Press Release

MAN Aktiengesellschaft

MAN AG Annual General Meeting on 3 June 2005 in Munich Report by the Executive Board Chairman Håkan Samuelsson

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1. Welcome, Introduction

Ladies and gentlemen,

On behalf of my colleagues on the Executive Board, I should like to welcome you most warmly to this year´s 2005 Annual General Meeting. I am delighted that such a large number of you have accepted our invitation to attend this meeting today. In our invitation, we asked you to make use of your right to attend and exercise your vote. This opportunity for direct contact with you is of great importance to us – a company cannot be successfully managed without the confidence of its shareholders.

I should also like to welcome the many guests among you, and wish them an informative day.

Dr. Jung has already mentioned that the entire meeting is being relayed via the internet. I should also like to warmly welcome those shareholders, other interested parties and MAN staff following the Annual General Meeting on their computers, either at home or in the office.

I should like to thank the media representatives present for the attention devoted to us during last year, and for their fair coverage of our activities.

Ladies and gentlemen, today I shall firstly be reporting to you on the 2004 financial year – a year in which the MAN Group was able to show a distinct improvement in its performance. I however only made a partial contribution to this success, since as you know, Dr. Rudolf Rupprecht was Executive Board Chairman until the end of 2004 and I am now rendering account for his final year in office. I am very pleased to be able to welcome Mr. Rupprecht here today and of course hope that he is also able to endorse my report.

After reporting on 2004, I shall be making some fundamental statements on the MAN Group, our strategy and our priorities for 2005. I will of course also be reporting in detail on developments to date during 2005, which have already included several innovations. At this point, I should like to briefly mention the most important ones:

- The most significant occurrence was in January, when the MAN shares held by our major shareholder Regina were placed with international investors, raising the level of our free-floating shares to one hundred percent. This means that a new era has now dawned for MAN.
- At the beginning of the year, the Executive Board also adopted several strategic principles, as well as an action plan to increase our competitive strength and profitability.
- In addition, we have already sold a number of peripheral activities with a view to enhancing our profile and focusing management capacity more specifically on our core areas. I shall be dealing with all these points in detail later.

Finally, I shall outline the prospects for the full year of 2005 and add some remarks on the resolutions proposed at this Annual General Meeting.

2. Performance in 2004

Ladies and gentlemen, I now come to our performance during 2004. As you are familiar with the figures, I shall confine myself to the key facts.

2.1. New earnings ratio: operating profit
In order to evaluate our profitability, attention has been concentrated on the operating profit as the key figure. We consider this to be more appropriate for measuring our success, and above all, it facilitates comparison with our competitors. In the case of our industrial operations, the operating profit is equivalent to earnings before interest and taxes, the EBIT, with adjustments made for extraordinary expenses or income in individual instances. In the case of Financial Services, the operating profit is equivalent to earnings before taxes. In this sector, earnings **before** interest are of little significance, since interest is included in the operating costs. This means that the operating profit generated by the MAN Group now comprises the EBIT figure achieved by the Industrial Business and the EBT figure for Financial Services. Our return ratios have also been redefined on the basis of operating profit.

2.2. Key figures: order intake and sales
A year ago, we predicted a "strong boost in profits" for 2004, voicing the expectation that pre-tax earnings could reach somewhere in the order of 400 million euros. We also announced that 2004 would be a "year of innovation".

I am pleased to be able to report today that both these targets were achieved – and that in terms of economic performance, we were even able to significantly exceed this forecast.

The MAN Group recorded a total order intake of 16.1 billion euros, 17% more than the previous year. This growth stemmed mainly from exports, which increased by 23% to 12 billion euros. The domestic orders received amounted to 4.1 billion euros, 4% more than in 2003. As a result, the share of exports rose from 72% to 75%. Our strongest growth was achieved on the American continent with an increase of 49%, the main contributory factor here being the steel-supply business operated by the Industrial Services Division, but also web-fed printing presses and diesel engines. 17% more orders were received from Asia than in 2003 and 19% more from other European countries, whereby business in the new EU member states was particularly brisk, registering a plus of 37%.

MAN Group sales also rose significantly – by 10% to 14.9 billion euros. As in the case of incoming orders, exports also registered a stronger 13% rise than domestic business, which increased by 5%. The share of foreign sales consequently rose from 72% to 74%.

Looking at MAN´s five core divisions, we find a varied picture.

Commercial Vehicles booked 12% more orders, with trucks showing a rise of 14% and bus operations 2%. Industrial Services registered an increase of 28%, due mainly to positive trends in its Steel-Trading and Logistics sector, which benefited from rising steel prices and volumes. The Printing Systems Division successfully acquired a large share of the major orders awarded worldwide for web-fed presses, resulting in record figures and an overall increase of 20% in this division, in spite of the fact that sheet-fed presses suffered a drop in orders. In the case of Diesel Engines, the worldwide shipbuilding boom had a marked impact, bringing order volumes that were 28% higher than in 2003 and another all-time high. Orders for turbomachines rose by only 3%, but this was due to the extremely high comparative level of orders received in the previous year.

Sales developed more evenly across all divisions, with Commercial Vehicles recording growth of 10% and trucks increasing their share of the Western European market from 14.9% to 15.2%. Industrial Services generated 11% more turnover than in 2003, Printing Systems 7% and Diesel Engines 8%. Thanks to a high order backlog, Turbomachines showed an even higher rise in sales amounting to 16%.

At the end of the year, the Group had an order backlog of 8.2 billion euros, after 7.4 billion euros at the end of 2003, giving us a good start to 2005.

2.3. Employees

The number of employees continued to decline in 2004, sale of the DSD steel-construction business being largely responsible for this downturn. At the end of 2004, we employed 61,259 people in the Group, 2,899 or 4.5% fewer than at the end of 2003. Based on a comparable scope of consolidation, the number of employees fell by 1,108 or 1.8%, the workforce in Germany decreasing by 1,250, while increasing abroad by 142. In all, some 1,800 employees left the MAN Group in 2004 while at the same time, just under 700 people were newly recruited. The number of temporary staff fell marginally from around 3,700 to 3,400, about half of these being employed in Germany and half abroad.

In terms of its manpower structure, MAN is a company that is still firmly anchored at its locations in Germany. Almost 65%, that is about two thirds of our employees, work in Germany, although three-quarters of our business is mean-while dependent on foreign sales. In the course of ongoing globalisation, these proportions will tend to shift further in favour of foreign operations, and no doubt the gap will continue to close.

2.4. Earnings, returns

And now I come to our earnings performance.

Operating profit increased by 50% to 573 million euros. Based on a tax rate of 28.7%, our tax expenditure rose from 69 to 130 million euros, resulting in after-tax earnings of 323 million euros after 192 million euros in 2003 – a rise of 68%. Earnings per share also recorded the same rate of growth, increasing from 1.25 to 2.09 euros.

As a result of this marked improvement in earnings, the Supervisory Board and the Executive Board would like to propose at this meeting that the dividend be increased from 0.75 to 1.05 euros. This represents a distribution ratio of 50%. We are very pleased to be able to recommend this second significant dividend in-crease since 2002.

Along with these improved earnings figures, the return ratios also showed a marked increase. The return on sales rose by one percentage point from 2.8 to 3.8% and the return on capital employed, or ROCE, from 8.4 to 12.6%.

Ladies and gentlemen, you will recall our previous return targets of 15% on capital and 5% on sales. We have adjusted these target figures in line with the new calculation and at the same time made them rather more ambitious. As of now, the targets set for the MAN Group are an ROCE of 18% and a 6% return on sales. The manufacturing divisions are to achieve a 6.5% return on sales and Industrial Services 3%. We have moved closer to achieving these new targets in 2004, but still have about a third of the way to go.

As a result of the figures recorded in 2004, the MAN Group once again generated positive value added for the first time in three years. This value-added analysis is a new introduction and is explained on page 29 of the Annual Report already distributed. The value added figure indicates whether a company has earned its cost of capital and created additional value. It is calculated as the difference between the operating profit and the cost of capital employed. Based on this computation, MAN generated a positive value added of 68 million euros in 2004, after a negative contribution of 121 million euros in 2003.

2.5. Divisional earnings

Allow me to deal in more detail with the trends in earnings and returns in each individual division, as these demonstrate exactly where further action and improvements are needed in the Group.

The Commercial Vehicles Division was able to substantially improve its operating profit from the relatively low 2003 level of 203 to 342 million euros, an increase of 68%. The lion´s share of 305 million euros – after 198 million euros in 2003 – came from the truck sector. However, after reporting positive earnings for the first time for many years in 2003, the bus operations also showed a strong improvement from 5 to 37 million euros. The ROCE generated by MAN Nutzfahrzeuge rose from 7.3% to 12.1% and the return on sales from 3% to 4.6%. In addition to the higher production volume, this was also a reflection of improved sales and service processes and above all, increased productivity. The relocation of labour-intensive manufacturing operations to Poland and Turkey also played a significant role.

The Industrial Services Division recorded an operating profit of 72 million euros, more or less maintaining the high level of 2003. DSD-Stahlbau had a negative impact in this sector, but we sold a majority share in this company in mid-2004. The ROCE of 18.5% recorded by Industrial Services made it the best performer among MAN´s core activities, having reached 22.3% in 2003. The return on sales amounted to 2.3% after 2.5% in the previous year.

Printing Systems, which in the wake of the crisis in the printing and publishing sector made a loss of 26 million euros in 2003, was able to achieve a turnaround and record a small profit of 3 million euros. Performance within the division was very varied. Whereas web-fed presses were able to continue their successful trend, raising operating profits from 30 to 44 million euros, the sheet-fed sector only succeeded in reducing its losses from 56 to 41 million euros. Although extensive measures to streamline production facilities in Offenbach had a positive impact on earnings, this effect was to some extent eroded by the strong pressure on market prices. Agreements aimed at reducing personnel costs should make themselves felt in the course of this year and I shall be describing further measures in more detail later.

In spite of a commendable business volume, Diesel Engines suffered a drop in earnings from 58 to 55 million euros. Two-stroke engines performed very well, recording an operating profit of 57 million euros after 41 million euros in 2003. However, in the case of four-stroke engines, high expenditure on our British engine operations and restructuring in Denmark had a negative impact, so that earnings in the four-stroke sector fell from 17 to minus 1 million euros. The ROCE generated by the Diesel Engines Division dropped minimally from 11.2% to 11%, and the return on sales from 4.4% to 3.9%.

Thanks to a significant rise in sales, Turbomachines were able to realise higher margins. The operating profit rose from 29 to 36 million euros and subsequently also the return ratios, the ROCE leaping from 12.6 to 16.8% and the return on sales from 5.1 to 5.5%.

2.6. Innovations
Ladies and gentlemen, technological innovation and pioneering concepts secure our lead in the marketplace and are an important prerequisite for our economic success. Last year, we were particularly productive in this sector, meeting our target of making 2004 a year of innovation. Some examples were,

- in the Commercial Vehicles Division – the introduction of an entirely new D20 engine generation, setting new standards in the marketplace.
- in the Printing Systems Division – the new COLORMAN XXL, currently the most productive newspaper printing press on the market.
- in the sector of large diesel engines – a new common-rail injection and control system for heavy-fuel-powered engines, ensuring reduced emission and lower consumption.

These are just a few examples of our systematic development work which leads to continuous progress, especially in terms of efficiency, environmental compatibility and profitability. In view of our expenditure on development amounting to 4% of sales, we remain well-equipped to face the future and have the potential to maintain our position on the leading edge of technology.

2.7. Finance, asset and capital structure
Ladies and gentlemen, to conclude my report on 2004, I should like to comment on some of the key financial figures. Firstly, the structure of our balance-sheet continued to develop positively in 2004, as we were able to reduce net operating assets even further while at the same time significantly increasing net liquid assets. In the case of our Industrial Business, net operating assets fell to 3,2 billion euros at the end of 2004, after 3,4 billion euros at the end of 2003. The financial services sector showed a slight increase from 1,4 to just under 1,5 billion euros.

Thanks to a substantial increase in the cash flow, a marked rise in net liquid assets from 816 to 1,310 million euros was recorded by our Industrial Business. This was offset by the financial debt accruing to Financial Services, which rose marginally from 1,255 million to 1,302 million euros. On balance, this resulted in an improvement in the Group´s net liquid assets from minus 439 to plus 8 million euros.

The MAN Group was able to strengthen its equity position from 2.8 to well over 3 billion euros, while pension accruals also rose slightly to exceed 1.7 billion euros.

In future, our pension obligations are no longer to be financed on the basis of pension accruals. The relevant resources will be outsourced to a fund managed by external investment experts. In times of plentiful liquid resources, payments will be successively made into this fund and capital accumulated for pension obligations. This scheme will gradually free us from showing the relevant accruals as liabilities which, for rating purposes, would generally have a negative impact. This year, we shall be taking a first step towards building up the fund´s assets.

3. The Current Financial Year

3.1. Assessment of the status quo, 100% free float
That completes my remarks on the year 2004. I now turn to developments during the current year and the tasks that lie ahead, both this year and in the years to come.

Ladies and gentlemen, before taking over the position of Executive Board Chairman, one does of course give some previous thought to the structure and character of the company one is about to manage – existing goals are reviewed, new ones set and strategic concepts developed. I was not a complete newcomer to the MAN Group on 1 January 2005, having been involved in all Executive Board decisions over the past four years. When making a new start, it nevertheless seems appropriate to assess the status quo and analyse whether any changes are needed and what should continue as before. I would therefore like to use the terms continuity and change to describe my role and my concept.

In this context it is however obvious that in view of the growing challenges presented by market globalisation on the one hand, but also by developments on the international capital markets, change is simply unavoidable. This shift towards greater international and capital-market orientation has already been in full swing in our company for several years, but it is clear to everyone that this must now be speeded up to keep abreast of our environment, which is also changing at a faster pace.

This applies even more due to the fact that shortly after I started in my new position, our former major shareholder Regina placed its holding with some 150 international shareholders within only a few hours. This meant that from one day to the next, one hundred percent of our shares were floating freely on the stock exchange.

I should like to take this opportunity to again express my thanks to our former shareholders, Allianz, Münchener Rückversicherung and Commerzbank, which originally combined to form Regina, for their extremely professional and capital-market-friendly placement of the shares. The fact is however, that we shall be dealing with a considerably more volatile group of shareholders in future and will have to adapt to this new situation.

The result of our analysis of the overall situation is that MAN must become

- more dynamic
- more open
- more international
- and more profitable.

In short, "We must become better faster."

<u>3.2. Strategy, industrial governance</u>
At a closed meeting held in January, the Executive Board members decided on the basic structure of a corporate strategy for the coming years. This was widely communicated throughout the Group at a management conference held in February and via our internal media.

Its key features are:

- MAN is an engineering group operating on a worldwide scale, with focus on the five sectors of Commercial Vehicles, Industrial Services, Printing Systems, Diesel Engines and Turbomachines.
- In order to concentrate management capacity at Group headquarters more explicitly on these core activities, all peripheral activities are, as far as possible, to be sold in the course of 2005. Excepted from this are the profitable niche suppliers, RENK and MAN DWE.
- Each division must measure up to the best competitor in its field and be able to develop within the Group.
- We are aiming for more transparency – we shall not tolerate loss-making activities and there will be no cross-subsidisation.

We have found the term "industrial governance" to describe our management concept. This initially entails competent and strategic industrial management based on clear return targets. The Management Board, on which all five divisions are represented, decides on Group strategy, as well as market, product and production structures. It evaluates success factors in addition to determining and monitoring both performance and financial goals. Centralised financial management and controlling, as well as the selection and development of management personnel are other core responsibilities.

It is envisaged that this strategic centralisation of management assignments will be counterbalanced by decentralised responsibility for operations within the scope of predetermined goals. Group headquarters will define the parameters, but not become involved in the details of ongoing operations.

Operating profit, which I have already explained, has been introduced as the key financial ratio for monitoring the divisions, along with the new return ratios based on operations and the rather more ambitious return targets for the entire Group of 18% in the case of the ROCE and 6% for the return on sales.

Ladies and gentlemen, owing to the relatively broadly-based line-up of the Group, it has repeatedly been alleged that MAN throws away potential value since investors either suspect a lack of transparency due to cross-subsidisation, or are unable to credit the management with the ability to realise the full profit potential of each individual division.

Our concept is intended to prove that this allegation is by no means justified. By concentrating on our five divisions, on strategic management and clear targets, we have an opportunity to make each single division as successful as its best competitor. Should we nevertheless fail to achieve this in any area, appropriate action will have to be taken.

Our mid-term goal is to achieve our new return targets by 2007 and subsequently maintain this level across all trade cycles. This means that in good years, we should exceed these target figures quite substantially.

3.3. The MAN brand

We have also set ourselves the goal of establishing MAN more strongly as our standard brand both inside and outside the Group. As you know, a year ago the various logos used by our subsidiaries were phased out and a standardised Group logo introduced. Now our task is to promote this collective brand, both outside and inside our enterprise, linking it with our values – reliable and innovative in terms of products and services, dynamic and open in the case of our organisation and personal interaction.

Our image campaign in print media and on television is part of this communication. It transports our unified brand image, as well as increasing awareness of the company and the brand. Reactions from customers, and especially from our staff, indicate that the campaign has attracted considerable attention. The ad motifs and the TV spot can also be viewed at this Annual General Meeting.

3.4. Priorities for 2005

I mentioned earlier that, based on the returns achieved in 2004, we still have about one third of the road before us in order to reach our targets. To promote progress in this direction, the Executive Board has identified a number of priorities for 2005, aimed at significantly improving the Group´s performance.

These are as follows:

- in the case of Commercial Vehicles, we must improve cost structures in the German and Austrian plants and expand our market positions both in Europe and on a global scale;
- Industrial Services must continue to focus on profitable areas of operation and expand its activities as a marketing platform for the Group;
- the prime task for Printing Systems is to achieve a sustained turnaround in the sheet-fed sector;
- Diesel Engines must turn its English activities around and push ahead with integration of the German and Danish companies;
- the Turbomachines Division is working on an expansion concept to strengthen its international presence;
- Group headquarters must continue to develop its management, planning and controlling tools, promote management and knowledge transfer throughout the Group, expand investor relations and increase both internal and external communications activities.

4. Developments January to May 2005

4.1. Events

Ladies and gentlemen, having already reported on the change in our shareholder structure, I should now like to give you an overview of Group developments to date during 2005.

In 2004, MAN Nutzfahrzeuge entered into a strategic alliance with the American commercial-vehicle manufacturer, Navistar, with the aim of developing components on a joint basis. This took on concrete form in February, the co-operation now focusing primarily on further development of the new D20 engine generation, in order to meet the stringent US emission guideline which comes into force in 2007, and for use in Navistar vehicles. MAN Nutzfahrzeuge will also have the opportunity to benefit from these new developments, as well as purchasing components cost-effectively together with Navistar.

After negotiating for many years, the British Ministry of Defence awarded MAN with a major contract for some 5,200 army trucks worth approximately 1.5 billion euros on the 1st of April this year. This was a major success for MAN in the face of keen competition, for instance from the US. Deliveries are to be spread over seven years, starting from 2007, which means an average annual production volume of more than 700 vehicles. These will be assembled in Austria.

Furthermore, MAN Nutzfahrzeuge has meanwhile pinpointed potential locations for the assembly plant due to be erected in Eastern Europe. Two sites in Poland, one in Hungary and one in Slovakia have been shortlisted for final selection. The executive board of MAN Nutzfahrzeuge will be making this decision in the near future, thereby taking a major step towards enhanced market penetration throughout the Eastern European region. The plant will also help to increase capacity utilisation at our German component production facilities, since axles, engines and other parts will be supplied from existing sites.

One key event at MAN Nutzfahrzeuge was the launch of the new lightweight TGL truck series. For several weeks, the press and a total of 900 customers had the opportunity to attend an impressive daily event and experience this attractive vehicle that offers something entirely new, both technically and optically. Introduction of the medium-weight TGM series, which has the same basic design, will follow this autumn and modularised construction will then have been realised in all weight categories. This will result in cost benefits due to a considerably lower number of individual parts and significantly larger components series.

Talks on cost reductions have also begun with employees´ representatives in the Commercial Vehicles Division. These are necessary in order to come close to the earnings performance of our more profitable competitors, for instance in Holland and Scandinavia, and at the same time equip ourselves for phases of weaker market demand.

In order to give the Penzberg component works a secure future with growth potential, we are seeking to enter into a partnership with a medium-sized automobile component manufacturer. The intention is to develop the current range of basic modules in the direction of sophisticated and future-oriented components, providing the plant with its own identity and positive prospects as a supplier to the automobile industry. As of 1 July 2005, Penzberg will be hived off in the form of a management buy-out, although we shall however retain a 40% share in the company. MAN Nutzfahrzeuge will be advising and supporting the new company along the road to independence.

In April, MAN Ferrostaal, our Industrial Services Division, received a major contract to construct a methanol plant in Oman. This means that the concept already effectively practised in Trinidad and Tobago, where four methanol and two ammonia plants have been erected, has also been successfully implemented in the Arabian world.

As in 2004, MAN Roland has continued its very successful acquisition of large web-fed-press contracts during the first few months of this year. These include an order for two LITHOMAN and three ROTOMAN systems from the Canadian company Quebecor World, and an order for equipment worth approximately 300 million euros from the News Group. On the other hand, business with sheet-fed presses has remained weak and is still in the red. As a further step towards improving the structure of our sheet-fed operations in the Rhine-Main region, we have been forced to close the Geisenheim plant. Production activity is to be relocated to Offenbach.

The Diesel Engines sector has reported a new record order intake, a rise of 53% to 806 million euros being registered by April. Restructuring of the loss-making, four-stroke engine activities in the UK is meanwhile underway. This will entail considerable streamlining of the engine range, whereby a reduction of the workforce from 670 to around 350 will be unavoidable.

4.2. Disinvestments, redefinition

Meanwhile, we have been able to realise the majority of our scheduled disinvestment projects. As a first step, the MAN Technologie business units of Aircraft Water-Systems and Mobile Military Bridges were for instance sold, so that this company ultimately focused on the aerospace sector. On Wednesday this week, an agreement was subsequently signed with the Bremen-based aerospace company, OHB Technology AG, for the sale of this core company, MAN Technologie. We have therefore achieved our goal of handing over MAN Technologie to a group specialising in aerospace technology and offering better opportunities for its long-term development. In 2004, MAN Technologie generated sales of just under 100 million euros and presently employs some 450 people.

MAN Logistics GmbH has been disposed of in the form of a management buy-out. A few days ago, an agreement was also signed on another management buy-out for Schwäbische Hüttenwerke´s casting technology.

All of these activities, which either have been or are due to be disposed of have, for the purpose of our 2005 accounts, been bundled under the item "discontinued activities" and are no longer included in the consolidated figures. Based on the 2004 figures, this results in a reduction of 462 million euros in the MAN Group´s order intake, a reduction of 443 million euros in sales and of 2,251 in the number of employees. Only the after-tax earnings generated by these investments will still be included in the consolidated figures, as long as they are still owned by MAN. For the purpose of our current reporting on 2005, the relevant 2004 figures have been adjusted accordingly to provide a direct comparison.

As a result of these measures, ladies and gentlemen, the MAN Group can now gain greater profile by focusing on its five industrial areas and operating MAN Financial Services as a back-up unit to provide sales-financing.

4.3. Performance in 2005
The financial report for the first quarter of 2005 is already based on this new structure. At the beginning of May, we were able to report significant increases in all our key figures, with the order intake rising by 48% compared with the same quarter in 2004 to reach 5.4 billion euros – a major contribution being made by the truck order from the British Defence Ministry. Yet even excluding major contracts, ongoing operations still showed a rise of 9%. Sales climbed by 11% to 3.2 billion euros and the operating profit by 67% to 105 million euros.

The volume figures for April show that this positive trend has continued. In April alone, the order intake was 44% higher than the year before, due partially to the major order from Oman. As a result, cumulated growth amounted to 47% compared with the first four months of 2004, with incoming orders reaching 7.1 billion euros. This also includes the major truck order from the British Ministry of Defence. Even excluding major orders, ongoing operations still recorded a 10% increase. Cumulated sales rose by 11% to 4.4 billion euros. We started the year with an order backlog of 8.0 billion euros, which by the end of April had peaked at 10.7 billion euros. Initial indications of the business volume generated in May point to a sustained upward trend in ongoing operations.

4.4. Outlook for 2005
Ladies and gentlemen, for the full year, the general economic environment still appears to be fairly favourable. Based on all the forecasts, we anticipate a continued increase in the demand for capital equipment.

Based on our assessment, there will probably only be slight growth in the demand for trucks, which represent our main area of operation, due mainly to the uncertainty of economic trends in Germany. In the bus sector, we expect demand to be generally subdued. Diesel Engines will continue to benefit from the high demand and an excellent order backlog – as will web-fed presses and turbomachines.

If the economic situation does not suffer a substantial deterioration, we expect MAN to achieve sales growth of over 5%. Operating profit will rise at a much faster rate than sales. Please appreciate that we are unable to be any more precise at this stage – there are still a number of uncertainties, especially with regard to economic developments in Germany, and therefore also in Europe.

4.5. Projects
Ladies and gentlemen, I have reported on the disinvestments geared to realising our goal of focusing on five divisions, which of course leads in turn to the question of strengthening these divisions, of initiating new projects and of a growth strategy. On this point I can state that, along with our investment in organic growth, we shall of course be making worthwhile acquisitions. We will however take great care to avoid paying any so-called strategic prices and prejudicing the returns scheduled for 2007.

Following numerous reports in the media, you will no doubt have questions relating to the diesel-engine manufacturer MTU Friedrichshafen. In this regard, I may tell you in advance that we are currently holding talks with DaimlerChrysler on taking over the company. We are however unable to publish any further details at the present time, so that once again, I hope you will appreciate the situation. In principle, I can however confirm that MTU´s high-speed four-stroke engines would fit extremely well into our diesel-engine range. Together with MTU, with which, as you know, we shared a common history until 1985, MAN would become the leading diesel-engine manufacturer on the world market above the level of commercial-vehicle engines.

We are also pursuing an expansion strategy in the Turbomachines Division, which currently ranks third in the world in its market for compressors and industrial turbines. Here again, we intend to grow both organically and by way of external acquisitions.

In the case of Commercial Vehicles, we do not believe in large-scale mergers at the present time. We are relying on co-operation agreements, as with Navistar, Scania and others, based on which we can reap the benefit of much larger production runs in the components sector. Additional growth will be achieved by expanding our sales organisation or, as is for instance intended in Eastern Europe, constructing assembly plants to improve supplies to local markets. In China we are on the right track and meanwhile have a network of joint ventures, co-operation and licence agreements, providing us with a sound platform for future activity.

Ladies and gentlemen, you can see that we are actively utilising the means available to us in an entrepreneurial, but at the same time cautious fashion. We are of the opinion that this is the right approach to make your company more valuable and equip it for sustained ongoing development.

5. Comments on the AGM Agenda

I should finally like to explain some further important items on the agenda at this Annual General Meeting.

5.1. New authorised share capital and amendment to the Memorandum and Articles

The possibility of being able to increase our capital provides us with the flexibility needed to develop the company. Since we would like to retain this option and our existing authorised capital is limited until 15 December 2005, the Executive and the Supervisory Boards are proposing under Item 5 on the agenda that new authorised share capital be created. This means that, subject to the approval of the Supervisory Board, the Executive Board will be authorised to increase the share capital by up to a total of 188 million euros – which represents 50% of the present share capital – at any time up until 2 June 2010. If the capital is increased by way of a cash contribution, the shareholders will, as usual, be granted a subscription right. I should like to add that, in the event of a capital increase by way of a contribution in kind, the Executive Board has decided that a capital increase should be limited to no more than 20% of the existing share capital.

The exact wording of this Executive Board resolution, which has already been published in the internet, is:

"The Executive Board hereby resolves that authorisation to increase the share capital (Authorised Share Capital 2005), as proposed for adoption at the Annual General Meeting, shall be utilised subject to the following restriction only.

In the case of a capital increase in exchange for contributions in kind in order to acquire companies, equity interests in companies or significant assets from companies, the Executive Board shall only make use of the authorisation to exclude the subscription rights of shareholders up to an amount which shall not exceed 20% of the existing share capital on the date such authorisation becomes effective or, if lower, on the date that use is made of such authorisation. Capital increases in exchange for contributions in kind shall therefore be limited to a total amount of 75,284,480 euros, which is equivalent to 29,408,000 ordinary shares.“

I hope that this helps all our shareholders to obtain a clearer understanding of this point.

5.2. Authorisation to issue convertible debentures and option bonds
Another possibility for the company to obtain adequate capitalisation at favourable conditions is to issue convertible debentures or option bonds. By issuing such securities, we have, depending on the market situation, the possibility of raising external capital at attractive conditions as a source of finance. We would therefore ask you to grant authorisation under Item 6 on the agenda, to issue convertible debentures and option bonds totalling 1.5 billion euros, subject to the approval of the Supervisory Board, up until 2 June 2010. These bonds will be linked with option or conversion rights to new ordinary MAN Aktiengesellschaft shares representing a ratio of the existing share capital amounting to no more than 76.8 million euros.

5.3. Authorisation to purchase own shares
Since the existing authorisation to purchase the company´s own shares expires in December 2005, we should again like to request, as every year, your approval to renew this authorisation for the legally permissible period of eighteen months from the date of this meeting. This is intended to maintain our future flexibility. No use has been made of the authority issued at last year´s Annual General Meeting, which means that MAN AG does not hold any of its own shares.

Further details of these items are contained in the notice of the Annual General Meeting and will of course be read out again here in each case, before voting takes place.

Another item on the agenda is the appointment of the auditors. The Supervisory Board has decided to propose KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft. All five major international auditing firms were requested to take part in the selection process.

5.4. Supervisory Board by-election
Ladies and gentlemen, as you will have seen from the notice of today´s meeting, all shareholders´ representatives on the Supervisory Board have decided to resign from office in view of the significant changes in the shareholder structure following placement of the shares previously held by Regina Verwaltungsgesellschaft. This, ladies and gentlemen, is intended to give you the opportunity to re-elect your representatives.

Four shareholders´ representatives will not be standing for re-election, namely Dr. Achleitner, Dr. Hasford, Dr. Jung and Mr. de Maizière. I should like to take this opportunity of thanking these gentlemen most sincerely for the far-sightedness and drive shown in the course of their work on the Supervisory Board. The questions you have asked the Executive Board at Supervisory Board meetings and at meetings of its committees, the advice you have given us and your input during the decision-making process have represented a major contribution to the positive development of the MAN Group. Your departure also brings the long era of major shareholders to a close at a personal level. On behalf of the Executive Board, I should like to thank you once again for your constructive and deserving role on the Supervisory Board and for a successful realisation of the share placement in January.

6. Share Performance, Conclusion

Ladies and gentlemen, allow me to finally take another look at our share prices. Following a sustained and significant rise in the price of our ordinary shares between their all-time low in October 2002 and the end of 2004, added impetus came at the beginning of the year following placement of the Regina shares. Increasing the free-floating shares to one hundred percent also had a positive impact on our Dax rating and we moved up from 31st to 23rd place in terms of market capitalisation. The Dax weighting of our ordinary shares was increased from 0.6% to 1%. In the course of 2005, the price has improved by 27% to almost 36 euros on 31 May, while the Dax has risen by 5%. In this respect MAN ranks second in the thirty Dax stocks. As of 31 May 2005, our market capitalisation amounted to a good 5 billion euros.

As shareholders, ladies and gentlemen, you own the MAN Group, so I am sure that, like the Executive Board, you take great pleasure in this positive increase in the value of your company. We are still of the opinion that a free financial market ensures the best allocation of capital, promoting growth, employment and prosperity. The existence of financial investors does by all means have a beneficial effect on companies, as they keep us on our toes. There are of course weak points in all systems, but an ideological, across-the-board condemnation of investors is at all events detrimental to Germany as a location for industry.

As far as MAN is concerned, we are of the opinion that we have found the right concept for expanding our divisions, ensuring profitable growth, providing employment and development opportunities for our staff, as well as adding value to the company. We are about to make our divisions top players in the marketplace and to offer you, our owners, lasting value appreciation.

On this note, ladies and gentlemen, I would ask you to remain favourably disposed towards us.

Thank you very much for your attention.