press releases by e-mail.

But there's more to MAN's investor relations than the above. At national and international-level conferences, we brief institutional and private investors on our Group. At conferences held on an annual basis, members of our executive board go head-to-head with analysts and other financial market players responsible for making suggestions as to which stocks to buy, or for pre-formulating such decisions for funds managers. Members of our executive boards meet with institutional investors on the latters' home ground, be it in Germany, the USA, the United Kingdom, France, Switzerland or elsewhere. Through group meetings, face-to-face encounters and telephone calls, we answer, on a daily basis, the questions and respond to the observations of our shareholders and potential investors.

No major changes in make-up of shareholders

Surveys of our shareholders show that the percentages of MAN's total shares held by investment funds based in and outside Germany have slightly declined. These declines are probably attributable to the downgrading, primarily in 1998, of Germany's capital goods sector by international analysts. German investment funds now hold only some 23% of MAN's shares, with non-German institutional investors holding nearly 14%. Of the latter roughly one third each stems from the USA, the British Isles (including Ireland) and the rest of continental Europe. We are conducting a new outreach to investors. Its purpose is to both further strengthen the trust shown by our shareholders in MAN's stock – manifesting itself in our stock's rise in value in 1999 – and convince other investors to purchase our stock.

Personnel: promoting performance through profit-sharing

Only well-trained and highly-motivated staff members are capable of producing the innovations and providing the excellent customer services required to keep our Group's corporate worth and earnings growing strongly. The MAN Group has launched a system of corporate yield-dependent special payments and maintains an extensive system of vocational training and occupational education. The number of persons working for the MAN Group increased 5% in 1998/99.

As of June 30, 1999, the MAN Group employed 66,838 persons. This large-sized rise of 2,951 employees is predominantly attributable to the consolidation of further companies – primarily based outside Germany – into the accounts. This added on 2,878 persons. Most of them work for the distributors of printing machines taken over by MAN Roland Druckmaschinen AG and for companies initially consolidated in the industrial equipment and facilities business area. Put on a comparable basis, the year-to-year rise amounted to 73 persons – the net of the increase in MAN Nutzfahrzeuge's staff and the declines in most of the other group companies' ones. Nearly 29% (1997/98: 26%) of our employees work for companies based outside Germany.

Our Germany-based companies increased their numbers of limited-term hirings, as this form of employment and the large number of »flex« work schedules and »hours worked accounts« now in use provide the companies with a way of efficiently responding to the variations in their amounts of orders and output caused by changes in customer needs.

At DM 6,543 million, the expenditures for personnel were up 9.1% on a year-to-year basis. This rise was caused by the increase in total Group employment and by the collective bargaining agreement reached in February, 1999. The latter increase was only slightly offset by April 1, 1999's cut – from 20.3% to 19.5% of total remuneration – in the employees' benefit accounts payments.

Profit participation plans for the MAN Group's employees

In a corporate first, all of the Germany-based employees working for MAN's large-sized manufacturing companies and whose remuneration is determined by the collective wage scales received for 1998/99 a special payment, coming in addition to their normal remuneration, and of a size linked to the net operating margin achieved by their individual Group company during the financial year. Thanks to this system, at the MAN Group, strong corporate results now mean bigger paychecks for employees.

MAN Group business areas: number of employees

	June 30, 99	June 30, 98
commercial vehicles	29 391	28 502
industrial services	6 811	6 813
printing machines	9 860	8 730
Diesel engines	6 010	6 281
industrial equipment and facilities	14 071	12 643
holding company, others	695	918
	66 838	63 887

The instituting of this system of linking part of the personnel's remuneration to corporate earnings has been accompanied by the expectation that our employees view the special payment as an incentive to keep on performing so well.

Also revamped was the system of paying executives »floating« salaries. Bringing a new uniformity of executive remuneration to all parts of the MAN Group, the new system is based on a thoroughgoing evaluation of the tasks performed by Group executives. Using it, the system has assigned all of the Group's executives – with the exceptions of the members of the executive boards and other senior managers – to one of three levels of remuneration. Criteria for categorization into a level is the relative importance of the work carried out by the individual executive and how much management responsibility he or she bears for it.

The new system takes into account the executives' individual performances, adjudged using the manager-specific targets agreed upon with each of them, and the net operating margins and return on corporate assets achieved by their respective group companies or, in a number of cases, business units.

These measures enable us to provide to all persons working for MAN in Germany recompense partially comprised of components whose size is determined by the success of the particular companies in reaching specially-set rates of return and in attaining other objectives. These measures represent an important step towards establishing a system of remuneration built around the objective of producing a long-term and sustainable growth in the Group's corporate worth.

Corporate pension plans

In a move taking effect on July 1, 1999, the systems of pension payments in place in the Group were first revamped and then joined into a single entity.

Persons hired as of July 1, 1999, will be included in a set payments-based pension plan. The sizes of the pensions paid out by the old system are linked to the employees' salaries immediately prior to retirement. The new system features commitments to pay specifically-sized pensions. By instituting it, we will be able to continue to offer old-age pensions, which form an important part of the Group's system of caring for its employees' human needs.

Vocational training

The attractiveness of our in-house system of education, attended by trainees learning technical and commercial professions, by interns, and by college students finishing up their degrees, will spare us

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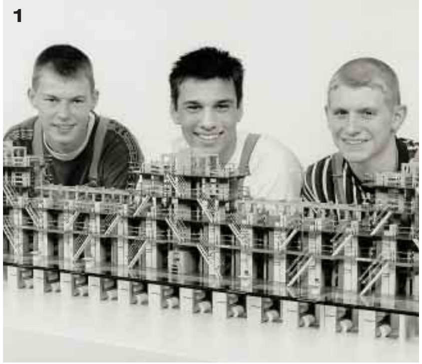

2

from having to contend with a shortage of skilled personnel some time in the future. The number of young persons receiving their vocational training at our companies in Germany was equivalent to 5.5% of the companies' total workforce. This percentage means that we are educating more persons than our current need would dictate, and that we are doing our part to reduce the rate of unemployment of young persons in Germany.

Ongoing occupational education

The development of a supply of young executives and the further training of senior managers are being accorded an ever greater importance by the MAN Group, which is now preparing a new, comprehensive-scope program of executive-level education.

In 1998/99, 80 young staff members – each having the potential to become a director of a department – attended seminars, each several weeks long. Staged since 1988, these events have been to date attended by a total of nearly 700 young executives, who were prepared for the assumption of senior management responsibilities at them.

As had been the case in past years, executives already in charge of managing staffs participated in seminars covering such topical subjects as methods of managing change and projects, and modalities of communication and conflict resolution.

A total of 36 such events have been staged since May, 1995. They have been attended by 565 senior executives.

Profiting from our employees' ideas and initiatives

We set up an in-house suggestion system fostering the submitting by employees of their ideas on how the Group's methods of work and its products could be improved, and their taking related initiatives. This system constitutes an important, increasingly productive component of MAN's culture of in-house communication. In 1998 (the latest period for which we have figures for the whole Group), 8,111 (1997: 7,633) suggestions were submitted. Of them, 40% were implemented, triggering the payment of more than DM 3 million in cash awards. The resulting improvements yielded savings of more than DM 15 million, the same as in 1997.

Thanks to our employees and their representatives

Our thanks go to all of the persons working for Group companies. Their hard work formed the basis of our successes. We also thank the members of the bodies – both those in the individual facilities and those at the company-wide levels – representing our employees' interests for the open-minded way they, as had been the case in previous years, worked with us in helping our Group achieve its goals.

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1 Trainee model-makers working on a detailed model of a GEOMAN system
2 SMS staff manning the central console controlling the operations of a steel production line located in Dalian, China
3 Occupational education programs teach staff members how to operate state-of-the-art production systems
4 The management of maintenance operations being carried out on petrochemical, chemical and metallurgical facilities

MAN Nutzfahrzeuge – strong on its markets thanks to technological leadership

New orders and sales totals and workforce size staged further, substantial rises. We enhanced our standing on Europe's markets and strongly increased earnings. We expect earnings to stay at a high level in 1999/2000.

Western Europe's need for transport services rose once more in 1998/99, boosting with it the demand for commercial vehicles. Including Germany, western Europe's new registrations of trucks of 6 t or more total weight came to 324,000 units, up 16% and a new record. The world's other markets showed a divergence of development.

MAN Nutzfahrzeuge group division
in DM million

	1998/99	1997/98
New orders	9 682	9 502
Sales	9 645	8 833
Earnings bef. taxes	451	322
Employees (June 30)	29 391	28 502

Staying a course of success

The MAN Nutzfahrzeuge group division increased its deliveries of trucks of 6 t or more total weight by 13% over 1997/98. Its some 51,000 vehicles sold was a new corporate record.

By increasing our deliveries of trucks by a better-than-market average of 18%, we further strengthened our standing on western Europe's market (with this including Germany), to which 88% of our output went in 1998/99.

We have strengthened our position of being the third largest supplier in Europe.

Our share of this market went from 13.5% to 13.7%, more than offsetting the declines in the volumes of our deliveries to Russia, Turkey and the Far East, and strengthening our position of being Europe's third largest manufacturer. At 25%, our share of Germany's market remained steady.

With its unit sales rising 440 to more than 4,200, our bus division also managed to use an increase in sales in western Europe to more than make up for the drop-offs arising in the regions gripped by economic crises. With the German market as a whole not appreciably moving, the division increased its shipments in the country by 14%, allowing us to boost our share of this market from 19.7% to 21.5%. We sold 9% more buses in 1998/99 to customers based outside Germany than in 1997/98.

New orders and sales totals set new records

The MAN Nutzfahrzeuge group division's new orders total in 1998/99 came to DM 9.7 billion, a new all-time high. The orders from Germany amounted to DM 4.5 billion, at the previous year's level, with those from abroad rising 4% to DM 5.2 billion. Our customers placed orders for a total of 55,000 commercial vehicles, of which 51,100 were trucks and 3,900 buses. The group division's sales rose 9%, to DM 9.6 billion, itself a new record. Of that, DM 4.6 billion accrued from sales in Germany, up 11% over 1997/98. The sales of DM 5.0 billion achieved outside Germany were up 8% over 1997/98.

Workforce size increases further

The high rate of capacity employment achieved and the further expansion of our network of sales and service centers permitted us to create some 900 more jobs. As of June 30, 1999, the MAN Nutzfahrzeuge group division employed 29,400 persons; 20,900 of them in Germany and 8,500 outside it.

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1 The L2000 won the 1998/99 installment of Germany's Prize for Commercial Vehicles

2 Our low-floor scheduled service bus was named »Bus of the Year '99«

To increase our rates of capacity employment, we further developed our »flex« scheduling of work and added on daily shifts at our production facilities.

We continue to devote a great deal of resources to the vocational training of young persons. Their total number was equivalent to 8.5% of our workforce, a percentage well above the sector-wide average.

Our objectives remain to increase our products' efficiency and safety of operation and their environmental compatibility.

Successful thanks to technological leadership
Our successes on our markets are partially due to the technologies incorporated into our motor vehicles. Including both new and further developed ones, these technologies have increased the vehicles' efficiency and safety of operation, and their environmental compatibility. The reward for our efforts came in the form of the »German Prize for Commercial Vehicles 98/99« being conferred upon the L2000, and in our receiving the »Bus of the Year '99« international-level award.

Notwithstanding the persisting of uncertainties as to the content of legal regulations, we have stepped up the pace of development of the Euro 3 engines, so as to allow these engines to be installed in our vehicles before the date of promulgation of the new standards. To help protect the environment, we will continue to develop our hydrogen and natural gas-powered engines and fuel cells-based propulsion system.

To augment and sustain over the long run the technological lead we enjoy over our competitors, we increased in 1998/99 our expenditures for research and development, which came to DM 321 million.

Service provision business on a roll
Carried out in 1997/98, the joining of all the operations providing distribution-related services into a single unit has proven its merits, with this division increasing its revenues by 23% in 1998/99. The purposeful extending of the network of service centers and the expanding of their range of offerings were set forth.

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As of this writing, we have nearly 1,100 service centers in Europe. In Germany alone, we have 169 proprietary service facilities. A further 220 ones are maintained by our licensed partners.

Expanding of our operations outside Germany

The step-by-step building up of our proprietary network of outlets in western Europe has strengthened our standing on that market, an enhancement providing the preconditions for a further increasing of the share we hold of this market and for the expansion of our standby services. A service provision subsidiary was founded in England. Now being prepared in other countries are a range of working relationships with partners providing financing.

The large-sized slumps affecting parts of central and eastern Europe notwithstanding, we strengthened our position on these markets, putting us in a good position to profit from the upswings expected to occur on them. New outlets are to be set up in Poland and Hungary. In 1998, our company and STAR, Poland's largest truck producer, began looking at ways of our working together. These led to the concluding of a basic agreement on a working relationship.

We hold 51% of the equity of the Minsk, Belarus-based MAZ-MAN joint venture, which started business at the beginning of September, 1999. This company is to turn out some 500 heavy-duty articulated road trains a year, after having completed the gearing up of operations.

To beef up our presence on markets in New Zealand and Australia, we set up a new headquarters for distribution (located in Auckland) and an office for sales and services (located in Sydney). The operations of the USA-based MAN Engines & Components Inc. will be expanded on a step-by-step basis. High-paced discussions with potential partners are currently taking place in China, Malaysia, Indonesia and Korea. We acquired a South Africa-based manufacturer of bus superstructures, consolidating our position on that market.

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1 Tractor for the transporting of heavy loads
2 The F2000 Evolution articulated road train
3 This 12 cylinder engine powers track-riding vehicles
4 The Lion's Star offers a high degree of travel comfort

1 These quick-accelerating large-sized fire trucks are used in airports
2 This low-floor articulated bus is powered by an environmentally-friendly propulsion system fueled by natural gas
3 Munich's fire department's new turntable ladder engines

Substantial rise in earnings

The positive developments taking place on our markets led to our production facilities' achieving a sustainedly high rate of utilization. The downward pressures on prices, however, persisted. We used the making of improvements in our processes of manufacturing and other efficiency-raising measures to cut our costs of productions.

Thanks to these efforts, the group division's earnings before taxes on income rose from 1997/98's DM 322 million to DM 451 million in 1998/99.

Promising prospects

The new orders totals recorded during the first few months of 1999/2000 are up substantially over those of the previous financial year. They continue to exceed those of sales. We are sticking to our forecast of a good rate of facility utilization.

These trends should allow us to achieve a further rise in sales in 1999/2000, despite the slump in the market as a whole forecast to occur. We are striving to further improve our standing on western Europe's market and to expand our operations in central and eastern Europe.

We will continue to optimize the cost-causing structures of the group division's business units. This will help us record earnings – at the very least – at this financial year's levels.

Ferrostaal – overcoming regional-level crises

The crises gripping markets outside Europe led to a drop in the volume of business transacted. Also thanks to the measures swiftly taken to adapt to this new situation, Ferrostaal recorded a slight rise in earnings. We expect demand to pick up again in 1999/2000.

In 1998/99, the Ferrostaal group division was not able to set forth the previous years' string of increases in business volume. The primary causes of this were the economic crises – especially affecting the local financial sectors – being experienced in Southeast Asia, Russia and South America, and the drops in the prices prevailing on important markets for raw materials. Ferrostaal's new orders and sales totals declined. To ensure and sustain Ferrostaal's ability to compete, we took a number of measures designed to adapt our operating structures to the new situation. We also strengthened our operations in ASEAN member countries by taking over from MAN Roland the Votra Group's companies based in the region. We have expanded the activities of our logistics division.

Ferrostaal group division
in DM million

	1998/99	1997/98
New orders	4 357	5 606
Sales	5 219	6 314
Earnings bef. taxes	139	128
Employees (June 30)	6 811	6 813

Facility construction and contracting segment affected by financial crises
The facility construction and contracting segment provides financing, planning, supply, assembly, commissioning and maintenance services for industrial facilities. The segment's business is

– with several exceptions – done in and with the emerging markets in Africa, Asia and Latin America, and the reform-minded countries of central and eastern Europe.

The crises gripping these markets manifested themselves in the sharp falls in our new orders and sales totals. Notwithstanding this, we did manage in 1998/99 to secure a number of significant orders. SNIM (Société Nationale Industrielle et Minière) is the Mauritanian government-owned mining company. It placed an order for the delivery of a facility for the secondary crushing of iron ore. The order includes the supervision of the assembly of the facility, located in Guelb el Rhein.

In September, 1998, MAN GHH Öl & Gas GmbH was commissioned by the Libyan government-owned Sirte Oil Company with the turnkey construction of a 142 km-long natural gas pipeline system and of a station for the compressing of natural gas. This station will be equipped with compressors and turbines manufactured by MAN Turbomaschinen AG GHH BORSIG.

As a partner to a working association, DSD secured an order for the supplying and assembly of the gates to an blimp manufacturing-facility owned by Cargo Lifter AG located in Brand, Brandenburg.

In April, 1999, on schedule and after having completed its 12 month-long warranty period, a methanol production facility, the third to be built by us in Trinidad, was consigned to the customer's ownership. As is the case with the other plants previously built in the republic, Ferrostaal AG has taken an equity stake in this one.

At the beginning of 1998/99, Ferrostaal transferred all of its maintenance activities to the newly-founded Ferrostaal Industrial Plant Services GmbH. This company was able to expand its operations in Germany.

Industrial equipment and systems segment records rise in sales

The industrial equipment and systems segment distributes, on a worldwide scale, single-unit machines, pumps, compressors, turbines and Diesel engines, and provides related services. The segment also plans and carries out the building of transport systems and other infrastructural projects. Overcoming the weakness shown by its markets, the segment managed to record a slight increase in sales. The crises gripping non-European markets caused the segment, however, to record a new orders total less than the large-sized one of 1997/98.

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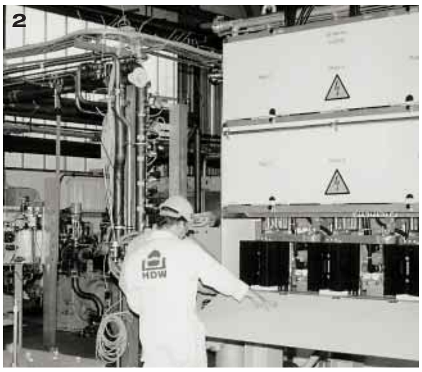

1 The MS »Stadt Hamburg« is a container ship destined for a Hamburg-based shipping company

2 Being tested is a fuel cell system for German submarines. It was developed by Ferrostaal, HDW and Siemens

1 Turnkey construction of a natural gas pipeline system in Libya
2 HYL-direct reduction facility Lebedinsky GOK in Gubkin, Russia, built by a consortium of Ferrostaal and Klöckner-INA
3 Steel-based structure from DSD for the boiler frame of a power station in Lippendorf

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Countervailing the general trend, the packaging machines and machine tools divisions recorded a rise in new orders, as did the equipment and component department, which is active in central and eastern Europe and in the CIS. Fritz Werner Industrieausrüstungen GmbH, a distributor of single-unit machines and of mechanical processing facilities, had a satisfactory year of business, setting an all-time record for new orders in the process. The department supplying trading ships had new orders and sales totals just slightly less than the previous year's large-sized ones.

We are purposefully building up our systems logistics operations.

Slumps in steel trading, successes in the logistics area

After having recorded large-sized increases in the previous years, the steel trading and logistics segment saw its new orders and sales totals decline, with this largely attributable to the drops in prices experienced by its international steel trading operations. The world's consumption of steel fell. The flows of steel being exported to the EU and the USA swelled. These trends caused the prices prevailing for steel to fall by up to 40%. The quantity of steel products sold by us came to more than 3 million t, at 1997/98's high level.

The department of the Essen-based Ferrostaal Industrie- und Systemlogistik GmbH providing systems-related logistics services to the automotive industry and its suppliers saw its operations grow still further in 1998/99. A new logistics warehouse, located in Cologne, was put into operation. The order placed by Opel for the building and operating of a SILS (supply in line sequence) center, to be located near its new production facility in Gliwice, Poland, enabled us to strengthen our market position.

Earnings increase

Countervailing the decline in its business volume, Ferrostaal increased its earnings before taxes on income by DM 11 million, to DM 139 million, in 1998/99.

Promising prospects for the future

In the industrial services business area, rises in the prices paid for commodities and other raw materials are making themselves now apparent. This fact is expected to activate capital investments originally set to be made in the markets of importance to our industrial services business area and then subsequently postponed. We thus expect new orders to rise in 1999/2000. Sales will probably be at 1998/99's level. Ferrostaal has set itself the objective of achieving earnings of 1998/99's magnitude.

MAN Roland Druckmaschinen – substantially exceeding its earnings and sales objectives

With the printing machines sector displaying a divergence of development, MAN Roland performed, viewed as a whole, very well in 1998/99, setting new records for new orders and sales, and registering earnings of an amount much greater than that targeted by the group division. We expect to register further, albeit moderate, rises in sales and new orders, and to have earnings at a high level.

MAN Roland group division
in DM million

	1998/99	1997/98
New orders	3 506	3 061
Sales	3 286	2 659
Earnings bef. taxes	135	13
Employees (June 30)	9 860	8 730

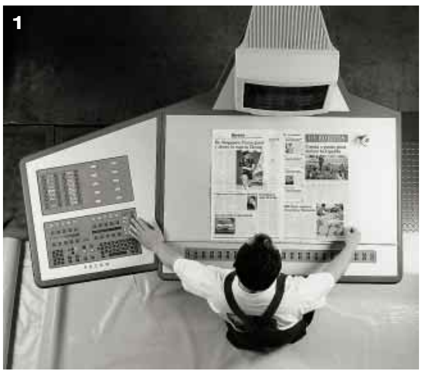
Developments on its markets
The world's printing machines industry displayed divergences of development in 1998/99. The new orders placed for webfed machines continued to rise. The world's demand for sheetfed machines, on the other hand, fell some 15%. By developing its role of being a full-scale supplier of systems used by the world's printing industry, the MAN Roland group division and its individual business units were able to strengthen their standings on the world market.

Purchase of important distribution companies and service providers
Through the acquisition of important distribution companies, MAN Roland beefed up in 1998/99 its world-spanning network of sales and service centers and expanded the operations of its new trading and services division. It distributes complete printing systems, and provides trading and other services stemming from or supplied to all phases of the printing process. The division constitutes the third major area of group division activity for and in the printing industry. The division's activities will be coordinated by Votra S. A., which is headquartered in Lausanne, Switzerland. The newly-acquired companies – Omnigraph (Europe), Votra (Asia) and Grafisk Maskinimport (Denmark) – have been consolidated, for the first time, in the annual accounts of the MAN Roland group division.

New all-time highs for new orders and sales
In 1998/99, the MAN Roland group division secured new orders worth DM 3,506 million, a rise of 15% and a new all-time high. The rise was attributable to the webfed and trading and service provision divisions. Wide-impact trends on its markets caused the sheetfed division to experience a slight drop in new orders.

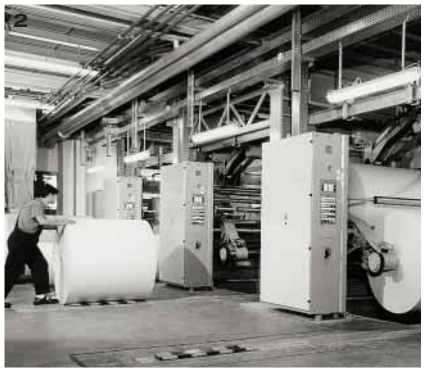
Investing in our future
Our capital expenditures for tangible fixed and intangible assets came to DM 73 million, a rise of DM 25 million. We allocated a sum equivalent to 6% of our sales (referring to those earned by the sheetfed and webfed divisions) to research and development, the thrust of which was the creating of new products and the further developing of existing ones, all designed to accord to current market trends. Their launches will form part of the preparations for drupa 2000.

Ranges of additional modules, with these including perfecting, feeder and delivery units, were added on to all of the sheetfed division's lines of printing machines. This represents the reaching, to all intents and purposes, of our objective of being able to offer operators of sheetfed print facilities highly automatizable machines capable of first form and perfecting printing, and of doing so in a large number of colors. Evincing a great flexibility of deployment and featuring a large number of treating modules, these machines can print on virtually all materials in use.



1 Used in the managing of operations, central consoles are key components of our printing systems
2 The assembly of a ten cylinder printing unit at our facility in Augsburg

1 One of the 85 printing machines going to Tjiwi Kimia, a printer in Indonesia
2 All of the company's paper supply systems (PASUSYS range) are manufactured in Plauen, Saxony
3 MAN Roland is the world's largest manufacturer of newspaper printing machines



The machines produced by the webfed division's newspaper printing machines department are capable of making »running changes«, meaning that the contents and colors of the items being printed – and even the length of the run itself – can be altered in mid-operations, while the machines are running at full speed. The department producing commercial web offset presses developed a LITHOMAN machine capable of printing 64 pages and with a width of paper of up to 1,980 mm. The centerpiece of the department's development efforts, the machine enabled MAN Roland, the world's leading supplier of large-sized webfed offset machines, to increase the lead it enjoys over its competitors in this area.

Trading and service provision constitute our third major area of business.

Digital printing
Because their use opens up new areas of business to printers, digital-based printing systems are becoming more and more important. We will introduce a digital-based system at drupa 2000. This development features a highly automatized technology speeding up make-ready times of resetting, thus enabling job changeovers to be performed in a cost-efficient way. This MAN Roland system features a breadth of individual-phase interlinkage never before achieved by manufacturers of printing machines.

PrintCity: a display at drupa 2000
»PrintCity« is the tag under which our range of systems and our related expertises will be showcased at drupa 2000. Comprised in these systems are the wide range of hardware and software provided by partner companies and extending the capabilities of MAN Roland's offerings in and into the service provision, logistics, pre-printing, post-printing and materials management areas. »Real life« displays will show these fully-integrated systems at work.

Earnings target substantially exceeded
In 1998/99, the MAN Roland group division had earnings before taxes on income of DM 135 million (1997/98: DM 13 million), a differential much greater than the DM 100 million rise targeted. The strong rise was largely attributable to the successes enjoyed by our newly and further-developed products on their markets, to the progress made in upping productivity, to the good rate of facility utilization achieved and to the expansion of the proprietary network of distribution and service provision, the object of considerable investment.

Prospects
Conditions in the international business environments in which MAN Roland operates are improving. This trend should cause MAN Roland to experience in 1999/2000 further, albeit moderately-sized, increases in its new orders and sales totals, and to record earnings at a high level. We expect a substantial increase in demand to manifest itself in the aftermath of drupa 2000.

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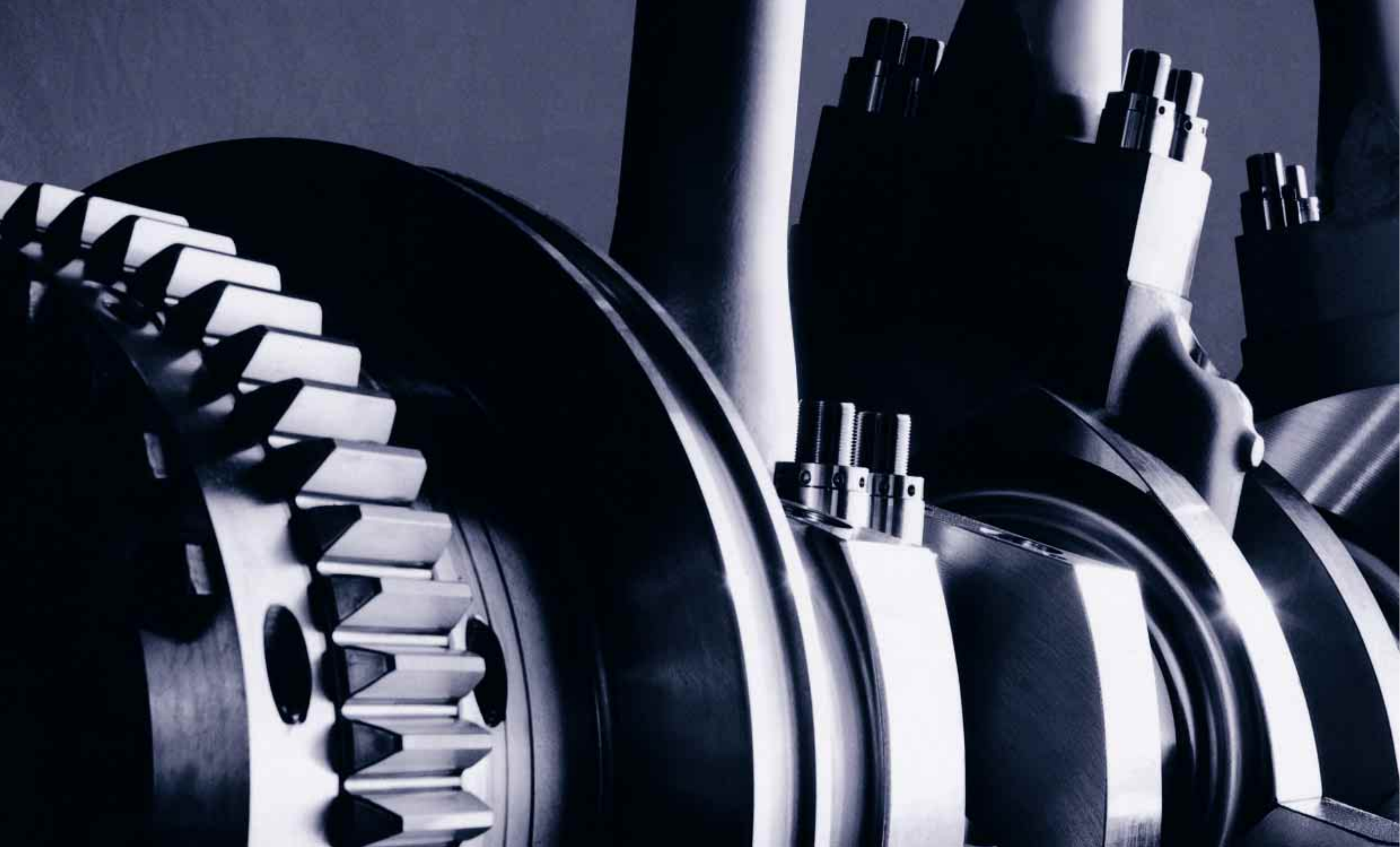

MAN B&W Diesel – staying its course in choppy waters

The world's demand for large-sized Diesel engines weakened. Our technological innovations have enabled us to overcome these difficult business conditions and to increase the shares we hold of our markets. The downward pressures on prices and earnings are persisting in 1999/2000.

The crises in Southeast Asia, Russia and South America caused the world's total demand for new ships to drop sharply during 1998/99, further increasing the downward pressures on the prices prevailing for them, and hence for the engines powering them.

MAN B&W Diesel group division
in DM million

	1998/99	1997/98
New orders	1 895	1 801
Sales	2 006	1 924
Earnings bef. taxes	72	117
Employees (June 30)	6 010	6 281

Demand for Diesel power plants in these regions of crisis and in other areas was also low. The volume of market activities of stationary stations generating more than 7.5 MW of electricity fell, causing prices to decline in this area as well.

Maintaining its standing on its market
Surmounting these difficulties, the MAN B&W Diesel group division managed to consolidate its position of leadership on the market for large-sized Diesel engines. Along with our licensees, we now, thanks to our MC line, hold a 61% share of the market for newly-ordered, two-stroke engines powering ships. That figure rises to nearly 66% (1997/98: more than 60%) when looking at the ships delivered figure.

As of the end of 1998, the division's amount of orders on hand was down slightly. The total output of the engines ordered came, nonetheless, to 10 million HP – an extraordinary large figure.

We successfully defended our position of being one of the world's leading suppliers of four-stroke engines powering ships. We (with this comprising S.E.M.T. Pielstick, our subsidiary, and our licensees) attained a 24% share of the world's market for large-sized, medium-speed engines used in oceangoing ships of 2,000 gt (gross tons) or more in size.

A steady stream of innovations

We extended our MC range of two-stroke engines, adding on the S80 and S90MC-C models. These are designed for use in VLLC tankers. We have already booked orders for five of the six-cylinder engines, with a collective output of 200,000 HP. The trend is towards producing container ships of an ever greater size. This trend provided us with several orders for our largest engine, from the K98MC/MC-C range, and with a cylinder output of 7,780 HP.

We launched the marketing of our new Intelligent Engine (IE), whose fuel injection system and exhaust valves are electronically controlled. This permits an optimizing of the combustion process throughout the entire r. p. m. range, further cutting the engine's fuel consumption and increasing its reliability of operation in the process. We have already made a number of sales of this engine. A Swedish shipping company ordered four IE version 7S60 MC-C engines, to serve as the main engines of two VLCC tankers.

Our development work in the four-stroke engine sector was focussed on the low-power segment of our L16/24, L21/31 and L27/38 family of state-of-the-art engines, for which numerous orders have been placed, a number detailing the enthusiasm accorded to the engine's innovative design. A special focus of our work was the further development of our exhaust gas superchargers. We substantially boosted the total operating efficiency of our NR/S radial-design turbine.

We were partially able to offset the drop-off in demand for stationary facilities generating electricity by stepping up our marketing activities in Central America, in the Caribbean and in India.

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1 The main engine of this 258,000 tdw tanker is a 7S80MC model producing more than 35,000 HP

2 Assembly of a 14V48/60 model four-stroke engine at the company's facilities in Augsburg

1 A large stock of expertise in the supplying of floating power supply systems
2 The final assembly of an exhaust gas turbo-supercharger
3 Seven cylinders producing 40,000 kW. Shown is the testing of a 7K98MC at Hyundai's rig, located in a facility in Korea

Our division producing facilities for the generation of electricity supplies our customers with complete, turnkey systems. These now include »power barges«, one of our new, successful areas of business. We secured in 1998/99 two large-sized orders for these floating power stations. One of them, for a facility producing 132 MW of electricity, was from a customer in Guatemala. It represents the largest single order in the history of our company.

We are strengthening our standing on our markets by offering fully-equipped turnkey systems.

Of increasing importance are projects involving independent producers of energy. Rising particularly fast have been the number of BOT/BOO projects. These impose special requirements upon the power facilities' suppliers, who are expected to arrange financing, and to provide staff members to operate the plants, among other things. Also important to our project-related activities are captive power plants, which serve to meet the needs for electricity of the manufacturers owning and operating them.

Weaker earnings

In 1998/99, the MAN B&W Diesel group division recorded earnings before taxes on income of DM 72 million, much less than the results achieved in previous years. This drop was caused by the difficult conditions prevailing on its markets.

Prospects

The weakness of demand for new ships and for Diesel power plants will persist for a while. The freight revenues earned by shipping companies are dropping. The facilities maintained by shipyards and manufacturers of engines are starting to show low rates of utilization. These trends will combine to further stoke competitive pressures.

Thanks to its having a full line of engines for the powering of ships and the producing of electricity, the MAN B&W Diesel group division is well equipped to successfully contend with these pressures. Notwithstanding this, we expect to experience a drop in our new orders total, and in the earnings resulting from them. We will counter this situation by taking the appropriate measures.

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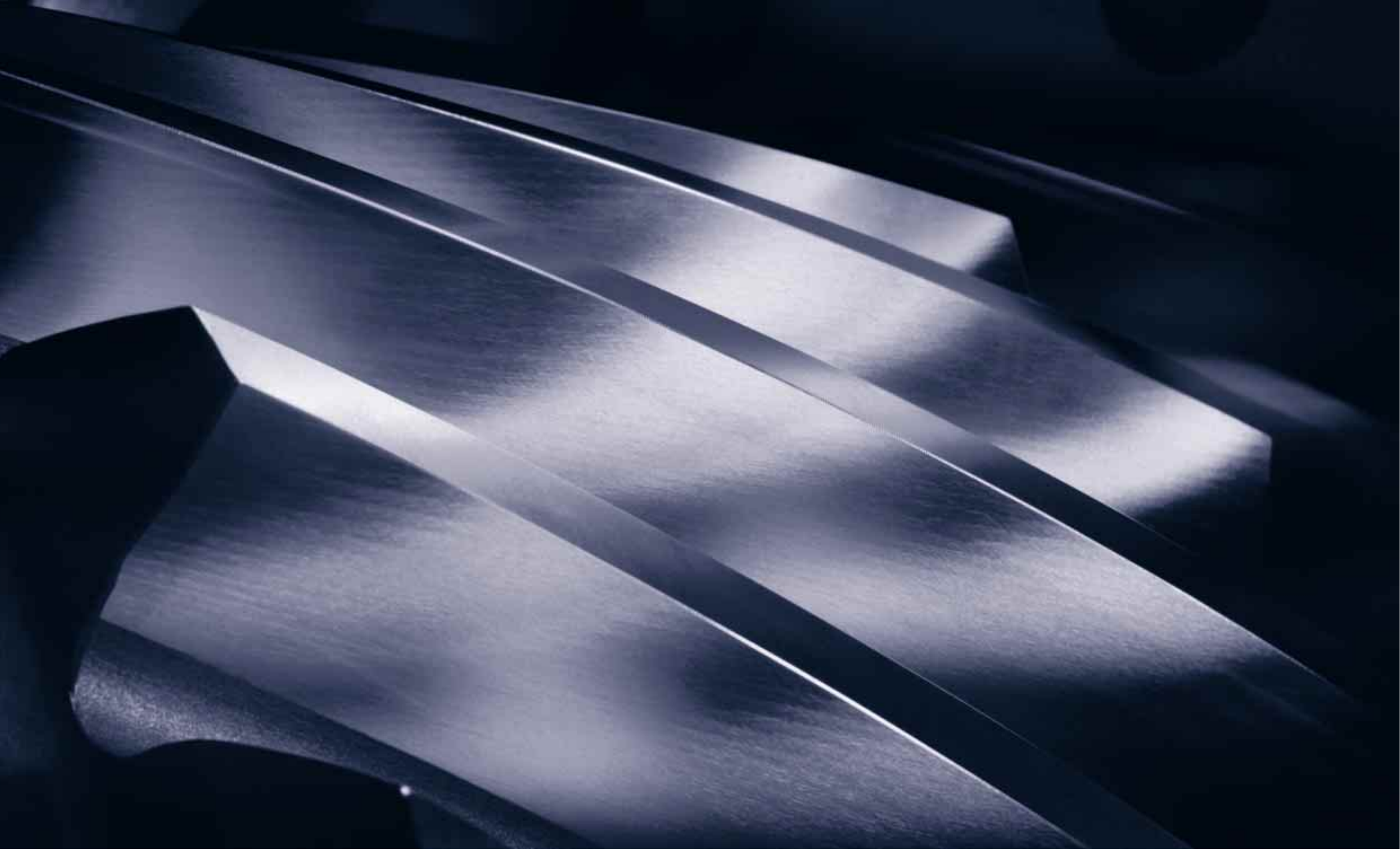
HYUNDAI-MAN B&W 7K98MC TYPE APPROVAL TEST
TEST FOR HYUNDAI
NO.1163
H.H.I ENGINE & MACHINERY DIVISION
MAN B&W
안전점검



MAN Turbomaschinen GHH Borsig – a new group division

The turbomachine business is assuming an ever-greater importance to and in the MAN Group. Taking this into account, we set up the new MAN Turbomaschinen group division. Viewed as a whole, its business developed satisfactorily in 1998/99, with its earnings exceeding the high level of the previous year. Prospects for the period to come are promising.

With the growth of GHH Borsig Turbomaschinen GmbH's volume of business and the increasing of our holdings in the equity of the USA's New Elliott Corp. to 50%, the importance enjoyed by the turbomachine sector in the Group was boosted.

MAN Turbomaschinen group division
in DM million

	1998/99	1997/98
New orders	944*	808
Sales	1 127*	630
Earnings bef. taxes	50*	41*
Employees (June 30)	2 670*	1 649

*) In 1997/98, Elliott was consolidated at equity, in 1998/99, on a pro rata basis.

To take proper account of the legal and administrative implications of this, GHH Borsig was in 1999/2000 transformed into a joint stock corporation and rechristened MAN Turbomaschinen AG GHH Borsig. The new company reports directly to MAN AG. It forms the MAN Turbomaschinen group division, along with Elliott, whose results are consolidated into the group division's accounts on a pro rata basis. MAN Turbomaschinen GHH Borsig and Elliott join to offer the most extensive range of compressors and turbines of any supplier in the world.

New orders total returns to normal
All things considered, 1998/99 was a satisfactory year for the group division. After rising to exceptionally high levels in 1997/98, its new orders total returned to more normal levels in 1998/99, with this being partially attributable to the crisis in Asia and to the low prices prevailing for oil. MAN GHH Borsig secured new orders worth DM 700 million, maintaining its position of strength on its markets in the process. The general weakness of its markets and the disadvantageous rates of foreign exchange negatively affected Elliott's new orders total; it came, reported on a pro rata basis, to DM 251 million.

Covering the entire world, MAN GHH Borsig's sales activities were focused on the EU's member countries. Worthy of note is an order from a customer in the Netherlands for an ethylene facility equipped with five radial flow compressors and four steam turbines. This order will greatly help keep the company's facilities working at capacity in 1999/2000.

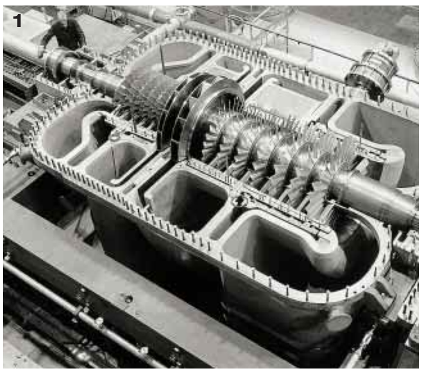
In 1998/99, Elliott booked or invoiced orders for ethylene facilities from customers in the USA, Asia and South America, allowing it to consolidate its position of strength on this segment of the market.

Gratifying results
In 1998/99, the MAN Turbomaschinen group division's earnings before taxes on income came to DM 50 million, greater than 1997/98's good results.

Promising prospects
We expect demand for turbomachines in 1999/2000 to stay, more or less, steady at 1998/99's level. For MAN GHH Borsig, we are forecasting a slight rise in new orders, with Elliott's total set to climb strongly, thanks to the recoveries being staged by Asia's markets and the rise in the price of oil.

We expect the MAN Turbomaschinen group division as a whole to record earnings in 1999/2000 at this year's level.

* The companies forming part of our industrial equipment and facilities business area are portrayed on pages 50–60.



1 One of four identical axial compressors purchased by a customer in Mexico
2 These FT 8 gas turbines are used for industrial applications and have outputs of 25 MW each

MAN Technologie – concentrating its efforts on its core areas of business

The level of competition for business in the space transport sector is rising. MAN Technologie has, however, a position of strength and is profitable. The company will devote itself to developing its core areas of business – the aviation and space transport sectors – in the years to come.

MAN Technologie AG pursued in 1998/99 the concentrating of its efforts on the aviation and space transport sectors. To this end, in a move taking business effect on July 1, 1998, MAN Systemelektronik GmbH was sold to Vossloh Systemtechnik GmbH. In further moves, MAN Dezentrale Energiesysteme GmbH was divided into two companies. One of them, MDE Gasmotoren GmbH was sold on December 1, 1998 to BDE Beteiligungsgesellschaft für dezentrale Energieversorgung mbH, Berlin. The other remaining (at least for the time being) one, MDE Gasturbinen GmbH, was not consolidated in its parent company's accounts in 1998/99. In 1999/2000, it was assigned to a joint venture, to which Borsig Energy GmbH is also party.

Belonging to MAN Technologie since July 1, 1997, GHH Borsig Turbomaschinen GmbH was transferred into a joint stock company in 1999/2000 and renamed MAN Turbomaschinen AG GHH Borsig. The company has been under the direct supervision of MAN Aktiengesellschaft since the beginning of the new financial year. It is not included in MAN Technologie's consolidated accounts for 1998/99. These do, however, contain MAN Technologie's earnings from and holdings in MAN Turbomaschinen AG GHH Borsig. In a move taking retroactive effect on July 1, 1998, the Friedrichshafen-based Zeppelin Technologie GmbH was merged into MAN Technologie.

Delays in space transport business

The company's space transport business was affected by the further postponing of the placing of the second lot of orders to supply product components for Ariane 5. This placing is now expected to occur in 1999/2000. Secured were the orders still outstanding from Ariane 4's 9.9 lot to supply components.

MAN Technologie AG
in DM million

	1998/99	1997/98
New orders	393	584
Sales	401	400
Earnings bef. taxes *	30	32
Employees (June 30)	1 106	1 065

*) Does not include results from holding in MAN GHH Borsig.

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Space transport systems division successful

In December, 1998, MAN Technologie signed a contract delineating its participation in the development of NASA's X-38 recoverable space vehicle. This participation has sustainedly enhanced MAN Technologie's standing as a general contractor for and supplier of heat shields, structural components, tanks, and of other subsystems and systems incorporated into space transport vehicles capable of re-entering the earth's atmosphere.

Standing on other markets enhanced

Orders from the USA, Belgium and other areas enabled us to consolidate and enhance our standing on the market for bridge-laying systems. Our antenna technologies division secured an order to develop a radio telescope in Mexico. A good amount of business was once more done by the department providing water storage tanks to the consortium producing Airbuses. We have launched the supplying of potable water systems incorporated into all of Airbus' range of airplanes. Viewed as a whole, however, MAN Technologie's new orders total was less than that of 1997/98, with sales remaining near that year's level.

Strong earnings

After factoring out the proceeds arising from its holdings in MAN GHH BORSIG, MAN Technologie's earnings before taxes on income came to DM 30 million in 1998/99 (1997/98: DM 32 million).

Outlook: rise in number of competitors in space transport business

Sales efforts made by companies based in the USA, Russia and Japan are going to cause the level of competition for business prevailing in the space transport sector to rise over the next few years, depressing the prices charged for the launching of payloads by ARIANE rockets. MAN Technologie will respond to this by cutting the prices of its supplies and its operating costs. The requisite measures have already been instituted.

We expect to record earnings in 1999/2000 at 1998/99's level.

1 Shown is a take-off of an ARIANE 4, the most reliable vehicle in the world for the launching of commercial payloads
2 MAN Technologie produces 150 sewage storage tank modules a year for incorporation into A330/340 model Airbuses
3 This structural component is for NASA's X-38 experimental space vehicle
4 13% of the hardware going into the ARIANE 5 launch vehicles is developed and produced in Augsburg

Renk – resuming dividend pay-outs after seven years

Boosted by the success recorded by the division supplying transmissions for chain-laying vehicles, 1998/99 was a year of success, with Renk recording all-time highs for new orders and earnings. We expect the upturn to continue in 1999/2000.

Renk group division
in DM million

	1998/99	1997/98
New orders	591	410
Sales	442	469
Earnings bef. taxes	47	29
Employees (June 30)	1 510	1 686

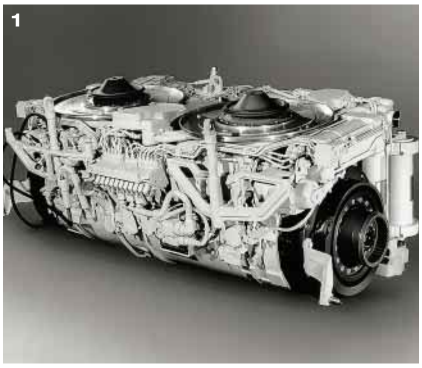
The Renk group division capped a record year in 1997/98 with a further one, securing new orders worth DM 591 million in 1998/99. The selling of Renk's holdings in France's SEE caused the sales total to decline slightly.

Vehicle transmissions sector successful
In 1998/99, we considerably extended our position of leadership on the world's market for chain-laying vehicle transmissions. This was primarily thanks to the securing of an order from Spain for 200 transmissions, to go into the Leopard 2 battle tank, plus one for more than 90 gearing units from France's Leclerc program. Renk and ZF Friedrichshafen have exchanged product lines in the military-use vehicles (riding either on wheels or on chain-laying drives) sector, strengthening our standing on this core market of ours.

Strong demand for gear units for maritime and industrial use
On the market for maritime gear units we were particularly successful in selling ones for trading ships powered by medium-speed Diesel engines. Deploying our technological innovations, we overcame the difficult market conditions for stationary-use gear units and exceeded 1997/98's new orders total. Also developing well was the testing rigs division. The plain bearings and couplings division had steady order levels.

Earnings
The record amount of earnings from ordinary business activities – DM 47 million (1997/98: 29 million) – registered by Renk is attributable to all of its business units, with the vehicle transmissions one having a particularly large share. After having completely returned the funds advanced to it by MAN AG (via the issuing of guaranty bond), Renk will pay a dividend of DM 0.40 per share, the first such pay-out since 1991.

Prospects
The prospects for 1999/2000 are, all in all, positive. We expect a gratifyingly large amount of new orders and yields above the average for our sector as a whole.



1 We manufacture automatic transmissions for heavy-duty chain-laying vehicles
2 Forming part of a gas turbine, this gear unit is capable of transmitting 140 MW of power – the highest throughput in the world

MAN TAKRAF Fördertechnik – performing well on difficult markets

To overcome the weakness prevailing on the market for equipment used in open surface mines and for materials handling systems, we are stepping up our output of new products and other innovations, cutting costs, and expanding our marketing network.

MAN TAKRAF group division
in DM million

	1998/99	1997/98
New orders	165	177
Sales	261	282
Earnings bef. taxes	2	3
Employees (June 30)	625	677

The MAN TAKRAF group division had once more to contend with difficult operating conditions in 1998/99 on all its important markets, in which the demand for equipment used in surface mines and in materials handling systems remained extremely weak. This in turn exacerbated the competition to secure the few remaining projects set to be undertaken. An area of success was the heavy crane sector, in which we secured several large-scale orders.

Extending line of products
The extending of our range of products will provide us with new sales opportunities on our markets. A focus of our development work has been the Surface Miner. It employs an innovative technology to mine coal and iron ore. The materials handling systems division has nearly completed the developing of innovative conveyor systems, ones capable of overcoming great differences of height, as well as devices enabling ships to be unloaded on a non-stop basis.

To beef up our distribution network, we founded a subsidiary in February, 1999. It is based in Johannesburg, South Africa.

Slightly in the black
To counteract the effects of the prevailing business situation, we took cost-cutting measures, with these ranging from the making of full use of 'flex' work schedules and the trimming of the costs of materials to the reducing of workforce size. Thanks to these, we stayed in the black in 1998/99.

Prospects
Due to the low amount of orders on hand, the prospects for 1999/2000 are not very positive. We have instituted further measures designed to adjust operating structures. We are striving to stay – at the very least – out of the red in 1999/2000.

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1 Cross-pit spreaders capable of transporting 4,200 t/h
2 This newly developed Surface Miner MTS 1250 has an output of 1,750 t/h

Deggendorfer Werft und Eisenbau – a good rate of facility employment

The new orders total of the chemical reactors division, a DWE area of specialty, fell. The company's orders on hand total remained high. Earnings in 1999/2000 should remain at the previous years' high level.

DWE group division
in DM million

	1998/99	1997/98
New orders	92	190
Sales	208	135
Earnings bef. taxes	23	18
Employees (June 30)	514	524

The Asia crisis caused the DWE group division to experience in 1998/99 a substantial drop in demand, with its new orders figure down 50% from 1997/98. The large amount of orders on hand caused, however, DWE's sales to register a further substantial rise. The company's facilities worked at full capacity.

The number of projects being carried out around the world dropped. The building of reactors for the chemical industry is DWE's most important area of business. It's the world's leader in this field. The company's only orders in 1998/99 were one to build a large-sized system, comprised of reactors for acrylic acid, from a customer in the USA, as well as others for two small-sized reactors.

Largest single order ever secured
Our apparatus construction division secured the largest single order in its history. It was for the building of a tube reactor weighing 1,000 t. With it, we are ascending to a new level of manufacturing heavy apparatuses. It is a specialty which only a very few of the world's companies have mastered. Expected for 1998/99, the placing of large-scale orders for floating dredges, was postponed once more.

Franc-Comtoise Industrie S. A. (FCI), DWE's France-based subsidiary, had a good year of business in 1998/99.

Earnings increase once more
The substantial rise in DWE's sales manifested itself in the increase in the group division's earnings before taxes on income, from 1997/98's DM 18 million to this year's DM 23 million.

Prospects
Notwithstanding the persistence of the reluctance shown by the chemical and petrochemical industries towards making new investments, large-scale reactor-based projects seem set to be carried out in 1999/2000. The floating dredges division should also secure new orders. We expect to extend the last few years' string of strong earnings.

1 Iron yoke for the new magnets incorporated into CERN's particle accelerator, located in Geneva
2 Shown is the on-construction site assembly of an FCC (fluidized catalytic cracking) facility

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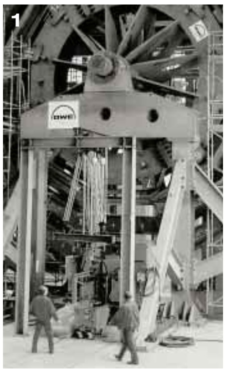

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SMS – attaining a new dimension of operations in metallurgy

The year saw a drop in orders and stable sales and earnings. We expect the expanding of our operations in the plant and rolling mills sector to yield a sustained improvement in profitability the next few years over.

SMS group
in DM million

	1998/99	1997/98
New orders	2 588	3 039
Sales	3 189	3 018
Earnings bef. taxes	118	120
Employees (June 30)	6 331	6 359

Caused by the Asian crisis, the weakness plaguing the world's markets for capital goods caused the SMS group, like its competitors, to experience a drop in new orders secured. The group's sales and earnings were, however, at 1997/98's high levels. All of SMS' business units managed to maintain or even improve their standings on their respective segments of the world market.

Strengthening our plant and rolling mills sector
SMS Schloemann-Siemag AG and Mannesmann Demag Metallurgie merged, forming SMS Demag AG, the world's largest supplier of facilities used by and in the world's steel, aluminum and copper processing industries. Constituting a major competitive advantage on the world market, the new company's range of products meets all of the needs of its customers. The products include facilities producing pig iron, those used in and for steel and rolling mills, continuous casters and pipe production facilities. Also supplied are finishing lines for hot and cold rolled strip.

Mannesmann Demag Metallurgie is not consolidated in SMS' accounts for 1998/99.

Sharp drop in demand
The dropping off of demand from Asia was the prime cause of the shrinking of the world's market for plant and rolling mills technologies, and of the growing pressure on prices. We are responding to this trend by systematically designing plants showing a greater cost-efficiency and by optimizing the output of in-house manufacturing procedures. By doing all of this, we are ensuring that SMS will remain commercially viable.

Our steel mills division has developed a highly compact blast furnace specifically designed to meet the needs of mini-mills producing steel. The CSP (compact strip production) technology developed for the continuous casting and hot rolling mills areas continues to be highly successful. The putting

1


2


1 This reversing stand forms part of Hoogovens' facility manufacturing aluminum
2 This blast furnace is hard at work for Brazil's CST

into operation of Europe's first CSP facility in a fully integrated steel plant, maintained by Thyssen Krupp Stahl AG, has doubled the latter's productivity.

Our CSP facilities now account for 10% of the world's production of hot rolled strip.

The success of its CVC (continuously variable crown) technology led the cold rolling mills division to experience a strong demand for its products. Hot dip galvanizing systems accounted for the bulk of the orders placed with the belt conveyor systems division, operating independently for the first time in 1998/99. Allowing for quick-fire changes of rolls and thus reducing operating costs, our new stand system was the reason for our medium and heavy-duty section rolling mills division's securing of a further three orders.

Plastics processing operations do a satisfactory amount of business

The demand for plastics processing machines in 1998/99 was slightly below that of 1997/98, a year of records, with the same being the case for Battenfeld's injection molding systems' new orders. Our newly-developed products were successful. Thanks to Battenfeld's »Microsystem«, we have attained a new precision of manufacturing. We can now produce micro-mechanical plastic components weighing some 1 mg each.

Due to their rises in new orders, Battenfeld's extruding technologies sectors augmented their positions of being the world's leading suppliers of extruded pipe and profile, and of film and sheeting technologies.

Weak demand for presses and forging machines

A lack of investments by customers in the USA and western Europe led to a weakening of demand for extruding presses and forging machines. The new orders secured for ring roller crushers, sales of which were launched in 1997, consolidated itself at a high level.

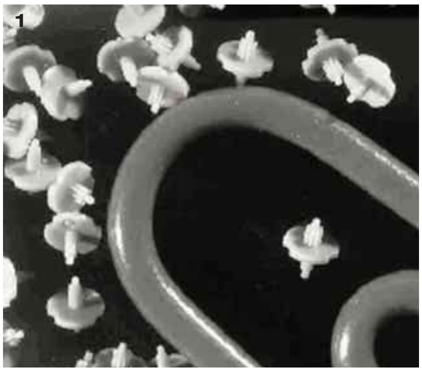
Earnings stay steady

At DM 118 million, SMS' earnings before taxes on income were at 1997/98's level. All of its business units were in the black.

Outlook

The economies of Asia's countries seem set to recover in 1999/2000. The group's project-related business is on an upswing. The amount of orders on hand remains high. The group's merger with Mannesmann Demag Metallurgie will cause sales to rise substantially. We also expect the merger to cause a sustained rise in profitability over the next few years. We expect to record earnings in 1999/2000 – at the very least – at the previous year's level.

1 Injection molded by a Battenfeld Microsystem micro-precision manufacturing system, these gear wheels will be supplied to the watch-making industry
2 Featuring a short-stroke design, this extruding machine is used in the processing of light sheet metals
3 (page 60) Nucor Berkeley III's electric arc furnace

1


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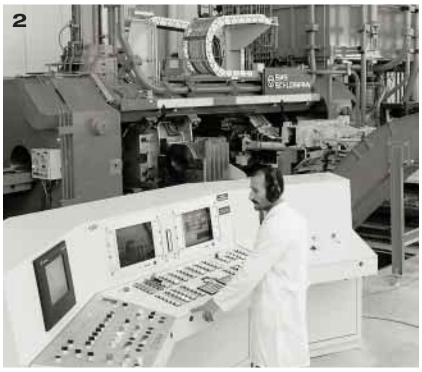

Schwäbische Hüttenwerke – further improvement in earnings

The departments supplying components to the automobile industry had high rates of facility utilization. Business was not very good for the industrial equipment department. We expect earnings to remain steady at a high level.

Schwäbische Hüttenwerke GmbH
in DM million

	1998/99	1997/98
New orders	405	386
Sales	417	390
Earnings bef. taxes	31	28
Employees (June 30)	1 315	1 367

Schwäbische Hüttenwerke GmbH set forth in 1998/99 its string of successful years.

Greater amount of supplies to automobile industry
A result of the ongoing upswing occurring in Europe's automobile industry was the further increasing of demand for the vehicle components made by SHW. Its oil pumps, sintered formed parts and brake discs departments, whose production facilities' capacities have been or are being increased, performed well.

Calm prevails in the industrial equipment division
The departments producing industrial equipment and components recorded a rise in new orders and a sharp decline in sales, with the latter being a result of 1997/98's drop in orders secured. As had been expected, the sales of calander rolls used in paper-making machines – an area in which we are the world's leader – did not attain 1997/98's record level. Our policy of concentrating on our core areas of business led us to first constitute our steel supply division as an independent company, and to then sell it to Georgsmarienhütte Holding GmbH.

Further improvement in earnings
SHW's earnings before taxes on income in 1998/99 came to DM 31 million, up from 1997/98's DM 28 million. This enables us to make a pay-out of 1997/98's size (DM 10 million), and to increase the company's shareholders' equity by augmenting its reserves.

Outlook
After setting a number of records in 1998/99, the automobile industry shows more and more signs of calming down. Notwithstanding this, we expect, as matters now look, to record earnings in 1999/2000 at the previous year's high level.

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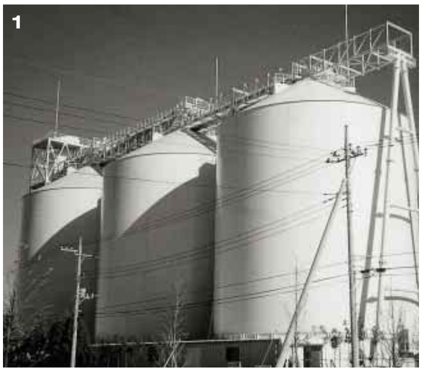

2


1 Shown is an SHW-made facility for the storing and processing of recycled wood chips. The facility forms part of a Japanese plant producing plywood

2 Being assembled are pump cases. Featuring wheelsets, these components will be incorporated into Audi V6s

MAN Group: Consolidated financial statements as of June 30, 1999

Contents

MAN Group: income statement for 1998/99

in DM million

	Note nr.	1998/99	1997/98
Revenues from sales	(1)	**25 927**	**24 710**
costs of sales		– 20 947	– 20 141
Gross profit on sales		**4 980**	**4 569**
costs of distribution		– 1 748	– 1 497
general administrative expenses		– 1 053	– 992
other operating income	(2)	708	512
other operating expenses	(3)	– 1 662	– 1 676
income from associates	(4)	24	41
financial result	(5)	– 159	– 139
Income from ordinary activities		**1 090**	**818**
taxes on income	(6)	– 365	– 185
net income		**725**	**633**
minority interest		– 52	– 32
Net income after minority interest		**673**	**601**
transfers to retained earnings		– 395	– 354
Unappropriated profit		**278**	**247**
Earnings per share (in DM)	(7)	**4.36**	**3.90**

MAN Group: balance sheet as of June 30, 1999

Assets

in DM million

	Note nr.	June 30, 1999	June 30, 1998
intangible assets		65	57
tangible fixed assets		4 954	4 290
financial assets		330	400
Fixed assets	(8)	**5 349**	**4 747**
inventories	(9)	6 906	6 000
prepayments		– 3 621	– 3 528
trade receivables	(10)	5 522	5 061
other receivables and current assets	(11)	1 591	1 562
securities	(12)	1 638	1 630
cash and cash equivalents	(12)	981	926
Current assets		**13 017**	**11 651**
Prepaid expenses		**75**	**77**
		18 441	**16 475**

Liabilities and shareholders' equity

in DM million

	Note nr.	June 30, 1999	June 30, 1998
share capital		771	771
capital reserves		1 322	1 322
retained earnings		2 282	1 887
unappropriate profit		278	247
Equity of the shareholders of MAN AG		**4 653**	**4 227**
minority interest		477	359
Shareholders' equity	(13)	**5 130**	**4 586**
pension accruals	(14)	3 224	3 102
other accruals	(15)	4 211	3 731
Total accruals		**7 435**	**6 833**
financial liabilities		1 176	823
trade payables		2 930	2 490
other payables		1 657	1 630
Liabilities	(16)	**5 763**	**4 943**
Deferred income		**113**	**113**
		18 441	**16 475**

MAN Group: Cash flow statement for 1998/99

in DM million

	1998/99	1997/98
net income	725	633
write-downs of fixed assets	911	942
net changes in pension accruals	126	120
other non-operative expenditures and earnings	24	– 11
Cash flow acc. to DVFA/SG	**1 786**	**1 684**
net of disposals of assets	– 164	– 34
changes in inventories	– 648	381
changes in prepayments	58	– 913
changes in trade receivables	– 124	105
changes in other accruals	376	237
changes in trade payables	264	172
other changes in net current assets	– 182	– 197
Cash flows from operating activities	**1 366**	**1 435**
increase in equipment leased to customers	– 570	– 497
purchases of other tangible fixed assets and intangible assets	– 951	– 791
purchase of financial assets	– 202	– 178
disposals of equipment leased to customers	123	141
disposals of other assets	273	112
Cash flows from investing activities	**– 1 327**	**– 1 213**
dividends paid	– 267	– 227
purchase of shares held by minority interest	–	– 7
selling of securities	– 1	– 144
proceeds from financial liabilities	205	– 100
Cash flows from financing activities	**– 63**	**– 478**
Net decrease in cash and cash equivalents	**– 24**	**– 256**
Effect of changes of exchange rates in cash and cash equivalents	7	1
Effect of changes of consolidated companies in cash and cash equivalents	72	108
cash and cash equivalents at beginning of financial year	926	1 073
cash and cash equivalents at end of financial year	**981**	**926**

Changes in shareholders' equity

	Share capital	capital reserves	retained earnings	unappro-priate profit	minority interest	total
as of July 1, 1997	**771**	**1 322**	**1 550**	**216**	**319**	**4 178**
dividends paid out f. prev. fin. year				– 216	– 11	– 227
net income 1997/98				601	32	633
transfers to retained earnings			354	– 354		
exchange-rate caused changes					1	1
other changes			– 17		18	1
as of June 30, 1998	**771**	**1 322**	**1 887**	**247**	**359**	**4 586**
dividends paid out f. prev. fin. year				– 247	– 20	– 267
net income 1998/99				673	52	725
transfers to retained earnings			395	– 395		
exchange rate-caused changes			4		1	5
other changes			– 4		85	81
as of June 30, 1999	**771**	**1 322**	**2 282**	**278**	**477**	**5 130**

Notes to the consolidated financial statements

Adoption of International Accounting Standards

The consolidated financial statements of MAN Aktiengesellschaft are prepared according to the International Accounting Standards (IAS) as of June 30, 1999, established by the International Accounting Standards Committee (IASC). Also applied, before the date at which their use became mandatory, for 1998/99 and for the previous financial year, were the following standards: IAS 37 (Provisions, contingent liabilities and contingent assets), as the above applies to the preparation of balance sheets and methods of valuation, IAS 17 (Leases), IAS 19 (Employee benefits), IAS 36 (Impairment of assets), as well as IAS 38 (Intangible assets).

The changeover made by the MAN Group serves to enhance the international comparability of our consolidated financial statements, and augments the comprehensibility of our financial information. The commencing of the use of the cost-of-sales accounting format in our income statement and the adoption of standardized valuation methods have caused a converging of the company's internal and external accounting systems.

The standards applied accord to the EU's 7th directive. In accordance with § 292 a of Germany's Commercial Code (GCC), the compiling of the consolidated financial statements exempts the company from the obligation to publish financial statements according to German Commercial Code.

These consolidated financial statements, prepared according to IAS, are, delimited by the exceptions below, of equal value and applicability to those compiled according to GCC.

The adoption of IAS has resulted in alterations in our accounting methods. Prime among these changes:

- Tax-related special write-offs and special items are not incorporated into the consolidated financial statements.
- Plant, machinery and other equipment acquired as of July 1, 1998 and after are depreciated using the straight-line method.
- Pension accruals are valuated using the projected unit credit method laid down by IAS 19, taking into account future increases in remuneration and pensions expected and the new mortality tables.
- Accruals constituted to provide for output yet to be supplied and for losses carried forward are to be valuated at the cost of production, and not at full cost.
- More extensive deferring of taxes is made for tax assets.

These financial statements use accounting methods deviating in the following ways and areas from those stipulated by Germany's commercial codes:

- Construction contracts are recognized in the balance sheet according to the state of their progress.
- No accruals are constituted for the outstanding maintenance.
- Starting in 1998/99, deferred tax assets are made for tax losses carried forward.

Particulars and elucidations foreseen by Germany's commercial codes are included in our balance sheet or income statement, or in the notes.

The provisions of SIC 8 (governing the first-time application of IAS) stipulate that the adoption of IAS be accompanied by the compiling of an opening balance sheet as of July 1, 1997. The accompanying changes charged directly against retained earnings and minority interest.

Due to its foreseen sale one company included in the consolidated financial statements prepared according to GCC for 1997/98 is no longer consolidated in the accounts prepared according to IAS.

Changes resulting in the shareholders' equity from the adoption of IAS:

in DM million	
Shareholders' equity on June 30, 1997, acc. to GCC	**4 058**
cancellations of tax-related special write-offs and untaxed special items	215
reporting of construction contracts according to percentage of completion	185
revaluation of pension accruals	– 591
revaluation of provisions for losses and other accruals	185
deferred taxes	132
other items	– 6
Shareholders' equity on July 1, 1997, acc. to IAS	**4 178**

The changeover to IAS produced the following changes in the income statement for 1997/98:

in DM million	1997/98 acc. to GCC	1997/98 acc. to IAS	difference
Revenues from sales	24 793	24 710	– 83
cost of sales and other expenditures and earnings	– 23 984	– 23 892	92
Income from ordinary activities	**809**	**818**	**9**
taxes on income	– 197	– 185	12
net income	**612**	**633**	**21**

Methods of consolidation

Group of consolidated Companies

In addition to MAN Aktiengesellschaft, consolidated are all those subsidiaries in which MAN AG holds, directly or indirectly, a majority of voting rights, or in which it is capable of determining the companies' respective financial and other business undertakings, with this power arising from the latters' articles of association, from an inter-company agreement or from another contractual agreement.

The latter applies to SMS AG and its subsidiaries, and to Schwäbische Hüttenwerke GmbH. MAN AG holds 50% of the voting rights of both these companies. Companies acquired during the financial year are consolidated in these accounts as of the date of their purchase. Companies sold during the financial year or whose sales are foreseen are not consolidated.

Number of consolidated companies

	in Germany	outside Germany	total
consolidated as of June 30, 1998	82	82	164
initially consolidated in 1998/99	11	27	38
departing in 1998/99	– 5	– 5	– 10
consolidated as of June 30, 1999	**88**	**104**	**192**

The major affiliates and associates of the MAN Group are listed on page 112 of this annual report. A complete listing of the MAN Group's Companies will be filed with the commercial registry of Munich's district court, HRB 78 706.

In 1998/99, 38 companies joined the line-up of companies consolidated in these accounts. Of them, 27 are companies distributing printing machines in Asia and Europe. They were acquired taking effect on July 1, 1998. Ten companies left the line-up, with this occurring via their being sold, or their being merged into other, consolidated companies, or their being of minor value.

In a move taking effect on July 1, 1998, Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen, was fully consolidated into the Group's financial statements, after having been consolidated on a 50%, pro rata basis in the previous year.

The shares in New Elliott Corporation (Jeannette/USA) were increased by two percentage points, to 50% of the company's equity. New Elliott was consolidated on a pro rata basis for the first time in 1998/99.

The changes in the line-up of companies included in these consolidated financial statements have had a negligibly small affect on the assets and earnings held and achieved in 1998/99 by the group division.

Two associates (in 1997/98: 11) have been consolidated in these accounts using the equity method.

The subsidiaries not included in the consolidated accounts constitute only a component of minor importance in the total picture of the MAN Group's assets, finances and earnings.

Principles of consolidation

These consolidated financial statements are based on the accountings and valuations compiled through the use of methods applied uniformly throughout the MAN Group division, and on the resultant financial statements. Prepared by MAN Aktiengesellschaft and its consolidated subsidiaries, these statements are validated by independent auditors.

Capital consolidation is made according to the acquisition method, which has an effect on income, and in which the price of the holding's purchase is offset against the value of the proportionate share acquired by the company of the holding's total shareholders' equity at the time of its purchase. Any differentials arising between the price of purchase and the company's portion of the shareholders' equity are assigned to the assets and debts of the subsidiary, provided that these pertain to hidden reserves or hidden encumbrances.
Any positive differentials remaining are carried as goodwill in the intangible assets item. This is then depreciated over, as a rule, the following five years, or, in a variety of individual cases, over a period of time extending up to 20 years.

The stakes held by outside interests in the shareholders' equity of companies consolidated are shown separately from the equity held by MAN AG's shareholders.

Inter-company profits, expenditures and earnings, and receivables and liabilities arising between consolidated companies are eliminated. Accruals and deferrals for taxation are made on consolidation procedures affecting operating results.

These principles are also applied to the companies consolidated into these accounts on a pro rata basis. Earnings and expenditures arising between the above and consolidated companies are consolidated to the extent of the share held by the Group of the respective company's share capital.

Principles of currency translation

In the individual financial statements of consolidated companies, those receivables and liabilities maintained in foreign currencies and which are rate-hedged, are reported at the rate of hedging. The other receivables and liabilities maintained in foreign currencies are reported at the rate of exchange prevailing either on the date of initial entry or on the balance sheet date.

Balance sheets compiled by non-German companies reported are generally translated according to the principle of actual currency of denomination. As the group's subsidiaries manage their own business operations independently, the balance sheet items are translated at the rate of exchange prevailing on the balance sheet date, with items reported in the subsidiaries' profit and loss accounts being translated at the annual average rate. Differencies arising from the translations of the balance sheet items in the current financial year and in the previous financial year are treated directly against equity.

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 rates of exchange produce a difference, which is reported separately in the currency adjustment item.

The rates of exchange of the group's most important foreign currencies have changed as follows:

	rate on balance sheet date		average annual rate	
	June 30, 99	June 30, 98	1998/99	1997/98
1 US Dollar	1.894	1.809	1.761	1.792
1 pound sterling	2.980	3.009	2.887	2.959
100 French francs	29.82	29.83	29.82	29.80
1000 Italian lira	1.010	1.015	1.010	1.018
100 Spanish pesetas	1.175	1.178	1.175	1.181
100 Austrian schillings	14.21	14.21	14.21	14.21
100 Danish crowns	26.31	26.25	26.29	26.25

Principles of accounting

Intangible assets

Intangible assets purchased by the company are valued at the cost of their acquisition and depreciated according to the straight-line method during their useful lives, generally three to five years.

In accordance with IAS 38, costs of research are treated as current expenditures. The same applies to the costs of developing products and processes, which are generally booked as expenditures, due to the uncertainties prevailing as to their being successes on their markets in the years to come.

Tangible fixed assets

Tangible fixed assets are valuated at the cost of their acquisition or production, less scheduled, or in some cases, exceptional depreciation. Included in the costs of tangible assets are those expenses directly attributable to the above plus an appropriate share of the general manufacturing and overhead manufacturing-caused depreciation. Costs of repair and interest payments are reported as current expenditures.

With the exception of objects leased to customers, tangible fixed assets are depreciated according to the straight-line method and at a rate determined by their useful lives. Most of the plants, machines and other equipment purchased up to 1997/98 are being written down using the declining balance method. Assets of minor value are fully written off in the year of their acquisition.

The scheduled writing down of assets accords to the table of the terms of utility listed below and applied uniformly throughout the Group:

buildings	20 to 50 years
improvements on property	8 to 20 years
machines and other technical facilities	5 to 15 years
furnishings and fittings	3 to 10 years

In accordance with IAS 36, exceptional depreciation is made on those tangible fixed assets whose recoverable amount has sunk below the net book value.

In accordance with IAS 17, leased tangible fixed assets are capitalized and depreciated if the conditions of a »finance lease« are given.

Products leased to customers are reported by the lessor as the conditions of an »operating lease« are fulfilled. They are valuated at the cost of their acquisition or manufacturing and are generally depreciated according to the length of the leasing contract by using the declining balance method, with this being due to the greater losses of value occurring in the first years after the concluding of the lease agreement.

Financial assets

In accordance with IAS 28, the company's investments in its important associates are valuated at equity. Its value is established to be the proportionate shares held by the company in the shareholders' equity shown on the companies' balance sheets. Other investments in affiliated companies and in other companies are valuated at the cost of their acquisition or at their net market value, should that be lower. Interest-bearing loans are listed at their par values, or the present values prevailing on the balance sheet date, should they be lower. The securities held as assets are reported at the price of their acquisition or the stock exchange quotes prevailing on the balance sheet date, should that be lower.

Current assets

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 of manufacturing-related overhead, plus the amount of depreciation caused by manufacturing. Not capitalized are either the costs of distribution or of general administration, or the interest paid on capital provided by outside sources. Raw materials and trading merchandise are generally valuated at the average cost of their acquisition. Adequate adjustments on the value of inventories are made for the risks arising from times of storage exceeding those originally foreseen, and from reduced asset utility. Such adjustments are also undertaken on pending transactions to preclude the subsequent loss-free valuation.

In accordance with IAS 11 and pursuant to the methods of sales earned, customer specific construction contracts are reported using the percentage of completion method. Such orders are listed in the receivables item, after having taken into account the contract revenues and the stage of completion at the balance sheet date, after having deducted the customer prepayments already received. The stage of completion is determined by the part of the costs already incurred in the total order costs expected, or by »milestone« whose employment has been contractually stipulated.

The other receivables and current assets are reported at their nominal value. Adjustments in value are made on receivables threatened with default, on receivables bearing low rates of interest and on receivables owed by customers based in countries in which risks of transfer arise. General credit risks are allowed for by the making of a lump adjustment in valuation, with its size primarily being derived from what happened in similar situations in the past. Prepayments made and received are reported without proportionate turnover tax.

Securities held as current assets are reported at the prices of their acquisition, or at their stock exchange quotes, should those be lower.

Reversals of write-downs are made on fixed and current assets in those cases in which the reasons for the carrying out of an exeptional depreciation no longer exist.

Liabilities

The accruals constituted for pension payments are valuated in accordance with IAS 19, which makes use of the »projected unit credit« method, and by taking into account of how the total salaries and pension payments disbursed will change over time. In accordance with IAS 37, other accruals are constituted to provide for all identifiable risks and for undeterminable obligations, with the reserves being of the liabilities probable size of realization. Interest-bearing reserves are discounted.

Liabilities are listed at their nominal value or at the amount to be repaid, should that be higher.

Deferred income is made to distribute proceeds – lease payments, government grants, hire fees and rentals – in a manner consistent with their times of earning.

Tax deferrals

In accordance with IAS 12, tax accruals and deferrals are made on the differentials between valuations of assets and liabilities in the balance sheets and for tax purposes, on consolidation procedures, on realizable losses carried forward.

Deferred tax assets are carried out only to the extent that the associated tax credits will probably arise. Deferred tax assets are listed in the 'other assets' item; deferred tax liabilities in the 'other accruals' one.

Income and expenditures

Sales are entered as such into the books when delivery of the products or goods in question has been made, or when the services in question have been rendered. These entries are minus all cash and customer discounts and rebates paid.

Revenues arising from construction contracts are reported using the percentage of completion method.

Operating expenditures are entered as costs when the service to be rendered is utilized. Expenditures for advertising, sales promotion and similar outlays are entered as costs at the time of their being incurred. We constitute accruals for guaranties at the time of selling of the products in question. Interest payments and other borrowing costs are entered into the books in ways consistent with the time frame of their occurrence.

Estimates

The compiling of the consolidated financial statements requires the making of assumptions about or estimates of a variety of items. These are incorporated into valuations contained in the balance sheet, or in the figures detailing contingent liabilities, or in the statements of earnings and expenditures. The true values of these items may diverge from the estimates given.

Segment reporting

in DM million

	commercial vehicles		industrial services		printing machines	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Total external sales	9 645	8 833	5 219	6 314	3 286	2 659
of which in Germany	4 568	4 118	1 301	1 746	690	614
of which in the rest of Europe	4 419	3 990	979	1 039	1 473	1 031
of which in other regions	658	725	2 939	3 529	1 123	1 014
intra-group sales	– 35	– 33	– 115	– 109	– 147	– 165
Consolidated sales	9 610	8 800	5 104	6 205	3 139	2 494
Income from ordinary activities	451	322	139	128	135	13
total assets as of June 30	6 500	5 646	2 936	2 765	2 081	1 808
capital employed (annual average)	3 665	3 479	1 235	1 186	1 246	1 192
investments	611	450	71	60	185	48
depreciation	305	311	51	53	81	75
Employees as of June 30 (number)	29 391	28 502	6 811	6 813	9 860	8 730
Net operating margin	4.7 %	3.7 %	2.7 %	2.0 %	4.1 %	0.5 %
rates of return on capital employed	16.2 %	14.4 %	15.5 %	14.1 %	15.7 %	6.4 %

Segments: a word of explanation

The commercial vehicles, industrial services, printing machines and Diesel engines business areas are identical with the MAN Nutzfahrzeuge, Ferrostaal, MAN Roland Druckmaschinen and MAN B&W Diesel group divisions. Comprised in the industrial equipment and facilities business area are the following group divisions: MAN Turbomaschinen, MAN Technologie, Renk, MAN Takraf Fördertechnik, Deggendorfer Werft und Eisenbau, Schwäbische Hüttenwerke and the SMS group. The categorizing of the activities into these business areas accords to the one used by MAN Group's in-house system of reporting. Comprised in the »holding company, other companies and consolidations« are MAN AG, its subsidiaries under its direct management and providing financial services, and other companies, plus the results of Group-wide consolidation procedures.

More detailed listings of the group divisions' facts and figures are to be found on pages 94 to 97 (listings in DM) and pages 106 to 109 (listings in Euros) of this report.

Diesel engines		industrial equipment and facilities		holding company, other		MAN Group	
1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
2 006	1 924	6 045	5 127	– 274	– 147	25 927	24 710
366	363	1 777	1 208	– 238	– 93	8 464	7 956
742	765	1 467	1 841	74	– 7	9 154	8 659
898	796	2 801	2 078	– 110	– 47	8 309	8 095
– 76	– 91	– 210	– 115	583	513	–	–
1 930	1 833	5 835	5 012	309	366	25 927	24 710
72	117	301	258	– 8	– 20	1 090	818
1 479	1 478	4 496	3 849	949	929	18 441	16 475
764	694	2 063	1 849	–	–	9 248	8 408
68	75	210	247	578	586	1 723	1 466
68	65	137	154	269	284	911	942
6 010	6 281	14 071	12 643	695	918	66 838	63 887
3.6 %	6.1 %	5.0 %	5.0 %	–	–	4.2 %	3.3 %
11.4 %	19.4 %	18.2 %	17.4 %	–	–	15.4 %	13.7 %

Methods of compiling and reporting the segments' figures

The sales earned by the business areas are also categorized according to their regions of origin, with the applicable criterion being where the customers are headquartered. Employed in the calculating of intra-group sales are the prices prevailing on the respective markets.

Comprised in the group divisions' total assets are the fixed assets, current assets and prepaid expenses.

The capital employed is comprised of the shareholders' equity and the interest-bearing liabilities (financial liabilities, pension reserves and deferrals).

In addition to the newly-acquired fixed assets, the capital expenditures also include those made to acquire stakes of the equity of consolidated subsidiaries. The investments made by the holding company, other refer primarily to products leased to customers by MAN AG's financial services subsidiaries.

The write-offs made refer to those performed on fixed assets.

Key rates of return

The MAN Group's objective is to increase its corporate worth. It uses the following key rates of return to both induce and measure such increases. Arrived at by dividing earnings before taxes on income into total sales, the 'net operating margin' is used to judge how well corporate daily business is progressing.

'The return on capital employed' is an indicator of great utility to the company's shareholders and providers of outside capital. It is arrived at by dividing the sum of the earnings before taxes on income and before interest expenditure into the average amount of capital employed.

(1) Revenues from sales: regions

in DM million	1998/99	1997/98
Federal Republic of Germany	8 464	7 956
other EU member countries	7 180	6 532
other countries in Europe	1 974	2 127
Asia	2 809	2 867
North and South America	3 585	3 695
Africa	1 620	1 246
Australia and Oceania	295	287
	25 927	**24 710**

Key segment data: region-by-region breakdown

in DM million	Germany	other European countries	other continents	total
1998/99				
total assets as of June 30	11 585	4 559	2 297	18 441
capital expenditures	1 287	383	53	1 723
depreciation	743	136	32	911
employees as of June 30 (NUMBER)	47 520	13 862	5 456	66 838
1997/98				
total assets as of June 30	11 269	3 669	1 537	16 475
capital expenditures	1 153	170	143	1 466
depreciation	797	118	27	942
employees as of June 30 (NUMBER)	47 347	12 919	3 621	63 887

Notes to the income statement

(2) Other operating income

in DM million

	1998/99	1997/98
proceeds accruing from the disposal of fixed assets	164	52
proceeds accruing from the release of accruals	147	92
proceeds accruing from other trade activities	105	102
miscellaneous income	292	266
	708	**512**

(3) Other operating expenses

in DM million

	1998/99	1997/98
research and development	643	592
increase in accruals	378	309
adjustments made on the value of current assets	209	179
other expenditures for personnel	75	102
miscellaneous expenses	357	494
	1 662	**1 676**

This item comprises the expenditures not assigned to the costs of operations. Research and development include only outlays not associated with orders.

(4) Income from associates

in DM million

	1998/99	1997/98
income from profit transfer agreements	8	12
income from investments in associated companies	13	49
income from other participations	18	26
expenditures resulting from the assumption of losses	– 8	– 8
write-downs of participations	– 7	– 38
	24	**41**

Comprised in the »income from participations« item are items ascribable to affiliated companies: revenues amounting to DM 9 million (1997/98: DM 27 million) and expenditures amounting to DM 2 million (1997/98: DM 8 million).

(5) Financial result

in DM million

	1998/99	1997/98
other interest received and similar earnings	177	195
interest paid and similar expenses	– 134	– 138
write-downs of securities held as current assets	– 2	– 4
interest on transfers to pension accruals	– 200	– 192
	– 159	**– 139**

DM 17 million (1997/98: DM 7 million) of the interest earnings stemmed from affiliated companies, as did DM 8 million (1997/98: DM 7 million) of the expenditures for interest.

(6) Taxes on income

in DM million

	1998/99	1997/98
current taxes	232	212
deferred taxes	133	– 27
	365	**185**

The taxes paid on the financial year's earnings were comprised of the following individual items:

in DM million

	1998/99	1997/98
earnings before taxes on income	1 090	818
corporate income tax	460	389
German trade tax	37	4
Foreign tax-rate differential	– 40	– 62
Aperiodic taxes	97	29
accruals from tax losses carried forward	– 118	–
other items	– 71	– 175
taxes on income paid	365	185

The corporate income tax was calculated by employing the 40% tax rate applicable in Germany to corporate income (1997/98: 45%), and by adding on the 'solidarity surcharge' of 5.5% of the above percentage. This yielded a 42.2% (1997/98: 47.5%) rate of taxation on the earnings before taxes on income.

Deferred taxes are recognized for the differences between valuations in the balance sheet and those reported for tax purposes. Also accounted for are taxation-related effects of losses carried forward, with this being limited to, due to uncertainties of prospects, the amount of taxable revenues expected to accrue over the next two years and being of a size adequate to give rise to the realization of the tax deferrals. Not included were other losses carried forward unlimited in time, amounting to DM 110 million and stemming from operations in Germany, and amounting to DM 99 million and stemming from abroad. There are, in addition, non-German losses carried forward whose application, however, is limited in time.

No deferring of taxes is to be made on the profits earned and not distributed by companies based outside Germany, as it is assumed that these profits will be reinvested over the long term in the country of their occurrence.

The taxes deferred were comprised of the following items:

in DM million	June 30, 1999	June 30, 1998
Deferred tax assets		
arising from pension accruals	267	365
arising from inventories and receivables	251	162
arising from other accruals	269	133
arising from tax losses carried forward	118	–
	905	**660**
Deferred tax accruals		
arising from tangible fixed assets	306	157
arising from inventories and receivables	219	139
arising from special tax-related items	107	123
arising from accruals	133	29
	765	**448**

(7) Earnings per share

	1998/99	1997/98
net income after minority interests (in DM mill.)	673	601
weighted arithmetic average of shares outstanding (in mill. of shares)	154.2	154.2
earnings per share (in DM)	4.36	3.90

In accordance with IAS 33, the earnings per share is calculated using the consolidated net income and the number of shares issued. The consolidated net income comprises the earnings realized by the Group in the financial year under review, minus those shares accruing to outside interests.

As of June 30, 1999, and as of June 30, 1998, there were no options for the purchase of shares outstanding which would have diluted the 'earnings per share' figure.

Notes to the balance sheet

(8) Development of fixed assets

in DM million

Acquisition and production costs

	balance on June 30, 1998	changes in consolidated companies	additions	transfers	disposals	currency adjustments	balance on June 30, 1999
Intangible assets	**172**	**13**	**36**	**–**	**– 25**	**–**	**196**
real estate, similar rights to property, and buildings, including buildings on land owned by others	3 967	153	122	41	– 91	20	4 212
plant and machinery	3 543	192	421	59	– 296	21	3 940
other facilities, furnishings and fittings	2 344	53	241	20	– 170	5	2 493
objects leased to customers	1 244	–	570	–	– 305	1	1 510
prepayments made and work in progress	99	4	131	– 120	– 2	2	114
Tangible fixed assets	**11 197**	**402**	**1 485**	**–**	**– 864**	**49**	**12 269**
holdings in affiliated companies	185	7	35	–	– 69	10	168
holdings in associated companies	125	– 122	2	–	–	–	5
other holdings	109	1	6	–	– 4	2	114
securities held as fixed assets	43	–	35	–	– 12	–	66
loans	77	– 3	18	–	– 19	–	73
Financial assets	**539**	**– 117**	**96**	**–**	**– 104**	**12**	**426**
Fixed assets	**11 908**	**298**	**1 617**	**–**	**– 993**	**61**	**12 891**

Comprised in the ‘intangible assets’ item are concessions acquired, software and similar rights and assets. Pursuant to IAS 22, the figures reported as of June 30, 1999 and June 30, 1998 do not contain any goodwill to be capitalized in the individual balance sheets or through consolidation procedures.

The ‘objects leased to customers’ refer primarily to objects in the commercial vehicles area. The revenues forthcoming from non-revocable operating leases amounted to DM 679 million as of June 30, 1999. Of these revenues, DM 260 million will accrue within one year, DM 396 million between one and up to five years, and DM 23 million after that.

The market value of the securities owned comes to DM 61 million (in 1997/98: DM 45 million). Of the loans, DM 10 million (1997/98: DM 22 million) have been made to affiliated companies.

Included in total depreciation is exceptional depreciation of tangible fixed assets amounting to DM 8 million (1997/98: DM 4 million), and of financial assets amounting to DM 23 million (in 1997/98: DM 29 million).

Accumulated depreciation							Net book value	
value as of June 30, 1998	changes in consolidated companies	depreciation during the year	transfers	disposals	currency adjustments	value as of June 30, 1999	as of June 30, 1999	as of June 30, 1998
115	**4**	**36**	**–**	**– 25**	**1**	**131**	**65**	**57**
1 744	62	125	–	– 56	4	1 879	2 333	2 223
2 819	128	267	–	– 287	11	2 938	1 002	724
1 895	28	223	–	– 157	4	1 993	500	449
449	–	238	–	– 182	–	505	1 005	795
–	–	–	–	–	–	–	114	99
6 907	**218**	**853**	**–**	**– 682**	**19**	**7 315**	**4 954**	**4 290**
94	– 14	11	–	– 46	13	58	110	91
8	– 8	–	–	–	–	–	5	117
20	1	–	–	– 2	–	19	95	89
–	–	7	–	–	–	7	59	43
17	– 3	4	–	– 6	–	12	61	60
139	**– 24**	**22**	**–**	**– 54**	**13**	**96**	**330**	**400**
7 161	**198**	**911**	**–**	**– 761**	**33**	**7 542**	**5 349**	**4 747**

(9) Inventories

in DM million

	June 30, 1999	June 30, 1998
raw materials, indirect materials and operating supplies	913	911
work in progress and completed items	4 769	4 284
merchandise	787	465
prepayments made	437	340
	6 906	**6 000**

(10) Trade receivables

in DM million

	June 30, 1999	June 30, 1998
receivables from construction contracts	210	200
other receivables due from customers	5 268	4 803
receivables due from affiliates	31	58
receivables due from participations	13	–
	5 522	**5 061**

Comprised in the 'receivables arising construction contracts are those components of orders reported in the balance sheet according to the state of progress achieved – with this being calculated using the percentage of completion (p. o. c.) method – and not yet invoiced. The gross amount of DM 2,172 million (1997/98: DM 1,811 million) contains prepayments received of DM 1,962 million (1997/98: DM 1,611 million), leaving net receivables of DM 210 million (1997/98: DM 200 million). The applying of the p. o. c. method caused the revenues from sales to increase by DM 356 million in 1998/99 (1997/98: – DM 16 million). In total, construction contracts reached costs including proportional profits of DM 2,636 million (1997/98: DM 2,300 million). In accordance with the milestone method, of the total costs, DM 464 million (1997/98: DM 489 million) have not manifested themselves in the sales yet. These costs are reported as work in process. The orders (or parts thereof) already invoiced are reported in the 'other receivables due from customers' item.

The trade accounts receivable include those worth DM 336 million (1997/98: DM 681 million) with a remaining term of more than one year.

(11) Other receivables and current assets

in DM million

	June 30, 1999	June 30, 1998
claims arising from taxes	169	236
deferred tax assets	905	660
other assets	517	666
	1 591	**1 562**

Other receivables and current assets include those worth DM 50 million (1997/98: DM 18 million) with a remaining term of more than one year.

(12) Securities, cash and cash equivalents

in DM million

	June 30, 1999	June 30, 1998
securities	1 638	1 630
funds at credit institutes, checks, cash on hand	841	782
Inter-Company-Accounts with affiliated companies	86	136
Inter-Company-Accounts with participations	54	8
	2 619	**2 556**

The securities are held as a form of liquidity. Their market value comes to DM 1,860 million (1997/98: DM 1,877 million). The Inter-Company-Accounts ensue from MAN AG's serving as the central source of financing for the group it heads.

(13) Shareholders' equity

The share capital of MAN AG amounts to EURO 394,206,040.40, divided into 154,200,000 shares whose value stems from individual share certificates. Of these shares, 110,280,000 are ordinary shares and 43,920,000 are non-voting preference shares.

Resolutions passed by the annual general meeting of shareholders held on December 10, 1998, and by the special meeting of the holders of preference shares on the same day created an authorized capital I and capital II. The resolution applying to capital I stipulates that, subject to indorsement by the Supervisory Board, the Executive Board is empowered to increase, by December 10, 2003, the company's share capital by up to EURO 153,387,564.36 through the issuing – on a one-time or repeated basis – of shares made out to the bearer in receipt of cash. Shareholders are to be accorded a basic right of subscription. The resolution applying to capital II stipulates that, subject to indorsement by the Supervisory Board, the Executive Board is empowered to increase, by December 10, 2003, the company's share capital by up to EURO 39,420,604.04 through the issuing – on a one-time or repeated basis – of shares made out to the bearer in receipt of cash. Shareholders are not to be accorded a basic right of subscription.

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

Comprised exclusively in the capital reserves are inpayments of capital resulting from the increasing of capital stock carried out by MAN AG. The retained earnings contain those of MAN AG, amounting to DM 735 million (1997/98: DM 685 million).

Minority interest in the shareholders' equity refer primarily to the SMS group, with this amounting to DM 364 million, to Schwäbische Hüttenwerke (DM 51 million), S.E.M.T. Pielstick (DM 27 million), RENK (DM 18 million) and MAN Roland (DM 9 million).

The total of the differences arising from the translations of the balance sheets compiled by non-German subsidiaries amounted to DM 6 million (1997/98: DM 1 million).

(14) Pension accruals

In the MAN Group's corporate pension plan, an entitlement to receive a pension primarily derives directly from payment having been received by the individual employee, and the commitments made by the Group ensuing from it. The individual amount of the pension is determined by the employee's length of service to the company, by the amount of pension-relevant remuneration, and by the amounts, in some cases, paid into the scheme by the employee. The financing of pensions plans is largely made by accruals.

These accruals are constituted in accordance with the projected unit credit method, and take into account future rises in total payments for remuneration and for pensions expected to occur, as calculated using actuarial methods.

MAN's Germany-based companies used the following assumptions on the development of remuneration and pensions:

	1998/99	1997/98
future increase in remuneration	3.0 %	3.0 %
future increase in pension	1.5 %	1.5 %
discount rate	6.5 %	6.5 %

The Group's non-German operations have adapted similar assumptions.

The total expenses for old-age pensions were comprised of the following components:

in DM million

	1998/99	1997/98
Service costs	101	94
interest costs	200	192
	301	286

Not incurred were changes for employee service in prior periods nor changes of assumptions.

The present value of the commitments shows the defined benefit obligation at the balance sheet date. It includes profits and losses from actuarial calculations. These reveal the differentials between the risks projected to occur, and those then actually manifesting themselves in individual cases. In accordance with IAS 19, the pension accruals leave unrecognized the profits and losses from actuarial calculations, provided that they do not exceed certain pre-set levels (+/– 10% of the present value).

Similar Commitments exist at non-German companies. Their size is established by actuarial principles and taking into account future developments.

in DM million

	June 30, 1999	June 30, 1998
Present benefit obligation	3 166	3 010
adjustments made for actuarial calculations	20	63
accruals for direct pension commitments	**3 186**	**3 073**
accruals for simular commitments	38	29
	3 224	**3 102**

(15) Other accruals

in DM million

	June 30, 1999	June 30, 1998
for current taxes	431	378
for deferred taxes	765	448
for guarantees	721	699
for costs outstanding from orders	718	687
for other business-related obligations	590	528
for obligations to employees	176	129
miscellaneous accruals	810	862
	4 211	**3 731**

The reserves constituted for current taxes also contain suitably-sized provisions for general tax-related risks.

The accruals for obligations to employees provide long-service awards, costs of part-retirements and redundancy payments. The liabilities arising from vacation time not yet availed of, Christmas gratifications and special payments are reported in the 'other liabilities' item.

The other reserves provide for a wide range of identifiable, individual risks.

(16) Liabilities

in DM million

	remaining term up to 1 year	1 to 5 years	more than 5 years	June 30, 1999	June 30, 1998
Bank credits	851	107	25	983	726
Inter-Company-Liabilities to affiliated companies	54	–	5	59	45
other financial liabilities	114	7	13	134	52
Financial liabilities	**1 019**	**114**	**43**	**1 176**	**823**
Trade accounts payable	**2 920**	**8**	**2**	**2 930**	**2 490**
amounts owed to personnel	1 052	–	–	1 052	908
tax-related liabilities	186	–	–	186	165
liabilities arising from the processing of orders	107	1	–	108	175
other miscellaneous liabilities	294	3	14	311	382
Other liabilities	**1 639**	**4**	**14**	**1 657**	**1 630**
	5 578	**126**	**59**	**5 763**	**4 943**

Bank credits include order-related refinancing, of which DM 108 million (1997/98: DM 296 million) is secured through assignment of claims.
Of Bank credits, DM 10 million (1997/98: DM 23 million) is secured by encumbrances on real property.

The Inter-Company-Liabilities ensue from MAN AG's serving as the central source of financing to the group it heads.

The amounts owed to personnel comprise the wages, salaries and social accounts-caused expenditure of which the payment was not yet due as of the end of the financial year, as well as accruals made for vacation time still outstanding, for Christmas gratifications, and for special-purpose payments falling due during the year.

DM 36 million (1997/98: DM 45 million) of the trade accounts payable are owed to affiliated companies.

Contingent liabilities

in DM million

	June 30, 1999	June 30, 1998
Notes payable	327	201
Obligations arising from guarantees	251	188
Obligations arising from warranties	186	137
	764	**526**

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

Other information

Other notes to the income statement

Comprised in the costs of manufacturing items sold are the following expenditures for materials:

in DM million

	1998/99	1997/98
expenditures for raw materials, indirect materials, supplies and goods purchased	12 130	12 415
expenditures for services purchased	2 315	1 821
	14 445	14 236

The expenditures for personnel were comprised of the following individual items:

in DM million

	1998/99	1997/98
wages and salaries	5 354	4 912
social account payments and payment for old-age pensions	1 189	1 086
	6 543	5 998

The payments for old-age pensions do not contain the interest cost to the pension accruals.

Expressed as an annual average, the following numbers of employees worked for the MAN Group:

NUMBER OF EMPLOYEES

	1998/99	1997/98
commercial vehicles	29 191	27 677
industrial services	6 952	6 954
printing machines	9 908	8 899
Diesel engines	6 186	5 805
industrial equipment and facilities	14 205	12 543
MAN AG, other companies	715	1 128
	67 157	**63 006**

An average of 2,041 persons worked for the New Elliott Corporation in Jeannette, USA, in 1998/99. This number is included in the corporate totals on a pro rata basis (1,021 persons).

Other financial liabilities

These arise from rental, hire and leasing agreements. The following total amount of outlays are due to be made during the minimum terms of the leasing agreements:

in DM million

	June 30, 1999	June 30, 1998
payments due within one year	134	133
payments due in more than one and within five years	312	343
payments due in more than five years	271	321
	717	**797**

Financial obligations to order investments are of a size within the bounds of normal business practice.

Derivative financial instruments

in DM million

	June 30, 1999	June 30, 1998
Foreign exchange rate-derivatives		
due within one year	5 012	4 919
due in more than one year	751	867
total nominal value	5 763	5 786
market value	– 91	– 36
Interest rate-derivatives		
due within one year	65	173
due in more than one year	339	361
total nominal value	404	534
market value	– 9	– 13

MAN employs derivative-based financial instruments to secure itself against risks arising in its business operations and financing transactions from changes in rates of interest and foreign exchange. These so-called OTC (over-the-counter) instruments are not traded on stock exchanges. Their nominal value is equivalent to the sum of the agreed-upon purchase and sales amounts.

The market values are the repurchase quotes prevailing on the balance sheet date. These values do not take into account any countervailing developments occurring in the underlying businesses being secured. Rather, these values are established either by using the prices quoted on market, or by employing standardized procedures. The negative market values stemmed primarily from US dollar-based exchange rate contracts. These were compensated for by increases in the values of the underlying businesses being secured.

All derivative-related financial transactions are only undertaken with banks of unimpeachable financial standing. The use of these instruments is strictly monitored. Ensuring the effectiveness of this monitoring: the maintaining of »Chinese walls« between the trading, invoicing and controlling operations.

Cash flow statement

In the cash flows from operating activities, operative expenditures and revenues not having an effect on the company's accounts are eliminated, as is the net arising from the disposal of assets. Interest received amounting to DM 177 million (1997/98: DM 195 million), interest paid amounting to DM 134 million (1997/98: DM 138 million), and taxes on income paid, which amounted to DM 221 million in 1998/99, (1997/98: DM 197 million) are included. Income from associates is included only if it has been distributed.

The net amount of funds committed developed in 1998/99 as shown below:

in DM million	June 30, 1999	July 1, 1998	Effect on liquidity
inventories	6 906	6 258	– 648
prepayments received	– 3 621	– 3 563	58
trade receivables	5 522	5 398	– 124
	8 807	**8 093**	**– 714**

Cash flows from investment activities includes the expenditures for intangible and tangible fixed assets. The investments in financial assets also include the acquisition of companies which were consolidated in the development of fixed assets. In 1998/99, DM 108 million was expended for this item. These funds refer to the printing machines business area's purchasing of the remaining 79% of the equity of the Omnigraph Group N. V. Amsterdam, the equity of Switzerland's Votra Group and of its subsidiaries engaged in distributing in Asia, and of companies based in Denmark and in Germany. Cash and cash equivalents comprise deposits at credit institutions, checks and cash on hand, and the Inter-Company-Accounts arising from the centralized management of the Group's financial transactions.

Supervisory Board and Executive Board

Provided that the general meeting of shareholders approves the proposed dividend the members of the supervisory board will receive a total remuneration of DM 1,890,000 (1997/98: DM 1,680,000) and those of the executive board will receive a total of DM 7,484,000 (1997/98: DM 6,694,000). The remuneration of former members of the executive board or their surviving dependents amounted to DM 5,731,000 in 1998/99 (1997/98: DM 6,210,000). DM 58,123,000 (1997/98: DM 58,955,000) has been set aside as accruals for the pensions of former members of the executive board or their dependents. A member of the supervisory board was granted a housing loan. It bears a 6% rate of annual interest and has a contractual term of 25 years. As of June 30, 1999, DM 80,000 (June 30, 1998: DM 83,000) was outstanding on the loan. The members of the supervisory board and of the executive board are listed on pages 4 to 5 and 90 to 92 of this annual report, which also detail these persons' memberships on other corporate boards.

Memberships on other corporate boards

Executive board

Dr.-Ing. E.h. Rudolf Rupprecht

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

Dr. rer. pol. Ferdinand Graf von Ballestrem

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

Dr. rer. pol. Klaus von Menges

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

Dr.-Ing. Klaus Schubert

b) MAN Technologie AG (vice-chair.)
MAN Turbomaschinen AG GHH BORSIG
d) Österreichische Automobilfabrik Ö.A.F.-Gräf & Stift AG, Austria (chair.)
Steyr Nutzfahrzeuge AG, Austria (chair.)
MAN Automotive (South Africa) (Pty.) Ltd., South Africa (chair.)
MAN Kamyon ve Otobüs Sanayi A.S. (MANAS), Turkey (chair.)

Dr. jur. Hans-Jürgen Schulte LL.M.

b) Drei Mohren AG (chair.)
MAN TAKRAF Fördertechnik GmbH (vice-chair.)
MAN Nutzfahrzeuge AG
RENK Aktiengesellschaft
d) S.E.M.T. Pielstick, France (chair.)
MANISES DIESEL ENGINE Co. S.A., Spain (vice-chair.)

Dr. jur. Philipp J. Zahn

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

Supervisory board

Dr. jur. Dr. rer. pol. h.c. Klaus Götte	a) Allianz Lebensversicherungs-AG KM Europa Metal AG	SMS Aktiengesellschaft Thyssen Krupp AG
Dr. rer. pol. Gerlinde Strauss-Wieczorek	a) MAN Nutzfahrzeuge AG (vice-chair.)	
Dr. jur. Henning Schulte-Noelle	a) BASF AG Dresdner Bank AG Linde AG Mannesmann AG Münchener Rückversicherungs-Gesellschaft (vice-chair.) Siemens AG Thyssen Krupp AG	VEBA AG b) Allianz Versicherungs-AG (chair.) Allianz Lebensversicherungs-AG (chair.) d) AGF (vice-chair.) Elvia Versicherungen Fireman's Fund RAS
Dr. jur. Friedhelm Gieske	a) Karstadt AG National-Bank AG (vice-chair.) RWE AG	
Dr. phil. Klaus Heimann	a) Delton AG Krones AG	
Karlheinz Hiesinger	a) MAN B&W Diesel AG (vice-chair.)	
Dr. Eng. h.c. Volker Jung	a) Messe München GmbH b) Infineon Technologies AG (chair.)	
Dr. rer. oec. Norbert Käsbeck	a) Hugo Boss AG Friatec AG (vice-chair.) HAWESKO Holding AG	Salamander AG SÜBA Bau AG

a) member of supervisory boards of Germany-based companies
b) occupant of corporate board seats
c) member of non-German companies' corporate boards with similar responsibilities
d) member of non-German companies' corporate boards with similar responsibilities (occupant of corporate board seats)

Hans Jakob Kruse

a) Deutsche Aerospace Airbus
Hapag Lloyd AG

Dr. rer. pol. Hans Meinhardt

a) Allianz Lebensversicherungs-AG (vice-chair.)
Beiersdorf AG (chair.)
Karstadt AG (chair.)
Linde AG (chair.)
VARTA AG (chair.)
c) nv w.A. Hoek's Machineen Zuurstoffabriek Schiedam (vice-chair.)

Peter Potrykus

a) MAN Nutzfahrzeuge AG

Dr. jur. Hans-Jürgen Schinzler

a) Dresdner Bank AG
ERGO Versicherungsgruppe AG (chair.)
Hoechst AG
b) MR Beteiligungen AG (chair.)
MRE Beteiligungen AG (chair.)
c) Dresdner Kleinwort Benson North America Inc.
d) American Re Corporation

Prof. Dr.-Ing. Ekkehard Schulz

a) Commerzbank AG
Hapag Lloyd AG (chair.)
RAG Aktiengesellschaft (vice-chair.)
RWE Energie AG
STRABAG AG
b) Eisen- und Hüttenwerke AG (chair.)
Krupp Thyssen Stainless GmbH (chair.)
Thyssen Krupp Materials & Services GmbH (chair.)
Thyssen Krupp Stahl AG (chair.)

Dr. rer. nat. Hanns-Helge Stechl

a) Pfleiderer AG
Pfleiderer Unternehmensverwaltung GmbH & Co. KG

Committees of the supervisory board

Standing committee

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

Committee for executive board membership

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

Independent auditors' report

We have audited the consolidated financial statements of MAN Aktiengesellschaft for the fiscal year July 1, 1998 to June 30, 1999, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and the notes. The company has the responsibility for determining what will be in these financial statements, and for the preparing of them. Our responsibility is, using the audit we have carried out, to adjudge whether or not these accounts are in accordance with the International Accounting Standards (IAS).

Our examining was done in accordance with German auditing standards, and by taking into account the precepts on the proper conducting of audits compiled by Germany's Institute of Auditors (IDW) and, further, the International Standards on Auditing established by the International Federation of Accountants (IFAC). Those standards require that the auditing is to be planned and implemented in ways providing an adequate level of assurance that the annual accounts are free of material misstatement. Taken into account when laying down the course of the carrying out of the audit are the auditors' knowledge of the company's business activities and its economic and legal operating environment, as well as expectations as to where mistakes might crop up. Test checks of the documents submitted to substantiate the figures listed in the balance sheets and in the financial statements formed part of the auditing of the group's annual accounts. Our audit also includes assessing the accounting principles used and the most important appraisals made by the executive board. Assessed, further, was the overall picture painted by the consolidated financial statements. In our opinion our audit constitutes a basis providing an adequate degree of security for the formulating of our evaluations.

We are convinced that the consolidated annual accounts provide a fair and true picture of the main features of the situation prevailing on June 30, 1999, with these features including the company's assets, finances, earnings and the flow of funds having occurred during the financial year under review. These accounts adhere to the standards established by the International Accounting Standards Committee.

Also audited was the review of the Group's business during the financial year July 1, 1998 to June 30, 1999 made by the company's executive board. Our audit did not give rise to any objections. It is our firm belief that the review of the Group's business correctly portrays the group's current situation. It also adequately depicts the risks posed by possible forthcoming developments. We further attest that the Group's consolidated financial statements and the review of business done by the Group in the financial year extending from July 1, 1998 to June 30, 1999 satisfy the preconditions established by Germany's legal codes for the granting of an exemption to the company from the preparing of consolidated annual accounts and review of business. One stipulation associated with the granting of the exemption from the obligation to prepare annual accounts imposed by German business regulations is that these accounts accord with the provisions of the EU's 7th Directive. Using the interpretation of the directive issued by the Commission of the EU's committee of contact on accounting-related directives, we audited the accounts, so as to establish this conformity's being extant.

Munich, September 23, 1999

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff	Goppelt
Certified Auditor	Certified Auditor

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

in DM million

	MAN Nutzfahrzeuge group division		Ferrostaal group division	
	1998/99	1997/98	1998/99	1997/98
Fixed assets	**2 084**	**1 754**	**388**	**374**
Inventories	2 266	1 989	1 045	764
Prepayments	– 35	– 36	– 1 320	– 1 444
Receivables and other assets (incl. prep. exp.)	2 124	1 879	1 321	1 415
Securities cash and cash equivalents	61	60	1 502	1 656
Current assets	**4 416**	**3 892**	**2 548**	**2 391**
Total assets	**6 500**	**5 646**	**2 936**	**2 765**
Shareholders' equity	**1 322**	**1 139**	**744**	**711**
Pension accruals	975	929	404	392
Other accruals	951	708	525	542
Liabilities (incl. def. income)	3 252	2 870	1 263	1 120
Liabilities	**5 178**	**4 507**	**2 192**	**2 054**
Total capital resources	**6 500**	**5 646**	**2 936**	**2 765**
Revenues from sales	**9 645**	**8 833**	**5 219**	**6 314**
costs of sales	– 7 819	– 7 230	– 4 644	– 5 730
Gross profit on sales	**1 826**	**1 603**	**575**	**584**
costs of distribution	– 617	– 561	– 284	– 257
general administrative expenditure	– 259	– 255	– 166	– 168
other income and expenses	– 365	– 323	– 17	– 60
financial result	– 134	– 142	31	29
Income from ordinary activities	**451**	**322**	**139**	**128**
New orders	**9 682**	**9 502**	**4 357**	**5 606**
of which from Germany	4 534	4 545	1 369	1 719
of which from outside Germany	5 148	4 957	2 988	3 887
Orders on hand as of June 30	**3 184**	**3 164**	**3 868**	**4 716**
Employees as of June 30 (NUMBER)	**29 391**	**28 502**	**6 811**	**6 813**
in Germany	20 910	20 563	4 050	4 565
outside Germany	8 481	7 939	2 761	2 248
Employees (number as annual average)	**29 191**	**27 677**	**6 952**	**6 954**
costs of personnel	**2 579**	**2 405**	**602**	**603**
Key figures				
Capital expenditures	611	450	71	60
Cash flow for the year acc. to DVFA/SG	615	549	123	153
Net operating margin (before taxes on income)	4.7 %	3.7 %	2.7 %	2.0 %
Rate of return on capital employed	16.2 %	14.4 %	15.5 %	14.1 %

MAN Roland group division		**MAN B&W Diesel** group division		**MAN industrial equipment and facilities***	
1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
577	**566**	**279**	**281**	**835**	**744**
1 183	948	661	688	1 677	1 492
– 570	– 388	– 108	– 113	– 1 569	– 1 505
836	672	589	537	1 688	1 260
55	10	58	85	1 865	1 858
1 504	**1 242**	**1 200**	**1 197**	**3 661**	**3 105**
2 081	**1 808**	**1 479**	**1 478**	**4 496**	**3 849**
563	**490**	**544**	**462**	**1 229**	**1 061**
385	367	212	205	716	667
278	220	254	321	1 200	1 031
855	731	469	490	1 351	1 090
1 518	**1 318**	**935**	**1 016**	**3 267**	**2 788**
2 081	**1 808**	**1 479**	**1 478**	**4 496**	**3 849**
3 286	**2 659**	**2 006**	**1 924**	**6 045**	**5 127**
– 2 412	– 2 040	– 1 612	– 1 529	– 4 818	– 4 094
874	**619**	**394**	**395**	**1 227**	**1 033**
– 255	– 151	– 161	– 135	– 428	– 382
– 166	– 122	– 94	– 85	– 325	– 302
– 276	– 277	– 55	– 47	– 193	– 115
– 42	– 56	– 12	– 11	20	24
135	**13**	**72**	**117**	**301**	**258**
3 506	**3 061**	**1 895**	**1 801**	**5 177**	**5 401**
890	677	327	361	1 353	1 278
2 616	2 384	1 568	1 440	3 824	4 123
1 948	**1 760**	**1 104**	**1 256**	**6 723**	**7 393**
9 860	**8 730**	**6 010**	**6 281**	**14 071**	**12 643**
8 375	8 357	2 835	2 913	10 665	10 055
1 485	373	3 175	3 368	3 406	2 588
9 908	**8 899**	**6 186**	**5 805**	**14 205**	**12 543**
1 031	**871**	**596**	**535**	**1 609**	**1 407**
185	48	68	75	210	247
179	101	85	155	403	358
4.1 %	0.5 %	3.6 %	6.1 %	5.0 %	5.0 %
15.7 %	6.4 %	11.4 %	19.4 %	18.2 %	17.4 %

* the listings of the individual group divisions forming the industrial equipment and facilities business area are found on the following pages.

MAN industrial equipment and facilities: group divisions

in DM million

	MAN Turbomaschinen group division*		MAN Technologie Aktiengesellschaft		Renk group division	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Fixed assets	**112**	**92**	**198****	**204****	**65**	**71**
Inventories	194	137	202	161	167	165
Prepayments	– 44	– 44	– 269	– 168	– 85	– 70
Receivables and other assets (incl. prep. exp.)	413	248	133	89	140	157
Securities cash and cash equivalents	3	3	125	–	21	2
Current assets	**566**	**344**	**191**	**82**	**243**	**254**
Total assets	**678**	**436**	**389**	**286**	**308**	**325**
Shareholders' equity	**168**	**153**	**121**	**30**	**76**	**57**
Pension accruals	89	65	93	82	87	83
Other accruals	100	36	65	43	27	29
Liabilities (incl. def. income)	321	182	110	131	118	156
Liabilities	**510**	**283**	**268**	**256**	**232**	**268**
Total capital resources	**678**	**436**	**389**	**286**	**308**	**325**
Revenues from sales	**1 127**	**630**	**401**	**400**	**442**	**469**
costs of sales	– 888	– 476	– 279	– 277	– 344	– 358
Gross profit on sales	**239**	**154**	**122**	**123**	**98**	**111**
costs of distribution	– 93	– 64	– 8	– 9	– 27	– 26
general administrative expenditure	– 53	– 33	– 37	– 36	– 23	– 27
other income and expenses	– 34	– 11	– 9**	– 14**	5	– 21
financial result	– 9	– 5	– 6	– 5	– 6	– 8
Income from ordinary activities	**50**	**41**	**62****	**59****	**47**	**29**
New orders	**944**	**808**	**393**	**584**	**591**	**410**
of which from Germany	192	241	96	155	175	128
of which from outside Germany	752	567	297	429	416	282
Orders on hand as of June 30	**631**	**602**	**858**	**848**	**660**	**538**
Employees as of June 30 (Number)	**2 670**	**1 649**	**1 106**	**1 065**	**1 510**	**1 686**
in Germany	1 684	1 636	1 106	1 065	1 441	1 456
outside Germany	986	13	–	–	69	230
Employees (number as annual average)	**2 696**	**1 593**	**1 100**	**1 091**	**1 518**	**1 688**
costs of personnel	**319**	**188**	**141**	**130**	**152**	**156**
Key figures***						
Capital expenditures	25	10	19	33	16	23
Cash flow for the year acc. to DVFA/SG	53	23	44	49	58	59
Net operating margin (bef. taxes on income)	4.4 %	6.6 %	7.6 %	8.1 %	10.6 %	6.2 %
Rate of return on capital employed	19.2 %	19.5 %	30.6 %	33.1 %	29.6 %	19.0 %

* in 1997/98, Elliott was consolidated at equity, in 1998/99 on a pro rata basis
** figures included in annual accounts include the effects of the holding in MAN GHH Borsig
*** The effects of MAN Technologie AG's holdings in MAN GHH Borsig have been factored out of the former's key figures.

MAN TAKRAF group division		Deggendorfer Werft und Eisenbau group division		SMS group		Schwäbische Hüttenwerke GmbH	
1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
44	**40**	**35**	**28**	**386**	**359**	**82**	**74**
65	98	60	83	951	823	37	52
– 81	– 87	– 48	– 58	– 1 037	– 1 072	– 4	– 9
56	33	35	5	831	697	81	63
155	165	38	49	1 462	1 602	61	73
195	**209**	**85**	**79**	**2 207**	**2 050**	**175**	**179**
239	**249**	**120**	**107**	**2 593**	**2 409**	**257**	**253**
134	**130**	**34**	**30**	**681**	**612**	**102**	**97**
10	10	21	20	379	389	37	37
43	74	14	18	911	809	41	46
52	35	51	39	622	599	77	73
105	**119**	**86**	**77**	**1 912**	**1 797**	**155**	**156**
239	**249**	**120**	**107**	**2 593**	**2 409**	**257**	**253**
261	**282**	**208**	**135**	**3 189**	**3 018**	**417**	**390**
– 232	– 250	– 156	– 106	– 2 548	– 2 459	– 370	– 341
29	**32**	**52**	**29**	**641**	**559**	**47**	**49**
– 20	– 32	– 7	– 4	– 262	– 241	– 12	– 12
– 15	– 15	– 6	– 4	– 183	– 182	– 8	– 9
4	12	– 16	– 3	– 116	– 52	4	1
4	6	–	–	38	36	–	– 1
2	**3**	**23**	**18**	**118**	**120**	**31**	**28**
165	**177**	**92**	**190**	**2 588**	**3 039**	**405**	**386**
53	52	32	110	533	474	272	245
112	125	60	80	2 055	2 565	133	141
265	**357**	**146**	**274**	**4 009**	**4 691**	**154**	**167**
625	**677**	**514**	**524**	**6 331**	**6 359**	**1 315**	**1 367**
588	645	430	440	4 101	4 117	1 315	1 367
37	32	84	84	2 230	2 242	–	–
659	**699**	**519**	**515**	**6 355**	**6 281**	**1 358**	**1 352**
77	**75**	**55**	**52**	**737**	**743**	**128**	**126**
10	18	11	8	98	93	31	32
4	11	19	17	157	151	37	41
0.7 %	1.1 %	11.1 %	13.7 %	3.7 %	4.0 %	7.4 %	7.1 %
1.9 %	2.7 %	46.4 %	39.8 %	14.7 %	15.4 %	24.1 %	22.8 %

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

in DM million

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
New orders	**16 672**	**18 463**	**20 602**	**20 787**	**22 700**	**25 110**	**24 427**
from Germany	6 673	6 489	7 059	6 567	7 261	8 449	8 291
from outside Germany	9 999	11 974	13 543	14 220	15 439	16 661	16 136
New orders acc. to business areas							
commercial vehicles	6 255	6 775	7 734	7 539	8 126	9 502	9 682
industrial services	3 194	3 519	3 860	3 954	5 269	5 606	4 357
printing machines	1 596	2 094	2 379	2 235	2 298	3 061	3 506
Diesel engines	1 543	1 659	1 658	1 703	1 730	1 801	1 895
industrial equipment and facilities	4 424	4 793	5 342	5 761	5 314	5 401	5 177
other intra-Group orders	– 340	– 377	– 371	– 405	– 37	– 261	– 190
Revenues from sales	**18 972**	**18 144**	**18 602**	**20 270**	**21 354**	**24 710**	**25 927**
in Germany	7 975	6 929	7 056	7 094	6 842	7 956	8 464
outside Germany	10 997	11 215	11 546	13 176	14 512	16 754	17 463
Revenues from sales acc. to business areas							
commercial vehicles	7 236	6 903	7 236	7 984	7 955	8 833	9 645
industrial services	3 559	3 606	4 028	3 837	4 315	6 314	5 219
printing machines	2 237	2 041	2 002	2 361	2 471	2 659	3 286
Diesel engines	1 543	1 576	1 607	1 529	1 616	1 924	2 006
industrial equipment and facilities	4 745	4 421	4 103	4 896	4 706	5 127	6 045
other intra-Group sales	– 348	– 403	– 374	– 337	291	– 147	– 274
Orders on hand as of June 30	**14 360**	**15 139**	**16 891**	**17 621**	**19 704**	**18 216**	**16 827**
from Germany	4 549	4 080	4 026	3 567	4 540	5 433	5 325
from outside Germany	9 811	11 059	12 865	14 054	15 164	12 783	11 502
Number of employees as of June 30 (NUMBER)	**60 837**	**56 997**	**56 503**	**57 826**	**62 564**	**63 887**	**66 838**
employed by companies in Germany	49 893	46 164	45 085	45 919	47 161	47 347	47 520
employed by companies outside Germany	10 944	10 833	11 418	11 907	15 403	16 540	19 318
average annual number	62 720	58 527	56 112	57 648	60 824	63 006	67 157
expenses for personnel	5 271	4 963	4 981	5 470	5 563	5 998	6 543
personnel costs per employee in DM	84 052	84 804	88 757	94 885	91 454	95 197	97 428
Capital expenditures and financing							
for tangible fixed and for intangible assets	932	688	545	617	604	791	951
for objects leased to customers	–	–	–	–	–	497	570
for financial assets and acquisitions	76	61	117	39	254	178	202
for research and development	523	560	537	573	585	769	825
depreciation	711	721	692	653	624	942	911
annual cash flow acc. to DVFA/SG	941	771	1 037	1 101	1 051	1 684	1 786
Key figures in percent							
equity ratio							
fixed assets to shareholders' equity ratio	95.3	98.3	108.1	114.3	112.2	96.6	95.9
net operating margin (before taxes on income)	1.8	1.0	1.9	2.5	2.3	3.3	4.2
return on capital employed	9.5	6.9	8.9	10.8	10.4	13.7	15.4
net return on shareholders' equity	6.4	4.4	7.3	8.6	8.7	14.4	14.9

in DM million

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Fixed assets	**3 790**	**3 709**	**3 482**	**3 444**	**3 616**	**4 747**	**5 349**
inventories	6 679	6 192	7 328	8 562	9 224	6 000	6 906
prepayments	– 5 346	– 5 214	– 5 919	– 6 563	– 7 024	– 3 528	– 3 621
receivables and other assets (incl.prep. exp.)	5 798	5 711	5 175	5 294	5 751	6 700	7 188
securities, cash, cash equity	2 050	2 024	2 475	2 275	2 455	2 556	2 619
Current assets	**9 181**	**8 713**	**9 059**	**9 568**	**10 406**	**11 728**	**13 092**
Total assets	**12 971**	**12 422**	**12 541**	**13 012**	**14 022**	**16 475**	**18 441**
Shareholders' equity	**3 611**	**3 647**	**3 763**	**3 936**	**4 058**	**4 586**	**5 130**
pension accruals	1 931	1 964	1 994	2 125	2 338	3 102	3 224
other accruals, spec. items [2]	3 292	3 117	3 177	3 480	3 794	3 731	4 211
financial liabilities	1 662	1 273	980	770	717	823	1 176
other liabilities (incl. def. income.)	2 475	2 421	2 627	2 701	3 115	4 233	4 700
Liabilities	**9 360**	**8 775**	**8 778**	**9 076**	**9 964**	**11 889**	**13 311**
Total capital resources	**12 971**	**12 422**	**12 541**	**13 012**	**14 022**	**16 475**	**18 441**
Capital employed as of June 30	7 496	7 202	7 037	7 136	7 475	8 624	9 643
Revenues from sales	**18 972**	**18 144**	**18 602**	**20 270**	**21 354**	**24 710**	**25 927**
operating expenses and income	– 18 658	– 17 962	– 18 278	– 19 785	– 20 864	– 23 753	– 24 678
Earnings from operations	**314**	**182**	**324**	**485**	**490**	**957**	**1 249**
financial result	25	2	34	17	3	– 139	– 159
Income from ordinary activities	**339**	**184**	**358**	**502**	**493**	**818**	**1 090**
taxes on income	– 109	– 24	– 86	– 172	– 144	– 185	– 365
Net income	**230**	**160**	**272**	**330**	**349**	**633**	**725**
minority interest	8	10	16	28	33	32	52
transfers to retained earnings	91	42	110	117	100	354	395
Dividend pay-out MAN AG	**131**	**108**	**146**	**185**	**216**	**247**	**278**
MAN's shares: facts and figures [3]							
Shareholders' equity per share DM	22.10	22.30	23.00	24.00	24.70	27.40	30.20
Quotation (as of June 30)							
ordinary shares DM	28.50	39.35	35.55	37.88	54.00	70.65	65.13
preference shares DM	23.75	30.85	27.60	29.40	44.00	49.40	43.26
Price-earnings ratio (as of June 30)							
ordinary shares	18.9	43.2	15.7	14.6	22.7	18.1	14.9
preference shares	15.7	33.9	12.2	11.3	18.5	12.7	9.9
Dividend per share in DM	0.85	0.70	0.95	1.20	1.40	1.60	1.80 [4]
Earnings per share in DM	1.51	0.91	2.27	2.60	2.38	3.90	4.36
Cash flow for the year/share in DM	5.70	4.70	6.40	6.70	6.30	10.40	10.80

[1] As of 1997/98, the consolidated annual accounts were prepared in adherence to the International Accounting Standards. For this reason, the making of comparisons between the figures from the last two financial years and those from previous ones is only limitedly possible.

[2] until 1996/97, special-purpose item

[3] earnings adapted to account for 1:10 stock split

[4] including a bonus amounting to DM 0.20

The EURO – a new currency and new sources of growth

Although the EURO has only been in use since January 1, 1999, the word is out: the new, pan-European currency looks likely to be a story of success, in and from which MAN stands to partake and profit in a wide variety of ways.

Along with related economic and financial regulations and organizations, the introduction of the EURO forged 11 countries (colloquially referred to as »Euroland«), populated by nearly 300 million persons and with an economic output of some DM 11 billion, into a single entity. MAN has long provided its systems, products and services on an international scale, with western Europe forming our major market. For this reason, we have benefited amply and quickly from the introduction of the new currency.

The associated initial costs have been relatively minor, meaning that the EURO has already become »profit-causing« for us. This net gain has resulted from the reduction in our foreign exchange-related expenditure. We no longer have to secure our intra-Euroland transactions against changes in the rates of exchange. This is just one category of the expenses and risks obviated by the use of the new currency.

The introduction of the EURO has greatly eased the comparing of the prices prevailing in the Euroland countries, inducing the arising of a »one product, one Euroland-wide price« situation. The benefit for MAN from this will primarily accrue to its procurement activities. Suppliers based outside Germany no longer have to pay high invoicing and other exchange rate-incurred costs, allowing them to reduce the prices they charge. This should cause the costs of our supplies to sink, and, possibly, to give rise to changes over the next few years in where and how we purchase them.

Most directly affected by the economic effects unleashed by the EURO will be the commercial vehicles sector. The EURO will increase the volume of intra-Euroland trade, and, over the next few years, further the transnational division of labor. This will cause the volume of goods transported to rise, a trend especially benefiting MAN Nutzfahrzeuge, a producer of low-emission, highly reliable vehicles. Viewed as a whole, the demand for trucks will attain and then stay at a high level. The EURO is also widely forecast to trigger an increase in Euroland's total economic output. Should this occur, it would benefit our other business areas, as economic growth and an increase in demand for capital goods normally go hand-in-hand.

The introduction of the EURO has created the world's second (after that of the USA) largest market for capital. Since January 1, 1999, all of the securities listed on Europe's exchanges have been quoted in EUROS. Stock market experts expect the next few years to see a transferring of large-sized sums into Euro-denominated financial investments, a trend which would strongly enhance the importance of the continent's stock exchanges. Our company is a member of the DAX, the index comprised by the country's 30 most important joint stock corporations. As such, we – and especially our stock quote – stand to profit from this re-evaluation.

At the beginning of the year, we undertook a one-to-ten splitting of our shares, which, of course, cut the value of each of them by a factor of ten, while increasing their number ten-fold. In a simultaneous move, we took advantage of a change in Germany's legislation and altered the basis of our shares' valuation. Formerly bearing a nominal value of DM 50 each, the shares now come with no-par share certificates. In line with international financial usage, these changes have equipped us to fully profit from the opportunities arising from the EURO and the enlarged market for capital it has created. On the following pages important figures of the group are shown.

The following pages list, in EUROS, the key figures from the MAN Group's consolidated accounts.

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1 The EURO will elevate Europe's stock exchanges to a new level of importance
2 In 2002, Germany's banknotes will be denominated in EUROS

Key corporate figures (in EUROS)

MAN Group: income statement for 1998/99

in EURO million

	Note nr.	1998/99	1997/98
Revenues from sales	(1)	**13 256**	**12 634**
costs of sales		– 10 710	– 10 298
Gross profit on sales		**2 546**	**2 336**
costs of distribution		– 894	– 766
general administrative expenses		– 538	– 507
other operating income	(2)	362	262
other operating expenses	(3)	– 850	– 857
income from associates	(4)	12	21
financial result	(5)	– 81	– 71
Income from ordinary activities		**557**	**418**
taxes on income	(6)	– 186	– 94
net income		**371**	**324**
minority interest		– 27	– 17
Net income after minority interest		**344**	**307**
transfers to retained earnings		– 202	– 181
Unappropriated profit		**142**	**126**
Earnings per share (in EURO)	(7)	**2,23**	**1,99**

MAN Group: balance sheet as of June 30, 1999

Assets

in EURO million

	Note nr.	June 30, 1999	June 30, 1998
intangible assets		33	29
tangible fixed assets		2 533	2 193
financial assets		169	205
Fixed assets	(8)	**2 735**	**2 427**
inventories	(9)	3 531	3 068
prepayments		– 1 852	– 1 804
trade receivables	(10)	2 823	2 588
other receivables and current assets	(11)	814	799
securities	(12)	838	833
cash and cash equivalents	(12)	502	473
Current assets		**6 656**	**5 957**
Prepaid expenses		**38**	**40**
		9 429	**8 424**

Liabilities and shareholders´ equity

in EURO million

	Note nr.	June 30, 1999	June 30, 1998
share capital		394	394
capital reserves		676	676
retained earnings		1 167	965
unappropriate profit		142	126
Equity of the shareholders of MAN AG		**2 379**	**2 161**
minority interest		244	184
Shareholders' equity	(13)	**2 623**	**2 345**
pension accruals	(14)	1 648	1 586
other accruals	(15)	2 153	1 908
Total accruals		**3 801**	**3 494**
financial liabilities		602	421
trade payables		1 498	1 273
other payables		847	833
Liabilities	(16)	**2 947**	**2 527**
Deferred income		**58**	**58**
		9 429	**8 424**

MAN Group: Cash flow statement for 1998/99

in EURO million

	1998/99	1997/98
net income	371	324
write-downs of fixed assets	466	482
net changes in pension accruals	64	61
other non-operative expenditures and earnings	12	– 6
Cash flow acc. to DVFA/SG	**913**	**861**
net of disposal of assets	– 84	– 17
changes in inventories	– 331	195
changes in prepayments	29	– 467
changes in trade receivables	– 63	54
changes in other accruals	192	121
changes in trade payables	135	88
other changes in net current assets	– 93	– 101
Cash flows from operating activities	**698**	**734**
increase in equipment leased to customers	– 292	– 254
purchases of other tangible fixed assets and intangible assets	– 486	– 405
purchase of financial assets	– 103	– 91
disposals of equipment leased to customers	63	72
disposals of other assets	140	58
Cash flows from investing activities	**– 678**	**– 620**
dividends paid	– 136	– 116
purchase of shares held by minority interests	–	– 4
selling of securities	– 1	– 74
proceeds from financial liabilities	105	– 51
Cash flows from financing activities	**– 32**	**– 245**
Net decrease in cash and cash equivalents	**– 12**	**– 131**
Effect of changes of exchange rates in cash and cash equivalents	4	1
Effect of changes of consolidated companies in cash and cash equivalents	37	55
cash and cash equivalents at beginning of finacial year	473	548
cash and cash equivalents at end of financial year	**502**	**473**

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

in EURO million

	MAN Nutzfahrzeuge group division		Ferrostaal group division	
	1998/99	1997/98	1998/99	1997/98
Fixed assets	**1 066**	**897**	**198**	**191**
Inventories	1 159	1 017	534	391
Prepayments	– 18	– 18	– 675	– 738
Receivables and other assets (incl. prep. exp.)	1 086	960	676	723
Securities cash and cash equivalents	31	31	768	847
Current assets	**2 258**	**1 990**	**1 303**	**1 223**
Total assets	**3 324**	**2 887**	**1 501**	**1 414**
Shareholders' equity	**676**	**582**	**380**	**364**
Pension accruals	499	475	207	200
Other accruals	486	362	268	277
Liabilities (incl. def. income)	1 663	1 468	646	573
Liabilities	**2 648**	**2 305**	**1 121**	**1 050**
Total capital resources	**3 324**	**2 887**	**1 501**	**1 414**
Revenues from sales	**4 931**	**4 516**	**2 668**	**3 228**
costs of sales	– 3 998	– 3 697	– 2 374	– 2 929
Gross profit on sales	**933**	**819**	**294**	**299**
costs of distribution	– 315	– 287	– 145	– 131
general administrative expenditure	– 132	– 130	– 85	– 86
other income and expenses	– 187	– 165	– 9	– 31
financial result	– 68	– 72	16	14
Income from ordinary activities	**231**	**165**	**71**	**65**
New orders	**4 950**	**4 858**	**2 228**	**2 866**
of which from Germany	2 318	2 324	700	879
of which from outside Germany	2 632	2 534	1 528	1 987
Orders on hand as of June 30	**1 628**	**1 618**	**1 978**	**2 411**
Employees as of June 30 (NUMBER)	**29 391**	**28 502**	**6 811**	**6 813**
in Germany	20 910	20 563	4 050	4 565
outside Germany	8 481	7 939	2 761	2 248
Employees (number as annual average)	**29 191**	**27 677**	**6 952**	**6 954**
costs of personnel	**1 319**	**1 230**	**308**	**308**
Key figures				
Capital expenditures	312	230	36	31
Cash flow for the year acc. to DVFA/SG	314	281	63	78
Net operating margin (before taxes on income)	4.7 %	3.7 %	2.7 %	2.0 %
Rate of return on capital employed	16.2 %	14.4 %	15.5 %	14.1 %

MAN Roland group division		**MAN B&W Diesel** group division		**MAN industrial equipment and facilities***	
1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
295	**289**	**143**	**144**	**427**	**380**
605	485	338	352	857	763
– 291	– 198	– 55	– 58	– 802	– 769
427	343	300	275	863	644
28	5	30	43	954	950
769	**635**	**613**	**612**	**1 872**	**1 588**
1 064	**924**	**756**	**756**	**2 299**	**1 968**
288	**250**	**278**	**236**	**628**	**542**
197	187	108	105	366	341
142	113	130	164	614	527
437	374	240	251	691	557
776	**674**	**478**	**520**	**1 671**	**1 426**
1 064	**924**	**756**	**756**	**2 299**	**1 968**
1 680	**1 359**	**1 026**	**984**	**3 091**	**2 621**
– 1 233	– 1 043	– 825	– 782	– 2 464	– 2 093
447	**316**	**201**	**202**	**627**	**528**
– 130	– 77	– 82	– 69	– 219	– 195
– 85	– 63	– 48	– 43	– 166	– 154
– 142	– 140	– 28	– 24	– 98	– 59
– 21	– 29	– 6	– 6	10	12
69	**7**	**37**	**60**	**154**	**132**
1 792	**1 565**	**969**	**921**	**2 647**	**2 761**
455	346	167	185	692	653
1 337	1 219	802	736	1 955	2 108
996	**900**	**564**	**642**	**3 437**	**3 780**
9 860	**8 730**	**6 010**	**6 281**	**14 071**	**12 643**
8 375	8 357	2 835	2 913	10 665	10 055
1 485	373	3 175	3 368	3 406	2 588
9 908	**8 899**	**6 186**	**5 805**	**14 205**	**12 543**
527	**446**	**306**	**274**	**823**	**719**
95	24	35	38	107	126
91	51	43	79	206	183
4.1 %	0.5 %	3.6 %	6.1 %	5.0 %	5.0 %
15.7 %	6.4 %	11.4 %	19.4 %	18.2 %	17.4 %

* the listings of the individual group divisions forming the industrial equipment and facilities business area are found on the following pages.

MAN industrial equipment and facilities: group divisions

in EURO million

	MAN Turbomaschinen group division*		MAN Technologie Aktiengesellschaft		Renk group division	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Fixed assets	**57**	**47**	**101****	**104****	**33**	**36**
Inventories	99	70	103	82	85	84
Prepayments	– 22	– 23	– 138	– 86	– 43	– 36
Receivables and other assets (incl. prep. exp.)	211	127	69	46	71	81
Securities cash and cash equivalents	2	2	64	–	11	1
Current assets	**290**	**176**	**98**	**42**	**124**	**130**
Total assets	**347**	**223**	**199**	**146**	**157**	**166**
Shareholders' equity	**86**	**78**	**62**	**15**	**39**	**29**
Pension accruals	46	33	48	42	44	42
Other accruals	51	19	33	22	14	15
Liabilities (incl. def. income)	164	93	56	67	60	80
Liabilities	**261**	**145**	**137**	**131**	**118**	**137**
Total capital resources	**347**	**223**	**199**	**146**	**157**	**166**
Revenues from sales	**576**	**322**	**205**	**205**	**226**	**240**
costs of sales	– 454	– 243	– 143	– 142	– 176	– 184
Gross profit on sales	**122**	**79**	**62**	**63**	**50**	**56**
costs of distribution	– 48	– 33	– 4	– 5	– 14	– 13
general administrative expenditure	– 27	– 17	– 18	– 18	– 12	– 14
other income and expenses	– 17	– 5	– 5**	– 7**	3	– 10
financial result	– 5	– 3	– 3	– 3	– 3	– 4
Income from ordinary activities	**25**	**21**	**32****	**30****	**24**	**15**
New orders	**483**	**413**	**201**	**299**	**302**	**210**
of which from Germany	98	123	49	79	89	66
of which from outside Germany	385	290	152	220	213	144
Orders on hand as of June 30	**322**	**308**	**439**	**434**	**337**	**275**
Employees as of June 30 (NUMBER)	**2 670**	**1 649**	**1 106**	**1 065**	**1 510**	**1 686**
in Germany	1 684	1 636	1 106	1 065	1 441	1 456
outside Germany	986	13	–	–	69	230
Employees (number as annual average)	2 696	1 593	1 100	1 091	1 518	1 688
costs of personnel	**163**	**96**	**72**	**66**	**78**	**80**
Key figures***						
Capital expenditures	13	5	10	17	8	12
Cash flow for the year acc. to DVFA/SG	27	12	22	25	30	30
Net operating margin (bef. taxes on income)	4.4 %	6.6 %	7.6 %	8.1 %	10.6 %	6.2 %
Rate of return on capital employed	19.2 %	19.5 %	30.6 %	33.1 %	29.6 %	19.0 %

* in 1997/98, Elliott was consolidated at equity, in 1998/99 on a pro rata basis
** figures included in annual accounts include the effects of the holding in MAN GHH Borsig
*** The effects of MAN Technologie AG's holdings in MAN GHH Borsig have been factored out of the former's key figures.

MAN Takraf group division		Deggendorfer Werft und Eisenbau group division		SMS-group		Schwäbische Hüttenwerke GmbH	
1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
22	**20**	**18**	**14**	**197**	**184**	**42**	**37**
33	50	31	42	486	421	19	28
– 41	– 44	– 25	– 29	– 530	– 548	– 2	– 5
29	17	18	3	425	356	41	32
79	84	19	25	748	819	31	37
100	**107**	**43**	**41**	**1 129**	**1 048**	**89**	**92**
122	**127**	**61**	**55**	**1 326**	**1 232**	**131**	**129**
68	**66**	**17**	**15**	**348**	**313**	**52**	**50**
5	5	11	10	194	199	19	19
22	38	7	10	466	414	21	23
27	18	26	20	318	306	39	37
54	**61**	**44**	**40**	**978**	**919**	**79**	**79**
122	**127**	**61**	**55**	**1 326**	**1 232**	**131**	**129**
133	**144**	**106**	**69**	**1 631**	**1 543**	**213**	**199**
– 119	– 128	– 80	– 54	– 1 303	– 1 257	– 189	– 174
14	**16**	**26**	**15**	**328**	**286**	**24**	**25**
– 10	– 16	– 3	– 2	– 134	– 123	– 6	– 6
– 8	– 8	– 3	– 2	– 94	– 93	– 4	– 5
3	7	– 8	– 2	– 59	– 27	2	–
2	3	–	–	19	18	–	–
1	**2**	**12**	**9**	**60**	**61**	**16**	**14**
84	**90**	**47**	**97**	**1 323**	**1 554**	**207**	**197**
27	27	16	56	273	242	139	125
57	63	31	41	1 050	1 312	68	72
135	**183**	**75**	**140**	**2 050**	**2 398**	**79**	**85**
625	**677**	**514**	**524**	**6 331**	**6 359**	**1 315**	**1 367**
588	645	430	440	4 101	4 117	1 315	1 367
37	32	84	84	2 230	2 242	–	–
659	699	519	515	6 355	6 281	1 358	1 352
39	**38**	**28**	**27**	**377**	**380**	**65**	**64**
5	9	6	4	50	48	16	16
2	6	10	9	80	78	19	21
0.7 %	1.1 %	11.1 %	13.7 %	3.7 %	4.0 %	7.4 %	7.1%
1.9 %	2.7 %	46.4 %	39.8 %	14.7 %	15.4 %	24.1 %	22.8 %

The MAN Group: a seven-year overview 1)

in EURO million

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
New orders	**8 524**	**9 440**	**10 534**	**10 628**	**11 606**	**12 839**	**12 489**
from Germany	3 412	3 318	3 609	3 357	3 712	4 320	4 239
from outside Germany	5 112	6 122	6 925	7 271	7 894	8 519	8 250
New orders acc. to business areas							
commercial vehicles	3 198	3 464	3 954	3 855	4 155	4 858	4 950
industrial services	1 633	1 799	1 974	2 022	2 694	2 866	2 228
printing machines	816	1 071	1 216	1 143	1 175	1 565	1 793
Diesel engines	789	848	848	871	884	921	969
industrial equipment and facilities	2 262	2 451	2 731	2 945	2 717	2 762	2 647
other intra-Group orders	– 174	– 193	– 189	– 208	– 19	– 133	– 98
Revenues from sales	**9 700**	**9 278**	**9 511**	**10 364**	**10 918**	**12 634**	**13 256**
in Germany	4 078	3 544	3 608	3 627	3 498	4 068	4 327
outside Germany	5 622	5 734	5 903	6 737	7 420	8 566	8 929
Revenues from sales acc. to business areas							
commercial vehicles	3 700	3 529	3 700	4 082	4 067	4 516	4 931
industrial services	1 820	1 844	2 059	1 962	2 206	3 228	2 668
printing machines	1 144	1 044	1 024	1 207	1 263	1 360	1 680
Diesel engines	789	806	822	782	826	984	1 026
industrial equipment and facilities	2 426	2 260	2 098	2 503	2 406	2 621	3 091
other intra-Group sales	– 179	– 205	– 192	– 172	150	– 75	– 140
Orders on hand as of June 30	**7 342**	**7 740**	**8 636**	**9 010**	**10 074**	**9 314**	**8 604**
from Germany	2 326	2 086	2 058	1 824	2 321	2 778	2 723
from outside Germany	5 016	5 654	6 578	7 186	7 753	6 536	5 881
Number of employees as of June 30 (NUMBER)	**60 837**	**56 997**	**56 503**	**57 826**	**62 564**	**63 887**	**66 838**
employed by companies in Germany	49 893	46 164	45 085	45 919	47 161	47 347	47 520
employed by companies outside Germany	10 944	10 833	11 418	11 907	15 403	16 540	19 318
average annual number	62 720	58 527	56 112	57 648	60 824	63 006	67 157
expenses for personnel	2 695	2 538	2 547	2 797	2 844	3 067	3 345
personnel costs per employee in EURO	42 975	43 360	45 381	48 514	46 760	48 673	49 814
Capital expenditures and financing							
for tangible fixed and for intangible assets	477	352	279	315	309	405	486
for objects leased to customers	–	–	–	–	–	254	292
for financial assets and acquisitions	39	31	60	20	130	91	103
for research and development	267	286	275	293	299	393	422
depreciation	364	369	354	334	319	482	466
annual cash flow acc. to DVFA/SG	481	394	530	563	537	861	913
Key figures in percent							
equity ratio	27.8	29.4	30.0	30.3	28.9	27.8	27.8
fixed assets to shareholders' equity ratio	95.3	98.3	108.1	114.3	112.2	96.6	95.9
net operating margin (before taxes on income)	1.8	1.0	1.9	2.5	2.3	3.3	4.2
return on capital employed	9.5	6.9	8.9	10.8	10.4	13.7	15.4
net return on shareholders' equity	6.4	4.4	7.3	8.6	8.7	14.4	14.9

in EURO million

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Fixed assets	**1 938**	**1 896**	**1 780**	**1 761**	**1 849**	**2 427**	**2 735**
inventories	3 415	3 166	3 747	4 378	4 716	3 068	3 531
prepayments	– 2 733	– 2 666	– 3 026	– 3 356	– 3 591	– 1 804	– 1 852
receivables and other assets (incl. prep. exp.)	2 964	2 920	2 646	2 707	2 940	3 427	3 675
securities, cash, cash equity	1 048	1 035	1 265	1 163	1 255	1 306	1 340
Current assets	**4 694**	**4 455**	**4 632**	**4 892**	**5 320**	**5 997**	**6 694**
Total assets	**6 632**	**6 351**	**6 412**	**6 653**	**7 169**	**8 424**	**9 429**
Shareholders' equity	**1 846**	**1 864**	**1 924**	**2 012**	**2 075**	**2 345**	**2 623**
pension accruals	987	1 004	1 020	1 087	1 195	1 586	1 648
other accruals, spec. items 2)	1 683	1 594	1 624	1 779	1 940	1 908	2 153
financial liabilities	850	651	501	394	366	421	602
other liabilities (incl. def. income)	1 265	1 238	1 343	1 381	1 593	2 164	2 403
Liabilities	**4 786**	**4 487**	**4 488**	**4 641**	**5 094**	**6 079**	**6 806**
Total capital resources	**6 632**	**6 351**	**6 412**	**6 653**	**7 169**	**8 424**	**9 429**
Capital employed as of June 30	3 833	3 682	3 598	3 649	3 822	4 409	4 930
Revenues from sales	**9 608**	**9 277**	**9 511**	**10 364**	**10 918**	**12 634**	**13 256**
operating expenses and income	– 9 447	– 9 184	– 9 345	– 10 116	– 10 668	– 12 145	– 12 618
Earnings from operations	**161**	**93**	**166**	**248**	**250**	**489**	**638**
financial result	12	1	17	9	2	– 71	– 81
Income from ordinary activities	**173**	**94**	**183**	**257**	**252**	**418**	**557**
taxes on income	– 55	– 12	– 44	– 88	– 74	– 94	– 186
Net income	**118**	**82**	**139**	**169**	**178**	**324**	**371**
minority interest	4	5	8	14	17	17	27
transfers to retained earnings	47	22	56	60	51	181	202
Dividend pay-out MAN AG	**67**	**55**	**75**	**95**	**110**	**126**	**142**
MAN's shares: facts and figures 3)							
Shareholders' equity per share EURO	11.30	11.40	11.80	12.30	12.60	14.00	15.40
Quotation (as of June 30)							
ordinary shares EURO	14.57	20.12	18.18	19.37	27.61	36.12	33.30
preference shares EURO	12.14	15.77	14.11	15.03	22.50	25.26	22.12
Price-earnings ratio (as of June 30)							
ordinary shares	18.9	43.2	15.7	14.6	22.7	18.1	14.9
preference shares	15.7	33.9	12.2	11.3	18.5	12.7	9.9
Dividend per share in EURO	0.43	0.36	0.49	0.61	0.72	0.82	0.92 4)
Earnings per share in EURO	0.77	0.47	1.16	1.33	1.22	1.99	2.23
Cash flow for the year in EURO	2.90	2.40	3.30	3.40	3.20	5.30	5.50

1) As of 1997/98, the consolidated annual accounts were prepared in adherence to the International Accounting Standards. For this reason, the making of comparisons between the figures from the last two financial years and those from previous ones are only limitedly possible.

2) until 1996/97, special-purpose item

3) earnings adapted to account for 1:10 stock split

4) including a bonus amounting to EURO 0.10

Major affiliated and associated companies of the MAN Group

as of June 30, 1999	Shareholding %	Stockholders' equity DM mill.	Turnover DM mill.	Employees as of end of financial year
MAN Nutzfahrzeuge Aktiengesellschaft, Munich	**100**	**1 060**	**8 695**	**20 650**
Österreichische Automobilfabrik ÖAF-Gräf & Stift AG, Vienna/Austria	100	85	424	899
Steyr Nutzfahrzeuge Aktiengesellschaft, Steyr/Austria	100	190	1 009	2 195
MAN Kamyon ve Otobüs Sanayi Anonim Sirketi, Ankara/Turkey	99	46	187	1 270
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg/South Africa	100	13	175	604
ÖAF & Steyr Nutzfahrzeuge OHG, Vienna/Austria	100	71	778	1 002
MAN Truck & Bus UK Ltd., Swindon/Great Britain	100	69	624	439
MAN Camions et Bus S. A., Evry/France	100	46	446	415
MAN Vehículos Industriales (España) S. A., Madrid/Spain	100	48	573	305
MAN Veicoli Industriali S. p. A., Verona/Italy	100	23	303	119
MAN Pojazdy Uzytkowe Polska, Sp. z.o.o., Gora Kalwaria/Poland	100	30	113	374
Ferrostaal Aktiengesellschaft, Essen	**100**	**422**	**2 979**	**636**
DSD Dillinger Stahlbau GmbH, Saarlouis	100	175	490	1 617
Deutsche Industrieanlagengesellschaft mbH (Diag), Essen [1)]	100	301	188	376
MAN GHH Öl & Gas GmbH, Essen	100	20	149	119
Ferrostaal Bewehrungstechnik GmbH, Essen	100	30	176	39
Franz Kirchfeld GmbH & Co. KG, Düsseldorf	100	17	28	35
Ferrostaal Incorporated, Houston/USA	100	47	752	112
MAN Roland Druckmaschinen Aktiengesellschaft, Offenbach	**98**	**555**	**2 363**	**7 135**
MAN Plamag Druckmaschinen Aktiengesellschaft, Plauen	100	57	257	959
MAN Roland Inc., Westmont/USA [1)]	100	46	601	386
Omnigraph Group N. V., Amsterdam/The Netherlands [1)]	100	125	719	776
MAN B&W Diesel Aktiengesellschaft, Augsburg	**100**	**259**	**775**	**2 807**
MAN B&W Diesel A/S, Copenhagen/Denmark	100	255	843	2 216
S.E.M.T. Pielstick, St. Denis/France	67	60	248	857
MAN Turbomaschinen AG GHH Borsig, Oberhausen	**100**	**75**	**708**	**1 684**
New Elliott Corporation, Jeannette/USA [1)]	50	223	718	1 972
MAN Technologie Aktiengesellschaft, Augsburg	**100**	**116**	**401**	**1 106**
Renk Aktiengesellschaft, Augsburg	**76**	**59**	**412**	**1 441**
MAN Takraf Fördertechnik GmbH, Leipzig	**100**	**130**	**309**	**588**
Deggendorfer Werft und Eisenbau GmbH, Deggendorf	**100**	**23**	**179**	**430**
SMS Aktiengesellschaft, Düsseldorf	**51** [2)]	**349**	**–**	**5**
SMS Schloemann-Siemag Aktiengesellschaft, Düsseldorf and Hilchenbach	100	86	1 517	2 646
Battenfeld GmbH, Meinerzhagen	100	44	228	565
Battenfeld Kunststoffmaschinen Ges. m. b. H., Kottingbrunn/Austria	100	29	133	354
Battenfeld Extrusionstechnik GmbH, Bad Oeynhausen	100	25	140	372
SMS Eumuco GmbH, Leverkusen	100	14	216	393
SMS Schloemann-Siemag Inc., Pittsburgh/USA	100	162	338	601
Schwäbische Hüttenwerke GmbH, Aalen-Wasseralfingen	**50**	**90**	**417**	**1 315**

The shareholders' equity and sales figures have been compiled in accordance with the legal codes in force in the companies' respective main countries of operation. They do not accord with the companies' results incorporated into the annual accounts.

[1)] sales and employee figures include those of operating subsidiaries [2)] parity of voting rights

Products and services of the MAN Group

MAN Nutzfahrzeuge

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

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

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

Gas motors
with outputs of between 44 and 228 kW, for vehicles and combined heating and power stations.

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

Services
MAN's EuroService 24h; spare parts supply, MAN's ComfortServiceSystem, logistics services for transport systems, financial services, fleet administration and management services, communication, automotive engineering and superstructures consulting services.

Ferrostaal

Facility construction and contracting
Financing, designing, delivery, assembly (including of steel-based structures), starting up and maintaining of industrial facilities, with these primarily including those producing and processing steel, aluminum and other metals, as well as petrochemicals. Supplying of components and of equipment for the chemical, natural gas, and petroleum industries, and for manufacturers.

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

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

MAN Roland Druckmaschinen

Sheetfed offset machines
Small format presses for job printing; medium-format machines for brochures, picture books, posters, and for packaging printing; large format machines for the printing of brochures, posters and packagings; in-line coating systems for economical print finishing. Machines available in flexible row-type assemblies and in a compact, five-cylinder system.

Webfed offset machines
Highly flexible and able to satisfy all color and page number-related requirements, a wide variety of ranges of systems for newspaper printing and for the production of selected commercials, in a variety of formats and performance ranges, for short, medium, long and very long runs. Small, medium and large-format webfed offset machines with a wide variety of folding modalities and yielding high-quality illustrated products printed on high-value paper – brochures, catalogues, periodicals and books – in various edition lengths.

Systems supply, trading and technical services
Providing of systems used in the equipping, designing, building and commissioning of sheetfed and webfed-based printing operations; range of activities spans everything from preprinting, printing and post-printing technologies to the handling of the logistics of end-products. The Pasusys paper feeding system, the Aurosys and Aupasys materials handling systems. Featuring a central console, Pecom is an electronics-based processing system. Worldwide network of distributors and service centers. Trading in equipment and materials for printers.

MAN B&W Diesel

Two-stroke MC Diesel engines for marine propulsion systems and power stations, with specific outputs of between 1,100 and 68,640 kW.
Four-stroke Diesel engines for marine propulsion systems, marine auxiliary units, and for stationary power stations, with specific outputs of between 500 and 23,850 kW.
Four stroke dual-fuel engines for power stations, with specific outputs of between 405 and 8,600 kW.
Propulsion systems equipped with Diesel engines, step-down gears, clutches, adjustable propellers and remote control.
Exhaust-gas turbochargers, power turbines

Power stations
either land-based or floating ones, powered by Diesel or dual-fuel engines.

Services
Spare parts supply and maintenance services for Diesel engines and turbochargers, provided on a worldwide basis, parts reconditioning and replacement services, modernizing of engine facilities, maintenance of industrial facilities, materials testing operations, troubleshooter services.
Repair of marine propulsion systems and shipbuilding work as general contractors at the works-owned quays in Hamburg and in Frederikshavn.
Heating technologies
Oil and gas burners and boilers.

MAN Turbomaschinen GHH Borsig

Compressors
Axial, radial and multishaft compressors for the basic materials and fertilizer industries, for the separation of air, for petrochemical facilities and refineries, for the oil and gas industries; process-gas screw compressors for refineries, and for facilities used by the chemical, petrochemical, iron and steel-processing and mining sectors.

Turbines
Single and multi-stage process-gas turbines; radial expanders, gas and steam turbines for industrial applications (outputs up to 25 MW and to 120 MW respectively) driving mechanical and generator propulsion units.
Energy generating facilities
Controlling and monitoring systems
»turbolog DSP«
Reconditioning and services.

MAN Technologie

Space transport systems/launch vehicles
lightweight structures, tanks, and propulsion components going into Ariane, the European-made family of launch vehicles; components going into launch vehicles for the world market; systems studies and development work on advanced and prospective launch vehicle-based systems.
Space transport components and satellite-based navigation systems
high temperature-resistant CMC-based structural components and heat shield systems for recoverable space transport vehicles; high-pressure vessels, tanks and structures for satellites; systems studies on and receivers for satellite-based navigation systems.
Lightweight systems and equipment
Systems for water supply and waste water storage in airplanes; fuel systems for missiles; gas storing systems for commercial vehicles; lightweight structures, components and subsystems made from fiber composites, ceramics and plastics, and used by the aviation, defense and industrial equipment sectors.
Infrastructural systems
Ground systems used by the space transport sector. Antennas; radio and optical telescopes. Leguan bridge-laying system, folding float bridges.

Renk

Automatic **transmissions** for medium and heavy-weight chain-riding vehicles.
Industrial gear units for cement plants and for petrochemical and wind energy facilities, and for the mining, plastics processing and steel industries. Cylindrical and planetary gear drives for turbomachines.
Marine gear units for merchant and naval ships powered by Diesel engines and / or by turbine drives, marine reversing gear units.

Horizontally and vertically-positioned **plain bearings** for electrical machines, fans, compressors, pumps and turbines.
Couplings, especially curved tooth couplings for all kinds of industrial applications, for ships, for track-riding vehicles. Steel disk and diaphragm clutches.
Test systems used in the product development and quality assurance operations of the automotive, aviation and rail industries.

MAN Takraf Fördertechnik

Systems for surface mining
Bucket wheel excavators, spreaders, crushing facilities and conveyors, transport caterpillars, surface miners.
Bulk handling equipment and systems
Coaling plants and ash removal systems, waste heap depositing and removing equipment, ship loaders and unloaders.
Heavy-duty crane technologies
Cranes for steel mills and ports, dock and floating cranes.
Assembly, reconstructions, services

Deggendorfer Werft und Eisenbau

Special-purpose ships
all kinds of floating dredgers; Hydro-klapp® dump barges, river-based ships.
Reactor construction
reactors with salt-bath cooling, gas coolers, pilot reactors, condensers.
Plant and apparatus construction
Components for refineries and power plants, fluidized bed reactors, apparatuses for the manufacturing of cellulose, assembly projects. Tube reactors, heat exchangers, components, autoclaves, pressure vessels.

SMS

Plant and rolling mills technologies
reduction furnaces and direct reduction facilities, blast furnace facilities and components, electric and converter steel plants, pan furnaces, secondary metallurgical plants, continuous casting facilities, combined continuous casting and hot rolling mills, hot flat and cold rolling mills, combined tandem lines with pickling systems, multi-track rolling mills for stainless steel, section and wire rolling mills, rolling mills for aluminum, dressing and straightening facilities, strip processing lines, facilities for the treating of pipe and copper, automation and control systems.
Plastics processing technologies
injection molders, pipe and profile extrusion facilities, film and sheet production facilities.
Pressing and forging technologies
extruding presses and pipe extruders; open-die forging, radial forming and stamping presses; ring and wheeled rolling mills.

Schwäbische Hüttenwerke

Materials processing systems
SHW's bunkering, conveyor, metering and conditioning systems and facilities for slow-flowing bulk materials, sludges and similar materials.
Special cast rolls, wear-resistant chilled castings
Chilled cast iron rolls, Äquitherm® heated cylinder rolls, coated rolls. Wear-resistant casts (up to 140 t).
Castings
High complexity cast parts of up to 50 t.
Brake discs
Internally ventilated brake discs for automobiles, Luperlit® materials.
Pumps
Trochocentric® and Duocentric® internally geared wheel pumps; Duocentric IC and IRP interior-controlled pumps for the motor vehicle and industrial applications.
Sintered structural parts
Structural parts made from sintered steel and other long-term-of-utility materials.

Other companies

MAN Logistics
material flow and warehousing systems.

MAN Wolffkran
»Wolff« tower cranes, offshore cranes, revolving cranes.

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

MAN Grundstücksgesellschaft
Management of real estate.
MAN Leasing
Financing of distribution activities and investments, financial services.
MAN Finanzverwaltung
Financing of investments.
MAN Assekuranzbüro
Brokerage of insurance.
MAN Unternehmensberatung
Old-age care.
MAN Capital Corporation
MAN's holding company in the USA.

Financial calendar

Press conference on 1998/99	October 19, 1999
Report on the first quarter of 1999/2000	October 19, 1999
Annual general meeting 1998/99	December 8, 1999
Report on the first half of 1999/2000	February 29, 2000
Report on the third quarter of 1999/2000	April 18, 2000
Letter to MAN's shareholders on the 1999/2000 financial year	September 7, 2000
Press conference on 1999/2000 and conference with analysts	October 17, 2000
Annual general meeting 1999/2000	December 15, 2000

MAN's shares

	ordinary shares	preference shares
WPK Number	593700	593703
VALOREN	340813	340814
ISIN	DE0005937007	DE0005937031
Reuters short form	MANG.F	MANG$^{P}_{R}$.F
Bloomberg short form	MAN GY	MAN3 GY

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