Press Release
MAN SE

Significant improvement in operating profit despite decline in sales revenue

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Munich-based commercial vehicle and engineering player MAN is cautiously optimistic about fiscal year 2014 and its financial figures for the first quarter reinforce this outlook. A slight recovery in the global economy was observed in the year to date, although this varied from region to region. The nonrecurring items that significantly overshadowed the MAN Group's 2013 annual financial statements are now a thing of the past. Against this backdrop, MAN can again report a significant increase in the Group's operating profit despite a slight decrease in order intake and lower sales revenue. All of the MAN Group's divisions returned to profitability.

The integration of the MAN Group into the Volkswagen Group led to an adjustment of the financial figures to Volkswagen's system for the first time in Q1/2014. Some of the key performance indicators used in the past such as operating profit or return on sales are now defined differently, or go by a different name. The corresponding prior-year figures were adjusted retrospectively so that the Q1 results can still be compared with previous reporting periods.

The MAN Group's order intake in the first quarter of the current fiscal year was €3.7 billion, down slightly on the previous year. The Commercial Vehicles business area recorded an order intake of €2.8 billion, down 7% on the previous year. This is attributable to the clear decrease in orders received by MAN Latin America. At €570 million, orders were well below the figure for the first quarter of 2013 (€822 million). This was due on the one hand to the depreciation of the Brazilian real, and on the other to the deterioration of the market environment in Brazil. The Brazilian Development Bank has significantly restricted access to subsidized financing. The commercial vehicles market contracted and the number of major government orders also declined. This all led to greater competition.

In contrast, MAN Truck & Bus's order intake was up 3% on the prior-year quarter, at €2.3 billion. This was boosted by the improved economic environment in Europe and a number of major orders. However, the European market continued to be dominated by pull-forward effects from the introduction of the Euro 6 emission standard.

The Power Engineering business area recorded a higher order intake. At €0.9 billion, this represents an increase of 7% compared with the period from January to March

2013. MAN Diesel & Turbo's orders rose by approximately €60 million to €0.8 billion. The increase was attributable to the marine business unit, which saw a slight market recovery. The Power Plants strategic business unit also recorded a higher order intake. This offset the significant decreases in the Turbomachinery strategic business unit – an advantage of our broad-based focus. Renk recorded orders worth €125 million.

The MAN Group's sales revenue declined by 13% in the first three months of 2014 to €3.1 billion. MAN Truck & Bus recorded sales revenue of €1.8 billion. MAN Latin America's sales revenue declined to €570 million due to the deterioration in the business environment in the same period. MAN Diesel & Turbo generated sales revenue of €0.7 billion, while Renk recorded €108 million.

After reporting an operating loss for the MAN Group of €98 million in the first quarter of fiscal 2013, MAN is now posting a clear operating profit of €68 million. This is mainly due to the improvement at MAN Diesel & Turbo, where provisions for a power plant project that had not yet been completed significantly impacted consolidated profit in the previous year. MAN Diesel & Turbo's operating profit in the first quarter of 2014 was €33 million and Renk recorded €14 million. As a result, the Power Engineering business area again posted a clearly positive profit of €47 million. The Commercial Vehicles business area also lifted operating profit by €5 million to €42 million. Higher margins and savings in material costs saw MAN Truck & Bus improve from an operating loss of €22 million to an operating profit of €11 million. MAN Latin America's operating profit declined from €59 million to €32 million. The MAN Group's operating return on sales was 2.2%. All in all, the MAN Group recorded profit before tax of €42 million in the first three months and profit after tax of €28 million.

The Management is expecting slightly stronger global economic growth in 2014 compared with the previous year. However, there are still uncertainties surrounding economic developments owing in particular to the restrictive monetary policy announced by the US Federal Reserve, the ongoing sovereign debt crisis in Europe, and political instability, particularly in connection with the current Ukraine crisis. Aside from this, business developments in the first quarter confirm the assumption that the MAN Group's full-year sales revenue is likely to be down slightly on the prior-year figure. However, the Company expects to see a significant increase in operating profit. The operating return on sales will significantly exceed the 2013 figure.