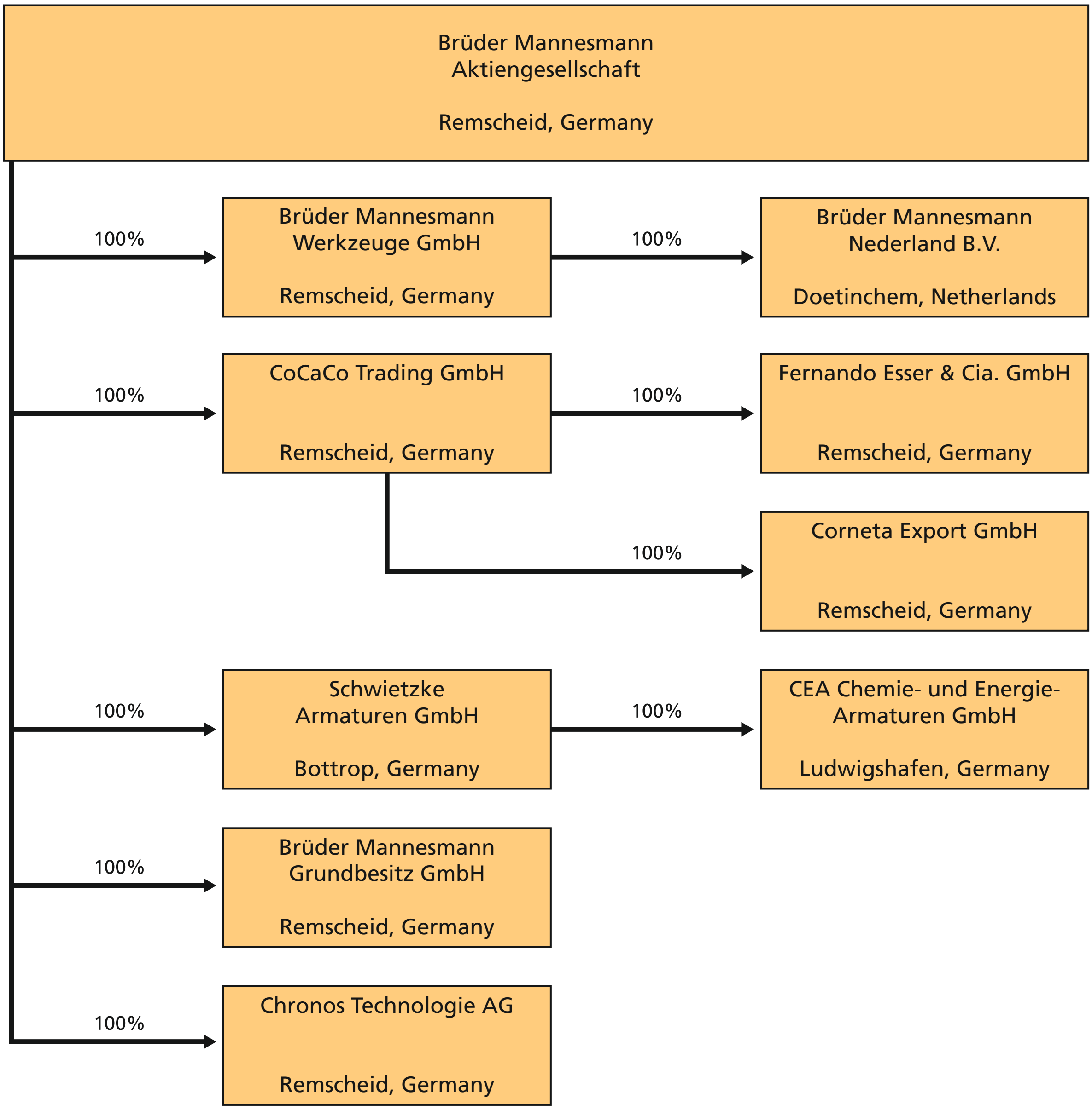
BRÜDER MANNESMANN
REMSCHEID AKTIENGESELLSCHAFT

Annual Report 2011

Table of Contents

Organization Chart of Brüder Mannesmann AG	4
Group Management Report	5
Consolidated Financial Statements	29
Consolidated Balance Sheet	30
Consolidated Statement of Earnings	32
Reconciliation from net consolidated income	32
Consolidated Capital Finance Account	33
Statement of Changes to Shareholders' Equity	34
Notes to the Consolidated Financial Statements	35
Independent Auditor's Report	82
Financial Statements	83
AG-Balance Sheet	84
AG-Statement of Earnings	87
Fixed Assets Schedule and Liabilities Schedule	88
Notes for the 2010 AG-Financial Year	90
Independent Auditor's Report	99

Organization Chart of Brüder Mannesmann AG
as at 31. December 2011



Group Management Report

Group Management Report

1. Preliminary remarks

Brüder Mannesmann Aktiengesellschaft acts as a holding company for its operating subsidiaries. The holding company combines two independently operating divisions, "Tools Trade" and "Valve Trade". The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as a leasing company for properties without assuming an operating function. These properties are industrial and office property which has been held for decades and which is mostly still used for the company's own business operations.

This management report is a combined report for the Brüder Mannesmann Group and for Brüder Mannesmann Aktiengesellschaft.

2. Business development in the operating divisions

2.1. Tools Trade

2.1.1. Tools Trade business development

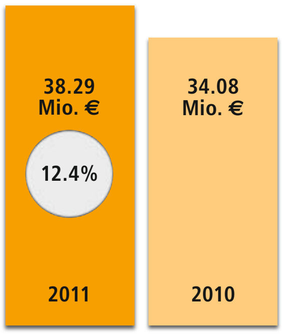
The Tools Trade division is represented in Germany and the rest of Europe as one of the leading providers of a full range of manual and electrical tools. This is supplemented by garden tools, compressed air equipment and high-pressure cleaners. The "Brüder Mannesmann" brand is positioned on the market as a quality and innovation-oriented range and has a respected tradition. Its excellent cost effectiveness is a key factor in its success. In combination with a systematic focus on service, "Brüder Mannesmann" has had an excellent reputation within the industry as a competent and reliable trading partner for decades.

As in the previous year, sales in the Tools Trade division increased. The growth rate of 12.4% to reach €38.3 million exceeded that of the previous year, when 6.1% growth up to a level of €34.1 million was recorded.

It was particularly encouraging that this development was not only generated from the recovery of the sector in Germany. Rather, the company's own product innovations, particularly in the area of newly developed tool sets in special promotional displays, made a significant contribution to this success. However, the situation on the foreign markets remained difficult, particularly in Greece, Spain and Portugal.

EBIT improved due to the significant expansion of the business volume, but also as a result of systematic cost management. It almost doubled from €1.1 million in the previous year to €2.0 million. The EBIT margin was also increased considerably, amounting to 5.2% after 3.3% in the previous year.

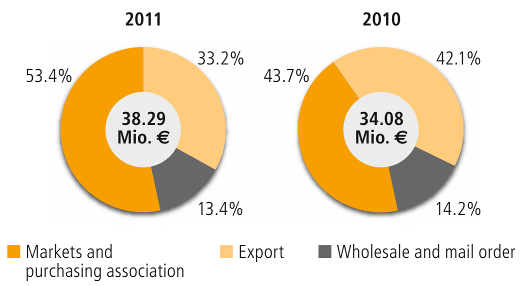
Tools Trade: Sales



Sales development by key customer groups was as follows:

Tools Trade: Sales by customer group

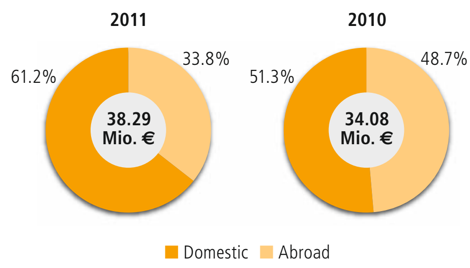
	2011 Mio. €	2011 %	2010 Mio. €	2010 %	Change Mio. €	Change %
Markets and purchasing associations	20.44	53.4	14.90	43.7	5.54	37,2
Export	12.73	33.2	14.35	42.1	-1.62	-11.3
Wholesale and mail order	5.12	13.4	4.83	14.2	0.29	6.1
	38.29		**34.08**		**4.21**	**12.4**



The customer groups of markets and purchasing associations posted a significant increase, whereas the volume for export declined. There was virtually no change in the wholesale and mail order customer group.

Tools Trade: Sales by region

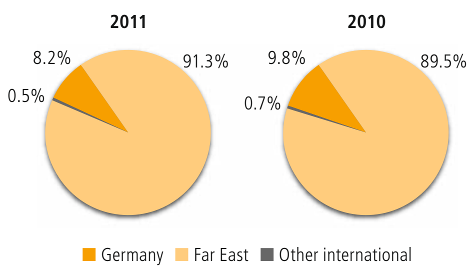
	2011 Mio. €	2011 %	2010 Mio. €	2010 %	Change Mio. €	Change %
Germany	23.42	61.2	17.49	51.3	5.93	33.9
Abroad including exports	14.87	33.8	16.59	48.7	-1.72	-10.4
	38.29		**34.08**		**4.21**	**12.4**



Sales in Germany recorded a substantial increase, primarily due to product innovations. Particular success was enjoyed by newly developed tool sets in special promotional displays, which met with a very positive response from the trade. Further impetus for growth was also created by the domestic economic upturn, from which the company was able to benefit particularly strongly. Outside Germany, however, a decline in sales due to the continued difficult situation particularly in the Southern European market regions could not be prevented. This was exacerbated by the fact that, on account of this uncertain situation, export insurance for some countries either could not be concluded at all or could be concluded only on unacceptable terms.

Tools Trade: Purchasing by region

	2011 %	2010 %	Change %
Germany	8.2	9.8	-1.6
Far East	91.3	89.5	1.8
Other international	0.5	0.7	-0.2
	100.0	**100.0**	



The weighting of purchasing regions has continued to favour the Far East.

Tools Trade: Expenses

in Mio. EUR	2011	2010	Change
Personnel expenses	4.50	4.45	0.05
Depreciation and amortisation of assets	0.15	0.16	-0.01
Other operating expenses	5.44	5.65	-0.21
	10.09	**10.26**	**-0.17**

Despite the significant increase in the business volume, the company's own expense items were reduced by means of systematic cost management.

The average number of employees was 63 (previous year: 64). Sales per employee were €0.61 million (previous year: €0.53 million).

The gross margin was 29.9% (previous year: 33.0%). Gross income was €11.4 million (previous year: €11.3 million).

2.1.2. Tools Trade summary

A particularly positive business performance in Germany enabled the Tools Trade division to generate one of the highest sales increases of all. Although this success was dampened by the decline in foreign business, this development must be viewed in light of the very difficult situation in some cases in certain market regions. As such, foreign business was also satisfactory. EBIT was increased again, as was the return on sales. The company's own business development therefore participated successfully and more than average from the rising trend in the sector and in the general economy.

2.2. Valves Trade

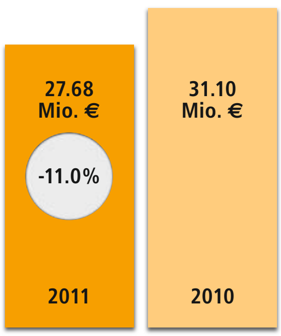
2.2.1. Valves Trade business development

The Valves Trade division sells valves for industrial and technical applications, in particular, power plant technology and industrial facilities for chemicals and petrochemicals. In addition, there is also the large field of freshwater provision and wastewater disposal at the level of utilities companies. In addition to the typical range of standard valves, full storage and warehouse logistics are handled for major customers as part of a universal service provider concept. Combining this with highly defined technical consulting skills allows the division to take on an unusual positioning. The Valves Trade division is represented by the company Schwietzke, which is based in Bottrop and has other locations in Cologne and Ludwigshafen.

Valves Trade sales amounted to €27.7 million after €31.1 million in the previous year. This decline is due to the restraint in new power station and plant construction that has long been apparent. In addition, spare parts business was reduced considerably in some areas. Overall, there was a lack of factors providing impetus for investments by customers. Although the company succeeded in concluding a number of new framework agreements for supplying industrial customers and thus in generating new business, it could not fully compensate for this development.

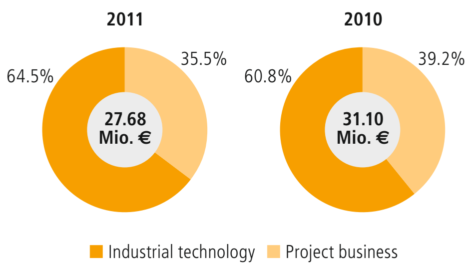
EBIT amounted to €-0.4 million after €0.8 million in the previous year.

Valves Trade: Sales



Valves Trade: Sales by business area

	2011 Mio. €	2011 %	2010 Mio. €	2010 %	Change Mio. €	Change %
Industrial technology	17.86	64.5	18.91	60.8	-1.05	-5.6
Project business	9.82	35.5	12.19	39.2	-2.37	-19.5
	27.68		**31.10**		**-3.42**	**-11.0**



The distribution of sales between industrial technology and project business showed a decline in project business in line with the influencing factors.

Gross income was €5.6 million (previous year: €6.4 million). This corresponds to a gross margin of 19.6% (previous year: 20.6%).

Valves Trade: Expenses

in Mio. EUR	2011	2010	Change
Personnel expenses	3.80	3.43	0.37
Depreciation and amortisation of assets	0.19	0.13	0.06
Other operating expenses	2.16	2.31	-0.15
	6.15	**5.87**	**0.28**

The average number of employees was 70. Sales per employee amounted to €0.40 million (previous year: €0.55 million).

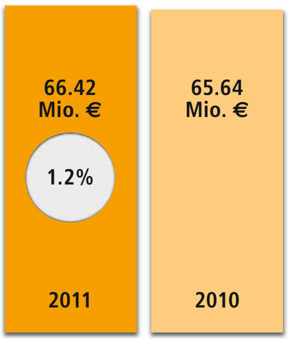
2.2.2. Valves Trade summary

The decline in the business volume of the Valves Trade division reflects the continuing pronounced investment restraint among the key customer groups in municipalities and in industry. Although the division's strong positioning on the market and its having gained new customers allowed it to counter this situation to some extent, overall the decline in sales could not be prevented. In this context, the earnings situation was unsatisfactory.

3. Group business performance

The Group's business performance benefited significantly from the economic recovery through the contribution of the Tools Trade division. In contrast, the Valves Trade division still showed signs of the effects of sector-specific uncertainty, with the result that the decline recorded here had a slight negative impact on the business performance. Overall, the consolidated sales of €66.4 million generated in the 2011 financial year (previous year: €65.6 million) represented a rise of 1.2% and thus a good result.

Group: Sales

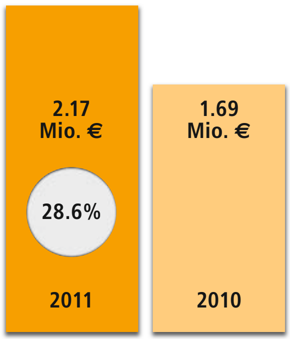


	2011		2010		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Tools division	38.29	57.7	34.08	51.9	4.21	12.4
Valves division	27.68	41.7	31.10	47.4	-3.42	-11.0
Property (non-divisional sales)	0.45	0.6	0.46	0.7	-0.01	-0.9
	66.42		**65.64**		**0.78**	**1.2**

3.1. Earnings

Thanks to the extraordinary growth in the Tools Trade division, consolidated EBIT was increased to €2.2 million after €1.7 million in the previous year.

Group: EBIT



Gross consolidated income was maintained at a satisfactory level of €17.5 million (previous year: €18.2 million).

Group: Earnings

in Mio. EUR	2011	2010	Change
1. EBIT (operating result)	**2.17**	**1.69**	**0.48**
./. Financial result	-3.30	-3.11	-0.19
2. Earnings before tax	**-1.13**	**-1.42**	**0.29**
./. Taxes	0.17	0.28	-0.11
3. Net consolidated income	**-0.96**	**-1.14**	**0.18**

The financial result was improved by approximately €-3.3 million. Net consolidated income amounted to €-0.96 million, or roughly €-0.32 per share. Based on EBIT, earnings per share came to €0.73 after €0.56 in the previous year.

The business performance of Brüder Mannesmann Aktiengesellschaft is largely defined by that of its equity holdings. Net investment income (income and expenses from profit transfer agreements) amounted to €0.9 million (previous year: €1.5 million).

Brüder Mannesmann Aktiengesellschaft posted a net loss of €1.1 million in the 2011 financial year (previous year: net loss of €1.2 million). The net loss was balanced out by withdrawals from other revenue reserves.

3.2. Balance sheet

In the 2011 financial year, consolidated total assets changed from €66.2 million in the previous year to currently €62.2 million.

Group: Working capital

in Mio. EUR	2011	2010	Change
Inventories	11.57	13.56	-1.99
Receivables	10.90	10.87	0.03
Cash and cash equivalents and securities	10.06	11.17	-1.11
Total	**32.53**	**35.60**	**-3.07**
Current financial liabilities	2.38	1.43	0.95
Creditors	5.42	7.88	-2.46
Total	**7.80**	**9.31**	**-1.51**
Working-Capital	**24.73**	**26.29**	**-1.56**

At €24.73 million after €26.29 million in the previous year, working capital recorded a decline but continued to reflect the good liquidity and financial position.

With balance sheet equity for the 2011 financial year of around €5.9 million (previous year: €6.8 million), the equity ratio amounted to 9.4% (previous year: 10.3%). Including subordinated loans (mezzanine capital) in equity, economic equity amounted to €23.2 million with an equity ratio of 37.3% (previous year 36.4%).

Total assets of Brüder Mannesmann Aktiengesellschaft decreased by €0.9 million to €34.1 million.

3.3. Employees

The average number of employees in the Group was 140. Sales per employee amounted to €0.47 million after €0.52 million in the previous year.

Group: Employees

	2011	2010	Change
Industrial employees	24	21	3
Salaried employees	116	105	11
Number of employees	**140**	**126**	**14**
Trainees and apprentices	4	3	1
Sales per employee in million €	**0.47**	**0.52**	**-0.05**

3.4. Expenses

Group: Expenses

in Mio. EUR	2011	2010	Change
Personnel expenses	9.35	9.46	-0.11
Depreciation and amortisation of assets	0.49	0.39	0.10
Other operating expenses	7.76	7.73	0.03
	17.60	**17.58**	**0.02**

4. Outlook

4.1. Tools Trade

After the very successful 2011 financial year, efforts are now aimed at securing the success achieved and stabilising the business performance at least at the level reached. The sector's economic situation, particularly outside Germany, does not yet seem to have normalised to the point that a growth forecast can be made with sufficient reliability. Special attention will be paid to the profitability of sales.

As of 31 December 2011, the order backlog reached €5.4 million (previous year: €4.9 million). Orders received as of the same balance sheet date amounted to €42.3 million (previous year: €39.8 million). The start of 2012 developed on a similar level.

4.2. Valves Trade

Within the valves sector, there were very few factors providing impetus for investments, partly due to political decisions. Spare parts business was also reduced considerably in some areas. As a result, the sales and earnings targets for 2011 were not achieved, although the company did succeed in generating a number of new framework agreements for supplying industrial customers.

As of 31 December 2011, the order backlog and incoming orders amounted to €11.0 million (previous year: €9.6 million) and €30.1 million (previous year: €31.4 million) respectively. If the restraint in new power station and plant construction that has long been apparent comes to an end, it should be possible to increase the sales performance for 2012 as a whole. However, if this restraint persists it may not be possible to avoid a further decline in volume.

4.3. Group

The Group's Tools Trade division has once again demonstrated the long-term success and profitability of its business activities. On this basis, Tools Trade will continue to form a key pillar of the Group's development with corresponding sales and earnings contributions. The sector situation for the Valves Trade division remains difficult, meaning that here the company is aiming for a consolidation at the current level. However, thanks to the division's strong market positioning it can also be expected to benefit particularly from an improvement in the sector economy.

Based on the incoming orders and order backlog as at the end of 2011, this development continued at the start of 2012. A consolidation of the Group's business volume is therefore anticipated for 2012 as a whole, possibly with a slight rising trend, and the Group should also succeed in keeping its earnings from operations based on consolidated EBIT at least at a constant level.

Risks remain with regard to the geopolitical situation and particularly the still outstanding normalisation of the influencing factors resulting from the debt problems within the euro zone.

5. Other information

No events of material significance occurred after the end of the financial year.

Remuneration for the Board of Management is comprised solely of fixed salary components. These also include pension commitments. To avoid duplication, please refer to the information in the notes to the consolidated financial statements.

The responsibility statement in accordance with section 289 (1) sentence 5 and section 315 (1) sentence 6 of the German Commercial Code (HGB) can be found in the notes and the notes to the consolidated financial statements.

6. Disclosures per Article 289 Para. 4 and Article 315 Para. 4 of German Commercial Code regarding the annual and consolidated financial statements for 2010

1. As at 31 December 2011, the company's share capital amounted to € 9,000,000.00, consisting of 3,000,000 no-par-value bearer shares.

2. The Board of Management is not aware of any restrictions in place concerning voting rights or sale of shares arising from any agreements between shareholders.

3. According to the company's knowledge, the Chairman of the Board of Management Jürgen Schafstein holds more than 10 % of voting rights, directly holding 16.67 % of shares and voting rights. The company has no information concerning any other direct or indirect shareholdings exceeding 10 % of voting rights in the company.

4. No special rights are in place conferring control privileges.

5. There is no controlling of voting rights when employees have holdings in the capital of the company.

6. Members of the Board of Management are appointed and dismissed in accordance with sections 84 and 85 of the Aktiengesetz (AktG – German Stock Corporation Act). Under Article 7 of the Articles of Association, the Board of Management consists of one or more members. It currently has two members. The Supervisory Board appoints Board of Management members and determines their number. The Supervisory Board can appoint a CEO or Chairman of the Board of Management. The Articles of Association are amended by way of resolution of the Annual General Meeting in accordance with sections 119 (1) no. 5, 179 and 133 AktG. To the extent permitted by law, in accordance with section 179 (2) sentence 2 AktG in conjunction with Article 21 (2) of the Articles of Association, resolutions are passed by a simple majority of votes cast and a simple majority of the share capital represented instead of the majority of three quarters of share capital represented as stated by section 179 (2) sentence 1 AktG. In accordance with Article 17 of the Articles of Association, the Supervisory Board is authorised to make amendments to the Articles of Association that affect its wording only.

7. The Board of Management is authorised to issue and buy back shares as outlined below.

- In accordance with Article 5 (3) of the Articles of Association, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital of the company on one or more occasions by a total of up to € 4,500,000.00 by issuing new bearer shares against cash or non-cash contributions until 29 August 2016 (Authorised Capital). The Board of Management is also authorised, with the approval of the Supervisory Board, to determine the further content of share rights and the terms of share issuance. Existing shareholders must be given the opportunity to subscribe to new shares. However, the Board of Management is authorised, with the approval of the Supervisory Board, to disapply shareholder pre-emption rights in line with the further details of the authorisation.

- On 27 August 2010, the Annual General Meeting authorised the Board of Management to issue bearer or registered participation certificates on one or more occasions until 26 August 2014. Bearer warrants can be attached to the participation certificates or they can be provided with a conversion right for the bearer. In line with the more detailed conditions of the option or profit participation conditions, the option or convertible profit participation rights grant a right to obtain shares of the company. Furthermore, the Board of Management was authorised to issue cum-warrant and/or convertible bonds in the place of or in addition to the profit participation certificates on one or more occasions and to grant bearers of cum-warrant bonds options and bearers of convertible bonds conversion rights for new shares of the company in line with the detailed conditions of the cum-warrant or convertible bond conditions until 26 August 2014. The share capital has been contingently increased by up to € 4,500,000 for the issuance of up to 1,500,000 new bearer shares. The contingent capital increase serves to grant rights to the holders of the options and convertible profit participation certificates, cum-warrant and convertible bonds to be issued by the company in line with the above authorisation. Existing shareholders must be given the opportunity to subscribe to the profit participation certificates and bonds. However, the Board of Management is authorised, with the approval of the Supervisory Board, to disapply shareholder pre-emption rights in line with the further details of the authorisation.

- The Annual General Meeting of 26 August 2011 authorised the Board of Management, with the approval of the Supervisory Board, to acquire treasury shares until 25 August 2015. The shares acquired – together with other treasury shares owned by the company or assigned to it in accordance with sections 71 a et seq. AktG – cannot exceed 10 % of the share capital of the company at any time. The treasury shares acquired on the basis of this authorisation can be disposed of with pre-emption rights disapplied against non-cash consideration or in line with section 186 (3) sentence 4 AktG.

8. There are no material agreements of the company subject to the condition of a change of control as a result of a takeover offer.

9. In addition, there are also no compensation agreements of the company with the members of the Board of Management or employees in the event of a takeover bid.

7. Declaration on corporate management in line with section 289a HGB and also report in line with 3.10 of the German Corporate Governance Code (Corporate Governance Report)

7.1. Declaration on corporate governance in line with section 289a HGB

7.1.1. Declaration in line with section 161 of the German Stock Corporation Act

Brüder Mannesmann Aktiengesellschaft implements corporate governance in line with the recommendations and suggestions of the German Corporate Governance Code (the Code) to the extent deemed appropriate for a company of its structure and size. The Code as amended 26 May 2010 was the basis for an extensive discussion in the Board of Management and the Supervisory Board with the objective of again complying with as many of the recommendations and suggestions as possible, taking into account the new features of and additions to the Code.

Below is the declaration in line with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) issued by the Board of Management and Supervisory Board for the 2011 financial year.

Declaration of compliance with the German Corporate Governance Code as amended 26 May 2011 by the Board of Management and the Supervisory Board of Brüder Mannesmann AG in line with section 161 AktG

In line with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act), the Board of Management and the Supervisory Board of Brüder Mannesmann AG must declare annually that the recommendations of the Government Commission of the German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Bundesanzeiger (Federal Gazette), were and are complied with or which recommendations were not and are not applied and why not. The declaration in line with section 161 AktG must be made permanently accessible to shareholders.

Retrospective declaration by the Board of Management and the Supervisory Board on the recommendations of the German Corporate Governance Code.

The Board of Management and the Supervisory Board of Brüder Mannesmann AG declare that the recommendations of the German Corporate Governance Code were complied with in the period between the last declaration of compliance dated 30 April 2011 to the time of this declaration in the form shown, except for the deviations as mentioned there.

Forward-looking declaration by the Board of Management and the Supervisory Board on the recommendations of the German Corporate Governance Code as amended 26 May 2010

The Board of Management and the Supervisory Board of Brüder Mannesmann AG declare that in future, the German Corporate Governance Code as amended 26 May 2010 shall be complied with, except for the recommendations listed below:

- Postal votes (2.3.3):

The Company Articles of Association do not yet provide for the option of postal votes. In the opinion of the company, this method is not yet sufficiently proven. Besides, the company already offers its shareholders the option of commissioning a representative appointed by the company to exercise their voting rights. Thus, shareholders can already exercise their voting rights before the day of the Annual General Meeting. Additionally allowing postal votes would therefore not significantly facilitate the exercise of shareholder rights overall.

- Board of Management remuneration (4.2.3):

The remuneration of the Board of Management does not include variable remuneration components. Following a further examination, the company does not see any advantages in variable remuneration structures which would justify a necessary move away from the system of fixed remuneration.

The German Appropriate Management Board Remuneration Act (VorstAG) came into effect on 5 August 2009. It states that the remuneration structure of listed companies must be geared towards sustainable corporate development. Variable remuneration components should therefore have a multi-year assessment basis. However, the new legal regulation also does not prohibit Board of Management remuneration from consisting solely of fixed remuneration elements.

In particular, it should be noted that solely fixed remuneration did not create precisely the false incentives that, against the backdrop of the global economic crisis in 2009, prompted legislators to act against negative developments, which were caused by non-sustainable variable remuneration and therefore harmed companies and the global economy, with the German Appropriate Management Board Remuneration Act. In light of this, the Government Commission of the German Corporate Governance Code felt it necessary to revise its recommendations on variable remuneration in 2009, which until then had not effectively prevented the unfavourable developments described. It remains to be seen whether the changes made to stock corporation law and the German Corporate Governance Code will actually prevent further unfavourable developments.

- ### Reporting of Board of Management remuneration (4.2.4):

  Currently, information on remuneration is not broken down individually as the Annual General Meeting on 30 August 2011 resolved in accordance with sections 286 (5) and 314 (2) HGB that individualised information will not be disclosed.

- ### Age limit for Board of Management members (5.1.2):

  There is currently no age limit for Board of Management members as age is not seen as a primary criterion for the ability to properly exercise an office.

- ### Formation of committees (5.3.1 to 5.3.5):

  In view of the current number of Supervisory Board members (three), it does not appear meaningful to form committees.

- ### Age limit for Supervisory Board members (5.4.1):

  There is currently no age limit for Supervisory Board members as age alone is not suitable for judging the ability to properly exercise an office.

- ### Publication of the consolidated financial statements and interim reports (7.1.2):

  The annual financial statements and the consolidated financial statements for a financial year are made available to the public no more than four months after the end of the financial year. Six-month and quarterly reports are made publicly accessible within two months of the end of the reporting period. These deadlines are in adherence with the rules and regulations of the Deutsche Börse Prime Standard and the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

- ### Publication of a list of third-party companies in which there is a shareholding not of minor importance (7.1.4):

  The list is published in the management report and contains information on the names and registered offices of such companies, the shareholding and the amount of equity. It does not include the earnings for the last financial year. In the opinion of Brüder Mannesmann AG, publishing such information is not of fundamental importance to the capital markets as it does not provide a transparent view of the specific way in which earnings are structured. In some cases, it is not unlikely, especially in SME-type structures, that such information may be to the detriment of the companies concerned as it could be exploited, e.g. by their competitors.

7.1.2. Disclosures in accordance with section 289a (2) nos. 2 and 3 of the German Commercial Code

General information on the management structure

Brüder Mannesmann Aktiengesellschaft is a stock corporation under German law and is subject to the provisions of German law governing stock corporations, capital market regulations and the provisions of its Articles of Association and the Rules of Procedure for the Board of Management and the Supervisory Board. The company is managed by its Board of Management and Supervisory Board, which cooperate closely in representing the interests of the company and its shareholders. With its Board of Management and Supervisory Board, Brüder Mannesmann Aktiengesellschaft operates a two-tier governance and monitoring structure. The Annual General Meeting is the third executive body of the company.

Procedures of the Board of Management and the Supervisory Board

The Supervisory Board

The Supervisory Board of the company is composed in line with sections 96 (1) and 101 (1) AktG and, in line with the Articles of Association, consists of three members appointed by the Annual General Meeting. The Supervisory Board advises and monitors the Board of Management in its management of the company. Management activities cannot be transferred to the Supervisory Board. However, the Articles of Association or the Supervisory Board can stipulate that certain types of transactions may be performed only by the Board of Management with the approval of the Supervisory Board. If the Supervisory Board refuses to give its approval, the Board of Management can request that the Annual General Meeting resolve the issue.

The Supervisory Board may form committees. As the Supervisory Board is composed of the statutory minimum number of three members, establishing committees would not generate any advantage, hence it has not created any.

The Board of Management

Brüder Mannesmann Aktiengesellschaft's Board of Management, comprising one or more members to be appointed by the Supervisory Board, manages the company and conducts its business. The Board of Management is currently made up of two members. The Board of Management is bound to represent the interests of the company and to increase enterprise value on a sustainable basis. It determines the strategic orientation of the company in coordination with the Supervisory Board and ensures its implementation. It is also responsible for the company's annual and multi-year planning and the preparation of mandatory reports, including the annual and consolidated financial statements and the quarterly reports.

Furthermore, the Board of Management is responsible for ensuring that adequate risk management and risk controlling procedures are in place and that timely and comprehensive information is provided to the Supervisory Board on a regular basis, in particular for all issues concerning the Group in relation to strategy, operational planning, business development, the risk situation and risk management.

Information on corporate governance practices

The core of the management culture is formed by values anchored in the legal regulations, the Articles of Association and internal regulations.

The management and employees have an understanding regarding combining sustainable growth with business success while at the same time creating an added value for society with high-quality products and responsible action.

In this, the employees should be aware that they can contribute to the company's success, its reputation and to creating added value and that they should take responsibility for this.

The Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and vote there. Each share grants one vote. The Annual General Meeting is held within the first eight months of each financial year. The agenda for the Annual General Meeting and any reports and documents required at the Annual General Meeting are also published on the company's website.

To facilitate the exercising of rights at Annual General Meetings, the company provides shareholders with a proxy bound by instructions. When convening the Annual General Meeting and in communications with shareholders, it is explained how instructions can be issued for exercising voting rights prior to the Annual General Meeting.

In addition, a shareholder can authorise an individual of his choice with power of attorney for voting.

7.1.3. Additional information on corporate governance

Transparency

Brüder Mannesmann Aktiengesellschaft uses the company's website (www.bmag.de) to provide shareholders and investors with information in a timely manner. It also issues all mandatory disclosures and notifications. In addition to the consolidated financial statements, annual financial statements, six-month and quarterly reports, information on current developments is also provided by ad hoc disclosures and press releases. The company's key dates are published with sufficient advance notice.

The compiled company notifications in line with stock exchange and securities trading law as defined by section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act) are also available on the website www.bmag.de.

Financial reporting

The consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs). The annual financial statements of Brüder Mannesmann Aktiengesellschaft are compiled in line with the provisions of the German Commercial Code.

Composition of the Supervisory Board

In accordance with 5.4.1 of the Code, the Supervisory Board must be composed in such a way that its members collectively possess the knowledge, ability and technical experience required to properly perform its duties. The Supervisory Board must state specific objectives regarding its composition which take into account the international activities of the company, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity in line with the company's own, specific situation. These objectives shall, in particular, stipulate an appropriate degree of female representation. The specific objectives of the Supervisory Board for its composition and the status of their implementation should be published in the Corporate Governance Report (5.4.1 of the Code).

The Supervisory Board has stated the following aims regarding its composition:

- Members of the Supervisory Board should have sufficient time for the performance of their mandate so that they can exercise it with due regularity and care.

- Members of the Supervisory Board should have technical expertise and knowledge of the sector, namely that of the tools trade and valves trade, including the features associated with the tools and valves trade sector and the special requirements of manufacturers, trading partners and customers, including in an international environment.

- At least one member of the Supervisory Board should have specialist knowledge and experience in the application of accounting principles and internal control procedures.

- Conflicts of interest that are material or not just temporary, such as performing executive functions or consulting activities at key competitors of the company, should be avoided.

- The expected future increase in the international activities of the company and its subsidiaries should be taken into account.

- The membership of a woman in the Supervisory Board.

In the opinion of the Supervisory Board, the status of the implementation of these objectives can be regarded as positive:

- All members of the Supervisory Board have the necessary qualifications and time to perform their mandate. It should be noted that as the Supervisory Board consists of three members, all members must participate in its discussions and resolutions, which was ensured at all times. In the past, it has been possible to arrange a meeting of the Supervisory Board or a conference call at short notice with its current composition, even in urgent matters, which highlights the good availability and efficient cooperation of its members.

- Mr. Mannesmann, as an experienced businessman, and Mr. Nagel, as a graduate industrial engineer, have extensive professional and technical expertise and understanding of the sector regarding the business of Brüder Mannesmann AG and the consolidated group thanks to their many years of work experience. They also have international business experience. Ms. Schafstein-Coen has also gained substantial experience on the basis of her work, but especially contributes her expertise as a banker as well, which covers a further necessary area of competence. Finally, Mr. Mannesmann also satisfies the requirements of a financial expert thanks to his extensive experience as a supervisory board chairman for various stock corporations.

- Conflicts of interest that are material or not just temporary, such as performing executive functions or consulting activities at key competitors of the company, were avoided or handled appropriately and will be avoided in future.

- In line with the stated objective, there is a woman on the Supervisory Board in Ms. Schafstein-Coen.

As far as possible, the Supervisory Board will take its own objectives for its composition into consideration in searching for suitable candidates to replace any members who may leave prematurely, though replacement members must also be found and appointed under great time pressure in order to maintain the functionality of the three-member body.

Disclosures on stock option plans and similar securities-based incentive systems of the company

The company has no stock option plans or similar securities-based incentive systems.

Shareholdings of the Board of Management and the Supervisory Board

On 31 December 2011, the members of the Board of Management held a total of 696,300 shares (previous year: 696,300) representing 23.21% of share capital. On 31 December 2011, the members of the Supervisory Board held 228,500 shares (previous year: 228,500) representing 7.62% of share capital.

7.2. Risk management and safeguarding the future

The company has a reporting and control system that allows it to identify business risks that could potentially jeopardise the existence of the company as a going concern and its ability to achieve key strategic goals. The information obtained from this system is incorporated into management planning. Responsibility for implementing countermeasures lies with division management.

Both of the Group's operative divisions use a variety of measures in the areas of attracting new customer segments, internationalisation and innovative product range policy as a means of safeguarding the future of the company. In the Tools division foreign currency risks due to operations are countered through efficient management of foreign currency liabilities, in part on the basis of hedging transactions. As far as possible, international transactions with risk are secured using export insurance. To secure goods from the Far East there is a general insurance policy with marine insurance. There is also an insurance policy covering policy liability risks. As far as possible, the risk of price changes is countered with a prompt adjustment of costing.

The Group has a computer-based internal controlling and risk management system. Data from the financial accounting of Group companies with operations is transferred to the accounting system at monthly intervals and analysed according to defined figures in the form of variance analyses to determine earnings performance and financial status. Any conclusions or measures arising from these analyses are communicated to the operational Group companies in regular discussions. Furthermore, the quarterly figures of the Group companies are passed on to the Supervisory Board by the Board of Management.

The operational development opportunities of the Group's equity holdings are supported by the functions of the parent holding company. In particular, this includes assistance in issues of strategy and ensuring funds. As a result, these holdings have the opportunity to make appropriate contributions to earnings at Group level.

The risk management system is further developed on an ongoing basis by the Board of Management, adjusted to changing circumstances and reviewed by the company's auditors.

7.3. Remuneration report (information on the remuneration system in accordance with section 289 (2); section 315 (2) HGB

Remuneration of the Supervisory Board

In line with 5.4.6 of the Code, Supervisory Board members should receive performance-based or variable remuneration in addition to a fixed component. In line with Article 18 of the Articles of Association, each Supervisory Board member receives fixed remuneration of €12,000 in addition to the reimbursement of expenses. Furthermore, Supervisory Board members receive variable remuneration of €500 for each percentage of the dividend resolved by the Annual General Meeting in excess of 4% of the share capital (variable remuneration). The Chairman receives double this amount, the Deputy Chairman receives one and a half times this amount.

Remuneration of the Board of Management

Remuneration for the Board of Management is comprised solely of fixed salary components. These also include pension commitments. No additional benefits were provided. In assessing Board of Management remuneration, it should be noted that the members of the Board of Management also perform management functions at subsidiaries in addition to their work at holding level.

Currently, information on remuneration is not broken down individually as the Annual General Meeting on 31 August 2006 resolved in line with sections 286 (5) and 314 (2) HGB that the individual information on Board of Management remuneration will not be disclosed.

The German Appropriate Management Board Remuneration Act (VorstAG) came into effect on 5 August 2010. It states that the remuneration structure of listed companies must be geared towards sustainable corporate development. Variable remuneration components should therefore have a multi-year assessment basis. However, the new legal regulation also does not prohibit Board of Management remuneration from consisting solely of fixed remuneration elements.

In particular, it should be noted that solely fixed remuneration did not create precisely the false incentives that, against the backdrop of the global economic crisis, prompted legislators to act against negative developments, which were caused by non-sustainable variable remuneration and therefore harmed companies and the global economy, with the German Appropriate Management Board Remuneration Act. In light of this, the Government Commission of the German Corporate Governance Code felt it necessary to revise its recommendations on variable remuneration in 2010, which until then had not effectively prevented the unfavourable developments described. It remains to be seen whether the changes made to stock corporation law and the Code will actually prevent further unfavourable developments.

Remscheid, 26 April 2011
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein Chairman of the Board of Management	Bernd Schafstein

Consolidated Financial Statements

Consolidated Balance Sheet

Assets in TEUR	Notes	31.12.2011	31.12.2010
Non-current assets			
Goodwill	3.1.	3,845	3,845
Other intangible assets	3.1.	193	310
Property, plant and equipment	3.2.	11,142	9,858
Investment property	3.3.	5,468	6,774
Financial assets	3.4.	4,743	2,419
Deferred tax assets	3.5.	2,563	2,589
Other assets	3.6.	38	86
		27,992	**25,881**
Current assets			
Inventories	3.7.	11,572	13,561
Trade receivables	3.8.	10,909	10,862
Other receivables and other assets	3.9.	1,529	4,656
Assets for current tax	3.10.	89	57
Investments	3.11.	1,006	2,092
Cash and cash equivalents	3.12.	9,058	9,083
		34,163	**40,311**
Balance sheet total		**62,155**	**66,192**

Liabilities in TEUR	Notes	31.12.2011	31.12.2010
Equity			
Share capital	3.13.	9,000	9,000
Reserves	3.14.	770	770
Accumulated losses brought forward		-2,962	-1,819
Net consolidated income		-958	-1,143
		5,850	**6,808**
Non-current liabilities			
Mezzanine subordinate loans	3.18.	17,349	17,248
Provisions for pensions and similar liabilities	3.16.	11,929	12,161
Financial liabilities	3.18.	12,182	13,173
Other liabilities	3.19.	3,261	3,908
Deferred tax liabilities	3.20.	452	645
		45,173	**47,135**
Current liabilities			
Other provisions	3.17.	823	722
Financial liabilities	3.18.	2,379	1,430
Trade liabilities	3.21.	5,424	7,880
Other liabilties	3.19.	2,506	2,217
Current income tax liabilities	3.22.	**11,132**	**12,249**
Balance sheet total		**62,155**	**66,192**

Consolidated Statement of Earnings

in TEUR	Notes	01.01.-31.12.2011	01.01.-31.12.2010
Sales revenue	4.1.	66,423	65,639
Other operating income	4.2.	2,277	1,056
Costs of materials		-48,926	-47,426
Staffing costs	4.3.	-9,346	-9,455
Other operating expenses	4.4.	-7,763	-7,729
EBITDA		**2,665**	**2,085**
Amortisation and depreciation of intangible assets and property, plant and equipment		-489	-393
EBIT (operating result)		**2,176**	**1,692**
Results from equity investments	4.5.	0	0
Financial income	4.5.	285	934
Financial expense	4.5.	-3,586	-4,043
Earnings before tax		**-1,125**	**-1,417**
Income taxes	4.6.	167	274
Net consolidated income		**-958**	**-1,143**
Earnings per share (undiluted) in EUR	**4.7.**	**-0.32**	**-0,38**
Earnings per share (diluted) in EUR	**4.7.**	**-0.32**	**-0,38**

Reconciliation from net consolidated income for the period to total comprehensive income

in TEUR	01.01.-31.12.2011	01.01.-31.12.2010
Net consolidated income	-958	-1,143
Transactions recognised directly in equity	0	0
Total comprehensive income	**-958**	**-1,143**

Consolidated Capital Finance Account

in TEUR	Notes	2011	2010
EBIT		2,176	1,692
Depreciation on noncurrent assets		489	393
Gains on disposal on noncurrent assets		1	-261
Change of noncurrent provisions and other noncurrent liabilities		-232	1,271
Other non-cash income and expenses		-183	111
Interest payments		-171	-88
Income tax payments		-32	18
Cash inflows/outflows from operating activities before change in current net assets	**6.2.**	**2,048**	**3,136**
Change of current assets/liabilities			
Inventories		1,989	-2,019
Trade receivables		-47	-971
Other receivables and other assets		197	15
Financial liabilities		901	347
Trade liabilities		-2,456	2,253
Other liabilities and other items		-29	607
Inflows/outflows from operating activities	**6.2.**	**2,603**	**3,368**
Inflows from disposal of noncurrent assets		21	973
Outflow for investment properties		-962	-1,987
Interest received		251	227
Dividends received		35	10
On debt held for trading		-225	-1,047
Outflow for investments in current assets		0	-3,280
Inflow from investments in current assets		2,500	0
Current financial instruments		-388	7
Inflows/outflows from investing activities	**6.2.**	**1,232**	**-5,097**
Change of long-term financial liabilities			
Borrowing long-term financial liabilities		0	649
Repayment long-term financial liabilities		-943	-899
Repayment other liabilities		-362	-388
Interest payment		-2,555	-2,779
Inflows/outflows from financing activities	**6.2.**	**-3,860**	**-3,417**
Changes in cash and cash equivalents	**6.2.**	**-25**	**-5,146**
Cash and cash equivalents on 1 January	**6.2.**	**9,083**	**14,229**
Cash and cash equivalents on 31 December	**6.2.**	**9,058**	**9,083**

Statement of Changes to Shareholders' Equity

in TEUR	Share capital	Capital reserves	Revenue reserves	Retained earnings brought forward	Net income	Total share-holders' equity
Shareholders' equity as at December 31, 2009	**9,000**	**770**	**0**	**-1,883**	**64**	**7,951**
Net loss 2009 carried forward				64	-64	
Profit January 1, to December 31, 2010					-1,143	-1,143
Shareholders' equity as at December 31, 2010	**9,000**	**770**	**0**	**-1,819**	**-1,143**	**6,808**
Profit 2010 carried forward				-1,143	1,143	
Profit January 1, to December 31, 2011					-958	-958
Shareholders' equity as at December 31, 2011	**9,000**	**770**	**0**	**-2,962**	**-958**	**5,850**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. General information on the consolidated financial statements

Brüder Mannesmann Aktiengesellschaft is a holding company whose operating subsidiaries are active in the international trading of tools and valves. There are two established operating divisions which operate on the market, the "Tool Trade" and the "Valve Trade". The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as a leasing company for properties and does not operate on the market.

The registered business address of the Group is:
Lempstraße 24, 42859 Remscheid, Germany.

Brüder Mannesmann Aktiengesellschaft is entered in the commercial register of the Wuppertal Local Court under HRB 11838.

2. Accounting policies

2.1. Basis of preparation of the financial statements

Financial reporting

In accordance with section 315a of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with EU Directive 1606/2002 dated 19 July 2002, the consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the year ended 31 December 2011 were prepared on the basis of the applicable International Financial Reporting Standards (IFRSs) adopted by the EU at the balance sheet date.

The consolidated financial statements are based on the historical cost convention with the exception of specific items, such as investment property, derivative financial instruments and certain securities, which are measured at fair value.

The consolidated income statement was prepared in accordance with the total cost (nature of expense) method.

Individual items in the consolidated balance sheet and the consolidated income statement are summarised in order to improve the clarity of presentation. These items are discussed in greater detail in the notes to the financial statements.

The structure of the balance sheet is based on the term of the respective assets and liabilities.

Assets and liabilities are classified as current if they fall due or are held for sale within one year. Accordingly, assets and liabilities are classified as non-current if the Group intends to hold them for more than one year. Trade payables and receivables, current tax assets and liabilities and inventories are generally classified as current, while deferred tax assets and liabilities are classified as non-current.

Reporting currency

The consolidated financial statements are prepared in euro. All amounts are presented in thousands of euro (€ thousand) unless stated otherwise.

Basis of consolidation

In addition to Brüder Mannesmann Aktiengesellschaft, the consolidated financial statements include all the subsidiaries whose financial and business policy are controlled by Brüder Mannesmann Aktiengesellschaft on account of it holding a majority of the voting rights or in accordance with the relevant articles of association, partnership agreement or other contractual arrangements, with the exception of one subsidiary (last year: one).

A total of seven German subsidiaries (previous year: seven) and one foreign subsidiary (previous year: one) controlled by Brüder Mannesmann Aktiengesellschaft in accordance with IAS 27 (Consolidated and Separate Financial Statements) are included in the consolidated financial statements.

Companies in which Brüder Mannesmann AG holds a stake between 20% and 50% and has a significant influence over business and financial policies (associated companies) are valued at equity. A company measured at equity in the previous year was sold at the end of 2011.

Fully-consolidated subsidiaries	**Share of capital in %**	**Equity in € thou**
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100	10,000
Brüder Mannesmann Nederland B.V., Doetinchem/Netherlands	100	282
CoCaCo Trading GmbH, Remscheid	100	1,559
Fernando Esser & Cia. GmbH, Remscheid	100	64
Corneta Export GmbH, Remscheid	100	26
Schwietzke Armaturen GmbH, Bottrop	100	4,000
CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100	1,420
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100	126
Not fully-consolidated subsidiaries	**Share of capital in %**	**Equity in € thou**
Chronos Technologie AG, Remscheid	100	1,276*

* According to the provisional annual financial statements as at 31 December 2011

Consolidation principles

The single-entity financial statements of the companies included in consolidation are reconciled to uniform, consolidation-ready financial statements in accordance with International Financial Reporting Standards (IFRSs).

The single-entity financial statements of the companies included in consolidation are prepared to the same reporting date as the consolidated financial statements.

The initial consolidation of the companies included in consolidation prior to 1 January 2004 was performed on the basis of the purchase method. Under this method, the Group's interest in the shareholders' equity of a consolidated subsidiary is offset against the carrying amount of the investment at the acquisition date. Any remaining excess after the allocation of hidden reserves and liabilities is recognised as goodwill from capital consolidation and amortised on a straight-line basis over the economic life of the respective investment.

Following the initial application of IFRS 3 (Business Combinations), the straight-line amortisation of goodwill was discontinued with effect from 1 January 2004. Since this date, goodwill has been regularly tested for impairment at least once a year, with the carrying amount written down to the recoverable amount as necessary. No impairment losses were recognised in the year under review.

Intragroup profits and losses are eliminated. Intragroup revenues, expenses and income, receivables, liabilities and provisions are consolidated. Deferred taxes are recognised for consolidation adjustments in accordance with IAS 12 (Income Taxes).

Currency translation

As the euro is the functional currency of all the companies included in consolidation, no single-entity financial statements were required to be translated.

Foreign currency transactions in the single-entity financial statements of Group companies are translated in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) at the applicable exchange rate at the transaction date. Monetary assets and liabilities whose values are stated in a foreign currency are translated at the closing rate on the balance sheet date. The resulting exchange rate gains and losses are recognised in profit and loss.

2.2. Application of new accounting policies

New standards and interpretations which have not yet been applied

The following Standards and Interpretations, though published by December 31, 2011, did not require application as of such date or were not yet endorsed as of European law. The early-application was not exercised for 2011:

	Veröffentlichung IASB	Übernahme durch die EU	Erstmalige Anwendung	Auswirkungen auf zukünftige Konzernabschlüsse
Neue Standards, die noch nicht von der EU übernommen wurden:				
IFRS 9 Financial Instruments (Issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011)	November 2009 Dezember 2011	-	-	Keine abschließende Prüfung der Auswirkungen dieses Standards auf den Konzernabschluss
IFRS 10 Consolidated Financial Statements (Issued 12 May 2011)	Mai 2011	-	-	Keine wesentlichen Auswirkungen erwartet
IFRS 11 Joint Arrangements (Issued 12 May 2011)	Mai 2011	-	-	Keine wesentlichen Auswirkungen erwartet
IFRS 12 Disclosures of Interests in Other Entities (Issued 12 May 2011)	Mai 2011	-	-	Keine wesentlichen Auswirkungen erwartet
IFRS 13 Fair Value Measurement (Issued 12 May 2011)	Mai 2011	-	-	Keine abschließende Prüfung der Auswirkungen dieses Standards auf den Konzernabschluss
IAS 27 Separate Financial Statements (Issued 12 May 2011)	Mai 2011	-	-	Keine wesentlichen Auswirkungen erwartet
IAS 28 Investments in Associates and Joint Ventures (Issued 12 May 2011)	Mai 2011	-	-	Keine wesentlichen Auswirkungen erwartet
Geänderte Standards, die bereits von der EU übernommen wurden:				
Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets	Oktober 2010	22.11.2011	GJ 2012	Keine wesentlichen Auswirkungen erwartet
Geänderte Standards, die noch nicht von der EU übernommen wurden:				
Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12) (Issued 20 December 2010)	Dezember 10	-	-	Keine wesentlichen Auswirkungen erwartet
Severe Hyperinflation and Removal of Fixed Dates for First-Time (Adopters Amendments to IFRS 1) (Issued 20 December 2010)	Dezember 10	-	-	Keine wesentlichen Auswirkungen erwartet
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (Issued 16 June 2011)	Juni 2011	-	-	Keine wesentlichen Auswirkungen erwartet
Amendments to IAS 19 Employee Benefits (Issued 16 June 2011)	Juni 2011	-	-	Keine abschließende Prüfung der Auswirkungen dieses Standards auf den Konzernabschluss
Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (Issued 16 December 2011)	Dezember 2011	-	-	Keine wesentlichen Auswirkungen erwartet
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (Issued 16 December 2011)	Dezember 2011	-	-	Keine wesentlichen Auswirkungen erwartet
Neue Interpretationen, die noch nicht von der EU übernommen wurden:				
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (Issued 19 October 2011)	Oktober 2011	-	-	Keine wesentlichen Auswirkungen erwartet

First-time aplication of Standards/Interpretations

Application in fiscal 2011 of the following revised or amended Standards/Interpretations for the first time:

	Veröffentlichung IASB	Übernahme durch die EU	Erstmalige Anwendung	Auswirkungen auf den Konzern-abschluss 2011
Geänderte Standards:				
Improvements to IFRSs (Issued by the IASB in May 2010)	Mai 2010	18.02.2011	GJ 2011	Keine
Revised IAS 24 Related Party Disclosures	November 2009	19.07.2010	GJ 2011	Keine
Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Januar 2010	30.06.2010	GJ 2011	Keine
Amendment to IAS 32 Financial Intruments: Presentation: Classification of Right Issues	Oktober 2009	23.12.2009	GJ 2011	Keine
Neue Interpretationen:				
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	November 2009	23.07.2010	GJ 2011	Keine
Geänderte Interpretationen:				
Amendment to IFRIC 14 Prepayments of Minimum Funding Requirement	November 2009	19.07.2010	GJ 2011	Keine

2.3. Assumptions and estimates

The preparation of the consolidated financial statements requires the application of certain assumptions and estimates affecting the amount and classification of assets, liabilities, income, expenses and contingent liabilities. The actual amounts may deviate from these assumptions and estimates. In the event of a change in the original basis of an assumption or estimate, the resulting change in the value of the affected item is recognised in income.

The main areas in which assumptions and estimates are applied include the determination of the useful lives of non-current assets, the calculation of discounted cash flows for the purposes of impairment testing and the measurement of interest optimisation transactions, the calculation of the fair values of derivative financial instruments, the recognition of deferred tax assets from tax loss carryforwards, the recognition of provisions for employee benefits and uncertain obligations, the recognition of onerous contracts and the measurement of inventories.

2.4. Summary of significant accounting policies

Intangible assets

Goodwill from capital consolidation is recognised in accordance with IFRS 3 and regularly tested for impairment at least once a year, and more often if there is evidence of impairment. The carrying amount of goodwill is written down to the recoverable amount as necessary. For the purpose of impairment testing, goodwill is allocated to the cash-generating units tools (€2,497 thousand) and valves (€1,348 thousand). To measure the value, expected future cash flows are discounted at a factor of 8.8% or 9% before taxes (previous year: 8.8% and 9%). The expected cash flows are based on company planning. The detailed planning period covers three years.

As part of an additional sensitivity analysis, the discount factor was raised by 10% for both cash-generating units. The change in this underlying assumption does not result in any impairment of goodwill for the Tools and Valves cash-generating units.

Other intangible assets are carried at cost and amortised pro rate temporis over their estimated useful life. An impairment loss is recognised for any impairment in excess of amortisation. Impairment losses are reversed if the reasons for their recognition no longer exist. The useful lives of intangible assets are between three and 15 years.

Property, plant and equipment

Property, plant and equipment is carried at cost less straight-line depreciation and any impairment losses.

The following useful lives for property, plant and equipment are applied throughout the Group:

- Buildings, including buildings on third-party land: 8-60 years
- Technical equipment and machinery: 2-15 years
- Other equipment, office and operating equipment: 2-15 years

In accordance with IAS 17 (Leases) in conjunction with IFRIC 4, the beneficial ownership of leased assets accrues to the lessee if substantially all of the risks and rewards incidental to the asset are also transferred to the lessee (finance leases).

The Group did not have any leases meeting this definition in the year under review. All of the Group’s leases were classified as operating leases, with the corresponding lease instalments expensed as incurred.

Investment property

IAS 40 (Investment Property) defines investment property as property held to earn rentals or for capital appreciation or both. Investment property is carried at fair value.

The fair value of investment property is calculated by an independent expert on the basis of the capitalised income value, taking into account all aspects of the property market.

Financial investments valued at equity

Shares in joint ventures are valued at equity. Capital consolidation of shareholdings measured at equity is performed based on the same principles as full consolidation. The carrying amount is raised or lowered each year by the pro rata results, dividends paid out or other equity changes. Pro-rata losses are recognised in the carrying amount, which is why the carrying amount is € 0 thousand as of the balance sheet date.

Financial instruments

Financial assets and liabilities are recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

Financial assets are broken down into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial assets held to maturity
- Available-for-sale financial assets

Financial liabilities are broken down into the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities carried at amortised cost

At the balance sheet date, the Brüder Mannesmann Group did not hold any financial assets classified as held to maturity.

The purchase and sale of financial instruments in arm's length transactions is recognised at the settlement date, i.e. the date on which the asset is delivered to or by the Brüder Mannesmann Group. Financial assets and liabilities are not generally offset unless the Group has a current right to offset the respective amounts and intends to settle them on a net basis.

On initial recognition, financial assets and liabilities are measured at fair value. Subsequent measurement is performed on the basis of the IAS 39 categories to which the respective items are allocated.

Financial assets include both primary and derivative financial instruments.

Financial instruments are carried at amortised cost (calculated in accordance with the effective interest method) or fair value. They are derecognised when the right to receive payments from the instruments expire or are transferred and the Brüder Mannesmann Group transfers significantly all the risks and rewards incidental to ownership. The amortised cost of a financial asset or liability is the amount applied on initial recognition less

- any repayments and
- impairment losses or allowances for uncollectability, and
- the cumulative allocation of any differences between the original amount and the amount repayable on maturity (e.g. premiums).

Premiums are calculated over the term of the financial asset or liability using the effective interest method.

The amortised cost of current receivables and liabilities generally corresponds to their notional or settlement amount.

The fair value of a financial instrument generally corresponds to its market value or quoted price. If no active market exists for a financial instrument, the fair value is calculated using recognised investment techniques, e.g. by discounting the estimated future cash flows using the applicable discount rate, and examined by obtaining confirmations from the banks responsible for settling the respective transactions.

Financial assets are examined for objective evidence of impairment at each balance sheet date.

Non-current financial assets

Non-current financial assets contain shares in a non-consolidated affiliated company, loans and securities (shares). The former are carried at original cost, as there is no active market for this company and a fair value cannot be reliably determined without an unreasonable degree of cost and effort. There are no plans for a sale at present. If there is evidence that the fair value of a non-current financial asset is lower than its carrying amount, the carrying amount is written down to fair value accordingly. The loans are also recognised at original cost. The securities (shares) are assigned to the trading portfolio and carried at fair value in accordance with IAS 39. Fair value changes are reported under the financial result.

Deferred tax assets and liabilities

Determination of deferred tax assets is made in compliance with IAS 12. Temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax base are recognised in the amount of the probable future tax benefits and expenses. The expected tax savings from the future utilisation of tax loss carryforwards are capitalised. Deferred tax assets from deductible temporary differences and tax loss carryforwards are recognised at the amount in which it is reasonably certain that sufficient taxable income will be generated to realise the corresponding benefits.

Inventories

In accordance with IAS 2 (Inventories), inventories are defined as assets held for sale in the ordinary course of business (goods) and consumed in providing services (raw materials and supplies).

Goods classified as inventories are initially carried at cost, which is determined in accordance with the weighted average cost method. At subsequent reporting dates, goods are carried at the lower of cost and net realisable value. Specific valuation allowances are recognised for goods if the proceeds on their sale are expected to be lower than their carrying amount. Net realisable value is defined as the expected selling price less the direct selling expenses attributable to the goods up until their sale.

Trade receivables

Trade receivables are classified as loans and receivables in accordance with IAS 39 and carried at amortised cost.

Doubtful receivables are carried at the lower recoverable amount.

Other receivables and other assets

The assets reported in other receivables and other assets that are required to be classified as loans and receivables in accordance with IAS 39 are carried at amortised cost.

Other assets include derivative financial instruments, which are measured at fair value in accordance with IAS 39.

Prepaid expenses include transitional deferrals. Prepaid expenses with a remaining term of more than one year are reported in non-current assets (other non-current assets).

Cash and cash equivalents, current tax assets and other securities

Cash and cash equivalents are composed of checks, cash in hand and bank balances with a term of three months or less, and are carried at the respective nominal amounts.

Current tax assets relate to income tax receivables from tax authorities.

With the securities, shares were classified to the trading portfolio and carried at fair value in accordance with IAS 39. On account of the embedded derivative certificates have been assigned to the fair value option category to reduce complexity and are recognised in the income statement at fair value. Fair value changes are reported under net finance costs. Other securities are classified as available for sales and carried at fair value.

Securities are classified as available for sales and carried at fair value.

Provisions

In accordance with IAS 19 (Employee Benefits), the actuarial valuation of pension provisions is performed using the projected unit credit method for defined benefit obligations. This includes current and future pension claims at the balance sheet date and expected future salary and pension increases. In accordance with the corridor method, actuarial gains and losses at the end of the year are only recognised if they fall outside a range of 10 % of the amount of the obligation. Any such actuarial gains or losses are distributed across the average remaining working life of the respective beneficiaries and recognised in income. In accordance with IAS 19, past service cost for vested new benefits and changes in pension plans are recognised in income immediately.

Other provisions are recognised in accordance with IAS 37 if the Group has a legal or constructive obligation to a third party resulting from a past transaction or event that is likely to result in an outflow of benefits that can be reliably determined. Provisions are carried at the expected settlement amount, taking into account all identifiable risks.

Liabilities

In accordance with IAS 39, financial liabilities are carried at amortised cost using the effective interest method.

Trade payables are carried at amortised cost.

Other liabilities are carried at their settlement amount, unless they are required to be measured at fair value in accordance with IAS 39.

Income and expenses

Revenues and other operating income are recognised only when the significant risks and rewards incidental to ownership of the goods are transferred to the customer.

Operating expenses are recognised when the respective services are utilised or when the event giving rise to the expenses occurs.

Borrowing costs are expensed in the period in which they are incurred as set out in IAS 23. In the financial year, no borrowing costs were recognised for the production of qualifying assets.

3. Disclosures on the consolidated balance sheet

3.1. Intangible assets

Schedule of intangible assets	Goodwill	Other intangible assets	Total
Cost			
As of 01.01.2010	3,845	3,056	6,901
Additions	0	7	7
Disposals	0	0	0
As of 31.12.2010	**3,845**	**3,063**	**6,908**
As of 01.01.2011	3,845	3,063	6,908
Additions	0	9	9
Disposals	0	0	0
As of 31.12.2011	**3,845**	**3,072**	**6,917**
Cumulated deprecation			
As of 01.01.2010	0	2,627	2,627
Depreciation	0	126	126
Reversals	0	0	0
As of 31.12.2010	**0**	**2,753**	**2,753**
As of 01.01.2011	0	2,753	2,753
Depreciation	0	126	126
Reversals	0	0	0
As of 31.12.2011	**0**	**2,879**	**2,879**
Carrying amount			
01.01.2010	3,845	429	4,274
31.12.2010	3,845	310	4,155
01.01.2011	3,845	310	4,155
31.12.2011	**3,845**	**193**	**4,038**

Goodwill consists of goodwill from capital consolidation and relates to the carrying amounts of the following cash-generating units:

in TEUR	31.12.2011	31.12.2010
Tools segment	2,497	2,497
Valves segment	1,348	1,348
	3,845	**3,845**

The impairment test performed for goodwill has confirmed the carrying amount previously set.

Rights to company names and software licences are reported in other intangible assets.

3.2. Property, plant and equipment

Schedule of property, plant and equipment in TEUR	Land and buildings	Technical equipment and machinery	Other plant and equipment	Advance payments	Total
Cost					
As of 01.01.2010	9,932	42	1,599	390	11,963
- Additions	746	128	152	0	1,026
- Disposals	0	0	-55	0	-55
- Reclassification	390	0	0	-390	0
- Additions from the investment property portfolio	1,919	0	0	0	1,919
- Disposals from the investment property portfolio	-343	0	0	0	-343
As of 31.12.2010	**12,644**	**170**	**1,696**	**0**	**14,510**
As of 01.01.2011	12,644	170	1,696	0	14,510
- Additions	163	1	193	0	357
- Disposals	0	0	-49	0	-49
- Reclassification	0	0	0	0	0
- Additions from the investment property portfolio	1,306	0	0	0	1,306
As of 31.12.2011	**14,113**	**171**	**1,840**	**0**	**16,124**
Cumulated depreciation					
As of 01.01.2010	3,053	30	1,400	0	4,483
- Depreciation	174	5	87	0	266
- Disposals	0	0	-31	0	-31
- Disposals due to transfers in the investment property portfolio	-66	0	0	0	-66
As of 31.12.2010	**3,161**	**35**	**1,456**	**0**	**4,652**
As of 01.01.2011	3,161	35	1,456	0	4,652
- Depreciation	236	10	116	0	362
- Disposals	0	0	-32	0	-32
As of 31.12.2011	**3,397**	**45**	**1,540**	**0**	**4,982**
Carrying amount					
01.01.2010	6,879	12	199	390	7,480
31.12.2010	9,483	135	240	0	9,858
01.01.2011	9,483	135	240	0	9,858
31.12.2011	**10,716**	**126**	**300**	**0**	**11,142**

The group has concluded sale-and-leaseback agreements that qualify as finance leases for movable property, plant and equipment and intangible assets. The related assets are balanced unvaried because the beneficial ownership has not changed.

The Group has transferred owner occupied land and buildings totalling €10.716 thousand (previous year: €9.483 thousand) as real estate liens to secure a loan.

3.3. Investment property

Investment property is carried at fair value in accordance with IAS 40. At 31 December 2011, this item totalled €5,468 thousand (previous year: €6,774 thousand). Valuation was performed by an independent expert on the basis of the capitalised income value, taking into account all aspects of the property market.

The Group has transferred all its investment property as real estate liens to secure a loan.

All the investment property held by the Group is let under the terms of a rental agreement. The resulting rental income amounted to €333 thousand in the year under review (previous year: €343 thousand). The expenses relating directly to investment property amounted to €3 thousand (previous year: €5 thousand).

In the last financial year, as a result of changes in use there were additions and disposals in the portfolio of owner-occupied property. The changes in the fair value are presented in the reconciliation account below.

Reconciliation account

in TEUR	2011	2010
Fair value on 1 January	6,774	8,377
Disposals due to transfers to the portfolio of owner-occupied property	-1,306	-1,919
Additions due to transfers from the portfolio of owner-occupied property	0	+277
Change in the fair value	0	+39
Fair value on 31 December	**5,468**	**6,774**

3.4. Financial assets

in TEUR	Shares in affilated companies	Loans due from affiliated companies	Other equity investments	Loans due from associated companies	Long term security investment	Other loans	Total
Cost							
As of 01.01.2010	606	9	21	825	688	0	2,149
- Additions	0	0	0	967	0	0	967
- Disposals	0	0	0	0	-688	0	-688
As of 31.12.2010	**606**	**9**	**21**	**1,792**	**0**	**0**	**2,428**
As of 01.01.2011	606	9	21	1,792	0	0	2,428
- Additions	693	0	0	596	1,308	0	2,597
- Disposals	0	-9	-5	0	0	0	-14
- Reclassification	0	0	0	-2,388	0	2,388	0
As of 31.12.2011	**1,299**	**0**	**16**	**0**	**1,308**	**2,388**	**5,011**
Cumulated depreciation							
As of 01.01.2010	0	9	0	0	0	0	9
- Depreciation	0	0	0	0	0	0	0
- Disposals	0	0	0	0	0	0	0
As of 31.12.2010	**0**	**9**	**0**	**0**	**0**	**0**	**9**
As of 01.01.2011	0	9	0	0	0	0	9
- Depreciation	0	0	0	0	268	0	268
- Disposals	0	-9	0	0	0	0	-9
As of 31.12.2011	**0**	**0**	**0**	**0**	**268**	**0**	**268**
Carrying value							
01.01.2010	606	0	21	825	688	0	2,140
31.12.2010	606	0	21	1,792	0	0	2,419
01.01.2011	606	0	21	1,792	0	0	2,419
31.12.2011	**1,299**	0	**16**	**0**	**1,040**	**2,388**	**4,743**

3.5. Deferred tax assets

Deferred tax assets are composed as follows:

in TEUR	31.12.2011	31.12.2010
Deferred tax assets from tax loss carryforwards	1,371	1,313
Deferred taxes from timing differences	1,192	1,019
Deferred taxes from derivative financial instruments	0	257
	2,563	**2,589**

Deferred tax assets were recognised for tax loss carryforwards to the extent that they are expected to be utilised. In the year under review, €58 thousand deferred tax assets from tax loss carryforwards were transferred (previous year: transfers of €62 thousand).

As of 31 December 2011, the Group had accumulated losses brought forward from corporate tax of €6,919 thousand (previous year €6,409 thousand) and accumulated losses brought forward from trade tax of €1,768 thousand (previous year €1,913 thousand). There are no deferred tax assets on the foreign loss carryforwards of €261 thousand (previous year €214 thousand).

According to the business plans and taking into account the specific tax aspects, it is assumed that it will be possible to offset the existing domestic loss carryforwards against future profits.

Deferred tax assets also include timing differences relating to consolidation adjustments and timing differences arising from valuation differences at Group companies in accordance with IFRSs.

3.6 Other non-current assets

Other non-current assets relate to prepaid expenses with a remaining term of more than one year in the amount of €38 thousand (previous year: €86 thousand).

3.7. Inventories

The inventories reported by the Brüder Mannesmann Group in the amount of €11,572 thousand (previous year: €13,561 thousand) primarily relate to merchandise.

To secure loans granted the Group has assigned merchandise with a carrying amount of €2,544 thousand (previous year: €2,356 thousand).

3.8. Trade receivables

Write-downs of €307 thousand (previous year: €340 thousand) were recognised for trade receivables that are expected to be uncollectible. The carrying amounts of trade receivables are roughly approximate to their fair values.

To secure loans granted the Group has assigned trade receivable with a carrying amount of €4,979 thousand (previous year: €6,795 thousand).

Changes in valuation allowances on capitalised financial instruments in TEUR	Trade receivables	Other Assets
Balance at 31 Dec. 2009 / 1 Jan. 2010	**139**	**21**
Utilisation	0	0
Addition / Reversal	93	0
Balance at 31 Dec. 2010 / 1 Jan. 2011	**232**	**21**
Utilisation	-14	0
Addition / Reversal	229	7
As at 31 Dec. 2011	**447**	**28**

The Group also had trade receivables that were past due as of 31 December but for which no valuation allowances were recognised. These items were composed as follows:

in TEUR	31.12.2011	31.12.2010
1-30 days opast due	1,177	1,060
31-60 past due	444	486
61-90 past due	245	641
More than 90 past due	771	334

Receivables that are past due by 1-30 days do not generally lead to default, as the delays in payment are primarily due to temporary posting differences. Based on past experience, the recognition of valuation allowances on receivables that are past due for more than 30 days is generally also not necessary, as the delays primarily relate to export customs and the receivables are usually settled in full.

3.9. Other receivables and other assets

Other receivables and other assets are composed as follows:

in TEUR	31.12.2011	31.12.2010
Amounts due from group companies	0	656
Miscellaneous derivative financial instruments	616	353
Prepaid expenses	191	69
Creditors with debit balances and bonus credits	248	515
Loan receivables	446	2,900
Receivables from tax authorities	12	86
Miscellaneous	16	77
	1,529	**4,656**

The development of valuation allowances is presented under 3.8. Write-downs of €343 thousand (previous year: €0 thousand) were recognised for receivables that are expected to be uncollectible.

3.10. Assets for current tax

Current tax assets amounted to €89 thousand (previous year: €57 thousand) and related to prepayments of taxes.

3.11. Investments

This item includes units in a money market fund and in the previous year shares in companies listed on the DAX. At 31 December 2011, the fair value was €1,006 thousand (previous year €2,092 thousand).

3.12. Cash and cash equivalents

Cash and cash equivalents, which are composed of checks, cash in hand and bank balances, amounted to €9,058 thousand at the balance sheet date (previous year: €9,083 thousand).

3.13. Share capital

Share capital

As of 31 December 2011, the Company's share capital amounted to €9,000 thousand (previous year: €9,000 thousand), consisting of 3,000,000 no par value bearer shares.

Authorised capital

By way of resolution of the Annual General Meeting on 30 August 2011, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital by up to €4,500 thousand against cash and/or non-cash contributions on one or more occasions until 29 August 2016 by issuing new, no-par value bearer shares.

Contingent capital

By way of resolution of the Annual General Meeting on 27 August 2009, the share capital was contingently increased by up to €4,500 thousand through the issue of up to 1,500,000 new no-par value bearer shares. The contingent capital increase serves to grant rights to the holders of the options and convertible profit participation certificates issued by the company by 26 August 2014 or to fulfil the obligation to convert convertible profit participation certificates or convertible bonds to be issued by the company by 30 April 2014. No profit participation certificates, convertible profit participation certificates or convertible bonds had been issued as of 31 December 2011.

3.14. Reserves

The premium from the capital increase is posted as capital reserves.

As in the previous year, no profits were distributed in the year under review.

The composition and development of shareholders' equity are presented in the statement of changes in equity

3.15. Capital management

In its capital management activities, Brüder Mannesmann Aktiengesellschaft observes the statutory requirements on capital maintenance. The aim of the Group's capital management activities is to ensure the continued existence of the Company and an adequate return on equity.

Capital is monitored on the basis of the ratio of net debt to economic equity. Net debt is defined as liabilities less cash and cash equivalents, securities and current tax assets, while economic equity is defined as the shareholders' equity recognised on the face of the balance sheet plus subordinated loans

in TEUR	31.12.2011	31.12.2010
Liabilities	38,956	42,136
Cash and cash equivalents, securities and current tax assets	-10,153	-11,232
Net debt	**28,803**	**30,904**
Equity	5,850	6,808
Mezzanine subordinate loans	17,349	17,248
Economic equity	**23,199**	**24,056**
Ratio (debt/equity)	**1.24**	**1.28**

3.16. Employee benefits

The occupational pensions provided by Brüder Mannesmann Aktiengesellschaft are primarily based on direct defined benefit commitments. The amount of these commitments varies depending on the remuneration and length of service of the respective employee (defined benefit plans).

Obligations resulting from pension plans are calculated on an annual basis by independent valuers using the projected unit credit method set out in IAS 19.

The key assumptions are:

in percent	2011	2010
Discount rate	4.7	5.02
Future salary increases	2.0-3.0	2.0-3.0
Future pension increases	1.5-3.0	1.5-3.0

Biometric mortality rates were calculated on the basis of the 2005 G mortality tables compiled by Dr. Klaus Heubeck.

Actuarial gains and losses falling outside a range of 10% of the amount of the gross pension obligation are amortised over the average term of the obligations.

Pension provisions developed as follows in the year under review:

Pension provisions in TEUR	2011	2010
Pension provisions on 1 January	**12,161**	**10,890**
Dissolution	-791	0
Retirement benefit expenses	559	1,271
Pension provisions on 31 December	**11,929**	**12,161**

The obligations recognised in the balance sheet are derived as follows:

in TEUR	31.12.2011	31.12.2010
Present value of defined benefit obligation	11,792	11,970
Actuarial gains / losses not to be considered	137	191
Balance sheet provision	**11,929**	**12,161**

The consolidated income statement includes net pension expenses of €791 thousand (previous year: €0 thousand) under other operating income and of €559 thousand (previous year: €1,271 thousand) under personnel expenses.

in TEUR	2011	2010
Service cost	134	293
Interest cost	603	574
Repayment of actuarial gains/losses	1	0
Repayment of past service cost	-791	605
Retirement benefits paid	-179	-175
Settlements	0	-26
Net pension expenses	**-232**	**1,271**

The past service cost primarily resulted in an adjustment in pension plans. The measures were undertaken in connection with the agreement of a later retirement age/were necessary to ensure appropriate benefits.

The present value of the defined benefit obligation developed as follows:

in TEUR	2011	2010
Present value of defined benefit obligation on 1 Jan,	11,970	10,243
Current service cost	134	293
Interest cost	603	574
Actuarial (gains)/losses	55	456
Benefits paid	-179	-175
Past service cost	-791	605
Settlements	0	-26
Present value of defined benefit obligation on 31 Dec,	**11,792**	**11,970**

The financing status of the obligations is as follows:

in TEUR	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of defined benefit obligation	11,792	11,970	10,243	9,165	7,589
Plan assets	0	0	0	0	0
Financing status	**11,792**	**11,970**	**10,243**	**9,165**	**7,589**
Experience adjustments (%)	**3.5**	**2.0**	**1.2**	**0.9**	**2.3**

3.17. Other provisions

The composition and development of other provisions is as follows:

in TEUR	Opening balance as at 01.01.2011	Used financial year	Reversed financial year	Addition financial year	Closing balance as at 31.12.2011
Provisions for bonuses and personnel expenses	197	-177	0	221	241
Provisions for other uncertain liabilities	525	-305	-121	483	582
Total provisions	**722**	**-482**	**-121**	**704**	**823**
	Opening balance as at 01.01.2010	**Used financial year**	**Reversed financial year**	**Addition financial year**	**Closing balance as at 31.12.2010**
Provisions for bonuses and personnel expenses	187	-173	-4	187	197
Provisions for other uncertain liabilities	553	-266	-5	243	525
Total provisions	**740**	**-439**	**-9**	**430**	**722**

Personnel provisions are largely recognised for holiday pay and contributions to the employers' liability insurance association. Provisions for other uncertain liabilities primarily relate to provisions for insurance premiums, year-end closing costs, advertising cost subsidies and warranties.

3.18. Financial liabilities

Financial liabilities are composed as follows:

Non-current financial liabilities in TEUR	31.12.2011	31.12.2010
Mezzanine subordinate loans	17,349	17,248
Bank loans	12,182	13,173
	29,531	**30,421**

Non-current liabilities with a term to maturity of more than five years totalled €9,006 thousand (previous year: €9,799 thousand).

Current financial liabilities:

Current financial liabilities in TEUR	31.12.2011	31.12.2010
Portion of non-current bank loans to be repaid in the next year	992	944
Bank overdrafts	1,387	486
	2,379	**1,430**

In 2011, the weighted average interest rate for financial liabilities was 6.7% (previous year: 6.7%).

Financial liabilities of €13,175 thousand (previous year: €14,120 thousand) are secured by way of liens, land charges, the assignment of receivables and the assignment of inventories.

3.19. Other liabilities

Other non-current liabilities

The other non-current liabilities of €3,261 thousand (previous year: €3,908 thousand) include pension obligations and obligations from sale-and-leaseback loans.

Other current liabilities

The other current financial liabilities are composed as follows:

Other current liabilities in TEUR	31.12.2011	31.12.2010
Derivative financial instruments	383	517
Debitors with credit balances	279	289
Liabilities to tax authorities	845	699
Pension obligations	149	147
Commissions	38	64
Payments received on account of orders	306	256
Miscellaneous	506	245
	2,506	**2,217**

3.20. Deferred tax liabilities

Deferred tax liabilities of €452 thousand (previous year: €645 thousand) include the timing differences between the carrying amounts in the consolidated financial statements and the tax base, which are due to IFRS valuation differences.

In accordance with IAS 1, deferred tax liabilities are reported as non-current liabilities irrespective of their maturity.

3.21. Trade liabilities

Trade liabilities amounted to €5,424 thousand (previous year: €7,880 thousand). They are carried at fair value.)

4. Disclosures on the consolidated income statement

4.1. Sales revenue

The Group's external revenue is composed as follows:

in TEUR	2011	2010
Domestic	47,975	47,050
European Union	11,311	11,804
Other international	7,137	6,785
	66,423	**65,639**

4.2. Other operating income

Other operating income is composed as follows:

in TEUR	2011	2010
Exchange rate gains and gains on hedges	451	116
Income from vehicle use	166	181
Del credere	91	100
Income from the reversal of provisions and writedowns	945	25
Income from the disposal of intangible assets and property, plant and equipment	3	4
Income from the disposal of financial assets	0	270
Income from claims for damage	11	15
Miscellaneous	610	345
	2,277	**1,056**

Die Erträge aus der Auflösung von Rückstellungen und Wertberichtigungen enthalten im Wesentlichen Erträge aus der Auflösung von Pensionsrückstellungen (791 TEUR).

4.3. Personnel expenses

The Brüder Mannesmann Group employed an average of 140 people in the 2011 financial year (previous year: 126). Part-time employees are included in accordance with the economic concept.

	2011	2010
Hourly workers	24	21
Salaried employees	116	105
	140	**126**
Trainees and apprentices	4	3

4.4. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses in TEUR	2011	2010
Selling expenses	2,305	2,794
Hedging expenses	404	176
Travel, entertainment and corporate hospitality expenses	699	823
Expenses for Project Moscow	0	244
Purchased services, consulting and legal services	681	674
Rental and lease expenses	826	845
Insurance and telecommunications expenses	626	644
Maintenance, cleaning and waste disposal expenses	250	255
Money market and capital market transaction costs	171	203
Pension obligations	127	147
Miscellaneous	1,674	924
	7,763	**7,729**

4.5. Financial result

Net finance costs are composed as follows:

Financial result in TEUR	2011	2010
Income from equity holdings	0	0
Income from other investments	14	10
Income from other securities	21	13
Other interest and similar income	250	911
Write-downs of securities	-271	-258
Interest and similar expenses	-3,315	-3,785
	-3,301	**-3,109**

4.6. Income taxes

This item is composed as follows:

in TEUR	2011	2010
Current tax expense inside Germany (of which prior-period)	0 (0)	-1 (-1)
Current tax income outside Germany	0	0
Deferred tax expenses (of which prior-period)	-377 (-4)	-482 (-21)
Deferred tax income (of which prior-period)	+504 (0)	+757 (0)
	167	**274**

The overall tax income from current and deferred income taxes is derived from the Group's pre-tax profit as follows:

in TEUR	2011	2010
Earnings before tax	-1,125	-1,417
Expected income tax income (based on a Group income tax rate of 31.5 %)	354	446
Reconciliation:		
Differences in foreign tax rates	-15	-39
Tax component for:		
Tax-free income and non-tax deductible expenses	-163	-102
Other	-5	-9
Prior-period tax income/expense	-4	-22
Reported tax income	**167**	**274**

4.7. Earnings per share

Earnings per share are calculated on the basis of the net profit/loss for the period and the number of shares outstanding (which remained unchanged at 3,000,000 in both years).

There are no dilutive options. Therefore, diluted and basic earnings per share are identical.

5. Segment reporting

Segment reporting was prepared in accordance with IFRS 8 (Operating Segment). IFRS 8 replaces IAS 14 for the financial years beginning on or after 1 January 2009. Reflecting the Group's internal reporting structure, the figures contained in the annual financial statements are broken down into the Tools, Valves and Land segments. The Tools segment sells hand tools, electrical tools and garden tools.

in TEUR	Tools 31.12.2011	Valves 31.12.2011	Land 31.12.2011	Reconciliation 31.12.2011	Group 31.12.2011
Revenue with third parties	38,294	27,677	452	0	66,423
Revenue with other segments	0	0	746	-746	0
Total revenues	**38,294**	**27,677**	**1,198**	**-746**	**66,423**
Revenues by region					
Germany	23,421	24,102	452	0	47,975
Outside Germany	14,873	3,575	0	0	18,448
Of which EU	8,156	3,155	0	0	11,311
EBITDA	**2,179**	**-170**	**781**	**-125**	**2,665**
Depreciation	-176	-194	-133	14	-489
Ertragsteuern EBIT	**2,003**	**-364**	**648**	**-111**	**2,176**
Result from equity investments					0
Financial income					285
Financial expenses					-3.586
EBT (earnings before tax)					**-1,125**
Income taxes					167
Net consolidated income					**-958**
Assets	27,026	10,909	13,175	11,045	62,155
Liabilities	14,997	4,685	121	36,502	56,305
Investments in assets	60	123	0	11	194
Non-cash expenses excluding depreciation	-149	-30	0	-2	-181
Number of employees (average figure for the year without trainees)	63	70	0	7	140

Breakdown by segments is in line with the internal reporting structure and covers the segments Tools, Valves and Land
Segment assets, segment liabilities and segment investments occur entirely in Germany.

The Valves segment sells valves for industrial und technical applications, while the Land segment acts as a rental company for the properties held by the Group. Transactions between the Tools and Valves segments are generally not performed and, if so, are taken up at standard market conditions.

Segment information is based on the same accounting methods as the Group financial statements. Investments relate to intangible assets and property, plant and equipment Non-cash items relate chiefly to changes in provisions. The Reconciliation column contains the consolidation and the holding, Brüder Mannesmann AG, which is not assigned to any segment.

Tools 31.12.2010	Valves 31.12.2010	Land 31.12.2010	Reconciliation 31.12.2010	Group 31.12.2010
34,082	31,101	456	0	65,639
0	0	742	-742	0
34,082	**31,101**	**1,198**	**-742**	**65,639**
17,488	29,106	456	0	47,050
16,594	1,995	0	0	18,589
9,976	1,828	0	0	11,804
1,309	**893**	**812**	**-929**	**2,085**
-177	-131	-102	17	-393
1,132	**762**	**710**	**-912**	**1,692**
				0
				934
				-4,043
				-1,417
				274
				-1,143
27,858	12,774	13,324	12,236	66,192
15,174	3,960	254	39,996	59,384
50	975	0	8	1,033
-621	-21	0	-844	-1,486
64	57	0	5	126

6. Supplementary information

6.1. Financial instruments

Carrying amounts of financial assets and liabilities (classified by IAS 39 category):

in TEUR	2011	2010
Financial assets		
Loans and receivables		
Financial assets	2,388	1,792
Trade receivables	10,909	10,862
Other receivables and other assets	939	4,303
Cash and cash equivalents	9,058	9,083
Available-for-sale financial assets		
Financial assets	1,315	627
Investments	1,006	1,006
Fair value option		
Investments	0	269
Derivative financial instruments	1.040	0
Derivative financial instruments (in Other assets)	616	353
	0	817
	27,271	**29,112**
Financial liabilities		
Financial liabilities carried at amortised cost		
Mezzanine subordinate loans and Financial liabilities	31,910	31,851
Trade liabilities	5,424	7,880
Other liabilities and provisions	5,362	5,631
Trade payables		
Derivative financial instruments (in Other liabilities)	383	517
	43,079	**45,879**

Carrying amounts and fair values of financial assets and liabilities carried at cost or amortised cost:

in TEUR	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Financial assets				
Non-current financial assets*	3,741	3,741	2,505	2,505
Trade receivables	10,909	10,909	10,862	10,862
Other receivables	901	901	4,217	4,217
Cash and cash equivalents	10,064	10,064	9,272	9,272
	25,615	**25,615**	**26,856**	**26,856**
Financial liabilities				
Mezzanine subordinate loans	17,349	17,349	17,248	17,248
Non-current financial liabilities	12,182	12,182	13,173	13,173
Current financial liabilities	2,379	2,379	1,430	1,430
Trade payables	5,424	5,424	7,880	7,880
Other liabilities	5,362	5,362	5,631	5,631
	42,696	**42,696**	**45,362**	**45,362**

* This item includes available-for-sale financial assets carried at cost as their fair value cannot be reliably determined.

Net gains/losses on financial instruments (classified by IAS 39 category):

in TEUR	2011	2010
Loans and receivables	-472	-212
Cash and cash equivalents	6	3
Available-for-sale financial assets	39	67
Fair value option	-119	-161
On assets held for trading	-203	-410
Financial liabilities carried at amortised cost	-2,827	-2,827
Trade payables	133	-107
Other liabilities	-52	-28
On debt held for trading	-504	60
	-3,999	**-3,615**

Net gains/losses on financial instruments are composed of net income/expense from interest, fair value measurement, currency translation, impairment losses and disposals.

Interest income and expense from financial instruments not measured at fair value:

in TEUR	2011	2010
Interest income	250	227
Interest expense	-2,827	-2,827
Interest income and expense	**-2,577**	**-2,600**

Impairment losses on financial assets by category:

in TEUR	2011	2010
Derivative financial instruments (at fair value through profit or loss)	-451	-277
Fair value option	-145	-132
Amortised cost	-694	-379
Impairment losses	**-1,290**	**-788**

Impairment losses result from the fair value measurement of securities and derivative financial instruments.

Fair value hierarchy

Financial instruments reported at fair value are allocated to one of the following three valuation categories as given in IFRS 7.27A:

- Quoted prices in active markets (Level 1): This category includes financial instruments whose value can be directly observed from current prices on functioning financial markets.

- Valuation technique using observable parameters (Level 2): This category includes financial instruments for which the price itself is not observable, but the key valuation parameters are observable as market data either directly or in derived form.

- Valuation technique using non-observable parameters (Level 3): There are valuation parameters for financial instruments in this category – not only those parameters that are immaterial to calculating fair value – which are not observable.

The following table shows the carrying amount of financial instruments reported at fair value, broken down into valuation categories 1 and 2.

in TEUR	Quoted prices in active markets Level 1 31.12.2011	Valuation based on market data Level 2 31.12.2011	Total 31.12.2011	Quoted prices in active markets Level 1 31.12.2010	Valuation based on market data Level 2 31.12.2010	Total 31.12.2010
Financial assets						
Non-current financial assets	1,040	0	1,040	0	0	0
Current investments	1,006	0	1,006	2,092	0	2,092
Other assets						
Derivative financial instruments	0	616	616	0	353	353
Financial assets at fair value	**2,046**	**616**	**2,662**	**2,092**	**353**	**2,445**
Other current liabilities						
Derivative financial instruments	0	383	383	178	339	517
Fair value obligations	**0**	**383**	**383**	**178**	**339**	**517**

There are no financial instruments valued in Level 3. There were no reclassifications between Level 1 and Level 2 in 2011.

Derivative financial instruments

Brüder Mannesmann Aktiengesellschaft is exposed to exchange rate and interest rate risks in its ordinary course of business. Derivative financial instruments are used to hedge these risks in certain cases. The instruments used are currency forwards, currency swaps and interest rate caps.

The above instruments are only used if corresponding underlyings are also concluded. Exchange rate hedges relate exclusively to the US dollar (USD). The operational hedging of exchange rate risks relates to the liabilities already recognised by the Group and procurement agreements and generally covers a period of between one and four months, while strategic hedging covers a maximum period of nine months.

Furthermore, the Company conducted interest rate optimisation transactions in connection with interest rate risks in the form of interest rate swaps. Irrespective of their intended purpose, derivatives are carried at fair value or, if this cannot be reliably determined, on the basis of the discounted cash flow model as set out in IAS 39.A.

The ECB has an obligation to maintain monetary stability. For this reason, changes in interest rate are aligned primarily to expectations on inflation. It is assumed that until 2017 EURIBOR will move in a corridor between 1% and 4%. Despite the substantiated assumptions deviations are possible which can impact expected cash flows both positively and negatively. If the trend is negative, the deviations in value can also result in negative fair values.

Derivatives are reported in other assets and other liabilities on the face of the balance sheet. In the income statement, they are reported in the operating result (other operating income/other operating expenses) or net interest income, depending on the nature of the respective underlyings.

in TEUR	31.12.2011 Nominal amount	31.12.2011 Fair value	31.12.2010 Nominal amount	31.12.2010 Fair value
Exchange rate derivatives	4,697	84	10,930	-314
Interest rate derivatives	19,000	149	19,000	150

Information on the nature and extent of risks

Credit risk
On the whole, the Group is exposed to a low level of credit risk, as it has a broad-based receivables portfolio and only conducts transactions with counterparties with a good credit rating. In all cases, default risk is limited to the carrying amounts of the respective assets. Specific valuation allowances are only recognised for receivables from customers. The Group recognised specific valuation allowances of €11,356 thousand (previous year: €11,092 thousand) on its receivables portfolio before valuation allowances with a volume of €447 thousand (previous year: €232 thousand). The receivables for which specific valuation allowances have been recognised do not include any items in significant arrears.

Exchange rate risk
Exchange rate risks within the meaning of IFRS 7 arise from monetary financial instruments that are denominated in a currency other than the Group’s functional currency.

If the euro had appreciated (depreciated) by 10% compared with all of the Group’s foreign currency financial instruments as of 31 December 2011, net other finance costs and the fair value of the financial instruments would have been €351 thousand lower/higher (previous year: €753 thousand).

Liquidity risk

Liquidity risk describes the risk that the Company will be unable to meet its payment obligations due to insufficient funds. Brüder Mannesmann Aktiengesellschaft's liquidity is guaranteed at all times by way of liquidity forecasts for fixed periods and the available liquidity reserves and unutilised credit facilities.

The following table provides an overview of the undiscounted cash flows from the interest and repayment of financial liabilities.

in TEUR	Up to 1 year	2–5 years	More than 5 years
Loans with long-term fixed interest rates	1,226	5,088	11,518
Variable-interest loans	386	188	0
Mezzanine subordinate loans	1,404	18,252	0
	3,016	**23,528**	**11,518**

Interest rate risk

In accordance with IFRS 7, interest rate risk is presented using sensitivity analyses showing the effects of changes in market interest rates on interest payments and interest income and expense.

The following assumptions are applied in preparing interest sensitivity analyses:

If market interest rates had been 100 bp higher/lower as of 31 December 2011, earnings would have been €159 thousand lower/higher (previous year: €154 thousand).

6.2. Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents during the year under review as a result of cash inflows and outflows. In accordance with IAS 7 (Cash Flow Statements), these are broken down into cash flows from operating, investing and financing activities. The cash and cash equivalents reported in the cash flow statement are composed of cash in hand, checks and bank balances.

6.3. Contingent liabilities

in TEUR	31.12.2011	31.12.2010
Guarantees	79	79
Liabilities on bills	400	0

6.4. Other financial obligations

in TEUR	31.12.2011	31.12.2010
Lease instalments due within one year	545	513
Lease instalments due between 1 and 5 years	440	409
Lease instalments due in more than 5 years	0	0

6.5. Related party disclosures

In accordance with IAS 24 (Related Party Disclosures), persons or companies that control or are controlled by the Brüder Mannesmann Group must be disclosed, unless they are already included in the consolidated group.

As part of our operating business, we have business relationships with non-consolidated companies, an associated company sold at the end of 2011, and other related companies.

Transactions with a non-consolidated subsidiary result from granting loans, interest income and providing goods and services at a level of €68 thousand (previous year: €571 thousand) at normal market conditions. In the previous year, the receivables amounted to €655 thousand.

Transactions with an associated company result from providing goods and services at normal market prices and conditions and extending a loan with annual interest of 1%. This low rate of interest was intended to assist the company as a former Brüder Mannesmann AG associate company in creating favourable general conditions in the market entry phase. The scope was €596 thousand (previous year: €1,008 thousand). In the previous year, the receivables amounted to €1,992 thousand.

As of the reporting date, the loans (including interest) extended to members of the Board of Management and Supervisory Board by subsidiaries totalled €216 thousand (previous year: €678 thousand). For two loans the rate of interest was 6%, for one loan 5%, and for one loan 5.5%. The repayment in the financial year totalled €499 thousand (previous year: €11 thousand). New loans totalling €36 thousand were extended in the financial year.

Transactions with other related parties resulted largely from providing goods and services, rental and extending loans which were implemented at standard market conditions. In the 2011 financial year, they had a scope of €1,793 thousand (previous year: €3,768 thousand). As of the reporting date, the receivables totalled €445 thousand (previous year: €2,987 thousand). Receivables in the amount of €263 thousand (previous year: €2,775 thousand) are secured by the assignment of receivables and assignment as security.

Each of the members of the Board of Management is authorised to represent the company individually.

The Board of Management of the Group parent is composed as follows:

- Mr. Jürgen Schafstein
Chairman of the Board of Management
Businessman
Member of the Management Board of Chronos Technologie AG, Remscheid
Chairman of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Bernd Schafstein
Businessman
Member of the Management Board of Chronos Technologie AG, Remscheid

The total remuneration of the Board of Management in the year under review was €1,216 thousand (previous year: €1,206 thousand). In accordance with section 285 (1) no. 9 (a) sentences 5-9 and section 314 (1) no. 6 (a) sentences 5-9 of the HGB, listed companies must disclose both the total remuneration paid to the Board of Management and the names of and remuneration paid to the individual members in the notes to the financial statements. By way of resolution of the Annual General Meeting of Brüder Mannesmann Aktiengesellschaft on 30 August 2011, the Company is exempt from the disclosure of this information in accordance with sections 286 (5) and 314 (2) of the HGB.

In addition, current service costs of €127 thousand (previous year: €288 thousand) were transferred to pension provisions.

There are pension provisions of €2,106 thousand (previous year: €2,031 thousand) for former members of the Board of Management. In the financial year 2011, retirement pension of €108 thousand (previous year: €107 thousand) was paid out.

The members of the Supervisory Board received remuneration of €54 thousand (previous year: €54 thousand) in the year under review.

Notification of equity holdings in accordance with the Wertpapierhandelsgesetz (German Securities Trading Act)

On 28 March 2007, Mr. Jürgen Schafstein notified Brüder Mannesmann Aktiengesellschaft that he held 16.67% of the Company's shares.

On 12 September 2002, Ms. Nicole Schafstein-Coen notified Brüder Mannesmann Aktiengesellschaft hat she held 7.62% of the Company's shares.

On 12 September 2002, Mr. Bernd Schafstein notified Brüder Mannesmann Aktiengesellschaft that he held 7.39% of the Company's shares. For information purposes it was also reported that, as a result of purchases that had since taken place and were reported as directors' dealings, Mr. Bernd Schafstein's shareholding had increased to 8%.

The Supervisory Board of the Group parent is composed as follows:

- **Mr. Reinhard C. Mannesmann**
  Chairman
  Businessman
  Chairman of the Supervisory Board of Chronos Technologie AG, Remscheid
  Member of the Supervisory Board of Saltus Technology AG, Solingen

- **Mr. Michael Nagel**
  Deputy Chairman
  Industrial engineer
  Member of the Supervisory Board of Chronos Technologie AG, Remscheid
  Member of the Supervisory Board of Saltus Technology AG, Solingen

- **Ms. Nicole Schafstein-Coen**
  Qualified bank officer
  Member of the Supervisory Board of Chronos Technologie AG, Remscheid

6.6. Exemption in accordance with section 264 (3) of the HGB

The exemption options provided by section 264 (3) of the HGB for the preparation of the management report and disclosure requirements were exercised for the following companies (to the extent required by law):

- Brüder Mannesmann Werkzeuge GmbH
- CoCaCo Trading GmbH
- Fernando Esser & Cia. GmbH
- Corneta Export GmbH
- Schwietzke Armaturen GmbH
- CEA Chemie- und Energie-Armaturen GmbH
- Brüder Mannesmann Grundbesitz GmbH.

The following companies were also exempt from the requirement to prepare notes to their financial statements:

- Brüder Mannesmann Werkzeuge GmbH
- CoCaCo Trading GmbH
- Fernando Esser & Cia. GmbH
- Corneta Export GmbH
- Schwietzke Armaturen GmbH
- Brüder Mannesmann Grundbesitz GmbH.

6.7. Corporate governance code

The declaration in accordance with section 161 AktG has been submitted and made permanently available to shareholders on the company's website (www.bmag.de). It is part of the corporate governance declaration included in the management report in accordance with section 289a HGB.

6.8. Auditors

Auditors' fees at Group level for the 2011 financial year consisted of €123 thousand (previous year: €94 thousand) for the audit of the consolidated financial statements, €11 thousand (previous year: €2 thousand) for tax consulting services and €22 thousand (previous year: €26 thousand) for other services.

6.9. Events after the balance sheet date

There were no events with a significant impact on the evaluation of the net assets, financial position and results of operations of the Group prior to the release of the annual financial statements for submission to the Supervisory Board in April 2012.

The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement on their approval.

7. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Remscheid, 26. April 2012
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein
Chairman of the
Board of Management

Bernd Schafstein

Independent Auditor's Report

We have audited the consolidated financial statements prepared by Brüder Mannesmann Aktiengesellschaft, Remscheid, – comprising the balance sheet, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements – and the Group management report, which is combined with the management report of the Company, for the business year from 1. January 2011 to 31. December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Subsection 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the Company's board of managing directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's board of managing directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Subsection 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 26. April 2012

MORISON FRANKFURT AG
Wirtschaftsprüfungsgesellschaft

Rolf Peter Krukenkamp	**Karl-Heinz Wolf**
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements

AG-Balance Sheet

Assets	31.12.2011 EUR		31.12.2010 TEUR
A. Fixed Assets			
I. Intangible assets			
Licences trade marks and patents etc. as well as licences to such rights and assets	6.00		0
II. Tangible assets			
Office and plant equipment	21,192.24		20
III. Financial assets			
1. Shares in group companies	23,998,066.22		23,305
2. Loans due from affiliated companies	259,426.43		473
3. Equity investments	0.00		9
4. Loans due to investees and inventors	0.00		1,792
5. Long term security investment	1,218,173.00		0
6. Other loans	2,388,234.75		0
		27,885,098.64	**25,599**
B. Current Assets			
I. Receivables and other current assets			
1. Trade receivables	8,060.91		58
2. Amounts due from group companies	4,879,458.49		7,202
3. Other current assets	391,975.08		349
		5,279,494.48	**7,609**
II. Investments		0.00	1,083
III. Cash, deposits with commercial banks		780,391.77	423
		6,059,886.25	**9,115**
C. Prepaid expenses			
1. Disagio	148,809.73		249
2. Other prepayments and accrued income	52,798.66		89
		201,608.39	**338**
		34,146,593.28	**35,052**

Liabilities	31.12.2011 EUR	31.12.2010 TEUR
A, Shareholders' Equity		
I. Share capital	9,000,000.00	9,000
II. Capital reserve	1,292,930.53	1,293
III. Earnings reserves		
Other earnings reserves	87,772.49	1,235
IV. Net profit	0.00	0
	10,380,703.02	**11,528**
B. Accruals		
1. Accruals for pensions and similar obligations	2,428,200.00	2,629
2. Provisions for taxation	0.00	0
3. Other accruals	110,900.00	219
	2,539,100.00	**2,848**
C. Liabilities		
1. Liabilities from mezzanine financing	17,500,000.00	17,500
2. Amounts due to banks	559,317.15	932
3. Trade payables	14,202.99	16
4. Amounts due to group companies	2,075,597.91	937
5. Amounts due to group companies thereof taxes EUR 351,055.13 (December 31, 2010 EUR 145,087.73) thereof in respect of social security EUR 0.00 (December 31, 2010 EUR 0.00)	1,077,672.21	1,291
	21,226,790.26	**20,676**
	34,146,593.28	**35,052**

AG-Statement of Earnings

			01.01.-31.12.2011 EUR	01.01.-31.12.2010 EUR
1.	Sales		1,182,000.00	1,182
2.	Other operating income		1,420,227.94	758
3.	Personnel costs			
	a) Wages and salaries	-735,907.07		-665
	b) Social security and other pension costs. of which in respect of old-age pensions EUR 699.106.00 (December 31. 2010 EUR 729.467,00)	-72,439.79		-790
			-808,346.86	**-1,455**
4.	Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets		-9,055.54	-7
5.	Other operating expenses		-1,594,861.11	-1,150
6.	Income from profit transfer agreements		1,855,158.46	1,726
7.	Income from other investments and long-term loans of which relating to affiliated companies EUR 25,100.92 (December 31. 2010 EUR 39.588.67)		46,047.90	52
8.	Other interest and similar income of which from affiliated companies EUR 37,800.00 (December 31. 2010 EUR 13.541.92)		69,654.00	133
9.	Write-down of financial assets and of securities included in current assets		-89,795.17	-126
10.	Expenditure from losses assumed		-906,401.89	-239
11.	Interest and similar expenses of which from affiliated companies EUR 56,828.01 (December 31. 2010 EUR 36.317.35)		-2,181,965.08	-1,904
12.	**Result of ordinary operations**		**-1,017,337.35**	**-1,030**
13.	Extraordinary expenses		-129,029.00	-161
14.	Extraordinary result		-129,029.00	-161
15.	Taxes on income		0.00	-1
16.	Other taxes		-1,183.00	-1
17.	**Net loss of the year**		**-1,147,549.35**	**-1,193**
18.	Appropriation from other revenue reserves		1,147,549.35	1,193
19.	**Net retained profit**		**0.00**	**0**

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31. 2011	Historic cost of acquisition				
in EUR	01.01.2011	Additions	Disposals	Reclassifications	31.12.2011
I. Intangible assets					
Licences. industrial property rights and similar rights and assets, as well as licences to such rights	44,127.99	0.00	3,067.75	0.00	41,060.24
II. Tangible assets					
Furnitures and fixtures	61,040.27	10,766.54	18,419.50	0.00	53,387.31
III. Financial assets					
1. Shares in group companies	24,421,786.08	693,000.00	0.00	0.00	25,114,786.08
2. Loans due from affilated companies	473,079.20	0.00	213,652.77	0.00	259,426.43
3. Equity investments	8,763.00	0.00	8,763.00	0.00	0.00
4. Loans due to investees and investors	1,792,287.76	595,946.99	0.00	-2,388,234.75	0.00
5. Long term security investments	0.00	1,307,968.17	0.00	0.00	1,307,968.17
6. Other loans	0.00	0.00	0.00	2,388,234.75	2,388,234.75
	26,695,916.04	**2,596,915.16**	**222,415.77**	**0.00**	**29,070,415.43**
Total	**26,801,084.30**	**2,607,681.70**	**243,903.02**	**0.00**	**29,164,862.98**

Schedule of liabilities as of December 31, 2011		with a remaining term			
in TEUR	Balance sheet value 31.12.2011	up to one year	one to five years	more than five years	of which collateralised
Liabilities from mezzanine financing	17,500	0	17,500	0	0
Amounts due to banks	559	374	185	0	0
Trade liabilities	14	14	0	0	0
Amounts due to group companies	2,076	2,076	0	0	0
Other liabilities - thereof taxes: 351 TEUR (December 31, 2010: 145 TEUR) - thereof in respect of social security: 0 TEUR (December 31, 2010: 0 TEUR)	1,078	472	395	211	0
Total	**21,227**	**2,936**	**18,080**	**211**	**0**

	Depreciations					Book values	
	01.01.2011	Additions	Disposals	31.12.2011		31.12.2011	31.12.2010
	44,120.99	0.00	3,066.75	41,054.24		6.00	7.00
	41,550.03	9,055.54	18,410.50	32,195.07		21,192.24	19,490.24
	1,116,719.86	0.00	0.00	1,116,719.86		23,998,066.22	23,305,066.22
	0.00	0.00	0.00	0.00		259,426.43	473,079.20
	0.00	0.00	0.00	0.00		0.00	8,763.00
	0.00	0.00	0.00	0.00		0.00	1,792,287.76
	0.00	89,795.17	0.00	89,795.17		1,218,173.00	0.00
	0.00	0.00	0.00	0.00		2,388,234.75	0.00
	1,116,719.86	**89,795.17**	**0.00**	**1,206,515.03**		**27,863,900.40**	**25,579,196.18**
	1,202,390.88	**98,850.71**	**21,477.25**	**1,279,764.34**		**27,885,098.64**	**25,598,693.42**

		with a remaining term			
	Balance sheet value 31.12.2010	up to one year	one to five years	more than five years	of which collateralised
	17,500	0	17,500	0	0
	931	376	555	0	0
	16	16	0	0	0
	937	937	0	0	0
	1,291	501	427	363	0
	20,675	**1,830**	**18,482**	**363**	**0**

Notes for the 2011 AG-Financial Year

A. General information on the annual financial statements

1. Legal basis

The annual financial statements as at 31 December 2011 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The presentation of the income statement was based on the total cost (nature of expense) method in accordance with section 275 (2) HGB.

2. Equity

2.1. Share capital

The share capital amounts to €9,000 thousand, consisting of 3,000,000 no-par value bearer shares.

2.2. Authorised capital

By way of resolution of the Annual General Meeting on 30 August 2011, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital by up to €4,500 thousand against cash and/or non-cash contributions on one or more occasions until 29 August 2016 by issuing new, no-par value bearer shares.

2.3. Contingent capital

On the basis of the resolution of the Annual General Meeting on 27 August 2009, the share capital has been contingently increased by up to €4,500 thousand through the issue of up to 1,500,000 new no-par value bearer shares. The contingent capital increase serves to grant rights to the holders of the options and convertible profit participation certificates issued by the company by 26 August 2014 or to fulfil the obligation to convert convertible profit participation certificates or convertible bonds to be issued by the company by 30 April 2014. No profit participation certificates, convertible profit participation certificates or convertible bonds had been issued as of 31 December 2011.

3. Currency translation

Bank balances, liabilities in USD and receivables in CHF were translated at the mean spot exchange rate at the balance sheet date. All other receivables and liabilities are denominated in euro only.

B. Notes on accounting policies

1. Accounting policies

Intangible assets and property, plant and equipment are carried at cost less straight-line amortisation/depreciation in line with the normal useful life.

Low-value assets with a cost of no more than €410.00 are written off in full in the year of their addition. Assets purchased in previous years with a value of more than €150.00 and up to €1,000.00 were recognised in a collective item in line with the tax regulations and are written down uniformly over a period of 5 years.

Financial assets are recognised at the lower of cost or fair value. Depreciation on fixed-asset securities due to temporary value impairment was waived because the stock market prices at the time of balance sheet preparation had recovered again. The book value was €1,218 thousand and the fair value was €1,040 as at the balance sheet date.

The development of fixed assets is presented in the annex to the notes.

Receivables and other assets are recognised at the lower of cost or their price at the balance sheet date.

Discounts are amortised on an annual basis in line with the term of the mezzanine liabilities.

Pension provisions were calculated using the PUC (projected unit credit) method, based on the 2005G mortality tables compiled by Dr. Klaus Heubeck and an actuarial interest rate of 5.14 %. Expected increases in salaries and pensions were taken into account in the calculation at a rate of 3 %. Changes in a pension commitment resulted in a lower obligation as at 31 December 2011 than the actual provision as at 31 December 2010. This resulted in an extraordinary addition from the transitional regulation in accordance with section 67 (1) of the Introductory Act to the German Commercial Code (EGHGB) in the amount of €129 thousand and the outstanding additions decreased to €0 thousand.

Other provisions cover all identifiable risks and uncertain liabilities; they were recognised in the amount of the necessary settlement amount on the basis of prudent business judgement. Amounts recognised as other provisions with a remaining term of no more than one year were not discounted.

Liabilities were recognised at their settlement amount. A purchase price annuity obligation was recognised at the actuarial present value as at the balance sheet date based on the 2005 G mortality tables compiled by Dr. Klaus Heubeck, an actuarial interest rate of 5.14% and a rent trend of 2.5%.

2. Disclosures on the balance sheet

The other loans item results from a loan to a group company sold at the end of 2011.
The fixed-asset securities are shares.

Receivables from affiliated companies result from profit transfer agreements, trade receivables (intra-group allocation), VAT consolidation, interest, costs passed on, and short-term loans.

Other assets mainly consist of accrued interest on derivatives, loans and claims for tax refunds.

As at the balance sheet, there are three outstanding interest rate optimisation transactions with a total nominal amount of €19,000 thousand. Accrued interest of €149 thousand is reported on the balance sheet under other assets. The fair value of these items amounts to €149 thousand in the context of a diversified portfolio approach. Due to a lack of informative value under other methods, it was measured alternatively in line with IAS 39 A 74 based on analysis of discounted cash flows.

The ECB has an obligation to maintain monetary stability. For this reason, changes in interest rate are aligned primarily to expectations on inflation. It is assumed that until 2017 EURIBOR will move in a corridor between 1% and 4%. Despite the substantiated assumptions, deviations are possible which can impact expected cash flows both positively and negatively. If the trend is negative, the deviations in value can also result in negative fair values.

In the previous year, securities relate to shares and certificates.

Discounts amounting to €149 thousand are recognised in relation to mezzanine financing in accordance with section 250 (3) HGB after repayment as scheduled.

With regard to equity, please refer to Section A No. 2. A total of €1,148 thousand was withdrawn from other revenue reserves for the 2011 financial year.

Other provisions relate to the expected costs for audits required under commercial law, internal costs for the annual financial statements, storage costs, remaining leave entitlement, and contributions to the employers’ liability insurance association.

Liabilities to affiliated companies comprise settlement accounts for subsidiaries (VAT consolidation, profit and loss transfer).

Other liabilities primarily relate to a purchase price annuity obligation and to wage tax and VAT payable.

With regard to the remaining terms of and collateral for the liabilities, please refer to the liabilities schedule.

For business reasons, various assets are leased or rented. The future obligations from these rentals and leases amount to €80 thousand, of which €49 thousand is due in 2012.

C. Contingent liabilities

As at the balance sheet date, there are liabilities from guarantees and joint and several liability amounting to €396 thousand, of which €317 thousand is attributable to affiliated companies and €79 thousand to non-Group companies.

The company has issued a guarantee bond for the payment obligations of two affiliated companies from sale-and-leaseback agreements, which amount to €3,421 thousand as at the balance sheet date.

Letters of comfort were also issued for two affiliated companies.

The risk of utilisation of the contingencies is considered low, as the affiliated companies and the non-Group companies have paid their liabilities as scheduled in the past and based on current knowledge it can be assumed that they will continue to do so in the future.

D. Notes on the income statement

1. Sales revenue

Sales revenue relates to intra-group allocations to affiliated companies.

2. Other income

Income chiefly relates to costs passed on to affiliated companies, profits from the sale of securities classified as current assets, rental income, cost sharing for the Russia project, and income from the present value adjustment for one pension obligation and from the reversal of provisions. It includes income from currency translation totalling €2 thousand (previous year: €13 thousand).

3. Income from profit transfer agreements

The amount reported relates to the profits taken over from affiliated companies for 2011 under the profit and loss transfer agreements.

4. Expenses from loss absorption

The amount reported relates to the losses taken over from two affiliated companies for 2011 under the profit and loss transfer agreements.

5. Interest and similar income

This item includes interest from affiliated companies of €38 thousand.

6. Interest and similar expenses

This item includes interest due to affiliated companies of €57 thousand and the interest components of the additions to pension provisions and of the liability from a purchase price annuity in the amount of €188 thousand (previous year: €151 thousand).

7. Extraordinary result

Application of the provisions of the German Accounting Law Modernisation Act (BilMoG) resulted in expenses totalling €129 thousand.

8. Deferred taxes

The deferred taxes are calculated based on the temporary concept. Under this approach, deferred taxes are recognised for temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income under commercial law and under tax law, provided these differences are expected to decrease in subsequent financial years. Temporary differences at consolidated tax group subsidiaries are taken into account at the consolidated tax group parent Brüder Mannesmann Aktiengesellschaft. Deferred taxes are also taken into account in the amount of the loss compensation expected within the next five years.

Deferred taxes are calculated based on a combined income tax rate for corporation tax, the solidarity surcharge and trade tax of 31.5%.

Deferred tax assets and liabilities are offset against each other. If there is a resulting surplus of deferred tax assets over deferred tax liabilities, the recognition option under section 274 (1) sentence 2 HGB is not exercised.

In the financial year, there were deferred tax assets resulting from temporary differences in pension provisions and other provisions and from corporation tax and trade tax loss carryforwards (on 31 December 2011 €6,919 thousand bzw. €1,768 thousand).

E. Other information

The following table lists the companies in which Brüder Mannesmann AG directly or indirectly holds at least one-fifth of the shares.

Name and registered office	Share of capital in %	Equity in TEUR	Annual result in TEUR
Brüder Mannesmann Werkzeuge GmbH, Remscheid, with	100	10,000	*
Brüder Mannesmann Nederland B.V., Doetinchem/Netherlands	100	282	*
CoCaCo Trading GmbH, Remscheid, with	100	1,559	*
Fernando Esser & Cia. GmbH, Remscheid	100	64	*
Corneta Export GmbH, Remscheid	100	26	*
Schwietzke Armaturen GmbH, Bottrop, with	100	4,000	*
CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100	1,420	*
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100	126	*
Chronos Technologie AG, Remscheid	100	1,276	-447**

* This company was included in the scope of consolidation.
** According to the provisional annual financial statements as at 31 December 2011

A control and profit transfer agreement is in place with Brüder Mannesmann Grundbesitz GmbH, and profit transfer agreements are in place with the other German subsidiaries except for Chronos Technologie AG. The profit transfer agreement with CoCaCo Trading GmbH was rescinded as at 1 January 2012.

In addition to the Board of Management, the company had an average of six other employees in the financial year. The company is managed by the Board of Management.

It is the parent company for the consolidated financial statements, which are published in the electronic Bundesanzeiger (Federal Gazette).

The auditor's fees in 2011 in accordance with section 285 no. 17 HGB are disclosed in the notes to the 2011 consolidated financial statements.

Related party disclosures

As part of our operating business, we have business relationships with non-consolidated companies, an associated company sold at the end of 2011, and other related companies. Transactions with a non-consolidated subsidiary result from granting loans, interest income and providing goods and services at a level of €68 thousand (previous year: €571 thousand) at normal market conditions. In the previous year, the receivables amounted to €655 thousand. Transactions with an associated company that was sold at the end of 2011 result from a loan extended with annual interest of 1%. This low rate of interest was to assist the company as a Brüder Mannesmann AG associate company to create favourable general conditions in the market entry phase. The scope was €596 thousand (previous year: €968 thousand). In the previous year, the receivables amounted to €1,792 thousand. Transactions with other related parties resulted largely from providing goods and services and extending loans which were implemented at standard market conditions. In the 2011 financial year, they had a scope of €142 thousand (previous year: 145 thousand). As of the reporting date, the receivables totalled €96 thousand (previous year: €140 thousand).

F. Executive bodies

This Board of Management is made up of the following members:

- **Mr. Jürgen Schafstein**
  Chairman of the Board of Management
  Businessman
  Member of the Management Board of Chronos Technologie AG, Remscheid
  Chairman of the Supervisory Board of Saltus Technology AG, Solingen

- **Mr. Bernd Schafstein**
  Businessman
  Member of the Management Board of Chronos Technologie AG, Remscheid

The members of the Supervisory Board are as follows:

- Mr. Reinhard C. Mannesmann
Chairman
Businessman
Chairman of the Supervisory Board of Chronos Technologie AG, Remscheid
Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Michael Nagel
Deputy Chairman
Industrial engineer
Member of the Supervisory Board of Chronos Technologie AG, Remscheid
Member of the Supervisory Board of Saltus Technology AG, Solingen

- Ms. Nicole Schafstein-Coen
Qualified bank officer
Member of the Supervisory Board of Chronos Technologie AG, Remscheid

In the year under review, the members of the Board of Management received remuneration of €352 thousand from the company. Expenses for Supervisory Board remuneration totalled €54 thousand. On the basis of the resolution of the Annual General Meeting on 30 August 2011, the information in accordance with section 285 no. 9a sentence 5 et seq. HGB in conjunction with section 286 (5) HGB is not disclosed.

Notification of existing equity holdings

The following notifications were made to the company:

On 28 March 2007, Mr. Jürgen Schafstein reported a share of the voting rights of 16.67%.

On 12 September 2002, Ms. Nicole Schafstein-Coen reported a share of the voting rights of 7.62%.

On 12 September 2002, Mr. Bernd Schafstein reported a share of the voting rights of 7.39%. For information purposes it was also reported that, as a result of purchases that had since taken place and were reported as directors' dealings, Mr. Bernd Schafstein's shareholding had increased to 8%.

The declaration in accordance with section 161 AktG has been submitted and made permanently available to shareholders on the company's website (www.bmag.de). It is part of the corporate governance declaration included in the management report in accordance with section 289a HGB.

G. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the combined management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Remscheid, 26 April 2012
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein Chairman of the Board of Management	Bernd Schafstein

Independent Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report, of the Brüder Mannesmann Aktiengesellschaft, Remscheid, for the business year from 1. January 2011 to 31. December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's board of managing directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the company's board of managing directors, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 26. April 2012

MORISON FRANKFURT AG
Wirtschaftsprüfungsgesellschaft

Rolf Peter Krukenkamp
Wirtschaftsprüfer

Karl-Heinz Wolf
Wirtschaftsprüfer