Consolidated Financial Statements 2002





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Group management report

1. Foreword

Looking at the current structure of the group, Brüder Mannesmann AG combines **two** independent **sectors operating on the market**, the "Tool trade" and "Valves trade" sectors, under the umbrella of the parent company. The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as the leasing company.

In accordance with this structure, both the development of business in the operating sectors and the development of business in the company as a whole are described and discussed in the management report.

With regard to the "Trade in valves for industrial applications" sector, it should also be noted that in the 2001 financial year the company Schwietzke Armaturen GmbH, Bottrop, could not be incorporated into the legal structure of the group until July 1, 2001. In the interest of comparison, the sector-oriented development of business is discussed on the basis of the year as a whole, as in the previous year.

The consolidated financial statements for the year under review were for the first time prepared according to the applicable International Accounting Standards (IAS) and in line with the interpretation of the Standing Interpretations Committee (SIC).

The material differences to group accounting according to the German Commercial Code are as follows:

- Posting of deferred taxes under loss carryforwards (IAS 12);
- Adjustment of pension obligations (IAS 19);
- Elimination of general bad debt charges on trade receivables (IAS 39.109 ff.).

The previous year's figures were adjusted in line with these regulations. Changes to pension obligations as defined in IAS 19 were only taken into account in the current financial statements.

2. Development of business in operating sectors

2.1. Tool trade

2.1.1 General development of business

The economic development of the Tool trade sector, which had already been difficult and by no means pleasing since 2000, and its effects far exceeded market forecasts in 2002, which had again been assessed as unsatisfactory by various market analysts.

If the sector initially based its tenuous hopes for 2002 on a slight recovery of the market in the second half of the year, it was more than disappointed by the actual development.

In view of the almost dramatic slump in business, it is no wonder to hear that important economic barometer the "Iron Goods Trade Fair" in Cologne refer to an economic and structural crisis at the press conference held at New Year; a crisis which "has lasted longer than any other during the last 50 years".

The current situation of the Tool trade sector is characterised by sales declines of almost double figures for the sector as a whole (declines of between 8% and 16% are expected, depending on the particular product ranges) due to the complete uncertainty of end consumers concerning economic developments and the resulting continued hesitancy on the part of buyers. There is no reason to hope for a turnaround at present, even a modest one at that.

In view of the dramatic deterioration in the general market conditions within the last year, satisfaction can be drawn from the specific development of business of the Tool trade sector.

Thanks the continuing positive dynamic within the company itself, it has been possible to separate the company sales

performance from the general sector trend, at least to a certain extent, and avoid a significant decline. Consequently, the primary internal goal of stabilising the market position was at least fully achieved, even if significant declines in earnings were unavoidable.

The success factors of our corporate strategy, continued unchanged for the third year running, played an important role in achieving the following:

- Sales policy measures aimed at tapping into new customer segments, including outside of the traditional sales channels;
- Product range policy measures aimed at the ongoing updating of internal product lines under the "Brüder Mannesmann" brand;
- Purchase policy measures aimed at utilising all the benefits of suppliers from the Far East incorporated into the company by means of partnerships.

2.1.2 Basic figures for the development of operating business

Although the **order book** at the year-end of around EUR 10.4 million slightly exceeded the previous year's figure of around EUR 10.1 million by + 3,3 %, a - 6.6% decline y.o.y. in **incoming orders** to EUR 64.6 million was recorded. This decline is wholly attributable to the domestic market.

Total **sector sales** of around EUR 54.7 million were attained. This corresponds to a nominal decline of just 0.9% on the previous year's figure of around EUR 55.2 million. It should be remembered at this point that due to further intensified competition caused by market conditions, the general level of product prices is continuing to fall. Structured according to the main customer groups, the development of sales is as follows:

	2001		2002		Chan	ige
(In EUR million)	million	%	millio	n %	million	%
Mail order	2.5	4.5	2.6	4.8	0.1	4.0
Markets, purchasing associations Wholesale including export	20.3 32.4	36.8 58.7	20.4 31.7	37.3 57.9	0.1 -0.7	0.5 -2.2
	55.2 1	0.001	54.7	100.0	-0.5	-0.9

Group management report

Economic developments meant that within the context of an overall stagnation of total sales, the relative market share of export trade increased considerably at the expense of the domestic market.

	2001	2002	Change
(In EUR million)	million %	million %	million %
Germany	29.5 53.4	27.6 50.5	-1.9 -6.4
Export	25.7 46.6	27.1 49.5	1.4 5.4
	55.2 100.0	54.7 100.0	-0.5 -0.9

What might at first sight appear to be a relatively balanced development of sector sales should not, however, disguise the fact that within individual customer segments there were considerable shifts in sales shares. This particularly applies to the "Specialist trade" and "Advertising items" segments, which are relevant to the domestic market.

Although our export activities are now predominantly focussed on EU countries, we have not yet reached our internal company targets with regard to an internal market adjustment of export trade to eradicate low-margin and high-risk sales.

Ultimately triggered by a considerable intensification of competition compounded by the overall strong decline in the market as a whole, we were unable to avoid declines in **gross profit**. This was reduced by 1.1% y.o.y. from around 25.6 % to around 24.5%.

Also responsible for the decline in margins were the shifts within sector sales caused by economic conditions and levels of demand, resulting in an increased export share, which in turn operates with considerably lower average margins.

These shifts are also noticeable if a comparative study of the **regional distribution of purchase volumes** is made:

	2001	2002	Change
	%	%	
Germany	26.0	35.1	9.1
Far East	71.1	62.6	-8.5
All other countries	2.9	2.3	-0.6
	100.0	100.0	

The constantly boosted increase in purchasing from the Far East over the past few years seems to have tailed off in the 2002 financial year.

However, this immediately obvious development overlooks the fact that major parts of export sales, particularly outside of the EU, are still generated in merchandise originating from and manufactured in Germany.

The increasing substitution of these "classic export sales" with products "designed and controlled by Brüder Mannesmann" will be one of the key tasks for the future.

Solely on the basis of Brüder Mannesmann Werkzeuge GmbH & Co KG, the Far East purchase quota remained at almost the same high level in the 2002 financial year, namely at around 92% (cf. approx. 94% in the previous year).

The increase in **personnel and material costs** had a significant impact on the performance of earnings, which showed a noticeable decline y.o.y. Personnel and material costs rose by around EUR 1.0 million or approximately 9.2% to around EUR 11.9 million.

	2001	2002	Change
(In EUR million)	million %	million %	million
Personnel costs	4.2	5.0	0.8
Depreciation	0.3	0.3	-,-
Other operating expenditure*	6.4	6.6	0.2
	10.9 19.7	11.9 21.8	1.0

* Note: excluding exchange gains/losses

The primary contributor to this rise in costs was the increase in personnel costs as a result of the significant increase in the level of high-volume trade. The number of employees in specific sectors rose by around 6% or 5.0 people to 86.5 employees in the 2002 financial year.

Due to the above change, nominal **sales per employee** fell by some 7% from around EUR 0.68 million in the 2001 financial year to the current level of around EUR 0.63 million.

The performance of the **operating result** for the sector of around EUR 2.1 million (compared with around EUR 3.6 million the previous year) is therefore to be viewed as unsatisfactory.

On the whole, the performance of **exchange gains and losses** (EUR/USD) was stable compared with the previous year.

(In EUR million)	2001	2002
Exchange gains	1.6	0.8
Exchange losses	- 1.3	- 0.4
	0.3	0.4

As in previous years, rate-hedging transactions were only possible within strict confines, both in import and export, due to the limited flexibility offered by liquidity. Consequently, exchange losses were particularly recorded in exports based on the dollar for individual export destination countries, due to the increase in dollar parity of around 15% (from around EUR 0.889 to EUR 1.049) in the 2002 financial year.

Despite the overall difficult financial conditions, it has been possible to reduce the not inconsiderable foreign currency debts of the sector, caused by poor business, by around 43% over the course of the financial year to around EUR 5.4 million, thereby minimising risks.

In an "extended" assessment taking into account currencybased gains and losses, the **financial result** remained at a relatively constant level of around EUR -1.2 million.

	2001		2002	Change
(In EUR million)	million	%	million %	million
Exchange gains/losses	0.3		0.4	0.1
Remaining financial result	- 1.4		- 1.6	- 0.2
	- 1.1	2.0	- 1.2 2.2	-0.1

In summary, the fact remains that despite the economic and structural crisis that has been brewing in the Tool trade sector for a few years now, it has been possible to further secure the market position of the sector, contrary to the sector trend as a whole.

However, the extremely difficult general conditions externally have played a major role in significantly reducing the earnings power of the sector during this financial year.

Not least the **sales profitability** of around +1.1% (compared with + 4.5% last year) is likely to be an unwelcome indicator of this.

Group management report

2.2. Valves trade

2.2.1 General development of business

The Valves trade sector, represented by the company Schwietzke with its head office in Bottrop, comprises the sale of standard valves and related products with sales focussed on the Ruhrgebiet region, and the sale of project-specific valves for predominantly industrial applications nationwide. The company has branches in Cologne and Ludwigshafen. The direct export share is insignificant.

This market segment has for a number of years been negatively impacted by stagnation. Both the communal utilities field and plant engineering, industrial in nature, were again in sharp decline across the sector in the 2002 financial year. Economic developments also affected potential competitors heavily.

Once again flying in the face of the market trend, we recorded sales growth of around 17% for the sector, resulting in sector sales of EUR 23.8 million.

As in the previous year, the main pillars of corporate strategy were responsible for this positive development:

- High, and for the trade atypical, technical consultancy competence;
- Strong sales activities in project business relevant to expertise;
- Flexibility and proximity to customers through sites at Bottrop, Cologne and Ludwigshafen.

2.2.2 Basic figures for the development of operating business The key figures for **incoming orders** and the **order book** for the 2002 financial year are not comparable with the previous year-end on the basis of the balance sheet date, as major invitations to tender for project business had not been concluded by the end of the year.

Total **sector sales** of around EUR 23.8 million were attained. Compared with the previous year's figure of around EUR 20.3 million, this corresponds to a 17% increase. Broken down by division, sales look as follows:

	2001		2002	Change
(In EUR million)	million	%	million %	million %
Industrial technology	16.5	81	16.1 68	-0.4 -2.4
Project business	3.8	19	7.7 32	3.9 102.6
	20.3	100	23.8 100	3.5 17.2

As the table shows, the increase in market share is clearly attributable to project business.

Despite the continuing enormous price pressure due to market conditions, **gross income** remained almost unchanged at around 20.2%, compared with 20.4% in the previous year.

The rise in **personnel and material costs** was low and largely comprised work-related additional costs. The number of employees rose by 4.0 during the financial year. Despite this increase, **sales per employee** increased by around 9% from EUR 0.38 million in the 2001 financial year to the current level of EUR 0.42 million.

	2001	2001 2002 Char		Change	
(In EUR million)	million	%	million	%	million
Personnel costs	2.8		3.0		0.2
Depreciation	0.1		0.1		
Other operating expenditure	1.3		1.4		0.1
	4.2	20.7	4.5	18.9	0.3

Consequently, the **operating result** for the sector rose by around EUR 0.2 million to EUR +0.4 million in the 2002 financial year.

3. Development of Group business

The following measures, some of which represented a continuation of the strategic aims of the previous year, were of material importance in the 2002 financial year:

- Financing of organic growth, taking into account a defined lending volume;
- Further restriction of exchange risk-related factors as far as possible;
- Continued expansion of new customer segments in Germany outside of the traditional sales areas;
- Establishment of standardised reporting for the Group as a whole as a tool for the early detection of potential risks;
- Stabilisation of Brüder Mannesmann Grundbesitz GmbH through conclusion of debt refinancing adapted to the operating means available.

In view of the earnings attained, the Group was not unsuccessful in meeting its own targets, particularly when set against the background of negative market data.

The measures introduced in the 2002 financial year for restructuring export activities (CoCaCo sales division) by concentring sales on the high-margin regions have not yet been completed, and will be continued in the 2003 financial year.

Group management report

3.1 Group earnings

Group sales reported an increase of 3.8% during the last financial year, reaching EUR 79.5 million (previous year: EUR 76.6 million). What was already hailed as a record value in the previous year was again exceeded, despite a comparative decline in prices.

However, a slight margin loss of around -0.8% was reported, not least because of the considerable intensification of competition. Consequently a fall in **consolidated gross income** of around EUR -0.2 million to EUR 19.2 million was recorded.

However, this extremely pleasing achievement, given the general conditions, was only achieved through a considerably increased workload and an ultimately volume-based rise in important cost types.

The personnel and material costs impacting the operating result, including depreciation, therefore rose by a total of EUR 2.2 million to EUR 19.4 million (previous year: 17.2 million). The total cost quota for the 2002 financial year was 24.4% (previous year: 22.4%).

As a result of this development of costs, largely unstoppable in wide areas, the **consolidated operating result** – adjusted for neutral earnings factors – fell to EUR + 1.4 million (previous year: EUR + 2.8 million).

Despite the difficult market conditions, the **interest quota** for the Group was reduced by around 8.3% to the current level of -3.0% (previous year: -3.4%). In absolute figures, the interest burden in the Group fell by EUR 0.2 million from EUR 2.6 million to EUR 2.4 million.

The further reduction of foreign currency debts by around 50% in the 2002 financial year fully compensated for the fluctuations of the US dollar. The income balance from **exchange gains and losses** thus remained unchanged from the previous year at EUR + 0.4 million.

Largely caused by the rise in personnel and material costs within the operating result, the **results of ordinary operations** for the Group fell from EUR + 0.6 million in the previous year to EUR - 0.6 million in 2002.

A consolidated net loss of EUR 0.4 million was posted for the last financial year. This compares with a net income after all significant special effects impacting earnings of EUR + 2.5 million for the previous year.

3.2. Consolidated balance sheet

Despite slight increases in consolidated sales, the 2002 financial year recorded a significant decline in the **consolidated balance sheet** total of EUR - 5.3 million or approximately 8% y.o.y. to the current level of EUR 60.9 million.

This change is primarily due to a largely proportional development of material items under **working capital**, which increased by EUR + 0.8 million y.o.y. from EUR + 3.5 million to EUR + 4.3 million.

	2001	2002	Change
(In EUR million)	million	million	million
Inventory assets	17.7	16.0	- 1.7
Receivables	13.4	14.4	+ 1.0
Liquid funds	5.7	1.3	- 4.4
Total	36.8	31.7	- 5.1
Commercial banks/ bills payable *	18.7	17.7	- 1.0
Creditors	14.6	9.7	- 4.9
Total	33.3	27.4	- 5.9
Working-Capital	3.5	4.3	+ 0.8

* Note: excluding credit financings of real property assets

Despite a +3.7% increase in sales, inventory assets were reduced by EUR 1.7 million. At the same time, the **stock turnover rate** in the Group was increased from around 4.3 to around 5.0. We regard the improvement of this extremely important key ratio for our Group as vindication of the product range policy measures we have been rigorously pursuing over the last few years.

The **fixed-rate periods** for **receivables** were largely maintained at the same level as the previous year, even despite the considerably more critical market situation. Not least through the considerable reduction in the **fixed-rate periods** of **creditors** also achieved, it was possible to at least partially compensate pressure on sales prices caused by unit sales by means of cooperation with suppliers through negotiations.

Shareholders' equity for the 2002 financial year at EUR 9.1 million (previous year: 9.4 million) produced an equity ratio of 14.9%.

3.3. Guarantees and other contingent liabilities

Contingent liabilities totalled around EUR 3.6 million and largely comprised unchanged guarantees already in place for a number of years and other contingent liabilities. The slight increase of EUR 0.1 million is due to the increase of discounted bills.

3.4. Employees

Overall, the Group had an average for the year of 147.5 employees on its payroll. This corresponds to an increase of 13.0 employees.

In a year-on-year comparison, the figures are as follows:

Employees	2001	2002	Change
Industrial employees	29.5	30.0	0.5
Salaried employees	105.0	117.5	12.5
Employees	134.5	147.5	13.0
Apprentices	4.0	4.0	
Sales per employee in TEUR (rounded to nearest thousand)	570	539	- 31

In terms of the total Group output, the rise in the number of employees reduced the **consolidated sales per employee** nominally by around 5%.

Group management report

Risk management and safeguarding the future

Responsible handling of corporate risks that could materially jeopardise the future existence of the company or the attainment of strategically important targets is subject to a reporting and control system. The information obtained through this system is incorporated into the management planning. Responsibility for implementing counteractive measures lies with the operating management of the sectors.

To increase the relevance of information, the bases of the pan-Group reporting system were considerably extended and standardised across the Group companies in the 2002 financial year.

With regard to sector-specific risks, which are only attributable to a concrete but relatively short planning timescale, both sectors operate permanent mechanisms to ensure that the company develops in a manner that will safeguard its future, through various measures directed at acquiring new customer segments and maintaining an innovative product range policy. The extent to which it will also be possible in the 2003 financial year to establish and launch other product ranges with a view to safeguarding the future is a moot point in view of the finance framework available. In view of the permanent currency-specific risk factors, the company reduced the risk potential, not inconsiderably given the prevailing conditions, by substantially reducing foreign currency debts. At the same time, the respective timescale between the issue and repayment of the debt is constantly monitored and controlled, and price calculations are adapted to anticipated developments as far as possible.

Further significant measures to improve profitability and liquidity have already been introduced in export trade, particularly for trade activities outside of the EU, and are due to be fully implemented by the end of the second quarter of 2003. The intention is to assign all export destination countries clear targets for minimum gross income and maximum payment. All sales regions not meeting these targets will be disbanded, irrespective of potential sales losses. Concerted efforts will be made to implement necessary measures to reduce staffing levels with a view to cutting costs in export trade. It is anticipated that the ensuing loss of sales, currently estimated at around EUR 6 million to EUR 8 million p.a. will significantly reduce the relevant outstanding debts. The liquidity thus released is intended firstly to repay working capital loans and secondly to help finance the necessary restructuring measures.

5. Other information

Rights to commission of TEUR 2,045 from the sale of subsidiaries in the Valves division in 2000 are the object of litigation against the company. After due consideration of all current legal and financial information, a financial burden is not expected.

No further events of particular importance took place after the end of the financial year.

6. Prospects

Tool trade

The calculated optimism prevalent since the beginning of 2002, albeit fuelled by political motivations, has now been dispelled by widespread uncertainty across the sector. This uncertainty is dominating both the domestic market and major export regions of our sector and has left us with an unprecedented slump in consumer demand.

These extremely negative market indicators will not leave the development of our tools sector unaffected and make it extremely difficult to reliably forecast developments.

With considerable fluctuations within the individual product and customer segments, we were largely able to sustain our sector sales in the first quarter at the same level as that for the same period of the previous year.

Without the planned measures for restructuring our export activities, we will therefore have to expect declines in sales, particularly in the Specialist trade and DIY store customer segments, which are dependent on the domestic market, even though the overall stagnation of incoming orders at the previous year's level during the first few months of this year seem to contest this expected trend. In view of this, we will again actively endeavour to counteract current trends, thus continuing the strategic aims we have been pursuing rigorously for almost three years.

However, it remains to be seen to what extent the current positive performance of incoming orders and sales in the Mail order and Discounter customer segments will be able to compensate for the difficult market conditions in other segments.

In addition to a further expansion of the campaign business with innovative and new high-quality products, targets for the 2003 financial year will therefore focus on strict cost management. With regard to export, we will increasingly assign a higher importance to the development of margins and costs than to possible sales growth.

In terms of the sector result adjusted for the operating result, we are aiming for improvements, albeit marginal ones, provided however that the general conditions improve in the second half of the year (reduction of political uncertainties).

Group management report

Valves trade

Economic expectations for the German-speaking countries as the main sales market of the Valves sector have not changed for the 2003 financial year. Indeed, new risk factors have emerged, negatively impacting forecasts even further. Consequently, in view of the atypical performance of the last financial year for the market and sector, slight declines in sales are to be expected for this year. Nevertheless, we look to the future not without optimism.

The development of incoming orders, particularly in the Industrial business market segment, was extremely pleasing in the first few months of this financial year. On the basis of various framework agreements and our traditionally strong market position in this area, we are hoping to again reach last year's level.

In the Project business market segment we also recorded great interest on an extremely impressive level (e.g. valve packages for power plant construction in batch sizes in excess of TEUR 300).

The primary contributor to once again achieving a positive position compared with the sector trend is the position of the sector reached after the significant lead investments of the last few years. Rigorously pursuing our corporate strategy, we will focus on the following measures, some of which have already been introduced, during this financial year:

- Establishment of another agency site;
- Expansion of the internet site combined with a strengthening of e-Commerce trade for industrial wholesale customers;
- Process optimisation with a view to improving the cost efficiency of all processes.

The personnel and material resources required to implement these measures have now already been increased.

Remscheid, April 2003 Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein

Bernd Schafstein

Frank Schafstein

Consolidated Financial Statements

Consolidated Balance Sheet

ASSETS

		31.12.2002	31.12.2001
	Note	EUR	TEUR
I. Intangible assets	2.1	5,310,895.91	5,884
II. Tangible assets	2.2	16,868,065.64	17,267
III. Financial assets	2.3	33,085.64	37
FIXED ASSETS		22,212,047.19	23,188
I. Inventories	2.4	15,982,494.04	17,706
II. Receivables and other current assets	2.5	16,140,809.26	15,595
III. Other securities		0.51	0
IV. Cheques, cash, deposits with commercial banks	2.6	1,348,955.18	5,704
CURRENT ASSETS		33,472,258.99	39,005
PREPAID EXPENSES	2.8	722,772.76	45
ACCRUED AND DEFERRED TAXES	2.7	4,486,910.32	3,920
		60,893,989.26	66,158

LIABILITIES

		31.12.2002	31.12.2001
	Note	EUR	TEUR
I. Share capital	2.9	7,700,000.00	7,700
II. Capital reserve	2.10	10,225,837.63	10,226
III. Other earnings reserves	2.11	8,232,609.60	8,206
IV. Consolidated net loss	2.12	-17,097,845.13	-16,678
SHAREHOLDERS' EQUITY		9,060,602.10	9,454
1. Accruals for pensions and similar obligations		2,894,564.03	2,412
2. Accrued taxes		375,990.64	155
3. Other accruals		689,014.46	829
ACCRUALS	2.13	3,959,569.13	3,396
1. Amounts due to banks		32,656,640.99	26,332
2. Advance payments received		40,359.06	98
3. Trade payables		9,694,707.06	14,623
4. Notes payable		889,200.00	711
5. Other liabilities		4,591,977.86	4,719
LIABILITIES	2.14	47,872,884.97	46,483
DEFERRED INCOME	2.15	933.06	6,825
		60,893,989.26	66,158

Consolidated Statement of Earnings

January 1, 2002 to December 31, 2002

		01.01 - 31.12. 2002	01.01 - 31.12. 2001
	Note	EUR	TEUR
1. Sales	3.1	79,460,025.20	76,609
2. Other operating income	3.2	2,446,697.75	2,238
3. Materials		-60,269,440.77	-57,258
4. Personnel costs	4.4	-8,858,846.84	-7,517
5. Depreciation, amortisation and special provisions	5.	-1,194,208.38	-2,076
6. Other operating expenses	3.3	-9,816,020.79	-8,845
7. Financial result	3.4	-2,360,464.58	-2,575
8. Results of ordinary operations		-592,258.41	576
9. Extraordinary earnings		0.00	5,113
10. Taxes on income	3.5	213,014.62	2,969
11. Other taxes		-39,323.83	39
12. Consolidated net income/loss for the year		-418,567.62	2,681
13. Net income offset within the framework of the capital consolidation		0.00	-150
14. Consolidated profit/loss		-418,567.62	2,531
15. Profit/loss carried forward		-16,679,277.51	-19,210
16. Consolidated net loss		-17,097,845.13	-16,679
17. Earnings per share (undiluted) in EUR	3.6	-0.14	0.84
18. Earnings per share (diluted) in EUR	3.6	-0.14	0.84

Consolidated Capital Finance Account

	2002 TEUR	2001 TEUR
I. Operating activities		
1. Earnings before cash interest payments,		
interest income, taxes on income and extraordinary earnings	1,731	3,005
2. Depreciation on (+) / additions to (-) fixed assets	1,194	2,076
3. Increase (+) / decrease (-) in accruals	563	-365
4. Non-cash expenditure and income		
- from deferred taxes	563	-2,905
 other non-cash expenditure and income 	519	107
5. Profit (-) / loss (+) on the disposal of fixed assets	2	-7
6. Increase (-) / decrease (+) in inventories, trade receivables and other assets not included in		
Investment Activities or Financing Activities	647	-1,652
7. Increase (+) / decrease (-) in trade payables and other liabilities not included in		
Investment Activities or Financing Activities	-5,335	8,434
8. Cash from:		
Interest payments (+) / (-)	-2,362	-2,618
Taxes (+) / (-)	-350	-64
Extraordinary result (+) / (-)	0	5,113
Cash flow from operating activities	-2,828	11,124
 Investment activities Income from disposal of tangible assets Expenditure on investment in tangible assets Expenditure on investment in intangible assets Income from disposal of financial assets Income from disposal of financial assets Expenditure on investment in financial assets Expenditure on the acquisition of consolidated companies and other business units 	10 -106 -127 8 -4 0	16 -252 -85 8 0 -3,252
Cash flow from investment activities	-219	-3.565
 III. Financing activities Income from bond issues and (financial) loans Expenditure on capital repayments on outstanding bond issues and (financial) loans Reacquisition of forfeited rents receivable 	14,115 -7,789 -7,634	1,836 -7,174 0
Cash flow from financing activities	-1,308	-5,338
Change in liquid funds	-4,355	2,221
Funds at start of period Funds at end of period	5,704 1,349	3,483 5,704

Fixed Assets Schedule for the Consolidated Financial Statements

	Balance carried forward 01.01.2002 TEUR	d Additions TEUR	Transfers TEUR	Disposals TEUR	As of 31.12.2002 TEUR	
Fixed Assets						
I. Intangible assets 1. Licences, trade marks and patents, etc. as well as						
licences to such rights and assets 2. Goodwill from the	2,389.7	127.5	0.0	0.0	2,517.2	
consolidation of capital 3. Goodwill	7,939.2 233.0	0.0 0.0	233.0 -233.0	0.0 0.0	8,172.2 0.0	
	10,561.9	127.5	0.0	0.0	10,689.4	
II. Tangible assets						
 Land, rights similar to land, and buildings, including buildings on property owned by others Technical equipment and machinery Other againment office 	18,489.2 14.1	19.4 0.0	0.0 0.0	0.0 0.0	18,508.6 14.1	
3. Other equipment, office furniture and equipment	1,320.2	86.6	0.0	-32.6	1,374.2	
	19,823.5	106.0	0.0	-32.6	19,896.9	
III.Financial assets						
1. Other participating interest 2. Other loans	10.2 26.6	0.0 3.9	0.0 0.0	0.0 -7.7	10.2 22.8	
	36.8	3.9	0.0	-7.7	33.0	
	30,422.2	237.4	0.0	-40.3	30,619.3	

 Depreciation			 Net boo	ok value		
Balance carried forw 01.01.2002 TEUR	ard Additions TEUR	Transfers TEUR	Disposals TEUR	As of 31.12.2002 TEUR	As of 31.12.2002 TEUR	As of 31.12.2001 TEUR
1,275.0	238.3	0.0	0.0	1,513.3	1,003.9	1,114.7
3,170.0 233.0	462.2 0.0	233.0 -233.0	0.0 0.0	3,865.2 0.0	4,307.0 0.0	4,769.2 0.0
 4,678.0	700.5	0.0	0.0	5,378.5	 5,310.9	5,883.9
1,595.0 6.1	343.4 2.0	0.0 0.0	0.0 0.0	1,938.4 8.1	16,570.2 6.0	16,894.2 8.0
954.8	148.3	0.0	-20.8	1,082.3	291.9	365.4
 2,555.9	493.7	0.0	-20.8	3,028.8	 16,868.1	17,267.6
0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	10.2 22.8	10.2 26.6
 0.0	0.0	0.0	0.0	0.0	 33.0	36.8
 7,233.9	1,194.2	0.0	-20.8	8,407.3	 22,212.0	23,188.3

Statement of Changes to Shareholders' Equity

	Equity TEUR	Capital reserves TEUR	Earnings reserves TEUR	
Shareholders' equity as at December 31, 2000	7,700	10,225.8	1,372.6	
Adaptation to IAS - opening balance sheet			6,814.7	
Shareholders' equity as at January 1, 2001	7,700	10,225.8	8,187.3	
Transfer to earnings reserves from 2000 net income			20.7	
Shareholders' equity as at December 31, 2001	7,700	10,225.8	8,208.0	
Transfer to earnings reserves from 2001 net income			26.2	
Shareholders' equity as at December 31, 2002	7,700	10,225.8	8,234.2	

	Currency translatior Differences TEUR	Retained earnings TEUR	Net income TEUR	Total share- holders' equity TEUR
Shareholders' equity as at December 31, 2000	-1.6	-2,856.7	-16,273.2	166.9
Shareholders' equity as at January 1, 2001	- 1.6	-2,856.7	-16,273.2	6,981.6
Transfer to earnings reserves from 2000 net income			-20.7	
Transfer to retained earnings from 2000 net income		-16,293.9	16,293.9	
Excess January 1 to December 31, 2001			5,325.3	
Changes due to IAS adaptation/ consolidation effects		-58.9	-2,793.7	
Shareholders' equity as at December 31, 2001	- 1.6	-19,209.5	2,531.6	9,454.3
T				
Transfer to earnings reserves from 2001 net income			-26.2	
Transfer to retained earnings from 2001 net income		2,505.4	-2,505.4	
Excess January 1 to December 31, 2002			-418.6	
Changes due to consolidation effects		24.9		
Shareholders' equity as at December 31, 2002	- 1.6	-16,679.2	-418.6	9,060.6

Consolidated Notes

1. General information about the consolidated financial statements

1.1 Principles

The Brüder Mannesmann Aktiengesellschaft consolidated financial statements for the 2002 financial year were drawn up in line with the standards of the International Accounting Standards Committee (IASC) which were valid as at the balance sheet date and taking into account the interpretation of the Standing Interpretations Committee (SIC). The consolidated financial statements represent a true and fair assessment of the Group's net assets, financial and income position.

The previous year's figures were derived using the same principles. IAS 12 in particular was used for the consolidated financial statements up to December 31, 2001. Changes resulting from pension obligations being brought into line with IAS 19 are reflected for the first time in the current annual financial statements, on the basis of the value situation as at December 31, 2001.

The annual financial statements have been prepared in euros. The cost of production method was observed for the statement of earnings.

The conditions of Article 292a of the German Commercial Code on the exemption from the obligation to prepare annual financial statements in line with German commercial law have been fulfilled. The conditions are assessed on the basis of German Accounting Standard No. 1 (DRS 1) as issued by the German Standardisation Council. In order to achieve parity with consolidated financial statements prepared in line with German commercial law, all information and explanatory notes required in accordance with German commercial law and extending beyond the obligatory information to be provided in line with IAS are also published. The material differences to consolidated accounting in line with the German Commercial Code are as follows:

- Posting of deferred taxes under losses carried forward in line with IAS 12;
- Adjustment of pension obligations in line with IAS 19;
- Elimination of general bad debt charges on trade receivables in line with IAS 39.109 ff.

There are no further accounting and valuation changes, since it is not necessary to apply International Accounting Standards to facts of no consequence.

1.2 Scope of consolidation

There have been no changes to the Group's scope of consolidation against the previous year. In addition to the parent company Brüder Mannesmann Aktiengesellschaft, the consolidated financial statements include a total of eight domestic and one foreign subsidiaries.

The complete schedule of the Brüder Mannesmann Aktiengesellschaft Group's shareholdings has been entered in the Remscheid Commercial Register.

1.3 Consolidation principles

Capital consolidation was made by the book value method by offsetting the historical cost of the shares against the pro rata shareholders' equity of the subsidiaries at the time of acquisition.

Resulting differences on the assets side will be posted as goodwill from capital consolidation. These will be written down over 15 to 20 years in line with IAS 22.44.

Receivables and liabilities between companies included in the consolidated financial statements have been offset and interim results have been eliminated.

Revenue from Group-internal sales and other Group-internal income have been offset against the relevant expenditure in the consolidated statement of earnings.

1.4 Currency translation

All the companies included in the consolidated financial statements are based in the Eurozone. As such, currency translations are not an issue.

Currency translation differences resulting from the translation of the shareholders' equity of a subsidiary before January 1, 1999 have been offset against the earnings reserves without impacting income.

1.5 Accounting and valuation methods

Intangible assets acquired against payment – predominantly rights to the use of names and software – are valued at the historical cost and are subject to scheduled write-downs over their normal useful life.

Differences on the assets side resulting from capital consolidation are posted as goodwill from capital consolidation. These will be written down over 15 to 20 years in line with IAS 22.44.

Tangible assets are valued at historical cost/cost of manufacture less scheduled straight line depreciation.

The following useful lives generally apply to fixed assets:

- Intangible assets	3 to 20 years
- Land, rights similar to land,	
and buildings, including buildings on	
property owned by others	8 to 60 years
- Technical equipment and machinery	2 to 15 years
- Other equipment, office furniture	
and equipment	2 to 15 years

Consolidated Financial Statements

In previous years, unscheduled depreciation was applied if the utility value of the asset concerned fell below the book value, in line with IAS 36.

Financial assets are posted at historical cost.

Inventories are valued at historical cost using the lower of cost or market principle.

Receivables and other assets are valued at the nominal value or the lower carrying value at the balance sheet date.

Securities are valued at the lower carrying value at the balance sheet date.

Cash and deposits at commercial banks are calculated at their nominal amount.

Deferred taxes are determined for all temporary differences between the valuations on the tax accounts and the consolidated balance sheet. Deferred taxes are also to be included in losses carried forward. Deferments are made in the amount of the expected tax charge/tax charge relief for subsequent financial years on the basis of the applicable income tax rate at the time of realisation. Value adjustments are applied for deferred taxes on the assets side which are unlikely to be realised in the future. The actuarial assessment of accruals for pensions is based on IAS 19 on present cash-value expectations for performanceoriented pension commitments. Pensions existing on the balance sheet date and expectations which have been acquired, as well as expected future increases in salaries and pensions, are taken into account.

Deferred taxes are posted separately.

Other accruals are made in line with IAS 37 and thus take into account all discernible risks and undefined obligations. Accruals were made at levels commensurate with their anticipated occurrence.

Obligations have been calculated at redemption or settlement values.

Leasing commitments at the Brüder Mannesmann Group fall into the "Operating Lease" category. The leasing instalments paid are therefore immediately treated as expenditure.

2. Notes to the consolidated balance sheet

2.1 Intangible assets

Intangible assets of TEUR 5,311 include TEUR 4,307 for goodwill from capital consolidation.

Additions amounted to TEUR 128 in the 2002 financial year and write-downs to TEUR 701.

2.2 Tangible assets

Additions to tangible assets amounted to TEUR 106, and disposals at book value to TEUR 12. Accruals from depreciation amounted to TEUR 494 for the financial year.

Land and buildings which are owned by the Brüder Mannesmann Group but used by third parties are not posted as investment properties since they cannot be sold individually (IAS 40.8).

2.3 Financial assets

The reduction is due to the repayment of Other loans.

2.4 Inventories

The Brüder Mannesmann Group inventories, amounting to TEUR 15,982, consist exclusively of merchandise.

2.5 Receivables and other current assets

	16,141	15,595
(of which with a remaining life of more than one year)	(191)	(274)
Other current assets	1,711	2,190
Receivables from companies in which a participation existst	25	29
Trade receivables	14,405	13,376
	TEUR	TEUR
	2002	2001

In line with IAS 39.109, general bad debt charges on trade receivables are not taken into account. After accruals for expenditure on deferred taxes, the write-back of general bad debt charges during the financial year resulted in a TEUR 6.2 increase in consolidated net income.

Other current assets can be broken down as follows:

	2002	2001
	TEUR	TEUR
Complaint claims	813	813
Creditors and bonuses	440	386
Loan claims	288	392
Receivables from revenue offices	80	520
Other	90	79
Other current assets	1,711	2,190

2.6 Liquid funds

The company's liquid funds consist of cash, cheques and deposits with commercial banks.

2.7 Accrued and deferred taxes

Deferred taxes posted on the assets side consist largely of tax refund claims on losses carried forward (IAS 12). A tax rate of 40% has been used as a basis. Deferred taxes of TEUR 6,749 were transferred to the earnings reserves as per their status on January 1, 2001 in line with losses carried forward without impacting income, and were written back in line with the development of the net profit/loss for the year. The previous year saw deferred tax expenditure of TEUR 2,860 owing to devaluation of deferred tax claims.

In the year under review, deferred taxes on losses carried forward by two subsidiaries amounting to TEUR 592 were capitalised and posted as deferred tax income.

Furthermore, this item includes deferred taxes from the elimination of inter-Group profit and consolidation of debts.

Compared with annual financial statements prepared in line with German commercial law, deferred taxes in line with IAS result in a TEUR 592 increase in the consolidated profit/loss for the year.

2.8 Prepaid expenses

The amount posted is essentially the result of the financial restructuring of the land holdings of a subsidiary. In this context, forfeited rent payments have been repaid.

Fees incurred as a result of the repayment of previous financing are offset in line with IAS and written back over the life of the rental agreements in line with the declining-balance method (see also 2.15).

2.9 Share capital

A share capital contribution of TEUR 7,700 has been made and has been divided into 3,000,000 bearer shares of no par value. One share represents a EUR 2,57 equity share in the company. The Board of Management is entitled, until September 26, 2006 and with the agreement of the Supervisory Board, to increase share capital by up to TEUR 3,850 through the one-off or repeated issue of new bearer shares.

2.10 Capital reserve

This item also includes a premium of TEUR 10,226 from capital increases.

2.11 Other earnings reserves

Other earnings reserves, at TEUR 1,419, include pro rata profits reinvested in the companies which are included in the consolidated financial statements, provided these contributed to the Group at the time of affiliation. Differences arising from currency translations from the balance sheet for foreign companies before January 1, 1999 are included in this item.

Further, adaptations to IAS (TEUR 6,815) in the opening balance sheet as at January 1, 2001 were transferred to the earnings reserves without impacting income.

2.12 Net loss

The Group's net loss is derived from the statement of earnings.

Development of shareholders' equity is shown in the statement of changes to shareholders' equity.

2.13 Accruals

The company pension provided by the Brüder Mannesmann Group is essentially based on direct performance-oriented commitments.

Length of service and commitment-relevant remuneration area generally used as a basis for assessment.

Accruals for pensions are actuarially assessed for the first time on December 31, 2001 or January 1, 2002 using the unit credit method in line with IAS 19 (Employee Benefits) and taking into account future development. In line with IAS 19.155, deviations from the values stipulated by German commercial law will be spread over five years.

A standard discount rate of 6% was applied. Future annual salary increases have been set at 2% and pensions at 1.5%.

Changes to bring accruals for pensions into line with IAS were taken into account for the first time in the 2002 financial year.

Based on this premise, there are additional costs of TEUR 336,7 compared with annual financial statements prepared in line with the German Commercial Code.

These comprise estimated annual pension costs (Retirement Benefit Cost) of TEUR 240,9 (of which TEUR 154.7 interest) and the difference between IAS and German Commercial Code initial values. This amounts to TEUR 95.8 for the financial year. The distribution of this differential amount over five years means that the additional amount of TEUR 383 was not taken into account in 2002 (IAS 19.155 b (ii)).

There was no need to take actuarial profits and losses into account.

The following amounts were shown in the statement of earnings:

	TEUR
Pension costs (of which interest TEUR 154.7)	240.9
1/5 of the additional amount in line with IAS	95.8
	336.7

Please refer to the accruals schedule for details of changes to accruals.

Consolidated Financial Statements

Accruals schedule in line with IAS 37.84	
Accrudis schedule in line with IAS 57.04	

	Initial inventory	Use in	Write-back in	Transfer in	Final inventory
	as at 01.01 2002	financial year	financial year	financial year	as at 31.12.2002
	TEUR	TEUR	TEUR	TEUR	TEUR
Accruals for pensions and similar obligations	2,412.1	0.0	-13.6	496.1	2,894.6
Accrued taxes	59.7	-38.2	-0.7	256.0	276.8
Accruals for deferred taxes	95.1	0.0	0.0	4.1	99.2
Accrued taxes	154.8	-38.2	-0.7	260.1	376.0
Accruals for guarantee assurances	93.8	-8.7	-22.4	0.0	62.7
Accruals for bonuses, including personnel costs	376.5	-365.8	-9.5	308.4	309.6
Accruals for other undefined obligations	358.9	-260.3	-43.4	261.5	316.7
Other accruals	829.2	-634.8	-75.3	569.9	689.0
Total accruals	3,396.1	-673.0	-89.6	1,326.1	3,959.6

Liabilities schedule as at December 31, 2002						
	Of which with a remaining life of					
	Total amount	Up to 1 year	1 -5 years	More than 5 years	Secured amounts	Type of security
		TEUR	TEUR	TEUR	TEUR	TEUR
Amounts due to banks	32,656.6	16,908.3	1,709.3	14,039.0	31,601.3	Land charges, assignment of
Advance payments received	40.4	40.4	0.00	0.00	0.00	receivables, assignment of tangible assets
Trade payables	9,694.7	9,694.7	0.00	0.00	2,638.3	and goods as collateral
Notes payable	889.2	889.2	0.00	0.00	889.2	
Other liabilities - of which taxes TEUR 689 (previous year: TEUR 480) - of which in respect of social security TEUR 153 (previous year: TEUR 147)	4,592.0	3,562.9	535.5	493.6	302.5	
	47,872.9	31,095.5	2,244.8	14,532.6	35,431.3	

2.14 Liabilities

Type of liability	Remaining life	Interest rates	Average interest	Market value	Nominal value
				TEUR	TEUR
				as at 31.12.2002	as at 31.12.2002
Amounts due to banks	up to 25 years	5.6% to 9.625%	9.25%	32,656.6	32,656.6
Bills payable	up to 1 year	-	-	889.2	889.2

Other liabilities include the following key items:

	2002	2001
	TEUR	TEUR
Loan commitments to former subsidiaries	1,997	2,047
Pension obligations	1,182	1,214
Amounts due to revenue offices	689	480
Amounts due to creditors	273	414
Amounts due in commissions	238	302
Other	213	262
	4,592	4,719

2.15 Deferred income

Deferred income includes rents of TEUR 6,825 forfeited in the previous year. This item has been written back due to the restructuring of property financing during the year under review.

Consolidated Financial Statements

3. Notes to the consolidated statement of earnings

3.1 Sales

Please refer to the segment reporting section (5) for a breakdown of sales by division and region.

3.2 Other operating income

Other operating income includes the following items:

	2002	2001
	TEUR	TEUR
Income from exchange gains	832.2	1,651.0
Income from debt waivers	766.9	0.0
Income from damage	171.0	29.2
Income from car use	100.0	86.4
Other	576.6	471.9
	2,446.7	2,238.5

3.3 Other operating expenses

	2002	2001
	TEUR	TEUR
Sales costs	3,227.9	2,860.6
Repayment of forfeited rents	1,209.7	0.0
Travel, entertainment and representation costs	1,104.3	908.9
Insurance and telecommunications costs	779.1	686.4
Rental and leasing costs	519.4	581.1
Bought services, consultancy, legal protection	487.8	473.5
Exchange losses	469.6	1,273.0
Pension obligations	129.1	133.0
Other	1,889.1	1,928.7
	9,816.0	8,845.2

3.4 Financial result

	2002	2001
	TEUR	TEUR
Income from equity holdings	1.6	43.4
Other interest and similar income	56.4	64.2
Interest and similar expenses	-2,418.5	-2,682.4
	-2,360.5	-2,574.8

3.5 Taxes on income

This item consists of the following:

	2002	2001
	TEUR	TEUR
Actual tax expenditure, domestic	353.4	53.7
Actual tax expenditure, foreign	-3.8	10.9
(of which outside the period under review)	(-2.6)	(22.8)
Deferred tax expenditure	33.6	2,933.7
Deferred tax income	596.2	29.5
	-213.0	2,968.8

Earnings for the period under review in line with IAS were TEUR -1,398, leading to an anticipated tax expenditure of TEUR o. Actual income tax expenditure is from two subsidiaries with positive earnings which could not be offset against consolidated losses.

3.6 Earnings per share

In line with IAS 33, undiluted earnings per share are calculated by dividing Group earnings for the period under review (including tax expenditure and extraordinary earnings) by the weighted number of bearer shares in issue during the financial year. Since Brüder Mannesmann Aktiengesellschaft has not issued any diluted potential bearer shares, the diluted and undiluted earnings are the same.

	2002	2001
Weighted average number of shares (undiluted)	3,000,000	3,000,000
Earnings for the period under review in TEUR	-419	2.532
Undiluted earnings per share (EUR)	-0.14	0.84

4. Other details

4.1 Cash flow statement

The cash flow statement was prepared in line with IAS 7 using the indirect method. The previous year's figures were adjusted in line with IAS.

Funds consist of cash, cheques and deposits with commercial banks.

4.2 Contingent liabilities

	2002	2001
	TEUR	TEUR
Guarantees	3,323	3,323
Bills payable	290	216

4.3 Other financial obligations

	2002	2001
	TEUR	TEUR
Total leasing instalments due in up to one year	368	314
Total leasing instalments due in 1 to 5 years	275	275
Total leasing instalments due in more than 5 years	1	16

4.4 Personnel costs and employees

An average of 147.5 employees worked for the Brüder Mannesmann Group in the 2002 financial year (previous year: 134.5). Part-time employees were factored into this figure based on an economic concept.

	2002	2001
Industrial employees	30.0	29.5
Salaried employees	117.5	105.0
	147.5	134.5
Trainees	4.0	4.0

Pension costs for the year under review were TEUR 610.

Consolidated Financial Statements

5. Segment reporting

In line with the specifications of IAS 14 (Segment Reporting), individual data items from the annual financial statements are to be shown broken down into the tools, valves and land holdings business areas.

The segment reporting breakdown corresponds to the internal reporting structure.

Transactions between segments took place under standard market conditions.

Segment reporting

	Tools*	Valves	Land holdings	Tools*	Valves	Land holdings
	31.12.2002	31.12.2002	31.12.2002	31.12.2001	31.12.2001	31.12.2001
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Sales	54,749.0	23,779.0	932.0	55,203.9	20,317.6	1,087.2
Domestic	27,620.6	23,333.5	932.0	29,457.1	19,384.9	1,087.2
Foreign	27,128.4	445.5	0.0	25,746.8	932.7	0.0
Segment earnings	-539.3	120.7	0.0	2,438.8	92.8	0.0
Segment assets	33,898.0	7,119.6	14,535.6	39,786.3	6,428.9	15,420.4
Segment debts	11,436.0	4,314.2	363.7	17,279.0	3,164.2	422.2
Investment in fixed assets	191.2	46.2	0.0	1,937.4	31.9	2.8
Depreciation	-794.0	-118.0	-282.2	-1,707.4	-62.9	-305.4
Average annual employees (excluding trainees)	90.5	57.0	0.0	81.5	53.0	0.0

* In addition to the tools division, the tools segment also incorporates Brüder Mannesmann AG including depreciation on goodwill and profit transfer from the land holdings division as part of the profit transfer agreement.

6. Other information

The Board of Management of the parent company is as follows:

- Mr. Jürgen Schafstein

Spokesperson for the Board of Management Businessman

Board of Management of Deutsche Armaturen AG, Remscheid

Chairman of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Bernd Schafstein

Businessman Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

- Mr. Frank Schafstein

Businessman Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

The Supervisory Board of the parent company is as follows:

- Mr. Reinhard C. Mannesmann

Chairperson

Businessman

Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mrs. Nicole Coen

Banker

Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Michael Nagel

Businessman Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

Board of Management earnings for the year under review amounted to TEUR 1,133.5 and Supervisory Board remuneration amounted to TEUR 27.

Members of the Board of Management and the Supervisory Board hold the following shares:

Board of Management607,000 sharesSupervisory Board334,000 shares

A declaration in line with Article 161 of the German Companies Act [AktG] has been submitted and made available to shareholders.

Remscheid, April 2003 Brüder Mannesmann Aktiengesellschaft, Board of Management

1/4. year

Bernd Schafstein

Frank Schafstein

Jürgen Schafstein

Consolidated Financial Statements

7. List of shareholdings

Fully consolidated subsidiaries	%
Brüder Mannesmann Werkzeuge GmbH & Co. KG, Remscheid	100
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100
Brüder Mannesmann Nederland B.V., Doetinchem/Niederlande	100
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100
CoCaCo Trading GmbH, Remscheid	100
Fernando Esser & Cia. GmbH, Remscheid	100
Schwietzke Armaturen GmbH, Bottrop	100
CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100
Corneta Export GmbH, Remscheid	100

Financial Statements

Balance Sheet

ASSETS

	31.12 EUR	2.2002 EUR	31.12.2001 TEUR
A. FIXED ASSETS			
I. Intangible assets			
Licences, trade marks and patents, etc., as well as licences to such rights and assets	847,301.00		924
II. Tangible assets			
Office furniture and equipment	8,205.00		3
III. Financial assets			
Shares in group companies	11,725,472.61	12,580,978.61	<u>12,060</u> 12,987
B. CURRENT ASSETS			
 Receivables and other current assets Amounts due from group companies Other current assets 	130,289.94 39,417.71		2,211 81
II. Securities		169,707.65	2,292
Shares in group companies		0.51	0
III. Cash, deposits with commercial banks		1,911.90	47
C. PREPAID EXPENSES		0.00	5
		12,752,598.67	15,331

LIABILITIES

	31.12 EUR	2.2002 EUR	31.12.2001 TEUR
A. SHAREHOLDERS' EQUITY			
I. Share capital	7,700,000.00		7,700
II. Capital reserve	10,225,837.63		10,226
III. Earnings reserves Other earnings reserves	1,247,242.83		1,247
IV. Net loss/profit	-10,296,084.21	8,876,996.25	-7,914 11,259
B. ACCRUALS			
Other accruals		121,800.00	133
C. LIABILITIES			
 Amounts due to banks Trade payables Amounts due to group companies Other liabilities 	544,541.86 50,500.03 1,131,292.06 2,027,468.47		525 156 1,163 2,095
thereof taxes EUR 23,762.14 (December 31, 2001 EUR 0.00) thereof in respect of social security EUR 6,677.72 (December 31, 2001 EUR 0.00)		3,753,802.42	3,939
		12,752,598.67	15,331

Financial Statements

Statement of Earnings

January 1, 2002 to December 31, 2002

		20 EUR	EUR	2001 TEUR
1.	Sales		946,800.00	945
2.	Other operating income		1,014,164.20	130
3.	Personnel costs a)Wages and salaries b)Social security costs	723,847.92 29,718.87	753,566.79	450 12
4.	Depreciation, amortisation and special provisions on intangible and tangible assets		80,881.59	74
5.	Other operating expenses		1,796,715.70	803
6.	Income from profit transfer agreements and partial profit transfer agreements		0,00	1,182
7.	Expenditure from losses assumed		1,314,261.27	0
8.	Other interest and similar income		46.02	0
9.	Write-down of financial assets and of securities included in current assets		334,822.56	1,097
10.	Interest and similar expenses		62,304.30	574
11.	Results of ordinary operations		-2,381,541.99	-753
12.	Extraordinary income	0.00		5,113
13.	Extraordinary expense	0.00		0
14.	Extraordinary, net		0.00	5,113
15.	Taxes on income		0.00	-1
16.	Other taxes		415.17	1
17.	Net income / loss of the year (-)		-2,381,957.16	4,360
18.	Loss carried forward		-7,914,127.05	-12,274
19.	Net loss		-10,296,084.21	-7,914

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31, 2002

Development of fixed assets as per December 31, 2002								
	Historic cost of acquisition							
	As of	Additions	Reclassifications	Disposals	As of			
	01.01.2002			.1	31.12.2002			
	01.01.2002				51.12.2002			
	EUR	EUR	EUR	EUR	EUR			
I. Intangible assets								
Licences, industrial property rights								
and similar rights and assets, as well as								
licences to such rights	1,632,270.12	0.00	0.00	0.00	1,632,270.12			
II. Tangible assets								
Fixtures and fittings	10,926.03	9,624.53	0.00	0.00	20,550.56			
incures and inclugs	10,520105	5,62 1155				••••••		
III. Financial assets								
Shares in group companies	13,390,402.59	0.00	0.00	0.00	13,390,402.59			
Total	15,033,598.74	9,624.53	0.00	0.00	15,043,223.27			

Schedule of liabilities as at December 31, 2002

Type of liability	Balance s 2002 TEUR	heet value 2001 TEUR		naining term one year 2001 TEUR	
Amounts due to banks	545	525	545	525	
Trade liabilities	51	156	51	156	
Amounts due to group companies	1,131	1,163	339	370	
Other liabilities	2,027	2,095	2,027	2,095	
	3,754	3,939	2,962	3,146	

Depreciations							values
As of 01.01.2002	Additions	Reclassifications	Disposals	As of 31.12.2002		As of 31.12.2002	As of 31.12.2001
EUR	EUR	EUR	EUR	EUR		EUR	EUR
 708,824.32	76,144.80	0.00	0.00	784,969.12	•••••	847,301.00	923,445.80
 7,608.77	4,736.79	0.00	0.00	12,345.56		8,205.00	3,317.26
 1,330,107.42	334,822.56	0.00	0.00	1,664,929.98		11,725,472.61	12,060,295.17
2,046,540.51	415,704.15	0.00	0.00	2,462,244.66		12,580,978.61	12,987,058.23

one to five years			more than five years		ollateralised	Type of collateral	
2002 TEUR	2001 TEUR	2002 TEUR	2001 TEUR	2002 TEUR	2001 TEUR		
0	0	0	0	0	0		-
0	0	0	0	0	0		-
298	289	494	504	0	0		-
0	0	0	0	0	0		-
298	289	494	504	0	0		

Notes for the 2002 Financial Year

A. General information about the annual financial statements

1. Statutory bases

The annual financial statements as per December 31, 2002 were prepared in accordance with the regulations of the German Commercial Code and German Companies Act [Aktiengesetz].

The cost of production method in line with Article 275 paragraph 2 of the German Commercial Code was applied to the presentation of the profit and loss account.

2. Share capital

The share capital totals EUR 7,700,000.00 and is divided into 3,000,000 bearer shares.

3. Authorised capital

The Board of Management is entitled, until September 26, 2006 and with the agreement of the Supervisory Board, to increase share capital by up to EUR 3,850,000.00 through the one-off or repeated issue of new bearer shares in return for cash deposits and non-cash deposits.

4. Currency translation

Receivables and payables of Brüder Mannesmann Aktiengesellschaft as per the balance sheet date were solely in euro, which means that there are no currency translations.

B. Notes on the accounting and valuation methods

1. Accounting and valuation methods

Intangible assets are posted on the balance sheet at historical cost, reduced by scheduled and unscheduled write-downs to the lower carrying value. Rights to the use of names posted under this are amortised over a useful life of 15 years.

Tangible assets are reported at historical cost, reduced by scheduled linear depreciation, according to their normal useful life.

The full depreciation rate has been applied in the case of movable fixed assets added in the first half of the financial year, while half the annual rate has been applied for additions made in the second half of the year. Minor-value assets with a historical cost or cost of manufacture of up to and including EUR 410.00 are written down in full in the year of acquisition.

Financial assets are valued at historical cost. Participations were written down to the value applicable on the balance sheet date.

The development of fixed assets is shown in the appendix to the Notes.

Receivables and other assets are reported at nominal value.

Accruals take into account all identifiable risks and undefined obligations. They were formed on the basis of a sensible commercial assessment.

Liabilities were reported with the repayment amounts, pension obligations at the actuarial cash value as per the balance sheet date.

2. Information on the balance sheet

The details of shareholdings have been summarised in a separate schedule belonging to these Notes, as defined in Article 287 of the German Commercial Code, and filed at Remscheid District Court.

The amounts due from group companies are derived from profit transfer agreements, trade (group contribution), group eligibility for sales tax, interest, costs and profit-sharing claims reduced by further negative impacts.

Other assets comprise tax refund claims of EUR 25,645.62 and other receivables of EUR 13,772.09.

Please refer to part A sections 2 and 3 for shareholders' equity.

The balance sheet was prepared in line with the proposed appropriation of the net result. The net loss posted comprises the net loss for 2002 of EUR 2,381,957.16 and the loss carryforward of EUR -7,914,127.05.

The net loss for the previous year was carried forward in full.

Other accruals relate to the expected costs for the mandatory audits set out in the commercial code, as well as to claims to residual paid leave and contributions to accident insurance.

Amounts due to group companies comprise settlement accounts with subsidiaries.

Other liabilities largely comprise obligations from the payment of social security and tax on wages.

Please refer to the liabilities schedule for the remaining term and collaterals of liabilities.

Other financial obligations consist of rental and leasing agreements totalling TEUR 85.

Financial Statements

C. Contingent liabilities

As per the balance sheet date, there were liabilities from guarantees and joint and several liability of TEUR 10,502, TEUR 7,179 in favour of group companies and TEUR 3,323 in favour of external companies.

D. Notes to the profit and loss account

1. Sales

Sales primarily relate to group contributions to group companies, EUR 62,400 of which to a foreign group company.

2. Other income

The income largely relates to further negative impacts on the costs of group companies and the income from the transfer of the rights to use a name. In addition, this item contains income from the waiver of a debt by a former subsidiary.

3. Expenditure on assumption of losses

This item relates to the losses of a group company assumed in 2002 as part of a profit transfer agreement.

4. Interest and other expenditure

This item contains interest to group companies of EUR 7,228.10.

E. Other information

In addition to the Board of Management, the company employed an average of a further four persons during the financial year. Management is performed by the Board of Management.

The company is the parent company for the purposes of the consolidated financial statements. The consolidated financial statements are published in the Federal Official Gazette and submitted to the Remscheid Commercial Register under the number HRB 1927.

F. Executive bodies

The Board of Management consists of the following persons:

- Mr. Jürgen Schafstein

Spokesperson for the Board of Management Businessman

Board of Management of Deutsche Armaturen AG, Remscheid

Chairman of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Bernd Schafstein

Businessman

Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

- Mr. Frank Schafstein

Businessman

Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

The Supervisory Board consists of the following persons:

- Mr. Reinhard C. Mannesmann

Chairperson

Businessman

Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mrs. Nicole Coen

Banker

Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Michael Nagel

Businessman Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

The members of the Board of Management received salaries of TEUR 592 from the company in the year under review. Expenditure for remuneration of the Supervisory Board totalled TEUR 27. Members of the Board of Management and the Supervisory Board hold the following shares:

Board of Management Supervisory Board

607,000 shares 334,000 shares

A declaration in line with Article 161 of the German Companies Act [AktG] has been submitted and made available to shareholders.

G. Appropriation of profits

The Board of Management and Supervisory Board propose to carry forward the net loss posted for the 2002 financial year of EUR 10,296,084.21.

Remscheid, April 2003 Brüder Mannesmann Aktiengesellschaft, Board of Management

Bernd Schafstein

M # -

Frank Schafstein