six months' statement

2003

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.

Turnover

The group's turnover was 38.7 million EUR as at 30th June 2003 (39.1 million EUR in the corresponding period of the preceding year).

The tools trading segment achieved a turnover of 27.1 million EUR (27.1 million EUR in the corresponding period of the preceding year) and thus accounted for 70 percent of the group's turnover.

11.2 million EUR (11.6 million EUR) or 29 percent of the group's turnover were attained in the segment of trading in pipe fittings for industrial applications.

Net profit and cash flow

The consolidated result of the reporting period (net profit) was -0.07 EUR per share during the first six months of the financial year 2003 (-0.01 EUR in the corresponding period of the preceding year).

The result from ordinary operations during the first six months of the financial year 2003 was 58,800 EUR (205,000 EUR in the corresponding period of the preceding year).

The cash flow from operating activities during the first half of 2003 amounted to 0.33 EUR per share (-0.98 EUR in the corresponding period of the preceding year).

Employees

An average of 141,5 employees worked for the group during the first half of 2003 (139 in the corresponding period of the preceding year).

Consolidated balance sheet

ASSETS

	Notes	30.06.2003 EUR	31.12.2002 TEUR
I. Intangible assets	2.1	5,040,178.07	5,311
II. Tangible assets	2.2	16,680,099.37	16,868
III. Financial assets	2.3	32,148.76	33
FIXED ASSETS		21,752,426.20	22,212
I. Inventories	2.4	16,161,403.24	15,982
II. Receivables and other current assets	2.5	15,048,867.28	16,141
III. Other securities		0.51	0
IV.Cheques, cash, deposits with commercial banks	2.6	772,791.86	1,349
CURRENT ASSETS		31,983,062.89	33,472
PREPAID EXPENSES	2.8	653,313.73	723
ACCRUED AND DEFERRED TAXES	2.7	4,439,978.20	4,487
		58,828,781.02	60,894

LIABILITIES

	Notes	30.06.2003 EUR	31.12.2002 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	8,226,886.21	8,233
IV. Consolidated net loss		-17,358,916.50	-17,098
SHAREHOLDERS' EQUITY		8,793,807.34	9,061
1. Accruals for pensions and similar obligations		3,091,434.56	2,894
2. Accrued taxes		180,197.61	376
3. Other accruals		1,128,165.41	689
ACCRUALS	2.12	4,399,797.58	3,959
1. Amounts due to banks		31,139,354.87	32,657
2. Trade payables		8,646,232.38	9,695
3. Other liabilities		5,848,655.79	5,521
LIABILITIES	2.13	45,634,243.04	47,873
DEFERRED INCOME		933.06	1
		58,828,781.02	60,894

Consolidated Statement of Earnings

January 1, 2003 to June 30, 2003

	Notes	01.01. - 30.06. 2003 EUR	01.04. - 30.06. 2003 EUR	01.01. - 30.06. 2002 TEUR	01.04. - 30.06. 2002 TEUR
1. Sales	5.	38,732,002.33	18,373,871.37	39,126	19,585
2. Other operating income		807,786.29	346,186.99	596	337
3. Materials		-28,730,027.20	-13,468,389.26	-29,163	-14,766
4. Personnel costs		-4,622,577.78	-2,392,684.85	-4,267	-2,130
5. Depreciation, amortisation and special provisions	5.	-555,571.61	-279,413.60	-585	-294
6. Other operating expenses		-4,275,410.20	-2,029,338.86	-4,388	-2,020
7. Financial result		-1,297,396.89	-631,816.43	-1,114	-583
8. Results of ordinary operations		58,804.94	-81,584.64	205	129
9. Taxes on income		-248,340.79	-261,052.75	-222	-181
10. Other taxes		-18,246.78	-7,870.43	-19	-10
11. Consolidated net income/loss for the year		-207,782.63	-350,507.82	-36	-62
12. Earnings per share (undiluted) in EUR		-0.07	-0.12	-0,01	-0,02
13. Earnings per share (diluted) in EUR		-0.07	-0.12	-0,01	-0,02

Consolidated Capital Finance Account

	30.06.2003 TEUR	30.06.2002 TEUR
I. Operating activities		
1. Earnings before cash interest payments, interest income, taxes on income and extraordinary earnings	1,337	1,299
2. Depreciation on (+) / additions to (-) fixed assets	556	585
3. Increase (+) / decrease (-) in accruals	439	313
4. Non-cash expenditure and income		
from deferred taxes	-60	-202
other non-cash expenditure and income	12	-36
5. Profits (-) / losses (+) on disposal of fixed assets	-2	1
6. Increase (-) / decrease (+) in inventories, trade receivables and other assets not included in Investment Activities or Financing Activities	954	-1,705
7. Increase (+) / decrease (-) in trade payables and other liabilities not included in Investment Activities or Financing Activities	-769	-2,061
8. Cash from:		
Interest payments (+) / (-)	-1,297	-1,113
Taxes (+) / (-)	-188	-20
Cash flow from operating activities	982	-2,939
II. Investment activities		
1. Income from disposal of tangible assets	7	9
2. Expenditure on investment in tangible assets	-45	-61
3. Expenditure on investment in intangible assets	-52	-85
4. Income from disposal of financial assets	1	0
Cash flow from investment activities	-89	-137
III. Financing activities		
1. Income from bond issues and (financial) loans and notes payable	177	3,081
2. Expenditure on capital repayments on outstanding bond issues and (financial) loans	-1,646	-3,563
Cash flow from financing activities	-1,469	-482
Change in liquid funds	-576	-3,558
Funds at start of period	1,349	5,704
Funds at end of period	773	2,146

Statement of Changes in Equity

	Share capital TEUR	Capital reserves TEUR	Revenue reserves TEUR
Shareholders' equity as at 31.12.2001	7,700.0	10,225.8	8,208.0
Allocation to revenue reserves from net income for the year 2001			26.2
Other changes			-103.4
Shareholders' equity as at 30.06.2002	7,700.0	10,225.8	8,130.8
Shareholders' equity as at 31.12.2002	7,700.0	10,225.8	8,234.2
Allocation to revenue reserves from net income for the year 2002			-5.7
Shareholders' equity as at 30.06.2003	7,700.0	10,225.8	8,228.5

	Conversion differences TEUR	Retained earnings, brought forward TEUR	Net income TEUR	Equity total TEUR
Shareholders' equity as at 31.12.2001	-1.6	-19,209.5	2,531.6	9,454.3
Allocation to revenue reserves from net income for the year 2001			-26.2	
Allocation to retained earnings from net incomefor the year 2001		2,505.4	-2,505.4	
Net income for the period 01.01. - 30.06.2002			-36.0	
Other changes		-68.4		
Shareholders' equity as at 30.06.2002	-1.6	-16,772.5	-36.0	9,246.5
Shareholders' equity as at 31.12.2002	-1.6	-16,679.3	-418.5	9,060.6
Allocation to revenue reserves from net income for the year 2002			5.7	
Allocation to retained earnings from net income for the year 2002		-412.8	412.8	
Net income for the period 01.01. - 30.06.2003			-207.8	
Other changes		-59.0		
Shareholders' equity as at 30.06.2003	-1.6	-17,151.1	-207.8	8,793.8

Notes to the consolidated financial statements

1. General information about the consolidated financial statements

1.1 Principles

The Brüder Mannesmann Aktiengesellschaft consolidated financial statements for the first half-year of the financial year 2003 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 previous year's figures were derived using the same principles.

For more information we refer to the financial statement 2002.

1.2 Scope of consolidation

There have been no changes to the Group's scope of consolidation against the previous year.

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.

2. Notes to the consolidated balance sheet

2.1 Intangible assets

Intangible assets of TEUR 5,040 include TEUR 4,076 for goodwill from capital consolidation.

2.2 Tangible assets

Additions to tangible assets amounted to TEUR 45.

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 16,161, consist exclusively of merchandise.

2.5 Receivables and other current assets

	TEUR	Thereof with a residual term of more than 1 year TEUR
Trade receivables	13,327	-
Other current assets	1,722	-
	15,049	-

In line with IAS 39.109, general bad debt charges on trade receivables are not taken into account.

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 year 2001 saw deferred tax expenditure of TEUR 2,860 owing to devaluation of deferred tax claims.

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

In the first half - year of 2003 deferred taxes on losses are posted by an amount of TEUR 60 as deferred tax expenditure.

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 60 decrease 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 the previous year. In this context, forfaited 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.

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 1,414, 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 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.

In the reporting period a standard discount rate of 5.75 % 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 179.5 compared with the financial statements prepared in line with the German Commercial Code.

The other provisions and accrued liabilities essentially include provisions for contingent liabilities, holiday allowances, third-party warranty claims, taxes 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 TEUR 2,048.

Liabilities with a residual term of one to five years increased by TEUR 155.

The long-term liabilities with a residual term of more than five years dropped by TEUR 345.

3. Notes to the consolidated statement of earnings

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

4. Other details

The contingent liabilities amount to TEUR 3,589. In comparison with the annual financial statements 2002 they decreased by TEUR 24. They primarily cover guarantees.

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* 30.06.2003 TEUR	Valves 30.06.2003 TEUR	Land holdings 30.06.2003 TEUR	Tools* 30.06.2002 TEUR	Valves 30.06.2002 TEUR	Land holdings 30.06.2002 TEUR
Sales	27,065.0	11,214.2	452.8	27,056.5	11,614.4	454.7
Domestic	14,336.4	10,977.6	452.8	12,846.6	11,379.2	454.7
Foreign	12,728.6	236.6	0.0	14,209.9	235.2	0,.0
Segment earnings	-283.5	75.7	0.0	-166.7	130.7	0.0
Segment assets	33,008.4	6,112.4	14,314.9	36,831.9	7,797.1	14,587.9
Segment debts	12,709.4	3,325.4	386.8	14,249.2	4,713.4	403.8
Investment in fixed assets	63.0	34.0	0.0	137.9	8.0	0.0
Depreciation	-362.8	-51.9	-140.9	-384.8	-59.3	-141.1
Average annual employees (excluding trainees)	87.5	54.0	0.0	82.0	57.0	0.0

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

6. Other information

The composition of the Board of Directors and Supervisory Board did not change compared to that as of 31.12.2002.

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/The Netherlands	100
CoCaCo Trading GmbH, Remscheid	100
Fernando Esser & Cia. GmbH, Remscheid	100
Corneta Export GmbH, Remscheid	100
Schwietzke Armaturen GmbH, Bottrop	100
CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100

Remscheid, August 2003

Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein **Bernd Schafstein** **Frank Schafstein**

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