



The MAN Group in Q3/2006: Once again vigorous growth rates

Munich, Nov. 2, 2006

- Operating profit for Q3/2006: €279 million (up 64 percent from €170 million). Three-quarter (3Q) operating profit €751 million (up from €449 million), an all-time 3Q high for the Group
- 3Q ROS soaring from 5.5 to 7.9 percent, EpS hiking from €1.67 to €3.51
- Q3 sales climbing 18 percent to €3.3 billion, 3Q sales by 15 percent to €9.5 billion
- Q3 order intake surging 33 percent to €4.2 billion, 3Q order intake up 9 percent to €12.3 billion; gain excl. MoD contracts 21 percent
- Scania AB stake: 14.54 percent of voting interest and 11.6 percent of capital stock acquired in support of envisaged alliance, public offering in preparation
- MAN Ferrostaal's steel trading unit disclosed as discontinued operation
- Prospects: for all of 2006 a sales rise of a good 10 percent; operating profit close to one billion euro threshold, ROS 8 percent

MAN AG
Landsberger Straße 110
80339 München (Munich, Germany)

Corporate Communication
Wieland Schmitz

Public Relations
Andreas Lampersbach

Phone +49 (89) 36098-111
public.relations@ag.man.de
www.man.de

MAN Group staying on the growth path

During Q3/2006, the MAN Group stuck to its growth path to achieve its best-ever 3Q results. Following a very strong H1, MAN closed the third quarter with vigorous growth rates in order intake, sales, and operating profit. This latter surged from €170 million in the year-earlier quarter to €279 million.

For the first nine months, the MAN Group earned an operating profit of €751 million, €302 million or 67 percent more than the €449 million of the prior year. Three-quarter (3Q) ROS jumped from 5.5 to 7.9 percent.

All business areas significantly improved their 3Q performance. MAN Nutzfahrzeuge revved up its operating profit by 59 percent to €449 million, in particular due to excellent capacity utilization and cost savings. Especially thanks to a successful service and licensee business, Diesel Engines doubled its operating profit to €157 million. Turbomachines' operating profit surged to €46 million, more than double the year-earlier level. The operating profit at Industrial Services soared by €9 million to €22 million.

Forecast for 2006 again raised

Comments Håkan Samuelsson, CEO of the MAN Group: "The MAN Group is in outstanding shape. We have pushed ahead along the path of growth and with the measures aimed at enhancing productivity. In doing so, we were assisted by the healthy economy. For all of 2006 we will turn in a performance even better than expected and, for the first time, reach the one billion barrier in our operating profit. This will make 2006 our most successful ever year, and we look to 2007 as another healthy period."

For all of 2006, the MAN Group's order intake is now expected to top the year-earlier level of €14.6 billion, especially high due to the MoD contract worth around €1.4 billion. MoD-adjusted, order intake is likely to advance by around 15 percent. Commercial Vehicles' Q4 growth will fall short of the period to date

which has benefited from anticipatory effects. Nonetheless, MoD-adjusted we do expect an appreciable gain versus 2005. Diesel Engines expects business to stabilize at a high level, Turbomachinery will continue its steep upswing and despite the year-on-year 3Q order intake shortfall, Industrial Services looks forward to overtaking the 2005 figure by concluding megacontracts in the final quarter. The MAN Group's LFL sales are forecasted to advance by a total good 10 percent over the prior-year €11.6 billion.

The MAN Group's operating profit (like-for-like €674 million in 2005) is budgeted to show a sharp improvement, significantly ahead of sales growth. All the business areas will contribute to this performance uptrend. For all of 2006, we expect the operating profit to reach the one billion euro barrier for the first time, corresponding to an ROS of 8 percent.

For 2007 we are presently assuming demand to continue unabated and hence sales at least on a par with the high volume of 2006. The operating profit for 2007 should be another improvement versus 2006.

Order intake: Commercial Vehicles and Turbo hit the accelerator

Order intake in Q3/2006 rose 33 percent to €4.2 billion. Cumulative 3Q orders at €12.3 billion topped the year-earlier figure by 9 percent. Excluding the exceptional megacontract for trucks awarded by the British Ministry of Defence (MoD) in March 2005, worth €1.4 billion, plus a follow-up order for €262 million in September 2006, the MAN Group managed to acquire a 21-percent higher 3Q order volume. A sizable portion of the incremental business came from Commercial Vehicles, mounting 29 percent (excluding MoD). This hike reflects the global rise in transport plus the fact that H1/2006 demand was also fueled by the new EURO 4 emission standard entering into force on October 1, 2006. Q3 sales by Commercial Vehicles were still up by 18 percent.

Diesel Engines business remained buoyant thanks to ongoing strong demand by shipbuilders and for stationary applications (up 11 percent). At 90 percent, Turbomachinery recorded the steepest growth rate, boosted not only by keen demand, especially on the part of the mineral oil industry, but also the reallocation of MAN DWE (chemical reactors) and the acquisition of the turbine manufacturer BVI. Order intake at Industrial Services dropped 40 percent. The year-earlier figure had included, however, the €300 million megacontract for a methanol plant in Oman.

Sales up 15 percent

Third-quarter sales were up by 18 percent and for the 9-month period (3Q) 2006, by 15 percent to €9.5 billion. All the manufacturing business areas grew by double-digit percentages, most conspicuously Turbomachinery by 31 and Commercial Vehicles by 18 percent. Domestic 3Q/2006 sales moved up 5 percent to €2.6 billion, non-German by 20 percent to €6.9 billion. Versus January 1, 2006, order backlog has grown by 27 percent to €10.8 billion.

Growth triggers workforce additions

At September 30, 2006, the MAN Group employed a workforce of 50,268, an increase of 1,107 or 2.3 percent versus December 31, 2005. Consolidation group changes reduced the headcount by 383 but like-for-like the workforce rose by 1,490. Expanded production prompted Commercial Vehicles to hire around 800 employees, mainly in Poland and Turkey. In Germany, the MAN Group employed 29,426 people as of September 30, 2006 (up from 28,978), abroad 20,842 (up from 20,183). Temporary/loaned employees totaled 3,886 as of September 30, 2006, outnumbering the year-end 2005 figure by 1,635.

Partnership with Scania

Proliferating globalization, international harmonization and ever tighter emission standards plus fiercer competition are factors worldwide prompting commercial vehicles manufacturers to join forces. MAN has seized the initiative and submitted a bid to the Swedish Scania AB. The purpose is to combine two powerful partners and hence set up a platform for profitable growth. In con-

tinuing these two strong brands and their business units it is planned to generate synergies through close cooperation in such brand-unrelated areas as production, administration, purchasing, R&D, and after-sales service. On October 12, when acquiring additional Scania shares, the bid submitted on September 18 was stepped up from €48.00 (Skr 442) to €51.29 (Skr 475) a share. Presently we hold 14.54 percent of the voting rights and 11.63 percent of Scania AB's capital stock.

Says Håkan Samuelsson: "A partnership between MAN and Scania would give birth to a new European truck champion. The industrial logic behind the union is receiving broad support. Together, we can more easily invest in important growth markets and expand our leading positions. I'm convinced we will reach a positive settlement."

On October 30 we filed the documents for fair-trade compatibility testing by the EU Commission. The bid documents will be published mid-November 2006, the term for acceptance commencing thereafter. Depending on the anti-trust procedure, the settlement will probably be concluded prior to December 31, 2006. For the new MAN stock to be issued as equity compensation component, MAN AG's Executive Board will exercise its authority to raise the capital stock by a maximum of 20 percent by issuing new common shares ex rights. For the cash compensation component, MAN will use its own liquid assets and may, moreover, resort to sufficient funds under a loan agreement. (Details at www.man.eu)

MAN Ferrostaal's steel trading unit to be contributed to a partnership

In its move to refocus on core capabilities, MAN Ferrostaal has taken first steps to restructure, and sell a majority interest in, its steel trading unit. The disposal of the residual investment may be contemplated at a later date. In 2005, the unit with its companies in Germany, the United States and Brazil and a staff of 210, generated sales of €1.4 billion and an operating profit of €27 million. The information in the interim report excludes the steel trading business as *discontinued operation* in line with IFRS 5, which in turn has edged up the MAN Group's return on sales (ROS) by some 0.5 percentage points.

Pages 4 and 5: tables

The **MAN Group** is one of Europe's leading manufacturers of vehicles, engines and mechanical engineering equipment with annual sales of around €13 billion. MAN provides trucks, buses, diesel engines, turbomachinery as well as industrial services and employs a workforce of some 50,000 worldwide. MAN's business areas hold leading positions in their respective markets. As one of the 30 leading German stock companies, Munich-based MAN AG is listed in the German DAX stock index.

At a glance

MAN Group	2006	2005	Change	2006	2005	Change
	€ million	3Q	3Q	in %	Q3	Q3
Order intake	12,306	11,280	9	4,154	3,126	33
Germany	3,340	2,625	27	1,115	817	36
Abroad	8,966	8,655	4	3,039	2,309	32
Order intake excl. MoD *)	12,044	9,922	21	3,892	3,126	25
Net sales	9,470	8,204	15	3,252	2,752	18
Germany	2,558	2,440	5	897	798	12
Abroad	6,912	5,764	20	2,355	1,954	21
Order backlog **)	10,753	8,496	27	10,753	8,496	27
Headcount **)	50,268	49,161	2	50,268	49,161	2
Germany	29,426	28,978	2	29,426	28,978	2
abroad	20,842	20,183	3	20,842	20,183	3
Headcount incl. temporary/ loaned employees **)	54,154	51,412	5	54,154	51,412	5
Germany	31,683	30,275	5	31,683	30,275	5
Abroad	22,471	21,137	6	22,471	21,137	6
				€ million		€ million
Operating profit	751	449	302	278	170	108
EBT	707	352	355	275	128	147
Net income	677	269	408	325	116	209
EpS of continuing operations (€)	3.51	1.67	1.84	1.38	0.62	0.76
ROS in %	7.9	5.5	–	8.5	6.2	–
Net result of discontinued operations	153	17	136	118	23	95
Capital expenditures	554	286	268	338	120	218
Amortization/depreciation of fixed assets	259	264	–5	101	87	14
R&D expenditures	220	215	5	22	29	–7
Cash earnings	813	491	322	350	134	216
Cash flow from operating activities	346	722	–376	149	352	–203
Cash flow from investing activities	(248)	(253)	5	(70)	(37)	–33
Free cash flow	98	469	–371	79	315	–236
Net liquid assets **)	24	173	–149	24	173	–149
Equity **)	3,693	3,278	415	3,693	3,278	415

*) Like-for-like data excl. MoD contract: megacontract for €1.6 billion awarded in March 2005 by the British Ministry of Defence (MoD) to MAN Nutzfahrzeuge; 1st batch in March 2005 (€1,358 million) and 2nd batch in September 2006 (€262 million)

**) As of Sep. 30, 2006, versus Dec. 31, 2005

NB: In July 2006, MAN AG sold its stake in MAN Roland Druckmaschinen, and MAN Ferrostaal's steel-trading operations will be sold. As required by IFRS 5, MAN Roland and the Steel Trading unit are discontinued operations as from Jan. 1, 2006, and no longer included in the MAN Group's financial information (except for net income), see page 23. The year-earlier comparatives for order backlog, headcount and reported results have been restated accordingly.

Key figures by business area

Order intake by business area								
€ million	2006 3Q	2005 3Q LFL	Change in %	2005 3Q publ.	2006 Q3	2005 Q3 LFL	Change in %	2005 Q3 publ.
Commercial Vehicles excl. MoD ¹⁾	7,472	5,801	29	5,801	2,180	1,848	18	1,848
Commercial Vehicles incl. MoD	7,734	7,159	8	7,159	2,442	1,848	32	1,848
Diesel Engines	1,951	1,750	11	1,750	737	574	28	574
Turbomachinery	1,200	631	90	631	450	191	136	191
Industrial Services	887	1,474	-40	2,539	307	360	-15	690
Others/consolidation	534	266	101	166	218	153	42	127
Printing Systems	-	-	-	1,663	-	-	-	503
MAN Group excl. MoD	12,044	9,922	21	12,550	3,892	3,126	25	3,933
MAN Group incl. MoD	12,306	11,280	9	13,908	4,154	3,126	33	3,933

1) Ministry of Defence (MoD) contract: €1,358 mill. in 2005; €262 mill. in 2006

Sales by business area								
€ million	2006 3Q	2005 3Q LFL	Change in %	2005 3Q publ.	2006 Q3	2005 Q3 LFL	Change in %	2005 Q3 publ.
Commercial Vehicles	6,145	5,220	18	5,521	2,104	1,728	22	1,820
Diesel Engines	1,316	1,183	11	1,183	439	398	10	398
Turbomachinery	606	462	31	462	207	175	18	175
Industrial Services	935	898	4	2,043	312	288	8	667
Others/consolidation	468	441	6	124	190	163	17	53
Printing Systems	-	-	-	1,206	-	-	-	451
MAN Group	9,470	8,204	15	10,539	3,252	2,752	18	3,564

Operating profit by business area								
€ million	2006 Q3	2005 Q3 LFL	Change in %	2005 Q3 publ.	2006 Q3	2005 Q3 LFL	Change in %	2005 Q3 publ.
Commercial Vehicles	449	282	59	282	169	102	66	102
Diesel Engines	157	78	101	78	56	27	107	27
Turbomachinery	46	22	109	22	18	11	64	11
Industrial Services	77	54	43	69	26	25	4	26
Others/consolidation	22	13	69	13	9	5	80	6
Printing Systems	-	-	-	9	-	-	-	16
	751	449	67	473	278	170	64	188
Net extraordinary loss	-	(38)	-100	(49)	-	(25)	-100	(25)
Net interest expense of Industrial Business	(44)	(59)	-25	(68)	(3)	(17)	-82	(20)
EBT	707	352	101	356	275	128	115	143
Income taxes	(183)	(100)	83	(102)	(68)	(35)	94	(40)
Net result of discontinued operations	153	17	800	15	118	23	413	13
Net income	677	269	152	269	325	116	180	116