three 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.

Sales

As of 31 March 2003 group sales of EUR 20.4 million were achieved (PY: EUR 19.5 million), up 4.2% on the same period of the previous year. 67% of consolidated sales were generated in Germany (PY: 63%) and 33% internationally (PY: 37%).

With sales of EUR 14.7 million (PY: EUR 14.9 million) in the first quarter of 2003, Tool Trade maintained its good positioning despite the difficult general economic situation. In the context of many companies posting double-digit sales declines, this again demonstrates the strength of Tool Trade. The share of consolidated sales was 72% after 77% in the previous year. 55% of sales were generated in Germany (PY: 53%), with exports thus making up a 45% share of sales (PY: 47%).

With sales up 23.2% to EUR 5.4 million (PY: EUR 4.4 million) in the first quarter of 2003, the Valve Trade continued to show strong momentum. The share of consolidated sales is 27% (PY: 23%). The regional distribution remains unchanged with almost all sales being generated in Germany.

Net income and cash flow

The consolidated result of the first quarter of 2003 was EUR 0.05 per share after EUR 0.01, and was thus considerably improved.

In the first quarter of 2003 a result of ordinary operations of TEUR 140.4 was posted after TEUR 75.8 in the corresponding period of the previous year, and was thus considerably improved.

In the first quarter of 2003, cash flow from operating activities was EUR 0.31 per share, after EUR - 1.49 in the first quarter of 2002, an improvement of EUR 1.80 per share.

Investments

In the reporting quarter small investments were made in extending the product range, for customer service and improving warehouse logistics.

Employees

In the first quarter of 2003 the Group employed an average of 142.5 (PY: 139.5) staff.

Consolidated balance sheet

ASSETS

	Notes	31.03.2003 EUR	31.12.2002 TEUR
I. Intangible assets	2.1	5,149,314.56	5,311
II. Tangible assets	2.2	16,765,356.23	16,868
III. Financial assets	2.3	32,636.26	33
FIXED ASSETS		21,947,307.05	22,212
I. Inventories	2.4	15,492,308.82	15,982
II. Receivables and other current assets	2.5	15,564,984.71	16,141
III. Other securities		0.51	0
IV. Cheques, cash, deposits with commercial banks	2.6	1,763,463.44	1,349
CURRENT ASSETS		32,820,757.48	33,472
PREPAID EXPENSES	2.8	707,567.38	723
ACCRUED AND DEFERRED TAXES	2.7	4,563,706.27	4,487
		60,039,338.18	60,894

LIABILITIES

	Notes	31.03.2003 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		-17,008,408.69	-17,098
SHAREHOLDERS' EQUITY		9,144,315.15	9,061
1. Accruals for pensions and similar obligations		2,992,687.68	2,894
2. Accrued taxes		159,654.64	376
3. Other accruals		1,012,172.20	689
ACCRUALS	2.12	4,164,514.52	3,959
1. Amounts due to banks		32,176,419.77	32,657
2. Trade payables		9,408,775.94	9,695
3. Other liabilities		5,144,379.74	5,521
LIABILITIES	2.13	46,729,575.45	47,873
DEFERRED INCOME		933.06	1
		60,039,338.18	60,894

Consolidated Statement of Earnings

January 1, 2002 to March 31, 2003

	Notes	01.01 - 31.03. 2003 EUR	01.01 - 31.03. 2002 TEUR
1. Sales	5.	20,358,130.96	19,541
2. Other operating income		461,599.30	259
3. Materials		-15,261,637.94	-14,397
4. Personnel costs		-2,229,892.93	-2,137
5. Depreciation, amortisation and special provisions	5.	-276,158.01	-291
6. Other operating expenses		-2,246,071.34	-2,368
7. Financial result		-665,580.46	-531
8. Results of ordinary operations		140,389.58	76
9. Taxes on income		12,711.96	-41
10. Other taxes		-10,376.35	-9
11. Consolidated net income/loss for the year		142,725.19	26
12. Earnings per share (undiluted) in EUR		0.05	0.01
13. Earnings per share (diluted) in EUR		0.05	0.01

Consolidated Capital Finance Account

	31.03.2003 TEUR	31.03.2002 TEUR
I. Operating activities		
1. Earnings before cash interest payments, interest income, taxes on income and extraordinary earnings	796	598
2. Depreciation on (+) / additions to (-)fixed assets	276	291
3. Increase (+) / decrease (-) in accruals	205	122
4. Non-cash expenditure and income		
from deferred taxes	77	-30
other non-cash expenditure and income	-7	-36
5. Increase (-) / decrease (+) in inventories, trade receivables and other assets not included in Investment Activities or Financing Activities	978	41
6. Increase (+) / decrease (-) in trade payables and other liabilities not included in Investment Activities or Financing Activities	-663	-4,927
7. Cash from:		
Interest payments (+) / (-)	-666	-531
Taxes (+) / (-)	-64	-11
Cash flow from operating activities	932	-4,483
II. Investment activities		
1. Income from disposal of tangible assets	0	9
2. Expenditure on investment in tangible assets	-12	-45
3. Expenditure on investment in intangible assets	0	-78
Cash flow from investment activities	-12	-114
III. Financing activities		
1. Income from bond issues and (financial) loans	105	1,188
2. Expenditure on capital repayments on outstanding bond issues and (financial) loans	-611	-345
Cash flow from financing activities	-506	843
Change in liquid funds	414	-3,754
Funds at start of period	1,349	5,704
Funds at end of period	1,763	1,950

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 quarter 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.

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.

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

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 performance-oriented 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 5,149 include TEUR 4,191 for goodwill from capital consolidation.

The write-downs during the first quarter amounted to TEUR 162.

2.2 Tangible assets

Additions to tangible assets amounted to TEUR 12. Accruals from depreciation amounted to TEUR 114 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 15,492, 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	13,969	-
Other current assets	1,596	285
	15,565	285

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 quarter of 2003 deferred taxes on losses are also capitalised and posted by an amount of TEUR 72 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 72 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 the previous year. 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.

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 90 compared with the financial statements prepared in line with the German Commercial Code.

These costs consist of a quarter of the estimated annual pension costs (Retirement benefit Cost) of TEUR 263 (TEUR 66 per quarter) and the difference between IAS and German Commercial Code initial values. This amounts to TEUR 24 for the reporting period. The distribution of this differential amount over five years means that the additional amount of TEUR 359 was not yet taken into account (IAS 19.155 b (ii)).

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 1.126.

Liabilities with a residual term of one to five years increased by TEUR 59.

The long-term liabilities with a residual term of more than five years dropped by TEUR 76.

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 3,702 and increased by TEUR 89 in comparison with the annual financial statements. 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* 31.03.2003 TEUR	Valves 31.03.2003 TEUR	Land holdings 31.03.2003 TEUR	Tools* 31.03.2002 TEUR	Valves 31.03.2002 TEUR	Land holdings 31.03.2002 TEUR
Sales	14,701.5	5,429.7	226.9	14,911.1	4,407.4	222.5
Domestic	8,056.8	5,364.2	226.9	7,849.9	4,314.0	222.5
Foreign	6,644.7	65.5	0.0	7,061.2	93.4	0.0
Segment earnings	248.7	-106.0	0.0	266.6	-240.6	0.0
Segment assets	33,565.4	6,634.9	14,385.9	36,939.6	5,757.1	14,696.9
Segment debts	11,651.1	4,183.2	364.6	13,091.3	2,808.8	416.9
Investment in fixed assets	7.9	3.6	0.0	116.0	7.0	0.0
Depreciation	-180.5	-25.3	-70.4	-202.9	-17.7	-70.5
Average annual employees (excluding trainees)	89.5	53.0	0.0	82.5	57.0	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 composition of the Board of Directors and Supervisory Board did not change compared to that as of 31.12.2002.

7. 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/The Netherlands	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, May 2003

Brüder Mannesmann Aktiengesellschaft, Board of Directors

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

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