

Q1/04

Interim Report as of 31 March 2004
MAN Aktiengesellschaft



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

At a glance

MAN Group € million			
Jan. – March	2004	2003	Change in %
Order intake	3,739	3,046	23
Germany	1,068	820	30
abroad	2,671	2,226	20
Sales	2,955	2,728	8
Germany	858	788	9
abroad	2,097	1,940	8
Order backlog*	8,158	7,675	6
Employees (number)*	63,965	65,513	– 2
Germany	41,170	43,203	– 5
abroad	22,795	22,310	2

Jan. – March	2004	2003	Change in € million
Capital expenditures on (in)tangible assets	67	64	3
Amortization/depreciation of fixed assets	121	126	– 5
R&D expenditures	122	117	5
Cash earnings	153	103	50
Cash provided by operating activities	74	(101)	175
Cash used in investing activities**	(100)	(57)	– 43
Cash & cash equivalents*	268	181	87
Net liquid assets (net debt)*	(477)	(1,147)	670
Equity*	2,806	2,643	163
Earnings before interest and taxes (EBIT)	72	12	60
Earnings before taxes on income (EBT)	32	(31)	63
Earnings after taxes on income	21	(19)	40
Earnings per share	€0.13	(€0.14)	€0.27

* At March 31, 2004 compared with March 31, 2003

** Including financial assets and assets leased out

All comparative figures for 2003 appearing in the tables and text of this Interim Report are stated excluding the SMS Group operations, which retired from the MAN Group as of October 1, 2003 following disposal of the SMS shares.

A breakdown of orders, sales and earnings according to division can be found on pages 20 to 21.

MAN Group: First quarter of 2004 brings strong growth in business volume and marked improvement in earnings

- Marked improvement in MAN Group earnings during the first quarter of 2004. Earnings before interest and taxes climbed by €60 million to €72 million (2003: €12 million) and earnings before taxes by €63 million to €32 million (2003: –€31 million).
- Rise in earnings supported by all major manufacturing divisions, especially Commercial Vehicles.
- Strong growth in business volume; order intake up 23% to €3.7 billion. High growth rates recorded by Industrial Services, Diesel Engines, Commercial Vehicles and Turbomachines. Sales up by 8% to €3.0 billion; above-average increases for Commercial Vehicles and Turbomachines.
- Cash provided by operating activities improved by €175 million. Net debt reduced by €670 million to €477 million within a year.
- Outlook for 2004: first-quarter figures and order intakes in April confirm forecasts of higher business volumes and a strong increase in earnings. Provided that economic trends remain positive, we are confident of achieving our internal goal of earnings before taxes in the region of €400 million (2003: 261 million).

Noticeable upswing in some parts of the world

A general upswing in the global economy has been evident since mid-2003, the key areas of economic recovery being North America and Eastern Asia. Eastern Europe and South America also demonstrate notable growth. In Western Europe, economic recovery is still only gradual, being supported mainly by rising exports, while domestic demand continues to stagnate.

There has meanwhile been a definite upturn in the worldwide demand for capital goods. Production output is increasing in many countries, accompanied by rising capacity utilisation, although improvement is slow in Western Europe. In Germany, the demand for capital goods rose by 4.4% during the first quarter of 2004, based on more or less equal contributions from both the domestic and foreign markets.

Strong increase in business volume

The order intake improved by 23% to reach €3.7 billion during the first quarter of 2004. This rise over the comparatively weak first quarter of 2003 resulted on the one hand from the encouragingly high number and volume of major orders booked, and on the other hand from the trend in on-going operations, which showed an increase of 15%. Almost all MAN Group divisions were able to increase orders, most of them by double-digit figures. Incoming orders from the domestic market reached €1.0 billion, 30% more in than the same quarter last year. Orders from abroad rose by 20% to €2.7 billion.

The high order intake and the large order backlog recorded by the manufacturing divisions at the beginning of the year were also reflected in an 8% rise in sales to €3.0 billion. In Germany, sales rose by 9% to €0.9 billion and in the rest of the world by 8% to €2.1 billion. The order backlog increased by 6% compared with March 31, 2003, reaching €8.2 billion.



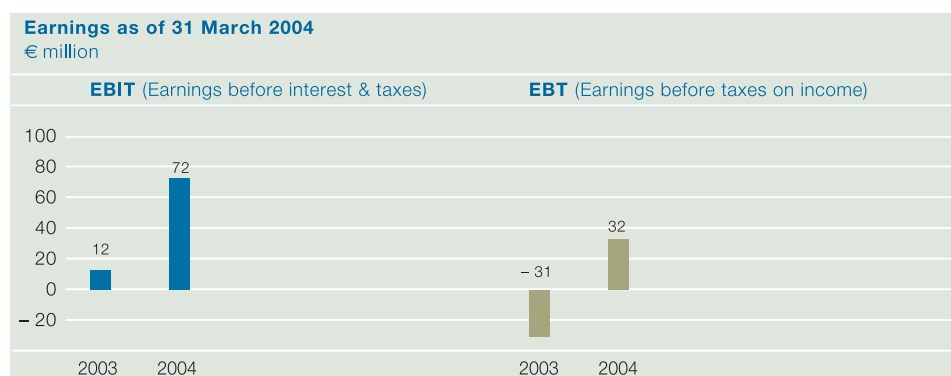
At March 31, 2004, MAN Group employees numbered 63,965, which was 2% fewer than at the end of the first quarter last year. Based on a corresponding scope of consolidation, the number of employees fell by 2.9% compared with March 31, 2003 (65,907) and by 0.3% compared with December 31, 2003 (64,158). Since December 31, 2003, companies in Germany have reported an 0.8% reduction in personnel to 41,170, due largely to implementation of scheduled restructuring measures in the bus sector. In foreign companies, the number of employees increased by 0.6% to 22,795.

Marked improvement in earnings

The MAN Group greatly improved its profitability during the first (seasonally below-average) quarter, in line with our positive expectations for the 2004 financial year. Earnings before interest and taxes rose by €60 million, from €12 million to €72 million, while a turnaround was recorded in earnings before taxes with a rise of €63 million from –€31 million in 2003 to €32 million.

This improvement in earnings was supported by all major manufacturing divisions, with Commercial Vehicles registering a particularly strong rise. Coupled with growing production and sales volumes, this points to the success of the restructuring measures undertaken in the truck and bus sectors in recent years. Printing Machines continued to operate at a loss in the first quarter of 2004 although, as a result of measures aimed at reducing costs and increasing efficiency, the deficit was considerably less than in 2003, based on more or less equal sales volumes and in spite of sustained pressure on prices. Diesel Engines, Turbomachines and Industrial Services were able to improve their earnings figures, while Further Industrial Holdings and Financial Services remained at the same level as the previous year.

After-tax earnings amounted to €21 million for the MAN Group, after –€19 million last year. After deducting minority interests, earnings per share amounted to €0.13, after –€0.14 in the first quarter of 2003.



Continuing positive financial position

The financial position of the MAN Group showed an encouraging trend during the first quarter of 2004. A positive cash flow of €74 million was generated from operating activities, after a cash outflow of –€101 million in 2003. This plus of €175 million resulted both from the rise in earnings, leading to cash earnings of €153 million (€103 million), and from the fact that it was possible to limit the rise in capital tied up in net current assets, as normally recorded in the first quarter, to €79 million (2003: €204 million).

Capital expenditures on tangible and intangible assets amounted to €67 million (€64 million), marginally higher than last year, as was total capital expenditure, including financial investments and expenditure on assets leased out, which reached €162 million (€156 million). Since proceeds from the sale of assets leased out decreased due to off-balance financing of truck-leasing operations, the cash outflow from investing activities rose to €100 million (€57 million).

€87 million were spent on financing activities (2003: income of €53 million). The net debt (balance of cash and cash equivalents, short-term securities held as current assets and financial liabilities) increased only marginally compared with December 31, 2003 (€439 million) to €477 million. In relation to the net financial assets at March 31, 2003, this represented a substantial improvement of €670 million.

Outlook

A sustained, if somewhat slowing, global upswing is expected throughout 2004, especially in key growth areas. Economic development in Europe will continue to be export-driven in the coming months, whereas economic activity on domestic markets will tend to remain subdued. Investment activity is generally expected to increase worldwide and the demand for capital equipment should gather momentum in the course of the year. However in their spring report, the economic research institutes reduced the forecasts for GDP growth in Germany during 2004 to 1.5% (1.7% in the autumn report).

Based on economic forecasts, the encouraging developments during the first three months and the higher level of incoming orders in the manufacturing divisions in April 2004 compared with the previous year (+24%, MAN Group including Services +9%), our expectations for the year 2004 continue to be generally positive. We are counting on a marked increase in order intake and sales compared with 2003 (order intake €13.7 billion, sales €13.5 billion), although the extremely high rate of growth in new orders, by comparison with the weak first quarter in 2003, will level off in the course of the year.

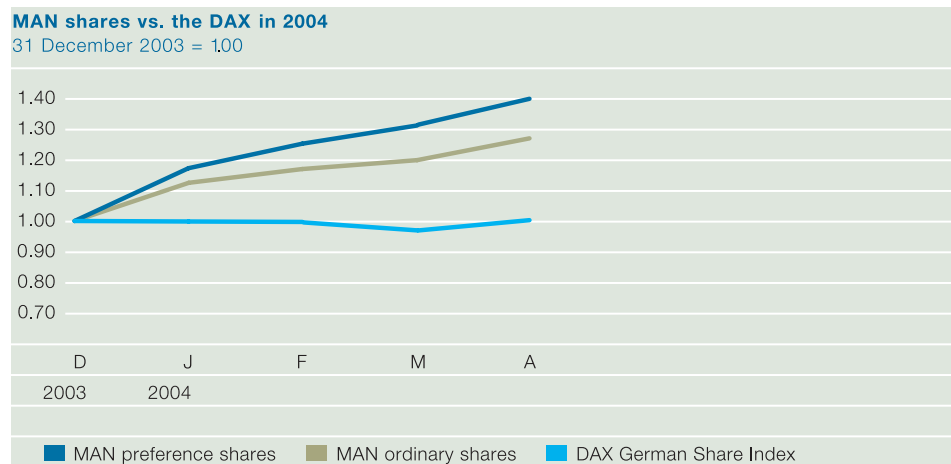
In the case of earnings, we still expect most MAN Group divisions to perform much better than in 2003. In certain areas of activity showing unsatisfactory levels of profitability, cost-cutting and restructuring projects will be continued and in some cases speeded up. This applies in particular to the sectors of sheet-fed presses, medium-speed four-stroke diesel engines and MAN Technologie. The aim is to consistently earn the costs of capital in these areas too, in order to secure the existence of the relevant operations in the long term.

Viewing the Group as a whole, those business units earning the costs of capital, or at least coming a great deal closer to achieving the relevant targets, are in the majority. In the case of Commercial Vehicles, we anticipate triple-digit growth in the EBT figures. Printing Machines are aiming for marginally positive earnings and results will also improve in the other divisions. The good performance recorded in the first quarter, the order intake during April 2004 and a positive order trend during the first few days of the drupa trade fair have strengthened our conviction that we will achieve our internal goal of earnings before taxes in the region of €400 million (2003: €261 million), provided that economic trends remain positive.

MAN shares significantly outperform the DAX

Die Based on a price of €24.05 on December 31, 2003, MAN ordinary shares rose by €6.59 or 27% to €30.64 on April 30, 2004. Over the same period, MAN preference shares gained almost 40%, rising by €7.90 from €19.80 to €27.70. Both classes of shares significantly outperformed the DAX 30 as reference index, which remained almost unchanged over this period.

The positive trend in MAN share prices has therefore continued, even following a marked upturn in 2003. This was partially due to the fact that, by virtue of the good order-intake figures for the first quarter, we were able to underpin growing expectations among investors of a positive trading performance by the MAN Group.



The operating divisions in detail

Commercial Vehicles

€ million			
Jan. – March	2004	2003	Change in %
Order intake	1,862	1,618	15
Sales	1,534	1,372	12
Employees*	34,020	34,425	– 1
Earnings before interest and taxes (EBIT)	29	(17)	–
Earnings before taxes on income (EBT)	10	(36)	–

* Number at March 31, 2004 compared with March 31, 2003

Since the autumn of 2003, there has been a sustained positive demand for commercial vehicles. Order intakes reached €1,862 million, representing a rise of 15% compared with the first quarter of 2003. The truck sector reported a 15% increase to €1,560 million, while the order intake in the bus sector climbed by 18% to €302 million. Due to a delivery backlog, our share of the Western European market for trucks with a licensed weight of over 6 t remained at the same level as in the first quarter of 2003 (14.8%), whereby a downturn in Germany was offset by gains on foreign markets. Our share of the West European bus market rose by 2.9 percentage points to 14.9%.

The positive level of incoming orders in recent months was also reflected in the sales figures, which rose by 12% to €1,534 million. The truck unit showed a 12% improvement in sales to €1,285 million, matched by a 12% increase in the bus unit to €249 million.

Profitability continued to improve in the MAN Nutzfahrzeuge Group, with the EBIT climbing by €46 million in the first quarter of 2004 compared with the same quarter last year, to reach €29 million. Earnings before taxes also increased by €46 million to €10 million. In the truck sector, the EBIT rose by €31 million to €33 million. The high level of this improvement in earnings was mainly the result of realising rising volumes on the basis of greatly enhanced cost structures, demonstrating the success of the rationalisation measures meanwhile implemented. Reporting an EBIT of –€4 million, bus activities continued to show a marginal loss. Compared with 2003, this represented a distinct improvement of €15 million, due largely to reorganisation measures.

With regard to on-going performance for the remainder of the financial year, we are very confident. The positive demand for trucks in Western Europe is expected to continue over the next few months, leading to significant rises in order intakes and sales in the Commercial Vehicles Division compared with 2003. More efficient cost structures in both the truck and bus sectors, on-going rationalisation and higher business volumes will be mirrored in a triple-digit leap in earnings (EBT 2003: €121 million).

Printing Machines

€ million			
Jan. – March	2004	2003	Change in %
Order intake	380	374	2
Sales	304	307	- 1
Employees*	9,461	10,194	- 7
Earnings before interest and taxes (EBIT)	(17)	(24)	-
Earnings before taxes on income (EBT)	(20)	(27)	-

* Number at March 31, 2004 compared with March 31, 2003

The market situation in the graphic industry still shows no signs of recovery, the demand for printing presses having remained weak, partly as a result of restrained order activity in the run up to the drupa trade fair. Our order intake of €380 million was slightly higher than the low figure recorded in the first quarter of 2003, although in the sector of sheet-fed presses orders dropped by a further 3% to €158 million. Web-fed systems were able to exceed last year's figure by 12%, reaching €174 million thanks to a higher volume of major orders, but faced considerable pressure on margins. In the trade and services sector, weak market activity was reflected in a 15% drop in orders to €48 million.

There was a further minimal 1% fall in sales to €304 million compared with an already low 2003 figure. This was mainly the result of declining orders in the trade and services business unit, which caused sales to drop by 16% to €44 million in this sector. Sales of sheet-fed presses amounted to €123 million, 5% up on 2003, while sales of web-fed equipment reached the same level as last year, namely €137 million.

It was possible to reduce losses before interest and taxes by €7 million to €17 million during the first quarter of 2004. In view of continuing below-capacity operations, sustained pressure on prices and the not yet fully developed impact of on-going cost-saving measures, the sheet-fed operations again made a substantial loss of €17 million (–€27 million), but were able to reduce this by €10 million compared with the same quarter of 2003, which was also marked by additional losses on used presses. Web-fed activities reported a positive EBIT of €3 million (€4 million), while as a result of low sales, trade and services suffered a loss of €3 million (–€1 million).

Performance during the remainder of the financial year will depend to a certain extent on the momentum contributed by the drupa trade fair taking place in May 2004, the start having however been positive. Assuming that the market for printing presses recovers in the course of 2004, our overall target is to close the year with a marginally positive result (EBT 2003: –€37 million).

Diesel Engines

€ million			
Jan. – March	2004	2003	Change in %
Order intake	420	328	28
Sales	298	296	1
Employees*	6,659	6,853	– 3
Earnings before interest and taxes (EBIT)	14	9	56
Earnings before taxes on income (EBT)	10	6	67

* Number at March 31, 2004 compared with March 31, 2003

The strong demand for marine engines emerging during the second half of 2003 continued throughout the first quarter of 2004. Incoming orders for diesel engines reached €420 million, representing a 28% increase compared with 2003. The two-stroke diesel engine operations benefited particularly well from the shipbuilding boom. Although prices were in some cases low, medium-speed four-stroke engines also recorded a sharp rise in orders, thanks to strong demand from the marine sector. Business with power plants remained however at a persistently low level. Of the other business units, high-speed four-stroke engines again performed poorly, while turbochargers registered a strong improvement in incoming orders.

Sales of €298 million showed a slight rise of 1%. As a result of strong order intakes, sales of two-stroke engines and turbochargers were able to record double-digit growth. Owing to weak activity in the sector of power-generation plants, overall sales of medium-speed four-stroke engines were lower than in the same quarter of 2003, in spite of gains in the marine division.

Compared with the first quarter of 2003, earnings showed a marked improvement, the EBIT reaching €14 million (€9 million) and the EBT €10 million (€6 million). The earnings position remained positive in the case of two-stroke diesel engines, the EBIT increasing by €3 million to €11 million. Medium-speed four-stroke engines reported a marginal loss, due to provisions for orders accepted at low prices, the EBIT hovering at –€2 million (–€2 million), while other activities improved by €2 million to €5 million. On the basis of rising order intakes, generally higher workloads and the rationalisation measures meanwhile implemented, a significant improvement in pre-tax earnings is expected for 2004 (actual 2003 figure: €44 million), whereby the two-stroke diesel engine operations will continue to be the largest earnings contributor.

Turbomachines

€ million			
Jan. – March	2004	2003	Change in %
Order intake	170	147	16
Sales	129	85	52
Employees*	2,497	2,517	– 1
Earnings before interest and taxes (EBIT)	2	(3)	–
Earnings before taxes on income (EBT)	1	(4)	–

* Number at March 31, 2004 compared with March 31, 2003

The worldwide upswing in demand for turbomachines, especially for the primary industries and air-separation plants, led to a 16% rise in order intake to €170 million. Based on a high order backlog at the beginning of the year and the positive levels of incoming orders, sales increased by as much as 52% to €129 million.

These considerably higher sales and improved sales margins boosted profitability and resulted in positive earnings for the first quarter of 2004. The EBIT rose by €5 million to €2 million, the EBT likewise by €5 million to €1 million. We still anticipate that pre-tax earnings for the full year of 2004 will show a distinct improvement compared with 2003 (€23 million).

Further Industrial Holdings

€ million			
Jan. – March	2004	2003	Change in %
Order intake	186	204	– 9
Sales	176	165	7
Employees*	4,529	4,629	– 2
Earnings before interest and taxes (EBIT)	9	11	– 18
Earnings before taxes on income (EBT)	6	8	– 25

* Number at March 31, 2004 compared with March 31, 2003

A total order intake of €186 million in the Further Industrial Holdings Division was 9% lower than the previous year. RENK recorded a sharp 21% rise in incoming orders to €61 million. MAN Technologie was able to book an order volume of no more than €8 million (–77%), whereby negotiations are still underway in the space sector on manufacturing orders being placed for the ARIANE 5 project. Order intakes of €20 million reached a good level at MAN DWE, although these were 38% below last year's volume which was influenced by an influx of major orders. SHW matched its 2003 figure, registering new orders of €68 million. Sales rose by 7% to €176 million. While MAN Technologie sales declined again by a further 9% to €14 million, due to a long period of low order intakes in the space sector, all other companies in this division recorded significant increases.

Earnings before interest and taxes amounted to €9 million (€11 million) in the Further Industrial Holdings Division. RENK and MAN DWE remained stable at €3 million (unchanged in each case) and SHW at €5 million (€4 million). MAN Technologie continued to show a deficit, reporting an EBIT of –€5 million (–€6 million). In 2004, overall earnings before taxes are expected to reach more or less the same level as last year (€40 million).

Industrial Services

€ million			
Jan. – March	2004	2003	Change in %
Order intake	775	431	80
Sales	566	559	1
Employees*	6,493	6,611	– 2
Earnings before interest and taxes (EBIT)	18	16	13
Earnings before taxes on income (EBT)	16	15	7

* Number at March 31, 2004 compared with March 31, 2003

Order intakes in the Industrial Services Division, comprising the Ferrostaal Group, increased dramatically by 80% to reach €775 million. This rise was mainly due to very lively business in the facility construction and contracting sector and substantially higher orders in the steel-trading and logistics unit (due partially to its pricing policy).

Sales of €566 million (+1%) equalled the level of 2003. The steel-trading and logistics sector fell short of the previous year, but a turnaround to growth figures is expected in the course of 2004. The other business units reported higher sales.

With an EBIT of €18 million (€16 million) and an EBT of €16 million (€15 million), Ferrostaal Group earnings were higher than last year. Both the facility construction and contracting sector and steel-trading and logistics were able to improve earnings, DSD-Stahlbau continuing to operate at a loss. In 2004, we meanwhile expect to top the pre-tax figure for 2003 (€65 million).

Financial Services

€ million			
Jan. – March	2004	2003	Change in %
Order intake	189	147	29
Sales	188	149	26
Employees*	94	82	15
Earnings before interest and taxes (EBIT)	18	20	– 10
Earnings before taxes on income (EBT)	5	5	–

* Number at March 31, 2004 compared with March 31, 2003

Business volume in the Financial Services Division – MAN Financial Services Group – rose significantly as a result of several larger hire-purchase transactions to reach a total order intake of €189 million (+29%) and sales of €188 million (+26%). Earnings before taxes amounted to €5 million, the same as last year, and pre-tax earnings for the full year are also expected to equal the 2003 figure (€26 million).

Interim Report as of March 31, 2004

MAN Group: Consolidated income statement January – March 2004

€ million	MAN Group		Industrial Business		Financial Services	
	2004	2003	2004	2003	2004	2003
Jan. – March						
Net sales	2,955	2,728	2,767	2,579	188	149
Cost of sales	(2,363)	(2,238)	(2,196)	(2,106)	(167)	(132)
Gross margin	592	490	571	473	21	17
Selling expenses	(231)	(225)	(230)	(224)	(1)	(1)
General administrative expenses	(152)	(152)	(151)	(151)	(1)	(1)
Other operating income	59	72	52	62	7	10
Other operating expenses	(196)	(175)	(187)	(170)	(9)	(5)
Income from investments	0	2	0	2	–	–
Earnings before interest and taxes/EBIT	72	12	55	(8)	17	20
Net interest results	(40)	(43)	(28)	(28)	(12)	(15)
Profit from ordinary operations/EBT	32	(31)	27	(36)	5	5
Income taxes	(11)	12	(11)	11	0	1
Net income for the period	21	(19)	16	(25)	5	6
Minority interests	(2)	(2)	(2)	(2)	–	–
Net income for the period after minority interests	19	(21)	14	(27)	5	6
Earnings per share in €	0.13	(0.14)	0.10	(0.18)	0.03	0.04

MAN Group: Consolidated balance sheet as of March 31, 2004

Assets						
€ million	MAN Group		Industrial Business		Financial Services	
	03/31/04	12/31/03	03/31/04	12/31/03	03/31/04	12/31/03
Intangible assets	395	401	394	400	1	1
Tangible assets	2,038	2,052	1,782	1,796	256	256
Assets leased out	743	722	15	177	28	705
Financial assets	131	125	130	122	1	3
Fixed assets	3,307	3,300	2,321	2,335	986	965
Inventories	3,521	3,107	3,518	3,087	3	20
Less prepayments received	(1,359)	(1,200)	(1,359)	(1,199)	–	(1)
Trade receivables	2,651	2,851	2,043	2,231	608	620
Other receivables and current assets	848	912	797	866	51	46
Short-term securities	154	168	154	168	–	–
Cash & cash equivalents	268	380	264	377	4	3
Currents assets	6,083	6,218	5,417	5,530	666	688
Deferred tax assets	392	408	388	405	4	3
Prepaid expenses & deferred charges	50	29	48	27	2	2
	9,832	9,955	8,174	8,297	1,658	1,658
Equity & liabilities						
€ million	MAN Group		Industrial Business		Financial Services	
	03/31/04	12/31/03	03/31/04	12/31/03	03/31/04	12/31/03
Capital stock	376	376				
Additional paid-in capital	795	795				
Reserves retained from earnings	1,462	1,437				
Net earnings	110	110				
Other comprehensive income	0	2				
Equity of MAN AG stockholders	2,743	2,720	2,596	2,591	147	129
Minority interests	63	64	63	64	–	–
Equity	2,806	2,784	2,659	2,655	147	129
Pension accruals	1,694	1,681	1,692	1,679	2	2
Current tax accruals	85	81	85	81	0	0
Other accruals	1,549	1,515	1,515	1,483	34	32
Accruals	3,328	3,277	3,292	3,243	36	34
Financial liabilities	899	987	600	688	299	299
Due to/from intragroup financing	–	–	(959)	(958)	959	958
Trade payables	1,642	1,752	1,498	1,587	144	165
Sundry liabilities	731	712	724	704	7	8
Liabilities	3,272	3,451	1,863	2,021	1,409	1,430
Deferred tax liabilities	361	391	330	359	31	32
Deferred income	65	52	30	19	35	33
	9,832	9,955	8,174	8,297	1,658	1,658

MAN Group: Consolidated cash flow statement January – March 2004

€ million	MAN Group		Industrial Business		Financial Services	
	2004	2003	2004	2003	2004	2003
Jan. – March						
Cash & cash equivalents at beginning of period	380	285	377	276	3	9
Result from ordinary operations	32	(31)	27	(36)	5	5
Statutory taxes	(13)	(4)	(11)	(4)	(2)	0
Amortization/depreciation of fixed assets	121	126	84	90	37	36
Changes in pension accruals	13	12	12	12	1	0
Cash earnings	153	103	112	62	41	41
Elimination of net gain/loss on fixed-asset disposal	0	(4)	(1)	(4)	1	0
Changes in inventories	(385)	(239)	(402)	(235)	17	(4)
Changes in prepayments received	152	19	153	19	(1)	–
Changes in trade receivables	255	300	236	219	19	81
Changes in trade payables	(71)	(81)	(1)	(44)	(70)	(37)
Changes in other accruals	23	(23)	21	(25)	2	2
Changes in other receivables and current assets	(53)	(70)	(47)	(64)	(6)	(6)
Changes in other liabilities	19	(56)	19	(52)	0	(4)
Changes in tax accruals	4	(23)	4	(23)	–	–
Other changes in working capital	(23)	(27)	(34)	(21)	11	(6)
Cash provided by operating activities	74	(101)	60	(168)	14	67
Purchase of sundry tangible and intangible assets	(67)	(64)	(60)	(53)	(7)	(11)
Purchase of financial assets	(7)	(6)	(7)	(6)	–	–
Increase in assets leased out	(88)	(86)	(2)	(2)	(86)	(84)
Decrease in assets leased out	57	87	3	1	54	86
Other cash inflow from fixed-asset disposal	5	12	5	12	0	0
Cash used in investing activities	(100)	(57)	(61)	(48)	(39)	(9)
Dividend payment	(2)	(3)	(2)	(3)	0	0
Sale of securities	14	14	14	14	–	–
Changes in financial liabilities	(99)	42	(125)	102	26	(60)
Cash (used in) provided by financing activities	(87)	53	(113)	113	26	(60)
Net change in cash & cash equivalents	(113)	(105)	(114)	(103)	1	(2)
Changes in cash & cash equivalents due to changed consolidated group	0	1	0	1	–	–
Parity-related changes in cash & cash equivalents	1	–	1	–	–	–
Cash & cash equivalents at end of period	268	181	264	174	4	7

MAN Group: Consolidated statement of changes in equity January – March 2004

€ million

	Capital Stock	Additional paid-in capital	Reserves retained from earnings	Net earnings	OCI	Minority interests	Total
Balance at December 31, 2003	376	795	1,437	110	2	64	2,784
Dividend for 2002						(3)	(3)
Earnings for the period			19			2	21
Currency translation effects			5				5
Changes in unrealized gains/losses					(2)		(2)
All other changes			1				1
Balance at March 31, 2004	376	795	1,462	110	0	63	2,806
Balance at December 31, 2002	376	795	1,384	88	(13)	65	2,695
Dividend for 2001						(3)	(3)
Earnings for the period			(21)			2	(19)
Currency translation effects			(17)		1	(1)	(17)
Changes in unrealized gains/losses					(2)		(2)
All other changes			(10)			(1)	(11)
Balance at March 31, 2003	376	795	1,336	88	(14)	62	2,643

Notes to the consolidated financial statements

Notes to the interim financial statements

General principles

The interim financial statements for the three months ended March 31, 2004 have been prepared in accordance with the International Financial Reporting Standards (formerly International Accounting Standards [IAS]). The interim financial statements comply with IAS 34. They are based on the same accounting and valuation principles as applied to the consolidated financial statements for the fiscal year ending December 31, 2003.

In addition to the financial statements, the interim report also includes segment reports on the order situation and earnings, as well as notes on selected items.

Comparability of 2003 figures

During the 2003 fiscal year, the SMS Group retired from the group of consolidated companies following sale of the shares to SMS AG. To allow for better comparison with the previous year's figures, all figures in this interim report relating to 2003 have been restated to exclude the deconsolidated SMS Group.

The key figures in the 2003 consolidated income statement, including and excluding the SMS Group, are:

€ million	incl. SMS	SMS Group	excl. SMS
Jan. – March	2003	2003	2003
Sales	3,269	541	2,728
EBIT	5	(7)	12
EBT	(31)	0	(31)

The statement of changes in equity for 2003 no longer takes into account the minority interests in the SMS Group amounting to €196 million. The share of the SMS Group equity held by MAN is still included.

Consolidation

Compared with December 31, 2003, there have been no significant changes in the scope of consolidation, which includes 194 companies (2003: 193), of which 76 (2003: 74) are located in Germany and 118 (2003: 119) abroad.

Currency translation

The interim accounts of companies outside the euro zone are translated according to the functional-currency method. Rates of exchange on the closing date are applied in the case of all other companies.

Exchange rates of the major MAN Group currencies have developed as follows.

	closing rate (€ 1)		Average rate (€ 1)	
	03/31/2004	03/31/2003	Q1 2004	Q1 2003
US dollar	1.2224	1.0895	1.2410	1.0763
pound sterling	0.6659	0.6896	0.6800	0.6700
Danish krone	7.448	7.426	7.449	7.431
Swiss franc	1.5594	1.4764	1.5664	1.4650
Swedish krona	9.258	9.261	9.198	9.194
Polish zloty	4.7336	4.4200	4.7883	4.1899
Türkisch lira (in 1,000)	1612.19	1864.00	1667.04	1767.67
Japanese yen	126.97	129.18	132.57	127.76
South African rand	7.779	8.636	8.351	8.949

Estimates

For the purpose of preparing the interim financial statements, it was necessary to make assumptions or estimates regarding the valuation of certain items for inclusion in the balance sheet and in order to state contingent liabilities and report on income and expenditure. The actual figures may differ from these estimates.

Segment reporting

The breakdowns of consolidated order intakes, sales and earnings according to division included in this interim report are taken from the MAN Group segment reports. The reporting structure of the MAN Group has remained unchanged since December 31, 2003.

Income taxes

For the purposes of the interim financial statements, income tax payable has been stated on the basis of the tax rate currently estimated for 2004.

Audit

The interim report has not been audited.

Segment reporting

Order intake according to division

€ million

Jan. – March	2004	2003	Change in %
Commercial Vehicles	1,862	1,618	15
Printing Machines	380	374	2
Diesel Engines	420	328	28
Turbomachines	170	147	16
Further Industrial Holdings	186	204	- 9
Industrial Services	775	431	80
Financial Services	189	147	29
Holding company, consolidated	(243)	(203)	20
Order intake MAN Group	3,739	3,046	23

Sales according to division

€ million

Jan. – March	2004	2003	Change in %
Commercial Vehicles	1,534	1,372	12
Printing Machines	304	307	- 1
Diesel Engines	298	296	1
Turbomachines	129	85	52
Further Industrial Holdings	176	165	7
Industrial Services	566	559	1
Financial Services	188	149	26
Holding company, consolidated	(240)	(205)	17
Sales MAN Group	2,955	2,728	8

Earnings before interest and taxes (EBIT) according to division

€ million

Jan. – March	2004	2003	Change in €m
Commercial Vehicles	29	(17)	46
Printing Machines	(17)	(24)	7
Diesel Engines	14	9	5
Turbomachines	2	(3)	5
Further Industrial Holdings	9	11	- 2
Industrial Services	18	16	2
Financial Services	18	20	- 2
Holding company, consolidated	(1)	0	- 1
EBIT MAN Group	72	12	60

Earnings before taxes on income (EBT) according to division			
€ million			
Jan. – March	2004	2003	Change in €m
Commercial Vehicles	10	(36)	46
Printing Machines	(20)	(27)	7
Diesel Engines	10	6	4
Turbomachines	1	(4)	5
Further Industrial Holdings	6	8	– 2
Industrial Services	16	15	1
Financial Services	5	5	–
Holding company, consolidated	4	2	2
EBT MAN Group	32	(31)	63

Breakdown of financial statements

Fixed assets

€ million		
	03/31/2004	12/31/2003
Licenses, software, similar rights and assets	28	29
Development costs	157	157
Goodwill from consolidation	210	215
Intangible assets	395	401
Land, equivalent titles, buildings (incl. buildings on leased land)	1,120	1,127
Production plant and machinery	602	597
Other plant, factory & office equipment	251	297
Prepayments made, construction in progress	65	31
Tangible assets	2,038	2,052
Assets leased out	743	722
Shares in nonconsolidated Group companies	66	64
Shares in associated affiliates	4	5
Other investments	17	17
Other long-term securities	19	20
Long-term loans	25	19
Financial assets	131	125
Fixed assets	3,307	3,300

Inventories

€ million		
	03/31/2004	12/31/2003
Raw materials and supplies	519	513
Work in process and finished products	2,421	2,049
Merchandise	435	405
Prepayments made	146	140
Inventories	3,521	3,107
Prepayments received	(1,359)	(1,200)
Inventories, net	2,162	1,907

Trade receivables

€ million		
	03/31/2004	12/31/2003
Future receivables under long-term construction contracts	133	161
Receivables due from customers	2,442	2,645
Receivables due from nonconsolidated Group companies	38	40
Receivables due from investees	38	5
	2,651	2,851

Short-term securities, cash & cash equivalents

€ million		
	03/31/2004	12/31/2003
Short-term securities	154	168
Cash on hand and in bank	268	380
	422	548

Other accruals

€ million		
	03/31/2004	12/31/2003
Warranties	381	376
Unbilled costs form contracts invoiced	251	251
Other business obligations	391	365
Obligations to personnel	226	220
Remaining accruals	300	303
	1,549	1,515

Net interest result

€ million		
Jan. – March	2004	2003
Interest and similar income	6	5
Interest and similar expenses	(23)	(24)
Interest portion of addition to pension accruals	(23)	(24)
	(40)	(43)

Contingent liabilities

€ million		
	03/31/2004	12/31/2003
Guarantees and suretyships	114	113
Shared liability for third-party debts	308	314
Notes endorsed and discounted	47	49
Warranty and indemnity obligations	1	1
	470	477

Other financial obligations

Other financial obligations are attributable to rental and leasing contracts and accrue not only from investment funding (capital expenditure), but also from refinancing manufacturer leasing activities via non-group finance companies.

Future rental and leasing payments under operating-lease contracts:

€ million		
	03/31/2004	12/31/2003
Investment leases	118	143
Manufacturer leases	251	251
Obligations under leases	550	556

Sales of commercial vehicles to customers and non-group finance companies include normal repurchase obligations totalling €1,277 million (2003: €1,235 million). Provisions amounting to €152 million (2003: €150 million) have been made to cover the relevant market risks.

Other financial obligations to third parties result from investment projects already underway and from supply contracts. These did not exceed ordinary trading limits and have no bearing on the financial position.

Munich, May 13, 2004

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Financial calendar

Annual general meeting on financial year 2003	9 June 2004
Report on the first half of 2004	12 August 2004
Report on the third quarter of 2004	11 November 2004
Preliminary business volume and earnings figures for 2004	17 February 2005
Annual press conference on 2004*	23 March 2005
Analysts' conference on 2004*	23 March 2005
Report on the first quarter of 2005	10 May 2005
Annual general meeting on financial year 2004	3 June 2005
Report on the first half of 2005	11 August 2005
Report on the third quarter of 2005	10 November 2005

* Presentation of the Annual Report