

nine months' statement

2002

Brüder Mannesmann Aktiengesellschaft

Remscheid



Brüder Mannesmann AG is a trading group with two orientations – the worldwide trading in tools and the trading in pipe fittings for industrial applications.

The tools trading headquarters are located in Remscheid. The international business relationships of the tools segment have been coordinated and maintained from here for more than 25 years. Many of the flows of goods converge in the company's large high-bay store, where the goods are picked and batched to fulfil customer orders. Various speciality ranges are manufactured by qualified external companies under the “Brüder Mannesmann” brand in line with our design and quality specifications. The sales and product range has a high quality standard with TÜV/GS and DIN-ISO certification. Some products such as the hand tools from the “Green Line” product line even have a 10-year warranty. In addition to hand tools, a large range of electric tools is offered such as the “Center Line”, a high-quality range of electric tools. A leading market position is held in some product lines. With a total of some 8,000 products, Brüder Mannesmann AG's tools range is one of the largest in Europe.

The pipe fittings trading is represented by Schwietzke Armaturen GmbH in Bottrop. Intensive business relationships are fostered under the slogan “The independent trading house with distinct advisory competence for industrial applications”. With its own know-how in process technology, the company is a manufacturer-independent partner of industrial customers and the plant engineering sector. A sophisticated stock logistics supports this technological concept. The regional focus is in Germany, whereby international experience in the project business with well-known plant engineering companies is also important. Schwietzke offers a large range of pipe fittings for industrial applications which complies with DVGW and other important industrial standards.

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the first three quarters of the financial year 2002 have been prepared in accordance with those standards of the International Accounting Standards Committee (IASC) required to be applied as of the balance sheet date and with due regard to the interpretation of the Standing Interpretation Committee.

Turnover

The group's turnover was 59.8 million EUR (57.5 million EUR) as at 30th September 2002, an increase of 3.9 percent compared to the same period of the preceding year.

The group's turnover split remained almost unchanged with a domestic share of 64 percent and a foreign share of 36 percent.

As expected, the tools trading segment could not continue the growth rate of the previous quarters because of the extremely difficult economic conditions. With a turnover of 41.5 million EUR (41.8 million EUR) during the first three quarters of 2002, a more or less constant proportion could be achieved. Against the backdrop of two-digit turnover slumps in the sector, this is a proof of our good positioning. The share in the group's turnover amounted to 70 percent compared to 74 percent during the first three quarters of the preceding year. Domestic sales accounted for 49 percent of sales and export for 51 percent.

With a turnover increase of 18.2 percent to 17.7 million EUR (14.9 million EUR) during the first three quarters of 2002, the pipe fittings segment showed a continued very dynamic development. The segment accounted for 30 percent of the group's turnover. The regional split shows an unchanged domestic share of 98 percent and an export share of 2 percent.

Net profit and cash flow

The group's net result for the period under review (net profit) as per the German Commercial Code was 0.15 EUR per share for the first three quarters of the financial year 2002. According to IAS, the corresponding value is -0.02 EUR per share which is mainly due to the effects of the depreciation of deferred taxes.

The result from ordinary operations for the third quarter of 2002 was 107.8 thousand EUR. The result from the ordinary operations as at 30th September 2002 attained 312.2 thousand EUR. The cash flow from operating activities amounted to -1.70 EUR per share for the first three quarters of 2002.

Investments

During the third quarter of 2002, minor investments were again made for the product range expansion, the customer service and the improvement of the stock logistics.

Order situation

The orders on hand in tools trading could be maintained at a high level during the third quarter. The new orders received level reduced only slightly which, in comparison to the sector environment where partly two-digit slumps were noticed, provides evidence of the good positioning.

The pipe fittings segment shows a continued stabilisation at a demanding level. The order situation is currently good.

Employees

An average of 139.5 employees worked for the group during the third quarter of 2002.

Consolidated balance sheet

ASSETS

		30.09.2002	31.12.2001
	Notes	EUR	EUR
I. Intangible assets	2.1	5,446,850.54	5,883,836.36
II. Tangible assets	2.2	16,991,955.36	17,267,656.76
III. Financial assets	2.3	29,350.08	36,837.33
FIXED ASSETS		22,468,155.98	23,188,330.45
I. Inventories	2.4	17,289,859.25	17,705,781.49
II. Accounts receivable and other assets	2.5	16,501,870.13	15,356,948.67
III. Marketable securities		0.51	0.51
IV. Checks, cash on hand and cash in banks	2.6	1,044,569.97	5,703,727.48
CURRENT ASSETS		34,836,299.86	38,766,458.15
DEFERRED CHARGES AND PREPAID EXPENSES		33,271.18	45,288.95
DEFERRED TAXATION	2.7	3,620,739.59	3,931,100.77
		60,958,466.61	65,931,178.32

LIABILITIES

		30.09.2002	31.12.2001
	Notes	EUR	EUR
I. Subscribed capital	2.8	7,700,000.00	7,700,000.00
II. Capital reserve	2.9	10,225,837.63	10,225,837.63
III. Other earned surplus	2.10	8,129,209.39	8,103,026.39
IV. Balance sheet loss	2.11	-16,823,187.98	-16,706,270.07
SHAREHOLDER'S EQUITY		9,231,859.04	9,322,593.95
1. Pension reserves		2,623,380.03	2,412,127.10
2. Accrued taxes		17,035.73	59,745.99
3. Other reserves and accrued liabilities		1,372,234.70	829,234.84
ACCRUALS	2.12	4,012,650.46	3,301,107.93
1. Due to banks		26,919,521.40	26,331,275.44
2. Accounts payable for goods and services		8,569,581.01	14,622,637.18
3. Other liabilities		5,759,409.94	5,528,980.44
LIABILITIES	2.13	41,248,512.35	46,482,893.06
ACCRUALS AND DEFERRED INCOME	2.14	6,465,444.76	6,824,583.38
		60,958,466.61	65,931,178.32

Consolidated profit and loss statement

January 1, 2002 to September 30, 2002

		01.01.–30.09. 2002	01.07.–30.09. 2002	01.01.–30.09. 2001	01.07.–30.09. 2001
	notes	EUR	EUR	EUR	EUR
1. Sales	3	59,810,123.24	20,684,513.95	57,545,650.71	21,533,724.33
2. Other operating income		978,187.60	381,770.86	1,911,915.64	835,098.09
3. Cost of materials	3	-45,103,639.29	-15,940,308.38	-42,889,599.84	-16,255,135.94
4. Staff costs		-6,392,280.72	-2,124,806.92	-5,233,649.12	-1,785,909.43
5. Depreciation on tangible and intangible assets	3	-875,842.43	-290,633.07	-965,376.44	-363,175.31
6. Other operating expenses		-6,406,700.83	-2,018,528.67	-6,956,505.64	-2,637,043.80
7. Other interest and similar income		9,759.56	2,977.64	99,652.86	22,980.24
8. Interest and similar expenses		-1,707,433.66	-587,195.28	-1,924,481.83	-641,389.38
9. Result from ordinary operations		312,173.47	107,790.13	1,587,606.34	709,148.80
10. Taxes on income and revenues		-334,826.29	-113,000.02	-767,655.62	87,504.93
11. Other taxes		-28,002.01	-9,400.51	-26,453.73	-8,870.84
12. Group net profit / net loss		-50,654.83	-14,610.40	793,496.99	787,782.89
13. During equity consolidation netted profit for the year		0.00	0.00	-121,395.69	0.00
14. Group net profit / net loss of the period		-50,654.83	-14,610.40	672,101.30	787,782.89
15. Group profit / loss carried forward		-16,772,533.15	-16,772,533.15	-19,273,924.40	-19,273,924.40
16. Balance sheet loss		-16,823,187.98	-16,787,143.55	-18,601,823.10	-18,486,141.51

Consolidated Statement of Cash Flows

	30.09.2002	30.09.2001
	000s EUR	000s EUR
I. Operating activities		
1. Profit/loss for the period before cash-effective interest paid, interest received, profits tax and extraordinary profit/loss	1,982	3,288
2. Depreciation (+) / Revaluation gains (-) on fixed assets	876	965
3. Increase (+) / decrease (-) in provisions and accrued liabilities	711	883
4. Other non-cash expenses/income	-38	-132
5. Profits (-) / losses (+) on disposal of fixed assets	1	24
6. Increase (-) / Decrease (+) in inventories, accounts receivable from trading and other assets from operating activities	-406	-5,191
7. Increase (+) / decrease (-) in trade accounts payable and other liabilities from operating activities	-6,182	5,149
8. Cash items from:		
payment of interest (+) / (-)	-1,698	-1,848
tax (+) / (-)	-335	-767
extraordinary profit/loss (+) / (-)	0	0
Cash flow from operating activities	-5,089	2,371
II. Investing activities		
1. Proceeds from the sale of property, plant and equipment	9	6
2. Payment for investments in property, plant and equipment	-83	-477
3. Proceeds from the disposal of intangible assets	0	0
4. Payment for investments in intangible assets	-91	-7
5. Proceeds from the disposal of financial assets	7	0
6. Payment for investments in financial assets	0	-1,534
7. Additions to shares in affiliated companies	0	-117
Cash flow from investing activities	-158	-2,129
III. Financing activities		
1. Profit distribution	0	0
2. Change in liabilities due to banks and other liabilities	588	305
Cash flow from financing activities	588	305
Change in cash and cash equivalents	-4,659	547
Cash holding at beginning of period	5,704	3,483
Cash holding at end of period	1,045	4,030

Notes to the consolidated financial statements

1. General information on the consolidated financial statements

1.1 Accounting standards

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the first nine months of the financial year 2002 have been prepared for the first time in accordance with those standards of the International Accounting Standards Committee (IASC) required to be applied as of the balance sheet date and with due regard to the interpretation of the Standing Interpretation Committee (SIC).

As a result, there are decisive differences from the group accounting as per the German Commercial Code (HGB) in the following items:

- Reporting of deferred tax assets relating to the carry-forward of unused tax losses as per IAS 12
- Adjustment of pension liabilities as per IAS 19

Apart from these items, there are no further accounting and valuation changes because the International Accounting Standards do not need to be applied to irrelevant facts.

The following explanations predominantly relate to major changes as of 30.09.2002. We refer to the notes to the financial statements for the year ended 31.12.2001 and the quarterly reports as of 31.03.2002 and 30.06.2002 for any explanatory comments not presented here (IAS 34.15).

1.2 Companies included in the consolidation

The companies included in the consolidation did not change during the first nine months of the financial year 2002. In addition to the Brüder Mannesmann Aktiengesellschaft as parent company, a total of eight domestic companies and one foreign company were included in the consolidated financial statements.

A complete listing of the shareholdings of the Brüder Mannesmann Aktiengesellschaft group was deposited with the Remscheid Commercial Register.

1.3 Consolidation methods

The consolidation of equity was performed using the book value method whereby the historical cost of the investment was offset against the proportionate share of the book values of the equity of the subsidiaries at the date of acquisition respectively the first inclusion in the consolidated financial statements.

Any remaining asset balance is shown as goodwill from the consolidation of equity. Such is amortised over 4 to 20 years in accordance with IAS 22.

Accounts receivable and liabilities between the companies included in the consolidated financial statements have been offset, intra-group profits have been eliminated.

Revenues from internal sales and other group-internal profits have been offset with the corresponding expenses in the consolidated income statement.

1.4 Currency conversion

Currency conversions are inapplicable this year because all the companies included in the consolidated financial statements are domiciled in the Euro zone.

The currency differences resulting from the conversion of the shareholders' equity prior to 01.01.1999 were offset directly against earnings reserves without effect on income.

1.5 Values for the previous year

The values for the previous year have been adapted to the current IAS rules. Changes due to pension surveys as per IAS 19 have been included in the current financial statements only.

1.6 Accounting and valuation principles

The intangible assets of the fixed assets and property, plant and equipment are valued at the historical purchase/manufacturing costs less accumulated scheduled straight-line depreciation in accordance with the operating life expectancy.

The financial assets are valued at cost.

Inventories are also valued at cost.

Marketable securities were valued at the lower applicable reporting-date value.

Cash on hand and in banks is reported at the nominal value.

The deferred tax assets include, amongst other items, tax on loss carryforwards.

The provisions and accrued liabilities take account of all recognizable risks and contingencies. They were reported at the permitted value and their probable time of occurrence.

Liabilities were reported at the amounts to be repaid.

2. Notes to the consolidated balance sheet

2.1 Intangible assets

The intangible assets amounting to 5,447,000 EUR include 4,423,000 EUR for goodwill resulting from the consolidation of equity.

The additions during the first nine months amounted to 90,000 EUR and depreciation during this period amounted to 527,000 EUR.

2.2 Property, plant and equipment

The additions to property, plant and equipment amounted to 82,000 EUR, the disposals at book value amounted to 9,000 EUR. The depreciation for the first nine months of 2002 amounted to 348,000 EUR .

The land owned by the Brüder Mannesmann group and not used by the group itself but by third parties is not stated under Investment Properties because it cannot be sold separately.

2.3 Financial assets

The insignificant reduction in financial assets is due to the repayment of Other Loans.

2.4 Inventories

The inventories of the Brüder Mannesmann group amounting to 17,290,000 EUR comprise exclusively of merchandise.

2.5 Accounts receivable and other assets

Accounts receivable and other assets	Total	Thereof with a residual term of more than one year
	'000 EUR	'000 EUR
Accounts receivable from trading	14,924.1	-
Receivables from enterprises in which participating interests are held	25.4	-
Other assets	1,552.4	298.5
	16,501.9	298.5

The other assets include suppliers/creditors with debit balances amounting to 859,000 EUR and account receivables due from Inland Revenue amounting to 115,000 EUR.

2.6 Liquid assets

The liquid assets of the company comprise of cash in hand, cheques and cash in banks.

2.7 Deferred taxes

The reported deferred tax assets include tax credits for losses carried forward as per IAS 12. A tax rate of 40 % was applied. The deferred taxes amounting to 6,711,000 EUR were booked against earnings reserves at the time the loss carryforwards occurred on 01.01.2001 without an effect on income and released in accordance with the development of the annual net profits with an effect on income. So far, an amount of 2,812,000 EUR was released in 2001 and an amount of 318,000 EUR was released during the first nine months of 2002. The group's net profit reduced by 318,000 EUR because of this IAS-relevant entry in comparison with financial statements prepared as per the German Commercial Code.

Furthermore, taxes from the intra-group profit elimination and debt consolidation are included.

2.8 Subscribed capital

The subscribed capital amounting to 7,700,000 EUR is fully paid in and is divided into 3,000,000 individual bearer shares. The Board of Directors is authorized to increase the share capital by up to 3,850,000 Euro by 26th September 2006 with the approval of the Supervisory Board through a one-off or repeated issue of new bearer shares.

2.9 Capital surplus

This item covers the premium from the capital increase amounting to 10,226,000 EUR

2.10 Other earnings reserves

The other earnings reserves include the pro-rata retained earnings of the companies included in the consolidated financial statements to the extent they were earned during the affiliation to the group. The differences resulting from the currency conversion of the balance sheet of the foreign company prior to 01.01.1999 were offset under this line item.

Furthermore, deferred tax assets for loss carryforwards amounting to 6,711,000 EUR were booked against this line item as of 01.01.2001 without affecting income.

2.11 Accumulated deficit

The group's accumulated deficit ensues from the reported derivation of the income statement.

2.12 Provisions and accrued liabilities

The company pension scheme of the Brüder Mannesmann group is essentially based on direct, performance-oriented pension commitments.

The length of service with the company and the pension-relevant remuneration package are usually decisive as pension assessment basis.

The pension provisions have been actuarially valued for the first time as of 01.01.2002 using the Project unit credit method as per IAS 19 (Employee Benefits) taking into account the future development. The resulting difference is spread over 5 years as per IAS 19.155.

A standard discounting rate of 6 % was applied. The future annual salary increases were estimated at 2 % and the future annual pension increases were estimated at 1.5 %.

The changes in the pension provisions resulting from the IAS have first been accounted for in the financial statements for the quarter ended March 2002.

Due to the change-over to the IAS and the associated changes in the pension provisions, the group's net profit is 186,000 EUR lower compared to the German Commercial Code (HGB).

The other provisions and accrued liabilities essentially include provisions for contingent liabilities, holiday allowances, third-party warranty claims, bonuses and other personnel costs.

2.13 Liabilities

The residual terms of liabilities have developed as follows compared to the annual financial statements:

The short-term liabilities with a residual term of up to one year dropped by 5,128,000 EUR.

Liabilities with a residual term of one to five years increased by 48,000 EUR.

The long-term liabilities with a residual term of more than five years dropped by 154,000 EUR.

2.14 Deferred income

The deferred income includes forfeited rent. This item is released on a straight-line basis over the remaining term of the leases.

2.15 Contingent liabilities

The contingent liabilities amount to 3,619,000 EUR. They dropped by 79,000 EUR in comparison with the annual financial statements. They primarily cover guarantees.

3. Notes to the consolidated income statement

Segment reporting

The division into segments									
Corresponds to the internal reporting structure and covers the tools and pipe fittings divisions		Tools*		Pipe fittings		Tools*		Pipe fittings	
		Share in%	Share in%	Share in%	Share in%	Share in%	Share in%		
		30.09.02		30.09.02		30.09.01		30.09.01	
Sales revenues									
From sources outside the group	Mio. EUR	41.46	70.1	17.65	29.9	41.80	73.7	14.93	26.3
Sales revenues by regions									
Domestic	Mio. EUR	20.43	49.3	17.34	98.2	22.18	53.1	14.21	95.2
Foreign	Mio. EUR	21.03	50.7	0.31	1.8	19.62	46.9	0.72	4.8
Segment profit**	Mio. EUR	1.03	2.5	0.12	0.7	2.11	5.1	0.48	3.2
Material input**	Mio. EUR	-31.21	69.2	-13.89	30.8	-31.10	72.5	-11.79	27.5
Depreciation**	Mio. EUR	-0.20	68.7	-0.09	31.3	-0.20	76.9	-0.06	23.1
Employees on a quarter average (without apprentices)		82.5	59.1	57.0	40.9	76.0	59.8	51.0	40.2

* The tools segment only covers the true tools division. Values of Brüder Mannesmann Grundbesitz GmbH are not included.

** Differences from the consolidated balance sheet and income statement are due to the missing Brüder Mannesmann Grundbesitz GmbH and consolidation entries between the segments.

4. Shareholder's equity movements

See the statement of changes in equity for shareholders' equity movements.

Statement of Changes in Equity for the first nine months of 2001 respectively 2002 as per IAS							
- Thousand Euro -	Share capital	Capital reserves	Revenue reserves	Conversion differences	Retained earnings, brought forward	Net income	Equity total
Shareholders' equity as at 31.12.2000	7,700.0	10,225.8	1,372.6	-1.6	-2,856.7	-16,273.3	166.9
Revaluation reserves (IAS 12)			6,711.3				
Adjusted shareholders' equity as at 01.01.2001	7,700.0	10,225.8	8,083.9	-1.6	-2,856.7	-16,273.3	6,878.2
Allocation to revenue reserves from net income for the year 2000			20.7				
Allocation to retained earnings from net income for the year 2000					-16,294.0	16,273.3	
Net income for the period 01.01. - 30.09.2001						672.1	
Other changes due to consolidation effects					-123.3		
Shareholders' equity as at 30.09.2001	7,700.0	10,225.8	8,104.6	-1.6	-19,273.9	672.1	7,427.0
Shareholders' equity as at 31.12.2001	7,700.0	10,225.8	8,104.6	-1.6	-19,219.8	2,513.6	9,322.5
Allocation to revenue reserves from net income for the year 2001			26.2				
Allocation to retained earnings from net income for the year 2001					2,487.4	-2,513.6	
Net income for the period 01.01. - 30.09.2002						-50.7	
Other changes					-40.1		
Shareholders' equity as at 30.09.2002	7,700.0	10,225.8	8,130.8	-1.6	-16,772.5	-50.7	9,231.8

5. Other information

The composition of the Board of Directors and Supervisory Board did not change compared to that as of 31.12.2001.

6. List of investments

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

Remscheid, in November 2002

Brüder Mannesmann Aktiengesellschaft, Board of Directors



Jürgen Schafstein



Bernd Schafstein



Frank Schafstein

Brüder Mannesmann Aktiengesellschaft

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