Quarterly report

I/2002

Brüder Mannesmann Aktiengesellschaft
Remscheid

Brüder Mannesmann AG is a trading company focusing on worldwide tools trading. The international business relationships are co-ordinated and managed from the Remscheid headquarters. Many of the flows of goods converge in the company's own, large high-bay, store where the goods are picked and batched to fulfil customer orders. 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 electrical tools is offered such as the "Center Line" product line, a high-quality range of electrical tools. With a total of some 8,000 products, the Brüder Mannesmann AG's product range is one of the largest in Europe. The tools trading is supplemented by trading in pipe fittings for industrial applications.

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the first quarter 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 Standards Interpretation Committee.

Turnover

The group's turnover was 19.5 million EUR as at 31st March 2002 (Q1/2001: 17.9 million EUR). The domestic share of the group's turnover was 63 percent and the foreign share of the group's turnover was 37 percent. The split therefore shifted in favour of the domestic activities in comparison with the first quarter of 2001 (domestic sales: 62 percent, foreign sales: 38 percent).

The tools trading segment achieved a turnover of 14.9 million EUR (Q1/2001: 12.8 million EUR) and thus accounted for 77 percent of the group's turnover compared to 73 percent during the first quarter of 2001. Domestic sales accounted for 53 percent of the turnover and export for 47 percent.

4.4 million EUR (Q1/2001: 4.7 million EUR) or 23 percent of the group's turnover were attained in the segment of pipe fittings for industrial applications. The regional split shows a domestic share of 98 percent and an export share of 2 percent.

Net profit and cash flow

The consolidated result of the reporting period (net profit) was 0.01 EUR per share during the first three months of the financial year 2002. It should be noted that the change to the International Accounting Standards (IAS) negatively influenced this value by 92,000 EUR or almost 0.03 EUR per share.

The result from ordinary operations during the first quarter of 2002 was 75,800 EUR. The cash-flow from operating activities amounted to -1.49 EUR per share. This is primarily due to a decrease in liabilities from trading and other liabilities totalling 4.15 EUR per share.

Investments

During the first quarter of 2002, only minor investments were made for the product range expansion and the improvement of the stock logistics.

Order situation

The pushing of new product lines in the tools trading ensured an increase in orders received. The orders on hand as at end of March 2002 could again be increased compared to the first quarter of the previous year. Distinct sales successes with a significant order volume achieved within the scope of the Cologne Ironware Trade Fair contributed to this. The trading in pipe fittings for industrial applications is characterised by cyclical difficulties; nevertheless the order situation continued to be satisfactory.

Costs and prices

The calculated prices in the tools trade segment were adjusted to the current US-dollar exchange rate and passed on to the customers by way of new price lists. There was a slight price increase in the currency-neutral procurement on Euro basis.

The pipe fittings market still suffers from cyclical difficulties which also caused a downward price movement. However, slightly positive effects could be realised on the cost side.

Employees

An average of 139.5 employees worked for the group during the first quarter of 2002 (Q1/2001: 129).

Consolidated balance sheet

ASSETS

	31.03.2002 EUR	31.12.2001 EUR
I. Intangable assets	5.791.270,57	5.883.836,36
II. Tangible assets	17.185.368,40	17.267.656,76
III. Financial assets	35.476,11	36.837,33
FIXED ASSETS	23.012.115,08	23.188.330,45
I. Inventories	18.089.544,87	17.705.781,49
II. Accounts receivable and other assets	14.960.593,34	15.356.948,67
III. Marketable securities	0,51	0,51
IV. Checks, cash on hand and cash in banks	1.950.312,20	5.703.727,48
CURRENT ASSETS	35.000.450,92	38.766.458,15
DEFERRED CHARGES AND PREPAID EXPENSES	44.572,03	45.288,95
DEFERRED TAXATION	3.903.009,25	3.931.100,77
	61.960.147,28	65.931.178,32

LIABILITIES

	31.03.2002 EUR	31.12.2001 EUR
I. Subscribed capital	7.700.000,00	7.700.000,00
II. Capital reserve	10.225.837,63	10.225.837,63
III. Other earned surplus	5.317.471,93	8.103.026,39
IV. Balance sheet loss	-13.930.809,19	-16.706.270,07
SHAREHOLDER´S EQUITIY	9.312.500,37	9.322.593,95
1. Pension reserves	2.482.314,63	2.412.127,10
2. Accrued taxes	34.151,23	59.745,99
3. Other reserves and accrued liabilities	907.010,96	829.234,84
ACCRUALS	3.423.476,82	3.301.107,93
1. Due to banks	27.175.780,94	26.331.275,44
2. Accounts payable for goods and services	9.731.626,96	14.622.637,18
3. Other liabilities	5.611.891,69	5.528.980,44
LIABILITIES	42.519.299,59	46.482.893,06
ACCRUALS AND DEFERRED INCOME	6.704.870,50	6.824.583,38
	61.960.147,28	65.931.178,32

Consolidated profit and loss statement

January 1, 2002 to March 31, 2002

	31.03.2002 EUR	31.03.2001 EUR
1. Sales	19.541.028,76	17.872.751,78
2. Other operating income	258.964,54	701.578,38
3. Cost of materials	-14.396.830,19	-13.010.704,36
4. Staff costs	-2.137.249,77	-1.695.891,89
5. Depreciation on tangible and intangible assets	-291.141,20	-295.606,11
6. Other operating expenses	-2.368.289,18	-2.134.278,56
7. Other interest and similar income	4.079,98	9.684,00
8. Interest and similar expenses	-534.743,42	-624.626,94
9. Result from ordinary operations	75.819,52	822.906,30
10. Taxes on income and revenues	-40.847,69	-375.983,67
11. Other taxes	-8.956,43	-10.012,69
12. Group net profit / net loss	26.015,40	436.909,94
13. During equity consolidation netted profit for the year	0,00	-121.395,69
14. Group net profit / net loss of the period	26.015,40	315.514,25
15. Group profit / loss carried forward	-13.956.824,59	-19.273.924,40
16. Balance sheet loss	-13.930.809,19	-18.958.410,15

Consolidated Statement of Cash Flows

	31.03.2002 TEUR	31.03.2001 TEUR
I. Operating activities		
1. Profit/loss for the period before cash-effective interest paid, interest received, profits tax and extraordinary profit/loss	598	1.306
2. Depreciation (+) / Revaluation gains (-) on fixed assets	291	296
3. Increase (+) / decrease (-) in provisions and accrued liabilities	122	713
4. Other non-cash expenses/income	-36	-1.752
5. Profits (-) / losses (+) on disposal of fixed assets	0	24
6. Increase (-) / Decrease (+) in inventories, accounts receivable from trading and other assets from operating activities	41	-6.849
7. Increase (+) / decrease (-) in trade accounts payable and other liabilities from operating activities	-4.927	7.507
8. Cash items from:		
payment of interest (+) / (-)	-531	-624
tax (+) / (-)	-41	-376
extraordinary profit/loss (+) / (-)	0	0
Cash flow from operating activities	-4.483	245
II.Investing activities		
1. Proceeds from the sale of property, plant and equipment	9	0
2. Payment for investments in property, plant and equipment	-45	-14
3. Proceeds from the disposal of intangible assets	0	0
4. Payment for investments in intangible assets	-78	-7
5. Proceeds from the disposal of financial assets	0	0
6. Payment for investments in financial assets	0	0
8. Additions to shares in affiliated companies	0	-117
Cash flow from investing activities	-114	-138
III.Financing activities		
1. Profit distribution	0	0
2. Change in liabilities due to banks and other liabilities	843	-509
Cash flow from financing activities	843	-509
Change in cash and cash equivalents	-3.754	-402
Cash holding at beginning of period	5.704	3.483
Cash holding at end of period	1.950	3.081

Notes to the consolidated financial statements

A. General information on the consolidated financial statements

1. Accounting standards

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the first quarter 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 Standards Interpretation Committee.

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 carryforward of unused tax losses as per IAS 12
- Adjustment of pension l iabilities 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 31.03.2002. We refer to the notes to the financial statements for the year ended 31.12.2001 for any explanatory comments not presented here (IAS 34.15).

2. Companies included in the consolidation

The companies included in the consolidation did not change during the first quarter 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.

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.

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.

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 for the first time.

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.

Property, plant and equipment are valued at the historical purchase/manufacturing costs less accumulated scheduled straight-line depreciation.

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.

B. Notes to the consolidated balance sheet

Intangible assets

The intangible assets amounting to 5,791,000 EUR include 4,654,000 EUR for goodwill resulting from the consolidation of equity.

The additions during the first quarter amounted to 78,000 EUR und depreciation during the first quarter amounted to 170,000 EUR.

Property, plant and equipment

The additions to property, plant and equipment amounted to 45,000 EUR, the disposals at book value amounted to 9,000 EUR. The depreciation for the first quarter of 2002 amounted to 120,000 EUR .

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

Financial assets

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

Inventories

The inventories of the Brüder Mannesmann group amounting to 18.1 million Euro comprise exclusively of merchandise.

Accounts receivable and other assets

	Total '000 EUR	Thereof with a residual term of more than one year '000 EUR
Accounts receivable from trading	13,019.1	-
Receivables from enterprises in which participating interests are held	29.5	-
Other assets	1,911.9	273.6
	14,960.5	273.6

The other assets include suppliers/creditors with debit balances amounting to 880,000 EUR and account receivables due from Inland Revenue amounting to 498,000 EUR.

Liquid assets

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

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 30,000 EUR was released during the first quarter of 2002. The group's net profit reduced by 30,000 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.

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 3,850,000.00 Euro by 26th September 2006 with the approval of the Supervisory Board through a one-off or repeated issue of new bearer shares.

Capital surplus

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

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. As far as the development of the earnings reserves is concerned, we refer to the statement in respect of deferred taxes.

Accumulated deficit

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

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 62,000 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.

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 3,945,000 EUR.

Liabilities with a residual term of one to five years increased by 46,000 EUR.

The long-term liabilities with a residual term of more than five years dropped by 65,000 EUR.

Deferred income

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

Contingent liabilities

The contingent liabilities amount to 3,526,000 EUR and thus reduced by 14,000 EUR in comparison with the annual financial statements. They primarily cover guarantees.

C. 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* 31.03.02	Pipe fittings 31.03.02	Tools* 31.03.01	Pipe fittings 31.03.01
Sales revenues					
From sources outside the group	Mio. EUR	14.91	4.41	12.82	4.68
Sales revenues by regions					
Domestic	Mio. EUR	7.85	4.31	6.12	4.53
Foreign	Mio. EUR	7.06	0.10	6.70	0.15
Segment profit**	Mio. EUR	0.49	-0.24	0.92	0.15
Depreciation**	Mio. EUR	0.06	0.03	0.05	0.01
Employees on a quarter average		82.5	57	78	51

* 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 and consolidation entries.

D. Shareholders' equity movements

The change in the shareholders' equity is exclusively due to the earned profit as per income statement.

E. Other information

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

E. List of investments

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

Remscheid, in May 2002

Brüder Mannesmann Aktiengesellschaft, Board of Directors

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

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