six months' statement

2002

Brüder Mannesmann Aktiengesellschaft
Remscheid

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

The tool trading has its headquarters in Remscheid. It is from this location that the international trade relations of the tools segment have been coordinated and managed for more than 25 years. Many of the flows of goods converge in large high-bay warehouses where the goods are picked and batched to fulfil customer orders. Various special product ranges, marketed under the „Brüder Mannesmann“ brand, are manufactured to our own design and quality requirements by qualified external companies. 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. A leading supplier position in the market is being attained in some product sectors with these products. With a total of some 8,000 products, the tools range is one of the largest in Europe.

The pipe fittings trade is represented by Schwietzke Armaturen GmbH in Bottrop. Intensive trade relations are also managed under the slogan „The independent trading company with excellent consultancy competence for industrial applications“. With own process-related know-how, the company is a manufacturer-independent partner for industrial customers and plant engineering. A perfected warehouse logistics supports this technology cognition. Although the regional concentration is in Germany, the company's international experience is also significant because of the project business with renowned plant engineering companies. Schwietzke offers a comprehensive range of pipe fittings for industrial applications that fulfil the DVGW and other important industry standards.

The consolidated financial statements of Brüder Mannesmann AG for the first half-year 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 Standards Interpretation Committee.

Turnover

The group turnover as at 30th June 2002 was 39.1 million EUR, an increase of 8 per cent compared to the corresponding period of the preceding year. The group turnover during the second quarter of 2002 was 19.6 million EUR and thus at the same level as the preceding quarter. This pleasing constant turnover trend was able to be attained despite the very difficult economic climate.

The group turnover split remained unchanged with 63 per cent domestic sales and 37 per cent export sales.

The tools trading segment attained a turnover increase of 4 per cent to 27.1 million EUR in the first half-year 2002 and thus accounted for 70 per cent of the group turnover. Domestic sales accounted for 47 per cent of the turnover and export for 53 per cent.

With a turnover increase of 22 per cent to 11.6 million EUR (9.5 million EUR), the pipe fittings trading segment was able to significantly expand its starting position quicker than expected. The portion of the group turnover was 30 per cent. The regional split remained unchanged with 98 per cent domestic sales and 2 per cent export sales.

Net profit and cash flow

The consolidated reporting period result (net profit) for the first half of the financial year 2002 was 0.10 EUR per share as per the German Commercial Code (Handelsgesetzbuch). The corresponding value as per IAS is -0.01 EUR per share, this being mainly due to the effects of deferred tax write-down.

The result from ordinary operations during the second quarter of 2002 was 128,600 EUR compared to 75,800 EUR during the preceding quarter. This was a significant improvement by 52,800 EUR or almost 70 per cent. The result from ordinary operations as at 30th June 2002 was thus 204,400 EUR. The cash flow from operating activities during the first half-year 2002 was -0.98 EUR per share compared to -1.49 EUR during the first quarter 2002 and could therefore be significantly improved.

Investments

Minor investments for product range expansion, customer service and stock logistics improvements were also made during the second quarter 2002.

Order situation

Tool trading segment: an orders received increase by 2.6 per cent compared to the corresponding period of the preceding year was attained. This means that we have again been able to expand the positioning within the very difficult sector trend. The orders on hand as at end of June 2002 could again be increased compared to the corresponding quarter of the preceding year.

Pipe fitting trading segment: this segment shows a stabilisation at a demanding level. The order situation is currently better than average.

Costs and prices

Tool trading segment: this segment showed in part sinking prices. This results in volume growth disproportional to turnover growth, which in turn results in higher costs.

Pipe fittings trading segment: contrary to the market situation, signs of small margin improvements could be identified in this segment, these can be assessed as the positive result of the technology-oriented approach.

Employees

An average of 139 employees worked for the group during the second quarter of 2002.

Consolidated balance sheet

ASSETS

	Notes	30.06.2002 EUR	31.12.2001 EUR
I. Intangable assets	2.1	5.616.934,32	5.883.836,36
II. Tangible assets	2.2	17.084.717,92	17.267.656,76
III. Financial assets	2.3	33.434,10	36.837,33
FIXED ASSETS		22.735.086,34	23.188.330,45
I. Inventories	2.4	20.807.160,55	17.705.781,49
II. Accounts receivable and other assets	2.5	14.175.338,12	15.356.948,67
III. Marketable securities		0,51	0,51
IV. Checks, cash on hand and cash in banks	2.6	2.146.349,00	5.703.727,48
CURRENT ASSETS		37.128.848,18	38.766.458,15
DEFFERED CHARGES AND PREPAID EXPENSES		38.594,89	45.288,95
DEFERRED TAXATION	2.7	3.723.742,61	3.931.100,77
		63.626.272,02	65.931.178,32

LIABILITIES

	Notes	30.06.2002 EUR	31.12.2001 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	-16.808.577,58	-16.706.270,07
SHAREHOLDER´S EQUITIY		9.246.469,44	9.322.593,95
1. Pension reserves		2.552.847,32	2.412.127,10
2. Accrued taxes		34.151,23	59.745,99
3. Other reserves and accrued liabilities		1.026.967,65	829.234,84
ACCRUALS	2.12	3.613.966,20	3.301.107,93
1. Due to banks		25.850.109,52	26.331.275,44
2. Accounts payable for goods and services		12.108.968,07	14.622.637,18
3. Other liabilities		6.221.601,16	5.528.980,44
LIABILITIES	2.13	44.180.678,75	46.482.893,06
ACCRUALS AND DEFERRED INCOME	2.14	6.585.157,63	6.824.583,38
		63.626.272,02	65.931.178,32

Consolidated profit and loss statement

January 1, 2002 to June 30, 2002

	Notes	01.01.–30.06. 2002 EUR	01.04.–30.06. 2002 EUR	01.01.–30.06. 2001 EUR	01.04.–30.06. 2001 EUR
1. Sales	3	39.125.609,29	19.584.580,53	36.011.926,38	18.139.174,60
2. Other operating income		596.416,74	337.452,20	1.076.817,55	375.239,17
3. Cost of materials	3	-29.163.330,91	-14.766.500,72	-26.634.463,90	-13.623.759,54
4. Staff costs		-4.267.473,80	-2.130.224,03	-3.447.739,69	-1.751.847,80
5. Depreciation on tangible and intangible assets	3	-585.209,36	-294.068,16	-602.201,13	-306.595,02
6. Other operating expenses		-4.388.172,16	-2.019.882,98	-4.319.461,84	-2.185.183,28
7. Other interest and similar income		6.781,92	2.701,94	76.672,62	66.988,62
8. Interest and similar expenses		-1.120.238,38	-585.494,96	-1.283.092,45	-658.465,51
9. Result from ordinary operations		204.383,34	128.563,82	878.457,54	55.551,24
10. Taxes on income and revenues		-221.826,27	-180.978,58	-855.160,55	-479.176,88
11. Other taxes		-18.601,50	-9.645,07	-17.582,89	-7.570,20
12. Group net profit / net loss		-36.044,43	-62.059,83	5.714,10	-431.195,84
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		-36.044,43	-62.059,83	-115.681,59	-431.195,84
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		-16.808.577,58	-16.834.592,98	-19.389.605,99	-19.705.120,24

Consolidated Statement of Cash Flows

	30.06.2002 000s EUR	30.06.2001 000s EUR
I. Operating activities		
1. Profit/loss for the period before cash-effective interest paid, interest received, profits tax and extraordinary profit/loss	1.299	1.969
2. Depreciation (+) / Revaluation gains (- on fixed assets	585	602
3. Increase (+) / decrease (-) in provisions and accrued liabilities	313	811
4. Other non-cash expenses/income	-36	-1.752
5. Profits (-) / losses (+) on disposal of fixed assets	1	25
6. Increase (-) / Decrease (+) in inventories, accounts receivable from trading and other assets from operating activities	-1.705	-8.202
7. Increase (+) / decrease (-) in trade accounts payable and other liabilities from operating activities	-2.061	8.974
8. Cash items from:		
payment of interest (+) / (-)	-1.113	-1.230
tax (+) / (-)	-222	-855
extraordinary profit/loss (+) / (-)	0	0
Cash flow from operating activities	-2.939	342
II. Investing activities		
1. Proceeds from the sale of property, plant and equipmen	9	1
2. Payment for investments in property, plant and equipment	-61	-437
3. Proceeds from the disposal of intangible assets	0	0
4. Payment for investments in intangible assets	-85	-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	-137	-560
III. Financing activities		
1. Profit distribution	0	0
2. Change in liabilities due to banks and other liabilities	-482	-195
Cash flow from financing activities	-482	-195
Change in cash and cash equivalents	-3.558	-414
Cash holding at beginning of period	5.704	3.483
Cash holding at end of period	2.146	3.069

Notes to the consolidated financial statements

1.1 Accounting standards

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the first half-year 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 (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 carryforward 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 30.06.2002. We refer to the notes to the financial statements for the year ended 31.12.2001 and the quarterly report as of 31.03.2002 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 six 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.

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.

2. Notes to the consolidated balance sheet

2.1 Intangible assets

The intangible assets amounting to 5,617,000 EUR include 4,538,000 EUR for goodwill resulting from the consolidation of equity.

The additions during the first half-year amounted to 85,000 EUR und depreciation during the first half-year amounted to 352,000 EUR.

2.2 Property, plant and equipment

The additions to property, plant and equipment amounted to 60,000 EUR, the disposals at book value amounted to 9,000 EUR. The depreciation for the first half-year of 2002 amounted to 234,000 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.

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 20.8 million Euro 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	12.064,0	-
Receivables from enterprises in which participating interests are held	25,4	-
Other assets	2.086,0	200,3
	14.175,4	200,3

The other assets include suppliers/creditors with debit balances amounting to 855,000 EUR and account receivables due from Inland Revenue amounting to 504,000 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 209,000 EUR was released during the first half-year of 2002. The group's net profit reduced by 209,000 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 3,850,000.00 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 124,000 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 2,217,000 EUR.

Liabilities with a residual term of one to five years increased by 49,000 EUR.

The long-term liabilities with a residual term of more than five years dropped by 134,000 EUR.

2.14 Deferred income

The deferred income includes forfaited 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 3,612,000 EUR. They dropped by 72,000 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* 30.06.02	Pipe fittings 30.06.02	Tools* 30.06.01	Pipe fittings 30.06.01
Sales revenues					
From sources outside the group	Mio. EUR	27.06	11.61	25.91	9.49
Sales revenues by regions					
Domestic	Mio. EUR	12.85	11.38	12.86	9.10
Foreign	Mio. EUR	14.21	0.24	13.05	0.39
Segment profit**	Mio. EUR	0.64	0.13	1.15	0.26
Material input**	Mio. EUR	-20.27	-9.00	-19.12	-7.47
Depreciation**	Mio. EUR	-0.13	-0.06	-0.10	-0.03
Employees on a quarter average (without apprentices)		82	57	81	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 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 six 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. - 30.06.2001						-115.7	
Other changes due to consolidation effects					-123.3		
Shareholders' equity as at 30.06.2001	7,700.0	10,225.8	8,104.6	-1.6	-19,273.9	-115.7	6,639.2
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. - 30.06.2002						-36.0	
Other changes					-40.1		
Shareholders' equity as at 30.06.2002	7,700.0	10,225.8	8.130.8	-1.6	-16,772.5	-36.0	9,246.5

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	%
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

Fully consolidated subsidiaries	%
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 August 2002

Brüder Mannesmann Aktiengesellschaft, Board of Directors

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

Brüder Mannesmann Aktiengesellschaft

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