BRÜDER MANNESMANN
REMSCHEID AKTIENGESELLSCHAFT

Annual Report 2009

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Supervisory Board Report

Dear shareholders,

During the 2009 financial year, the Supervisory Board performed the duties incumbent on it in line with legal requirements and the Articles of Association. The Supervisory Board will present the following report on its activities at the Annual General Meeting:

How the Supervisory Board operates

The Supervisory Board must monitor the management of the Company, namely the Board of Management. The Supervisory Board's monitoring of the Board of Management's activities focussed on issues of legality, correctness, effectiveness and economic viability. The Supervisory Board monitored the Board of Management's activities and discussed decision-making and planning on the basis of reports by the Board of Management, reviewing and considering specific business documents and submissions. The Supervisory Board heard regular, up-to-date and comprehensive reports on the Company's performance. These reports were both written and verbal and were given both outside and during Supervisory Board meetings. In addition, the Chairman of the Supervisory Board maintained regular contact with the Chairman of the Board of Management to intensively exchange information and opinions, ensuring that the Supervisory Board was comprehensively informed of the Group's performance at all times. Where necessary, the Supervisory Board also had direct access to the Company's accounts and documents.

Regular subjects of reports to the Supervisory Board were business policy and, in particular, business transactions, business planning and compliance therewith, profitability and the financial and liquidity situation as well as business performance overall.

If the consent of the Supervisory Board was required for Board of Management decisions, or if the Board of Management requested the consent of the Supervisory Board for its activities, the Supervisory Board was informed of this in advance and the background was explained in detail. Consent was then granted following discussion by the Supervisory Board. In the case of events of considerable economic relevance, the Board of Management kept the Supervisory Board regularly informed of the progress of measures implemented, in addition to providing information prior to implementing the measures. The Supervisory Board monitored the extent to which its decisions, suggestions and recommendations have been taken into account in the management of the Company. During the period under review, the Supervisory Board deemed it unnecessary to impose special approval conditions for the execution of management decisions in view of its close contact with the Board of Management.

Supervisory Board meetings

The Supervisory Board met six times in financial year 2009. During the meetings, the Supervisory Board was informed of the strategic orientation and business performance of the Company and its subsidiaries and provided advice in this respect. In particular, the meetings focused on the financial position of the Group, its different business segments, strategic and staff policy, business projections and the risk situation.

The meetings focused on the following topics in particular:

- In the March 2009 meeting, the Board of Management presented a review of the year 2008 to the Supervisory Board and the initial, preliminary business figures for the Group as of 31 December 2008. It presented reporting documents, the provisional balance sheet and income statement, finance calculations, a liquidity overview of all equity holdings and other documents. Initial organisational preparations were also discussed for the Annual General Meeting.

- In the April 2009 meeting, the annual financial statements as of 31 December 2008, based on the combined management report of Brüder Mannesmann Aktiengesellschaft and the Group were presented, adopted and approved, and the consolidated financial statements as of 31 December 2008 were presented and approved.

- The May 2008 meeting focused on analysis of business in the first quarter of 2009 based on the quarterly report as of 31 March 2009. The Board of Management reported on the status of certain international projects and on the current business climate in the wake of the general economic situation, which remains critical.

- In the meeting of August 2009, the Board presented the interim consolidated financial statement as at 30 June 2009 and the half-year financial report. Then, it discussed the company's development and corporate strategy, including with regard to the equity holdings. Furthermore, the final preparations were made for the imminent Annual General Meeting.

- In its meeting of November 2009, the Supervisory Board discussed the interim reports of the equity holdings and the quarterly report as at 30 September 2009. The Board of Management also discussed the current status of ongoing projects. In addition, the Supervisory Board examined the efficiency of its work. To this end, as is now standard practice, an efficiency review was conducted in accordance with the Supervisory Board Efficiency Review guidelines issued by the investor advocacy organisation Deutsche Schutzvereinigung für Wertpapierbesitz e.V., as amended.

- In its December 2009 meeting, the Supervisory Board conducted a preliminary review of business developments in the financial year coming to a close. It focused on analysing the company's successful management during the year, which was marked by a difficult economic environment, and discussing which additional success factors could be integrated into the corporate strategy. Additionally, the final capital market dates were set for 2010.

Other individual topics were dealt with in all Supervisory Board meetings and discussed with the Board of Management.

Corporate governance

Corporate Governance was also the subject of discussion by the Supervisory Board and the adjustments resulting from the updates to the German Corporate Governance Code. The Board resolved to update the declaration of compliance. A particular concern of these discussions was applying the Code recommendations in a manner commensurate with the Company's specific structure, resulting in further compliance with key points of the Code's recommendations.

Supervisory Board committees

The three-member Supervisory Board did not form any committees.

Audit of annual financial statements

The auditors Morison AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main audited the annual financial statements of Brüder Mannesmann AG, the IFRS (International Financial Reporting Standards) consolidated annual financial statements and the combined management report for the 2009 financial year including the accounts and issued with unqualified audit opinions. The auditors were elected at the Annual General Meeting on 27 August 2009 and charged by the Supervisory Board with auditing the annual and consolidated financial statements. Over the course of the year the Supervisory Board also reviewed and monitored the independence of the auditor.

All financial statement documents and audit reports were discussed with the auditor at length at the meeting of the Supervisory Board on 28 April 2010. The auditor answered the questions posed by Supervisory Board members.

The Supervisory Board also carefully reviewed the annual report of Brüder Mannesmann AG, the consolidated financial statements and the management report. The Supervisory Board was in accordance with the findings of the auditor, raising no objections on the basis of its own review. The Supervisory Board then approved the annual and the consolidated annual financial statements for the 2009 financial year. The annual financial statements were thereby adopted in line with section 172 of the Aktiengesetz (AktG – German Stock Corporation Act).

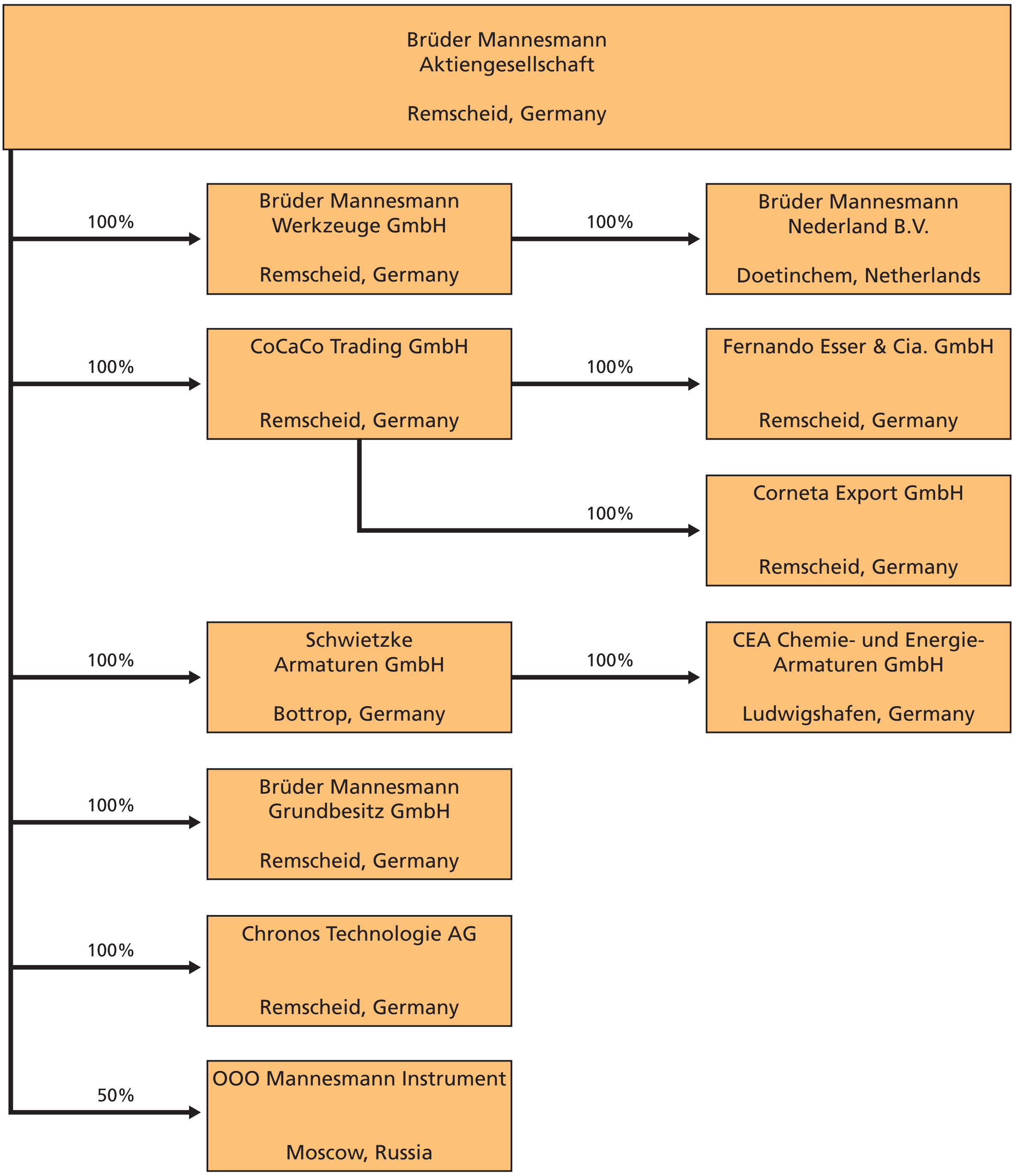
There were no conflicts of interest affecting Supervisory Board members during the period under review arising in connection with these or other board memberships.

The Supervisory Board would like to express its thanks and recognition for the employees and the Board of Management for their work last year.

Remscheid, 28. April 2010
Supervisory Board

Reinhard C. Mannesmann
Chairman

Organization Chart of Brüder Mannesmann AG
as at 31. December 2009



Group Management Report

Group Management Report

1. Preliminary remarks

Brüder Mannesmann Aktiengesellschaft is a holding company for its operating subsidiaries. The holding combines two independently operating divisions, "Tool Trade" and "Valve Trade", under a single umbrella. The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as a leasing company for property and is not involved in market operations. 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 Brüder Mannesmann-Holding and for Brüder Mannesmann Aktiengesellschaft.

2. Business development in the operating divisions

2.1. Tools Trade

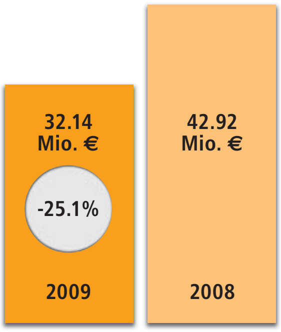
2.1.1. Tools Trade business developments

The Tools Trade division sells a full range of hand and electrical tools 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 its excellent price performance ratio is a key factor in its success. In combination with a consistent service focus, "Brüder Mannesmann" has had an excellent reputation within the industry for decades as a competent and reliable trading partner.

As anticipated, at € 32.1 million, the Tools Trade segment's sales did not reach the same level as in the previous year (€ 42.9 million). The decline was in line with the general trends in the overall economy and the industry. Compared with the prior year, however, the drop in business volume was less severe.

Despite significantly lower business volume, revenue quality remained at a high level. This is reflected by the good EBIT, which was almost unchanged at € 1.5 million (previous year: € 1.6 million). Sales revenues in terms of EBIT were 4.8 %, a significant increase over the previous year's 3.8 %.

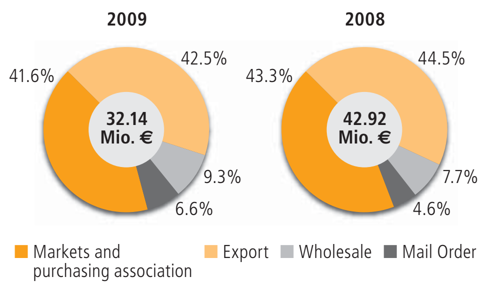
Tools Trade: Sales



Sales development by key customer groups was as follows:

Tools Trade: Sales by customer group

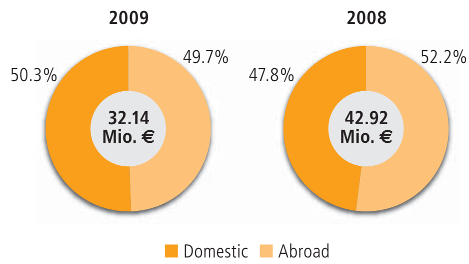
	2009		2008		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Markets and purchasing associations	13.37	41.6	18.58	43.3	-5.21	-28.0
Export	13.66	42.5	19.08	44.5	-5.42	-28.4
Wholesale	2.98	9.3	3.30	7.7	-0.32	-9.8
Mail order	2.13	6.6	1.96	4.6	0.17	8.9
	32.14		**42.92**		**-10.78**	**-25.1**



Exports recorded a slight improvement in performance compared with other customer groups. The even distribution of changes in the other customer groups shows that demand is in decline overall, that this development is not specific to customers and that the reasons for it therefore lie in the general economic developments.

Tools Trade: Sales by region

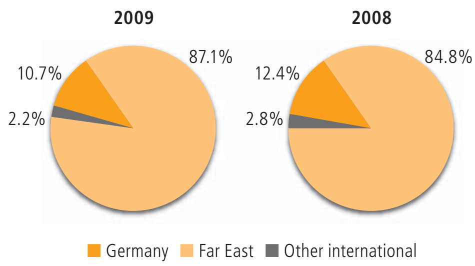
	2009 Mio. €	2009 %	2008 Mio. €	2008 %	Change Mio. €	Change %
Domestic	16.16	50.3	20.52	47.8	-4.36	-21.3
Abroad including exports	15.98	49.7	22.40	52.2	-6.42	-28.6
	32.14		**42.92**		**-10.78**	**-25.1**



The analysis of regional sales distribution shows a sharp decline in foreign sales. This reflects global uncertainty, but a part of this decrease is also due to the fact that the company intentionally wishes to avoid high-risk sales.

Tools Trade: Sales by region

	2009 %	2008 %	Change %
Germany	10.7	12.4	-1.7
Far East	87.1	84.8	2.3
Other international	2.2	2.8	-0.6
	100.0	**100.0**	



The weighting of sales regions has again favoured the Far East.

Tools Trade: Expenses

in Mio. EUR	2009	2008	Change
Staff costs	4.41	5.44	-1.03
Depreciation and amortisation of assets	0.15	0.20	-0.05
Other operating expenses	5.10	6.16	-1.06
	9.66	**11.8**	**-2.14**

The expense positions were largely adapted to the change in business volume, in a timely manner.

The number of employees was an average of 70 (previous year: 76). Sales per employee amounted to € 0.46 million after € 0.56 million in the previous year.

The gross margin amounted to 32.1 % (previous year: 30.9 %). Gross income was € 10.3 million (previous year: € 13.3 million).

Operating foreign currency liabilities were moved from USD 6.3 million to USD 7.7 million.

2.1.2. Tools Trade summary

As expected, sales in the tools division were lower in 2009 than in previous years. As a result of the global economic and financial crisis, business volume dropped once again, although the trend slowed somewhat. The timely adjustment of cost positions and the composition of the range and warehousing helped maintain a good result. Operating income (EBIT) remains high, and the sales returns related to the sales revenues (EBIT) even increased significantly. Thus, the very difficult conditions of the 2009 financial year were successfully mastered.

2.2. Valves Trade

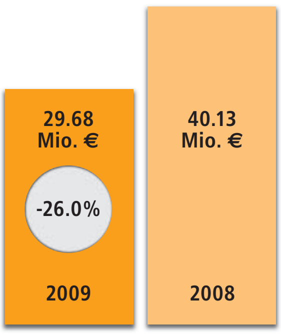
2.2.1. Valves Trading business developments

The Valves Trading division sells valves for industrial und technical applications. In particular, these applications include power plant technology and industrial chemicals and petrochemicals facilities. 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. The combination with highly defined technical consulting skills allows this division to take up an unusual positioning. The Valves Trading division is represented by the company Schwietzke, which is based in Bottrop and has other locations at Cologne and Ludwigshafen.

Sales in the Valves Trading division declined to € 29.7 million after € 40.1 million in the previous year. The decrease is related on the one hand to the balance sheet date, on the other hand, with some time lag, the valves business is suffering from overall economic developments.

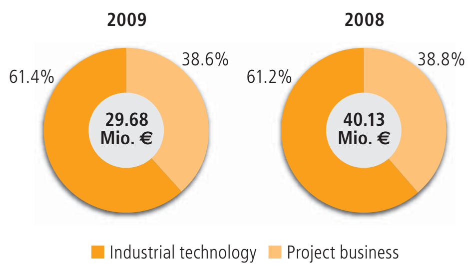
However, EBIT was satisfactory at € 1.8 million after € 2.3 million in the previous year. ales revenues with regard to EBIT were 6.2 % following 5.7 % in the previous year.

Valves Trade: Sales by business area



Valves Trade: Sales by business area

	2009 Mio. €	2009 %	2008 Mio. €	2008 %	Change Mio. €	Change %
Industrial technology	18.22	61.4	24.54	61.2	-6.32	-25.7
Project business	11.46	38.6	15.59	38.8	-4.13	-26.5
	29.68		**40.13**		**-10.45**	**-26.0**



Distribution of sales between industrial technology and projects business remained nearly constant.

Gross income was € 7.1 million (previous year: € 7.4 million). This corresponds to a gross margin of 23.9 % (previous year: 18.4 %).

Valves Trade: Expenses

in Mio. EUR	2009	2008	Change
Staff costs	3.28	3.07	0.21
Depreciation and amortisation of assets	0.12	0.12	0.00
Other operating expenses	2.10	2.18	-0.08
	5.50	**5.37**	**0.13**

Staff costs rose slightly compared with the previous year. The number of employees was an average of 57. Sales per employee were € 0.52 million (previous year: € 0.76 million).

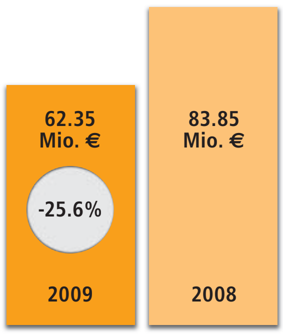
2.2.2. Valves Trading summary

The anticipated decline in business volume in the valves business is not pleasing, but the industry on the whole was affected by general economic conditions. The starting position was also high due to the previous year's very good results. Valves maintained its good market position and the earnings situation was stabilised at a high level. Sales revenues in terms of EBIT even increased, so that Valves performed satisfactorily in the year under review.

3. Group business performance

The consequences of the global economic and financial crisis affected the Brüder Mannesmann Group much more heavily than in previous years. With consolidated sales of € 62.4 million (previous year: € 83.9 million), the 2009 financial year saw a decrease of 25.6 %. The drop in sales in Tools slowed down compared with the previous year. Valves Trade, which was not as strongly affected by the economic developments in previous years, saw sharp decreases.

Group: Sales



Group: Sales

	2009		2008		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Tools division	32.14	51.5	42.92	51.2	-10.78	-25.1
Valves division	29.68	47.6	40.13	47.9	-10.45	-26.0
Property (non-divisional sales)	0.53	0.9	0.80	0.9	-0.27	-33.6
	62.35		**83.85**		**21.50**	**-25.6**

3.1. Group result

Despite the reduction in business volume, Group EBIT was € 2.9 million (previous year: € 3.7 million), whereby both operating segments were profitable.

Gross consolidated income was € 17.9 million (previous year: € 21.5 million), remaining at a high level in spite of the decline in sales.

Group: Group result

in Mio. EUR	2009	2008	Change
1. EBIT (operating result)	**2.91**	**3.67**	**-0.76**
./. Financial result	-2.47	-4.28	1.81
2. Earnings before tax	**0.44**	**-0.61**	**1.05**
./. Taxes	-0.38	0.09	-0.47
3. Net consolidated income	**0.06**	**-0.52**	**0.58**

The financial result improved by some € 1.8 million. Consolidated net profit was € 0.06 million or some € 0.02 per share, following a loss of € 0.52 million or some -€ 0.17 per share in the previous year. Based on EBIT, earnings per share came to € 0.97 after € 1.22 in the previous year.

The business performance of Brüder Mannesmann Aktiengesellschaft is largely defined by that of its equity holdings. Consolidated income (income from profit transfer agreements) was € 2.9 million (previous year: € 4.0 million).

Brüder Mannesmann Aktiengesellschaft posted a net loss of € -512.2 thousand in the 2009 financial year (previous year: net income € 54.9 thousand). The decline was essentially due to a reduction in the net investment income. The negative net profit was balanced out by appropriations of retained earnings.

3.2. Balance sheet

In the 2009 financial year, consolidated total assets decreased from € 66.9 million in the previous year to € 62.9 million.

Group: Working Capital

in Mio. EUR	2009	2008	Change
Inventories	11.54	14.22	-2.68
Receivables	9.89	12.55	-2.66
Cash and cash equivalents and securities	15.53	13.47	2.06
Total	**36.96**	**40.24**	**-3.28**
Current financial liabilities	1.04	0.89	0.15
Creditors	5.63	7.43	-1.80
Total	**6.67**	**8.32**	**-1.65**
Working-Capital	**30.29**	**31.92**	**-1.63**

Working capital decreased slightly in line with the change in the total assets. At € 30.3 million (previous year: € 31.9 million), the liquidity and financial situation remains good.

With balance sheet equity for the 2009 financial year of € 8.0 million (previous year: € 7.9 million), the equity ratio amounted to 12.6 % (previous year: 11.8 %). Including subordinated loans (mezzanine capital) in equity, economic equity amounted to € 25.1 million with an equity ratio of 39.9 % (previous year 37.3 %).

The total assets of Brüder Mannesmann Aktiengesellschaft decreased by € 0.6 million to € 35.5 million.

3.3. Employees

The number of employees was an average of 132. Sales per employee were € 0.47 million (previous year: € 0.63 million).

Group: Employees

	2009	2008	Change
Industrial employees	24	28	-4
Salaried employees	108	106	2
Number of employees	**132**	**134**	**-2**
Trainees and apprentices	4	5	-1
Sales per employee in million €	0.47	0.63	-0.16

3.4. Expenses

Group: Expenses

in Mio. EUR	2009	2008	Change
Staff costs	9.04	9.63	-0.59
Depreciation and amortisation of assets	0.37	0.43	-0.06
Other operating expenses	8.07	9.27	-1.20
	17.48	**19.33**	**-1.85**

The expense positions were reduced by approximately € 1.9 million or nearly 9.6 %.

4. Outlook

4.1. Tools Trade

Particuarly in the economically difficult year of 2009, the Tools Trade segment has proven to be robust and successful. Particularly on the earnings side, developments were good, and the key elements of the corporate strategy were consistently maintained.

- expansion of the position in existing market and customer segments,
- ongoing development of product innovations and measures affecting range policy,
- consistency in terms of quality, service and price-performance trade-off,
- reliability in supplier and customer relations,
- customer-oriented expansion into new international markets.

The process of expansion, which has been promoted in international European markets for many years, will be followed with the appropriate level of intensity.

As of 31 December 2009, the order backlog amounted to € 3.7 million compared with € 4.6 million in the previous year. Orders received as of the same balance sheet date were € 33.8 million (previous year: € 47.3 million). These figures can be considered good in light of the poor sentiment at the end of 2009.

The start of 2010 was very satisfactory. For the year as a whole, we anticipate a stabilisation in business volume with an outlook for at least a slight increase. Special attention will be paid to profitability of our sales.

4.2. Valves Trade

Despite industry-wide, serious declines in revenues, the Valves Trade has managed to uphold its market position and develop in line with the industry average. We therefore intend to continue our corporate strategy on the basis of the following elements:

- an extremely high level of state-of-the-art technical consulting expertise,
- proximity to key customers through locations at Bottrop, Cologne and Ludwigshafen
- innovative sales strategy,
- comprehensive product range from a single source,
- cooperation with first-class manufacturers,
- further expansion of the share on long-term master agreements

As of 31 December 2008, order backlog and incoming orders amounted to € 10.4 million (previous year: € 10.0 million) and € 29.6 million (previous year: € 39.7 million) respectively. These figures point to business developments with a volume nearing that of the 2009 financial year. After plant engineers and investors were hesitant last year, there will be some need to catch up as the general economy recovers. Valves Trading is in a good position to benefit from this development.

4.3. Group

The two operating divisions of the Brüder Mannesmann Group, Tools Trading and Valves Trading, have successfully managed the challenges of 2009. While business volume declined in both segments, it did not affect the result. Both segments even increased their return on sales in terms of EBIT.

It appears that the economy is recovering from the global crisis more quickly than hoped. In any event, the statistics for early 2010 are positive. Uncertainties in the euro region continue to dampen sentiment and show that there is still exceptional risk potential for the near future. However, we are far removed from the catastrophe that seemed realistic one year ago.

Based on the overall good development of the Group in 2009, we are optimistic that in 2010 we will see at least stable developments in sales and earnings. The market positions of both segments were reinforced during the crisis, the cost structures have been adapted to business volume and they are low, so once the economy begins to flourish, we will see impressive growth rates.

5. Other information

No events of material importance took place after the close 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 descriptions 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 2009

1. As of 31 December 2009, Company share capital totalled € 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 pursuant to any agreements between shareholders.

3. According to Company information, Board of Management Chairman Jürgen Schafstein is above the 10 % of voting rights threshold, directly holding 16.67 % of equity and voting shares. The Company has no information concerning any other direct or indirect shareholdings exceeding the threshold of 10 % of voting shares in the Company.

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

5. There is no monitoring conducted of employee shareholdings in the Company.

6. Appointing and dismissing members of the Board of Management is done in line with Articles 84 and 85 of the Stock Corporation Act. Pursuant to Article 7 of the Company bylaws, the Board of Management may consist of one or more members. At this time there are two members. The Supervisory Board appoints Board of Management members and determines their number. The Supervisory Board may appoint a Chairman or Speaker of the Board of Management. The Company bylaws may be amended by shareholder resolution in accordance with Articles 119 Para. 1 no 5, 179 and 133 of the Stock Corporation Act. As permitted by law, resolutions are passed by a simple majority of votes cast and a simple majority of share capital represented in accordance with Article 179 Para. 2 of Stock Corporation Act in conjunction with Article 21 Para. 2 of the Company bylaws, instead of by a majority of three quarters of share capital represented as provided under Article 179 Para. 2 sentence 1 Stock Corporation Act. Pursuant to Article 17 of the Company bylaws, the Supervisory Board is only authorised to amend the Company bylaws in respect of the version.

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

- The Board of Management is authorised pursuant to Article 5 Para. 3 of the Company bylaws to increase Company share capital (authorised capital) one or more times by a maximum € 4,500,000.00 through 29 August 2012 through the issuance of bearer shares versus cash or contributions in kind, subject to Supervisory Board approval. The Board of Management is furthermore authorised to determine the further specifics concerning share class rights and the terms of share offerings, subject to Supervisory Board approval. Existing shareholders must be given opportunity to subscribe to new shares. However, the Board of Management is authorised to exclude shareholder subscription rights in line with the details of the authorisation.

- On 27 August 2009, the annual shareholders' meeting authorised the Board of Management to issue bearer or registered participation certificates on one or more occasions to 26 August 2014. Bearer warrants may 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 up to 26 August 2014 in the place of or alongside profit participation certificates to issue on one or more occasions cum-warrant and/or convertible bonds 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. Share capital is increased on a contingent basis by a maximum € 4,500,000 for the issuance of a maximum 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 opportunity to subscribe to the profit participation certificates and bonds. However, the Board of Management is authorised to exclude shareholder subscription rights in line with the details of the authorisation.

- On 27 August 2009, the annual shareholders' meeting authorised the Company to buy back Company shares up to a maximum of € 900,000.00 of share capital for a period up to 26 February 2011. In line with more detailed specifications, the authorisation resolution further authorises the Board of Management, with the approval of the Supervisory Board, to sell the acquired Company shares excluding shareholder subscription rights or to withdraw the Company shares acquired. The Company has not thus far exercised this authorisation.

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 made with the members of the Board of Management or employees in the case of a takeover offer.

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 management

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

Brüder Mannesmann Aktiengesellschaft uses corporate governance in line with the recommendations and suggestions of the German Corporate Governance Code to the extent deemed appropriate for a company of its structure and size. The Code in the current version dated 18 June 2009 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 Stock Corporation Act which the Board of Management and Supervisory Board made for the 2009 financial year.

Declaration of compliance with the German Corporate Governance Code in the version dated 18 June 2009 by the Board of Management and the Supervisory Board of Brüder Mannesmann AG in line with section 161 AktG

In line with section 161 AktG, 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 2009 to the time of this declaration in the form shown, except 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 in the version dated 18 June 2009.

The Board of Management and the Supervisory Board of Brüder Mannesmann AG declare that in future, the German Corporate Governance Code in its version dated 18 June 2009 shall be complied with, except for the recommendations listed below:

- Transmission of information by way of electronic media (item 2.3.2):

The Articles of Association of the Company also permit it to transmit information to the bearers of authorised securities of the Company by way of electronic media. The Company believes that this is a necessary option but not a mandatory course of action, not least because the Company's shares are bearer shares and therefore the contact details of the Company's shareholders are not generally known. Apart from this, convening the Annual General Meeting in line with the legal regulations will be passed on to such media for publication where it can be assumed that they disseminate the information in the whole European Union. In this respect too the deviation seems to be generally reasonable.

- Board of Management remuneration (item 4.2.3):

The remuneration of the Board of Management does not currently include variable components as no such elements are provided for under the agreements still in force at this point in time. Up to the present moment, the Company has not been able to see any advantages in variable remuneration structures which would justify a necessary move away from the system of fixed remuneration.

On 5 August 2009, the Appropriate Management Board Remuneration Act came into force. It states that the remuneration structure of listed companies is to be aligned to a sustainable corporate development. Variable remuneration components should thus have an assessment basis over several years.

It is the Company's view that the new legal regulation does not prohibit Board of Management remuneration consisting exclusively of fixed remuneration elements.

Special attention should be drawn to that fact that the Company believes fixed remuneration does not create precisely those false incentives which (against the background of the global economic crisis) caused legislators to act against negative developments caused by variable remuneration which is not aligned on a sustained basis in the form of the Appropriate Management Board Remuneration Act.

After thorough examination the Company thus expressly reserves the right, also in the future – to deviate from the corresponding recommendation of the German Corporate Governance Code – and to grant exclusively fixed remuneration to members of the Board of Management if deemed necessary.

- **Reporting of Board of Management remuneration (item 4.2.4):**
  Currently, information on remuneration is not broken down individually as the Annual General Meeting on 31 August 2006, in line with sections 286 (5) and 314 (2) HGB that the information stipulated in section 285 sentence 1 no. 9, a) sentences 5 to 9 and section 314 (1) no. 6, a) sentences 5 to 9 HGB will not be disclosed.

- **Age limit for Board of Management members (item 5.1.2):**
  There is currently no age limit for Board of Management members. This appears unnecessary in view of the age of Board of Management members.

- **Formation of committees (item 4.2.2 and 5.3.1 to 5.3.5):**
  In view of the current number of Supervisory Board members (three), the formation of committees does not appear meaningful.

- **Age limit for Supervisory Board members (item 5.4.1):**
  There is currently no age limit for Supervisory Board members. This appears unnecessary in view of the age of Supervisory Board members.

- **Publication of the consolidated financial statements and interim reports (item 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 to 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 it has a shareholding that is not of minor importance (item 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, such information may be to the detriment of the companies concerned as it could be exploited, e.g. by its competitors.

7.1.2. Disclosures per Articles 289a Para. 2 No. 2 and 3 of the German Commercial Code

General notes on 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 within the Company's Articles of Association and the Rules of Procedures governing 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 maintains a two-tier governance and monitoring structure. The Annual General Meeting forms the third executive body of the Company.

How the Board of Management and the Supervisory Board operate

Supervisory Board

In line with sections 96 (1) and 101 (1) of the Aktiengesetz (AktG – German Stock Corporation Act) and the Articles of Association, the Company's Supervisory Board is composed 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 measures cannot be transferred to the Supervisory Board. However, the Articles of Association or the Supervisory Board can stipulate that certain types of transactions may only be carried out 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 can form committees. As the Supervisory Board is composed of the statutory minimum number of three members, establishing committees would not generate any advantage, which is why 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. The Board is also responsible for the Company's year-to-year 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 company management practises

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

Company 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 the process, employees should be aware that they are making contributions to the Company's success and its reputation as well as creating value and should take responsibility for this.

The Annual General Meeting

At the Annual General Meeting, shareholders can exercise their rights and cast their votes. 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 documentation 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 may 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 distribute information to shareholders and investors promptly. In addition, it 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.

Accounting

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.

Disclosures on stock option plans and similar incentive systems involving securities of the Company

There are no stock option plans or similar incentive systems involving securities of the Company.

Shareholdings of the Board of Management and the Supervisory Board

On 31 December 2009, the members of the Board of Management held a total of 696,300 ordinary shares (previous year: 696,300) representing 23.21 % of share capital. On 31 December 2009, the members of the Supervisory Board held 228,500 ordinary 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 Groups 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. The Company counters currency risk through efficient management of its foreign currency liabilities. At the same time, price calculations are adapted to anticipate developments as far as possible.

The company employs an internal computer-based controlling and risk management system. Financial accounting data from operating Group companies are transferred into the accounting system on a monthly basis and analysed according to certain criteria focusing on deviation from projected earnings and financial status. The implications drawn from these analyses and steps taken in light of them are communicated to operating Group companies in regular meetings. In addition, the Board of Management forwards the quarterly figures from the companies to the Supervisory Board for review.

The operative 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 and adjusted to changing circumstances and is reviewed by auditors of the Company.

7.3. Remuneration report (information on the remuneration system in line with Article 289 Para. 2 and Article 315 Para. 2 of the German Commercial Code).

Remuneration of the Supervisory Board

In line with item 5.4.6 of the German Corporate Governance Code, Supervisory Board members shall 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.

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

On 5 August 2009, the Appropriate Management Board Remuneration Act came into force. It states that the remuneration structure of listed companies is to be aligned to a sustained corporate development. Variable remuneration components should thus have an assessment basis of several years; for extraordinary developments the Supervisory Board should agree a cap. The German Corporate Governance Code adds that the monetary remuneration components should included fixed and variable components.

In general, the changes as a result of the Appropriate Management Board Remuneration Act do not have any impact on existing contracts, but are to be taken into consideration in the cases of extensions or additions to service agreements.

It is the Company's view that the new legal regulation does not prohibit Board of Management remuneration consisting exclusively of fixed remuneration elements. After thorough examination the Company thus expressly reserves the right, also in the future – to deviate from the corresponding recommendation of the German Corporate Governance Code – and to grant exclusively fixed remuneration to members of the Board of Management if deemed necessary.

Special attention should be drawn to that fact that the Company believes fixed remuneration does not create precisely those false incentives which (against the background of the global economic crisis) caused legislators to act against negative developments caused by variable remuneration which is not aligned on a sustained basis in the form of the Appropriate Management Board Remuneration Act.

Remscheid, 28. April 2010
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	31.12.2009	31.12.2008
Non-current assets			
Goodwill	3.1.	3,845	3,845
Other intangible assets	3.1.	429	458
Property, plant and equipment	3.2.	7,480	7,037
Investment property	3.3.	8,377	8,377
Financial assets	3.4.	2,140	1,577
Deferred tax assets	3.5.	2,177	2,717
Other assets	3.6.	137	110
		24,585	**24,121**
Current assets			
Inventories	3.7.	11,542	14,219
Trade receivables	3.8.	9,891	12,545
Other receivables and other assets	3.9.	1,309	2,176
Assets for current tax	3.10.	82	357
Investments	3.11.	1,303	1,004
Cash and cash equivalents	3.12.	14,229	12,469
		38,356	**42,770**
Balance sheet total		**62,941**	**66,891**

Liabilities in TEUR	Notes	31.12.2009	31.12.2008
Equity			
Share capital	3.13.	9,000	9,000
Reserves	3.14.	770	770
Accumulated losses brought forward		-1,883	-1,363
Net consolidated income		64	-520
		7,951	**7,887**
Non-current liabilities			
Mezzanine subordinate loans	3.18.	17,148	17,048
Provisions for pensions and similar liabilities	3.16.	10,890	9,848
Financial liabilities	3.18.	13,462	14,361
Other liabilities	3.19.	3,674	4,159
Deferred tax liabilities	3.20.	508	667
		45,682	**46,083**
Current liabilities			
Other provisions	3.17.	740	894
Financial liabilities	3.18.	1,044	893
Trade liabilities	3.21.	5,627	7,432
Other liabilties	3.19.	1,891	3,702
Current income tax liabilities	3.22.	6	0
		9,308	**12,921**
Balance sheet total		**62,941**	**66,891**

Consolidated Statement of Earnings

in TEUR	Notes	01.01.-31.12.2009	01.01.-31.12.2008
Sales revenue	4.1.	62,347	83,851
Other operating income	4.2.	1,886	1,537
Costs of materials		-43,841	-62,390
Staffing costs	4.3.	-9,039	-9,633
Other operating expenses	4.4.	-8,066	-9,274
EBITDA		**3,287**	**4,091**
Amortisation and depreciation of intangible assets and property, plant and equipment		-374	-426
EBIT (operating result)		**2,913**	**3,665**
Results from equity investments	4.5.	-9	0
Financial income	4.5.	1,244	1,155
Financial expense	4.5.	-3,704	-5,428
Earnings before tax		**444**	**-608**
Income taxes	4.6.	-380	88
Net consolidated income		**64**	**-520**
Earnings per share (undiluted) in EUR	**4.7.**	**0.02**	**-0.17**
Earnings per share (diluted) in EUR	**4.7.**	**0.02**	**-0.17**

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

in TEUR	01.01.-31.12.2009	01.01.-31.12.2008
Net consolidated income	64	-520
Transactions recognised directly in equity	0	0
Total comprehensive income	**64**	**-520**

Consolidated Capital Finance Account

in TEUR	Notes	2009	2008
EBIT		2,913	3,665
Depreciation on noncurrent assets		374	426
Gains on disposal on noncurrent assets		-367	-12
Change of noncurrent provisions and other noncurrent liabilities		1,042	1,509
Other non-cash income and expenses		241	162
Interest payments		-245	-447
Income tax payments		281	51
Cash inflows / outflows from operating activities before change in current net assets	**6.2.**	**4,239**	**5,354**
Change of current assets / liabilities			
Inventories		2,677	422
Trade receivables		2,654	-1,737
Other receivables and other assets		699	-23
Financial liabilities		139	-2,926
Trade liabilities		-1,805	2,397
Other liabilities and other items		-1,992	182
Inflows / outflows from operating activities	**6.2.**	**6,611**	**3,669**
Inflows from disposal of noncurrent assets		1,170	94
Outflow for investment properties		-1,930	-344
Interest received		117	414
Dividends received		12	38
Investments		-278	258
Current financial instruments		-115	227
Inflows / outflows from investing activities	**6.2.**	**-1,024**	**687**
Change of long-term financial liabilities			
Borrowing subordinated loan		0	0
Borrowing other liabilities		0	3,375
Repayment long-term financial liabilities		-887	-851
Repayment other liabilities		-485	0
Interest payment		-2,455	-2,320
Distribution of profits		0	-300
Inflows / outflows from financing activities	**6.2.**	**-3,827**	**-96**
Changes in cash and cash equivalents	**6.2.**	**1,760**	**4,260**
Cash and cash equivalents on 1 January	**6.2.**	**12,469**	**8,209**
Cash and cash equivalents on 31 December	**6.2.**	**14,229**	**12,469**

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, 2007	**9,000**	**770**	**0**	**-1,188**	**125**	**8,707**
Transfer to earnings reserves from 2007 net income			125		-125	
Profit distribution			-300			
Reclassification to the result brought forward			175	-175		
Profit January 1, to December 31, 2008					-520	
Shareholders' equity as at December 31, 2008	**9,000**	**770**	**0**	**-1,363**	**-520**	**7,887**
Net loss 2008 carried forward				-520	520	
Profit January 1, to December 31, 2009					64	
Shareholders' equity as at December 31, 2009	**9,000**	**770**	**0**	**-1,883**	**64**	**7,951**

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. Two independently operating divisions – Tools Trading and Valves Trading – are established on the market, while the subsidiary Brüder Mannesmann Grundbesitz GmbH acts exclusively as a rental company for the properties held by the Group 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.

Brüder Mannesmann Aktiengesellschaft is a listed company admitted for trading in the Prime Standard segment of the Frankfurt Stock Exchange.

2. Accounting policies

2.1. Basis of preparation of the financial statements

Accounting

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 2009 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 (TEUR) unless stated otherwise.

Basis of consolidation

In addition to Brüder Mannesmann Aktiengesellschaft, the consolidated financial statements include all of 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.

A total of seven German subsidiaries and one foreign subsidiary 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 20-50% stake and has a significant influence over business and financial policies (associated companies) are valued at equity. A joint venture is valued at equity.

The full list of shareholdings of the Brüder Mannesmann Group is published in the electronic Bundesanzeiger (Federal Gazette).

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 set out in section 301 (1) no. 1 of the HGB. 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

Accounting provisions applied for the first time

The following accounting provisions, the adoption of which was mandatory for Brüder Mannesmann Aktiengesellschaft in the reporting year in line with the regulations of the IASB, were applied for the first time in the 2009 financial year:

- IFRIC 18 Transfers of Assets from Customers
  (applicable to business transactions on or after 1 July, 2009)

  The new interpretation includes additional notes for recognising the transfer of assets by a customer.

- IFRIC 15 Agreements for the Construction of Real Estate
  (effective from 1 January 2009)

  IFRIC 15 contains guidelines as to when a real estate sale falls within the scope of IAS 11 (Construction Contracts) and when it falls within the scope of IAS 18 (Revenue).

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
  (effective for financial years from 1 October 2008)

  IFRIC 16 clarifies what is considered a risk when hedging a net investment in a foreign operation and where the hedge for reducing this risk may be held within the company group.

- IFRIC 13 Customer Loyalty Programmes
  (effective for financial years from 1 July 2008)

  In line with this interpretation, benefits (bonuses) granted to customers are recognised as own sales at the time of performance; the creation of a bonus claim reduces the sales of the transaction in the context of which they were granted. Sales are recognised based on the relationship between market value of the bonus and original transaction.

  These interpretations have no significant effect on the net assets, financial position and results of operations of the Brüder Mannesmann Group.

- Amendment to IFRS 7 Improving Disclosures about Financial Instruments
  (effective from 1 January 2009)

  The amended regulations include supplemental information about the financial instruments measured at fair value plus supplemental qualitative and quantitative information about liquidity risks. The application of these changes is not expected to have an impact on the consolidated financial statements, apart from the supplements to the Notes.

- Amendments to IFRIC 9 und IAS 39 Embedded Derivatives
  (applicable to financial years ending on or after 30 June 2009)

  This amendment provides for a duty to separate host contracts and derivatives when reclassifying hybrid financial instruments from the category of financial assets measured at fair value. Reclassification is not possible if the fair value of an embedded derivative that has to be separated cannot be reliably determined. This amendment has no significant influence on the consolidated financial statements of Brüder Mannesmann AG.

- Improvements to IFRSs
  (issued by the IASB in May 2008)

  This is a large number of smaller amendments to existing standards that are applicable to financial years beginning on or after 1 January, unless otherwise stipulated by the standard. This collective standard has no significant influence on the consolidated financial statements of Brüder Mannesmann AG.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate)
  (effective from 1 January 2009)

  The amendment to IFRS 1 allows a company to report either the fair value of the investment at the time of the transition to IFRSs or the carrying amount of the investment as determined by the previous accounting policies at the time of the transition to IFRSs for subsidiaries, joint ventures or associates in the IFRS opening balance sheet of its separate financial statements instead of their cost (deemed cost). These amendments have no influence on the consolidated financial statements of Brüder Mannesmann AG.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (Puttable Financial Instruments and Obligations Arising on Liquidation)
  (effective from 1 January 2009)

  The amendments regulate questions on the distinction between equity and financial liabilities and, under certain conditions, allow enterprises to report contributions not previously classified as equity under equity. For example, these include shares in partnerships and cooperatives. These amendments have no significant influence on the consolidated financial statements of Brüder Mannesmann AG.

- IAS 1 Presentation of Financial Statements: A Revised Presentation
  (revised version, effective for financial years from 1.1.2009)

  Among other things, the new version of the standard provides for a full income statement including income and expenses previously recognised directly in equity (“other comprehensive income”); income taxes are then broken down by the components of the full income statement. In future, retroactive amendments to accounting policies or corrections of errors must also be disclosed in the opening balance sheet of the comparative period. The renaming of the elements of the financial statements as implemented in the standard does not necessarily have to be adopted. This new version of the standard affects the statement of comprehensive income of Brüder Mannesmann AG.

- Amendment to IFRS 2 Vesting Conditions and Cancellations
  (effective from 1 January 2009)

  The new regulations clarify terms and offer a more precise definition of vesting conditions for share-based payment agreements. This amendment has no significant influence on the consolidated financial statements of Brüder Mannesmann AG.

- IAS 23 Borrowing Costs
  (effective from 1 January 2009)

  The standard, which is to be applied prospectively from the time it becomes effective, requires the capitalisation of borrowing costs that can be allocated to a qualifying asset. This amendment has no significant influence on the consolidated financial statements of Brüder Mannesmann AG.

- IFRS 8 Operating Segments
  (effective from 1 January 2009)

  IFRS 8 replaces IAS 14 (Segment Reporting) and regulates that segment information must be published on the same basis on which internal reporting is based (management approach). The new standard affects the segment reporting and information in the Notes.

Provisions already passed but not yet adopted

The following standards, interpretations and amendments to published standards that have already been passed but are not yet mandatory will be adopted in the consolidated financial statements from the time at which this is required for Brüder Mannesmann Aktiengesellschaft, i.e. from the 2010 or 2011 financial years:

- IFRS 9 Financial Instruments (applicable from 1 January 2013; prior use starting 2009 is possible, but so far it has not been adopted into European law by the EU)

  The objective of IFRS is to enhance the decisive effect of the financial statements by simplifying the requirements of classification and measurement for financial instruments. Ultimately, it replaces IAS 39 Financial Instruments: Recognition and measurement replaced.

- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
  (effective from 1 January 2011; prior use starting with the financial statements from the end of 2009 is possible, but so far it has not been adopted into European law by the EU)

  This amendment to IFRIC 14 provides that companies subject to minimum funding requirements who make prepayments can recognise such payments as assets under certain conditions.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010, not yet adopted into European law by the EU)

  IFRIC 19 regulates the repayment of financial obligations with equity instruments.

- Improvements to IFRSs (issued 16 April 2009)

  These are numerous smaller amendments to existing standards – their dates of implementation vary, with the earliest one being 1 July 2009. The EU adopted it into European law in March 2010.

- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (effective from 1 January 2010)

  Amendments to IFRS 2 clarify the recognition of share-based compensation in the Group that were made in cash.

- Amendments to IFRS 1 Additional Exemptions for First-time Adopters (effective from 1 January 2010, yet to be adopted into European law)

  The amendment of IFRS 1 includes two exceptions for first-time adopters.

- Revised IAS 24 Related Party Disclosures (effective from 1 January 2011, not yet adopted into European law)

  IAS 24 was amended with regard to disclosure requirements for government-related enterprises and the definition of related parties.

- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective from 1 July 2010, not yet adopted into European law)

  The amendment includes simplifications to the comparative disclosures for first-time adopters of IFRS.

- Amendments to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues (effective from financial years starting 1 February 2010)

  The amendment to IAS 32 changes the classification of rights issues.

- IFRIC 17 Distributions of Non-cash Assets to Owners
  (effective for financial years from 1 July 2009)

  IFRIC 17 regulates how a company must measure non-cash assets distributed to owners. The dividend payable should be measured at the fair value of the net assets to be transferred. The difference between the dividend payable and the carrying amount of the asset transferred is recognised in profit or loss.

- IFRS 1 First-time Adoption of International Financial Reporting Standards (revised version)
  (effective from 1 January 2009)

  This revised IFRS 1 replaces the previous IFRS 1 and relates to the formal structure of the standard (separation of the standard’s general and specific regulations).

- Amendment to IAS 39 Recognition and Measurement (Eligible Hedged Items)
  (effective for financial years from 1 July 2009)

  These amendments clarify the principles that decide whether a hedged risk or portions of cash flows can be considered eligible as a hedged item.

- IFRS 3 Business Combinations (effective for financial years from 1 July 2009)

  The new IFRS 3 contains regulations on scope, purchase price components, the treatment of minority interests, goodwill and the scope of the recognised assets, liabilities and contingent liabilities. The amended standard also contains regulations on the recognition of loss carry-forwards and the classification of contracts of the acquired company. The use of the purchase method for business combinations has been retained. Changes have been made in the determination of cost, for instance when the purchase price agreement is dependent on future events. Under the new regulation, minority interests can either be measured at fair value (full goodwill method) or at the fair value of the pro rata identifiable net assets.

- IAS 27 Consolidated and Separate Financial Statements
  (effective for financial years from 1 July 2009)

  The amended standard regulates the treatment of acquisitions and disposals of shares after achieving and while retaining control. In line with this, minority transactions are treated as transactions between shareholders and recognised in equity. For disposals of shares that result in a loss of control, the gain or loss on disposal is recognised in profit or loss. If shares are still held after the loss of control, the remaining shares are carried at fair value. The difference between the previous carrying amount of the remaining shares and their fair value is recognised in income in the gain or loss on disposal and disclosed separately in the notes at the corresponding revaluation amount of the remaining share. For step acquisitions or in proportionate disposals, the standard requires the remeasurement of the shares already held and those remaining at fair value. Losses relating to minorities that exceed the carrying amount must be shown as negative carrying amounts in consolidated equity.

The effects of the amendments to IAS 27 and IFRS 3 are dependent on the nature and scope of future share acquisition and disposal transactions.

The amendments to IFRS 1 are of no relevance for the consolidated financial statements of Brüder Mannesmann Aktiengesellschaft.

For the other changes, Brüder Mannesmann Aktiengesellschaft is currently examining the impact of the new standards and interpretations on its consolidated financial statements. This will partly be dependent on whether future issues that fall within the scope of the amended provisions are implemented. The Company does not expect the first-time application of these new standards and interpretations to have a material effect on the Group's net assets, financial position and results of operations.

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 (TEUR 2,497) and valves (TEUR 1,348). 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.

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 TEUR 0 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

- repayments,
- 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 primarily relate to long term security investments and shares in one unconsolidated subsidiary. As there is no market for these instruments and their fair values cannot be reliably determined without an unreasonable degree of cost and effort, they are generally carried at original cost. 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. Certificates have been assigned to the fair value option category to reduce complexity on account of the embedded derivative. Fair value changes are reported under net finance costs.

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.

Securities, except for certificates, are classified as available for sale and carried at fair value in accordance with IAS 39. Certificates have been assigned to the fair value option category and are recognised in the income statement 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 repayment 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.

3. Disclosures on the consolidated balance sheet

3.1. Intangible assets

Schedule of intangible assets	Goodwill	Other intangible assets	Total
Cost			
As of 01.01.2008	3,845	3,050	6,895
Additions	0	0	0
Disposals	0	0	0
As of 31.12.2008	**3,845**	**3,050**	**6,895**
As of 01.01.2009	3,845	3,050	6,895
Additions	0	6	6
Disposals	0	0	0
As of 31.12.2009	**3,845**	**3,056**	**6,901**
Cumulated deprecation			
As of 01.01.2008	0	2,412	2,412
Depreciation	0	180	180
Disposals	0	0	0
As of 31.12.2008	**0**	**2,592**	**2,592**
As of 01.01.2009	0	2,592	2,592
Depreciation	0	138	138
Disposals	0	-103	-103
As of 31.12.2009	**0**	**2,627**	**2,627**
Carrying amount			
01.01.2008	3,845	638	4,483
31.12.2008	3,845	458	4,303
01.01.2009	3,845	458	4,303
31.12.2009	**3,845**	**429**	**4,274**

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

in TEUR	31.12.2009	31.12.2008
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 01.01.2008	9,634	48	1,601	0	11,283
Additions	17	0	134	16	167
Disposals	0	-12	-123	0	-135
As of 31.12.2008	**9,651**	**36**	**1,612**	**16**	**11,315**
As of 01.01.2009	9,651	36	1,612	16	11,315
Additions	281	6	40	374	701
Disposals	0	0	-53	0	-53
As of 31.12.2009	**9,932**	**42**	**1,599**	**390**	**11,963**
Cumulated depreciation					
As of 01.01.2008	2,748	33	1,313	0	4,094
Depreciation	155	3	88	0	246
Disposals	0	-12	-50	0	-62
As of 31.12.2008	**2,903**	**24**	**1,351**	**0**	**4,278**
As of 01.01.2009	2,903	24	1,351	0	4,278
Depreciation	150	6	80	0	236
Disposals	0	0	-31	0	-31
As of 31.12.2009	**3,053**	**30**	**1,400**	**0**	**4,483**
Carrying amount					
01.01.2008	6,886	15	288	0	7,189
31.12.2008	6,748	12	261	16	7,037
01.01.2009	6,748	12	261	16	7,037
31.12.2009	**6,879**	**12**	**199**	**390**	**7,480**

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 TEUR 2,348 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 2009, these totalled TEUR 8,377 (previous year: TEUR 8,377). 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 of its investment property as real estate liens to secure a loan.

All of the investment property held by the Group is let under the terms of a rental agreement. The resulting rental income amounted to TEUR 423 in the year under review (previous year: TEUR 738). The expenses relating directly to investment property amounted to TEUR 12 (previous year: TEUR 65).

3.4. Financial assets

in TEUR	Shares in affiliated companies	Loans due from affiliated companies	Other equity investments	Loans due from associated companies	Long term security investment	Other loans	Total
Cost							
As of 01.01.2008	606	0	21	0	0	9	636
Additions	17	160	0	0	1,451	0	1,628
Disposals	0	0	0	0	0	-9	-9
As of 31.12.2008	**623**	**160**	**21**	**0**	**1,451**	**0**	**2,255**
As of 01.01.2009	623	160	21	0	1,451	0	2,255
Additions	0	599	0	66	688	0	1,353
Disposals	-17	0	0	0	-1,451	0	-1,468
Reclassification	0	-759	0	759	0	0	0
As of 31.12.2009	**606**	**0**	**21**	**825**	**688**	**0**	**2,140**
Cumulated depreciation							
As of 01.01.2008	0	0	0	0	0	0	0
Depreciation	0	0	0	0	678	0	678
Disposals	0	0	0	0	0	0	0
As of 31.12.2008	**0**	**0**	**0**	**0**	**678**	**0**	**678**
As of 01.01.2009	0	0	0	0	678	0	678
Depreciation	0	0	0	0	0	0	0
Disposals	0	0	0	0	-678	0	-678
As of 31.12.2009	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Carrying value							
01.01.2008	606	0	21	0	0	9	636
31.12.2008	623	160	21	0	773	0	1,577
01.01.2009	623	160	21	0	773	0	1,577
31.12.2009	**606**	**0**	**21**	**825**	**688**	**0**	**2,140**

Long-term investments are certificates.

3.5. Deferred tax assets

Deferred tax assets are composed as follows:

in TEUR	31.12.2009	31.12.2008
Deferred tax assets from tax loss carryforwards	1,251	1,175
Deferred taxes from timing differences	804	1,147
Deferred taxes from derivative financial instruments	104	374
Deferred taxes from consolidation adjustments	18	21
	2,177	**2,717**

Deferred tax assets were recognised for tax loss carryforwards to the extent that they are expected to be utilised. In the year under review, TEUR 76 deferred tax assets from tax loss carryforwards were transferred (previous year: utilisation of TEUR 271).

The group has accumulated losses brought forward from corporate tax about TEUR 5,900 (previous year TEUR 5,331) and accumulated losses brought forward from trade tax about TEUR 2,031 (previous year TEUR 2,118). There are no deferred tax assets on the foreign loss carryforwards of TEUR 93.

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 TEUR 137 (previous year: TEUR 110).

3.7. Inventories

The inventories reported by the Brüder Mannesmann Group in the amount of TEUR 11,542 (previous year: TEUR 14,219) primarily relate to merchandise.

The Group has assigned merchandise with sales promotion activities, with a carrying amount of TEUR 1,475, to secure loans granted.

3.8. Trade receivables

Write-downs of TEUR 42 (previous year: TEUR 17) were recognised for trade receivables that are expected to be uncollectible. The carrying amounts of trade receivables are roughly approximate to their fair values.

The Group has assigned trade receivable claims with a carrying amount of TEUR 3,881, to secure loans granted.

Changes in valuation allowances on capitalised financial instruments in TEUR	Trade receivables	Other Assets
Balance at 31 Dec. 2007/1 Jan. 2008	**30**	**21**
Utilisation	0	0
Addition/Reversal	23	0
Balance at 31 Dec. 2008/1 Jan. 2009	**53**	**21**
Utilisation	0	0
Addition/Reversal	86	0
As at 31 Dec. 2009	**139**	**21**

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

in TEUR	31.12.2009	31.12.2008
1-30 days overdue	1,218	981
31-60 days overdue	353	371
61-90 days overdue	139	208
More than 90 days overdue	941	361

Receivables that are overdue 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 overdue 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	31.12.2009	31.12.2008
Miscellaneous derivative financial instruments	435	826
Prepaid expenses	156	242
Creditors with debit balances and bonus credits	280	200
Receivable from employees	156	153
Advance payment for project planning	0	150
Loan receivables	53	49
Receivables from tax authorities	6	39
Miscellaneous	223	517
	1,309	**2,176**

3.10. Assets for current tax

Current tax assets amounted to TEUR 82 (previous year: TEUR 357) and related to prepayments of taxes.

3.11. Investments

This item includes a money market fund and a discount certificate on a DAX security. At 31 December 2009, the fair value of these instruments was TEUR 1,303 (previous year TEUR 1,004).

3.12. Cash and cash equivalents

Cash and cash equivalents, which are composed of checks, cash in hand and bank balances, amounted to TEUR 14,229 at the balance sheet date (previous year: TEUR 12,469).

3.13. Share capital

Share capital

As of 31 December 2009, Company's share capital amounted to TEUR 9,000 (previous year: TEUR 9,000), consisting of 3,000,000 no par value bearer shares.

Authorised capital

By way of resolution of the Annual General Meeting on 30 August 2007, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital by up to TEUR 4,500 against cash and/or non-cash contributions on one or more occasions until 29 August 2012 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 TEUR 4,500 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 to be 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 2009.

3.14. Reserves

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

Other revenue reserves include the Group's interest in the undistributed profits of the companies included in consolidation, to the extent that they were generated during the companies' membership of the Group. No profits were distributed in the year under review. In the previous year, a dividend of EUR 0.10 per share was distributed from other revenue reserves, corresponding to a total dividend of TEUR 300. The negative amount was reclassified to the result brought forward.

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	31.12.2009	31.12.2008
Liabilities	37,842	41,956
Cash and cash equivalents, securities and current tax assets	-15,614	-13,830
Net debt	**22,228**	**28,126**
Equity	7,951	7,887
Mezzanine subordinate loans	17,148	17,048
Economic equity	**25,099**	**24,935**
Ratio (debt/equity)	**0.89**	**1.13**

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	2009	2008
Discount rate	5.51	5.59
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	2009	2008
Pension provisions on 1 January	**9,848**	**8,320**
Retirement benefit expenses	1,042	1,528
Pension provisions on 31 December	**10,890**	**9,848**

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

in TEUR	31.12.2009	31.12.2008
Present value of defined benefit obligation	10,243	9,165
Actuarial gains / losses not to be considered	647	683
Balance sheet provision	**10,890**	**9,848**

The following retirement benefit expenses are included in the staff costs reported in the consolidated income statement:

in TEUR	2009	2008
Service cost	248	172
Interest cost	520	420
Repayment of actuarial gains/losses	-6	-20
Repayment of past service cost	489	1,134
Retirement benefits paid	-177	-178
Settlements	-32	0
Net pension expenses	**1,042**	**1,528**

The past service cost primarily resulted in an adjustment in pension plans. The measures were necessary to guarantee appropriate benefits.

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

in TEUR	2009	2008
Present value of defined benefit obligation on 1 Jan.	9,165	7,589
Current service cost	248	172
Interest cost	520	420
Actuarial (gains)/losses	30	28
Benefits paid	-177	-178
Past service cost	489	1,134
Settlements	-32	0
Present value of defined benefit obligation on 31 Dec.	**10,243**	**9,165**

The financing status of the obligations is as follows:

in TEUR	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of defined benefit obligation	10,243	9,165	7,589	7,806
Plan assets	0	0	0	0
Financing status	**10,243**	**9,165**	**7,589**	**7,806**
Experience adjustments (%)	**1.2**	**0.9**	**2.3**	**-2.9**

3.17. Other provisions

The composition and development of other provisions is as follows:

in TEUR	Opening balance as at 01.01.2009	Used financial year	Reversed financial year	Addition financial year	Closing balance as at 31.12.2009
Provisions for bonuses and personnel expenses	248	-212	-16	167	187
Provisions for other uncertain liabilities	646	-499	0	406	553
Total provisions	**894**	**-711**	**-16**	**573**	**740**
	Opening balance as at 01.01.2008	**Used financial year**	**Reversed financial year**	**Addition financial year**	**Closing balance as at 31.12.2008**
Provisions for bonuses and personnel expenses	550	-471	-16	185	248
Provisions for other uncertain liabilities	977	-579	-38	286	646
Total provisions	**1,527**	**-1,050**	**-54**	**471**	**894**

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 litigation costs, insurance premiums, year-end closing costs, advertising cost subsidies and warranties.

3.18. Financial liabilities

Financial liabilities are composed as follows:

Non-current financial liabilitiesn in TEUR	31.12.2009	31.12.2008
Mezzanine subordinate loans	17,148	17,048
Bank loans	13,462	14,361
	30,610	**31,409**

Non-current liabilities with a term to maturity of more than five years totalled TEUR 10,131 (previous year: TEUR 15,615).

Current financial liabilities:

Current financial liabilities in TEUR	31.12.2009	31.12.2008
Portion of non-current bank loans to be repaid in the next year	905	893
Bank overdrafts	139	0
	1,044	**893**

In 2009, the weighted average interest rate for financial liabilities was 7.2 % (previous year: 7.1 %).

Financial liabilities of TEUR 14,838 (previous year: TEUR 15,253) 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 TEUR 3,674 (previous year: TEUR 4,159) include pension obligations and obligations from sale-and-leaseback loans. Of this figure, TEUR 254 had a term of more than five years (previous year: TEUR 288).

Other current liabilities

The other current financial liabilities are composed as follows:

Other current liabilities in TEUR	**31.12.2009**	**31.12.2008**
Derivative financial instruments	194	1,795
Debitors with credit balances	198	547
Liabilities to tax authorities	695	536
Pension obligations	107	141
Commissions	59	66
Payments received on account of orders	22	23
Miscellaneous	616	594
	1,891	**3,702**

3.20. Deferred tax liabilities

Deferred tax liabilities of TEUR 508 (previous year: TEUR 667) 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 (revised 2005), deferred tax liabilities are reported as non-current liabilities irrespective of their maturity.

3.21. Trade liabilities

Trade payables amounted to TEUR 5,627 (previous year: TEUR 7,432) and are carried at fair value.

3.22. Current income tax liabilities

Current income tax liabilities amounted to TEUR 6 in the year under review (previous year: 0).

4. Disclosures on the consolidated income statement

4.1. Sales revenue

The Group's external revenue is composed as follows:

in TEUR	2009	2008
Domestic	44,302	59,244
European Union	11,580	16,882
Other international	6,465	7,725
	62,347	**83,851**

4.2. Other operating income

Other operating income is composed as follows:

in TEUR	2009	2008
Exchange rate gains and gains on hedges	539	979
Income from vehicle use	199	157
Del credere	88	115
Income from the reversal of provisions and writedowns	17	64
Income from the disposal of intangible assets and property, plant and equipment	1	17
Income from the disposal of financial assets	380	0
Income from claims for damage	30	9
Miscellaneous	632	196
	1,886	**1,537**

4.3. Staff costs

The Brüder Mannesmann Group employed an average of 132 people in the 2009 financial year (previous year: 134). Part-time employees are included in accordance with the economic concept.

	2009	2008
Hourly workers	24	28
Salaried employees	108	106
	132	**134**
Trainees and apprentices	4	5

4.4. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses in TEUR	2009	2008
Selling expenses	2,588	3,594
Hedging expenses	655	1,122
Travel, entertainment and corporate hospitality expenses	924	912
Expenses for Project Moscow	451	0
Purchased services, consulting and legal services	618	863
Rental and lease expenses	812	690
Insurance and telecommunications expenses	656	660
Maintenance, cleaning and waste disposal expenses	202	335
Money market and capital market transaction costs	164	262
Pension obligations	146	139
Miscellaneous	850	697
	8,066	**9,274**

4.5. Financial result

Net finance costs are composed as follows:

Financial result in TEUR	2009	2008
Income from equity holdings	-9	0
Income from other investments	12	38
Income from other securities	134	0
Other interest and similar income	1,098	1,117
Write-downs of securities	0	-1,644
Interest and similar expenses	-3,704	-3,784
	-2,469	**-4,273**

In the joint venture OOO Mannesmann Instrument, Moscow/Russia, Brüder Mannesmann AG holds a 50% stake. In the 2009 financial year, on low sales revenue it generated start-up losses which exceeded equity.

The pro rate losses were recognised in expenses up to the carrying value of the investment (TEUR 9). The amount in excess of this was recorded in an auxiliary account and is to be offset against future profits. Information on assets, liabilities and the level of the net loss of the year are only possible after the final financial statements are available.

4.6. Income taxes

This item is composed as follows:

in TEUR	2009	2008
Current tax expense inside Germany (of which prior-period)	-16 (-16)	-1 (-1)
Current tax income outside Germany	16	1
Deferred tax expenses (of which prior-period)	-1,081 (-76)	-1,193 (0)
Deferred tax income (of which prior-period)	+701 (0)	+1,281 (0)
	-380	**88**

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

in TEUR	2009	2008
Earnings before tax	444	-608
Expected income tax expense/income (based on a Group income tax rate of 31.5 %)	-140	+192
Reconciliation:		
Differences in foreign tax rates	-36	-1
Tax component for:		
Tax-free income and non-tax deductible expenses	-100	-49
Other	-12	-18
Prior-period tax income/expense	-92	-36
Reported tax income/expense	**-380**	**+88**

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 Segments). 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. 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.

The segment information is based on the same accounting principles as the consolidated financial statements. The investments relate to intangible assets and property, plant and equipment. The key non-cash items are changes in provisions. The Reconciliation column includes the consolidation as well as Brüder Mannesmann AG, the holding company that has not been allocated to a segment.

in TEUR	Tools 31.12.2009	Valves 31.12.2009	Land 31.12.2009	Reconciliation 31.12.2009	Group 31.12.2009
Revenue with third parties	32,137	29,682	528	0	62,347
Revenue with other segments	0	0	612	-612	0
Total revenues	**32,137**	**29,682**	**1,140**	**-612**	**62,347**
Revenues by region					
Germany	16,155	27,619	528	0	44,302
Outside Germany Of which EU	15,982 9,780	2,063 1,800	0 0	0 0	18,045 11,580
EBITDA	**1,735**	**1,963**	**767**	**-1,178**	**3,287**
Depreciation	-187	-116	-87	16	-374
Ertragsteuern EBIT	**1,548**	**1,847**	**680**	**-1,162**	**2,913**
Result from equity investments					-9
Financial income					1,244
Financial expenses					-3,704
EBT (earnings before tax)					**444**
Income taxes					-380
Net consolidated income					**64**
Assets	29,927	10,208	13,275	9,531	62,941
Liabilities	15,061	3,924	106	35,899	54,990
Investments in assets	10	687	0	10	707
Non-cash expenses excluding depreciation	-1,097	0	0	-683	-1,780
Number of employees (average figure for the year without trainees)	70	57	0	5	132

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.

Tools 31.12.2008	Valves 31.12.2008	Land 31.12.2008	Reconciliation 31.12.2008	Group 31.12.2008
42,915	40,134	802	0	83,851
2	0	611	-613	0
42,917	**40,134**	**1,413**	**-613**	**83,851**
20,518	37,924	802	0	59,244
22,397 14,859	2,210 2,023	0 0	0 0	24,607 16,882
1,863	**2,394**	**964**	**-1,130**	**4,091**
-235	-118	-91	18	-426
1,628	**2,276**	**873**	**-1,112**	**3,665**
				0
				1,155
				-5,428
				-608
				88
				-520
30,491	12,213	13,391	10,796	66,891
16,603	5,502	166	36,733	59,004
78	65	11	13	167
-1,077	-2	0	-495	-1,574
76	53	0	5	134

6. Supplementary information

6.1. Financial instruments

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

in TEUR	2009	2008
Financial assets		
Loans and receivables		
Financial assets	825	160
Trade receivables	9,891	12,545
Other receivables and other assets	1,005	1,421
Cash and cash equivalents	14,229	12,469
Available-for-sale financial assets		
Financial assets	627	644
Investments	1,004	1,004
Fair value option		
Financial assets	688	773
Investments	299	0
Derivative financial instruments		
Derivative financial instruments (in Other assets)	435	826
	29,003	**29,842**
Financial liabilities		
Financial liabilities carried at amortised cost		
Mezzanine subordinate loans and Financial liabilities	31,654	32,302
Trade liabilities	5,627	7,432
Other liabilities and provisions	5,650	6,424
Trade payables		
Derivative financial instruments (in Other liabilities)	194	1,795
	43,125	**47,953**

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

in TEUR	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
Financial assets				
Non-current financial assets*	1,589	1,589	914	914
Trade receivables	9,891	9,891	12,545	12,545
Other receivables	868	868	1,310	1,310
Cash and cash equivalents	15,233	15,233	13,473	13,473
	27,581	**27,581**	**28,242**	**28,242**
Financial liabilities				
Mezzanine subordinate loans	17,148	17,148	17,048	17,048
Non-current financial liabilities	13,462	13,462	14,361	14,361
Current financial liabilities	1,044	1,044	893	893
Trade payables	5,627	5,627	7,432	7,432
Other liabilities	5,650	5,650	6,424	6,424
	42,931	**42,931**	**46,158**	**46,158**

* 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	2009	2008
Loans and receivables	-114	-26
Cash and cash equivalents	69	396
Available-for-sale financial assets	44	42
Fair value option	872	-1,762
Financial liabilities carried at amortised cost	-2,388	-2,737
Trade payables	-216	-77
Other liabilities	-312	-30
Derivative financial instruments (at fair value through profit or loss)	67	-274

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	2009	2008
Interest income	116	414
Interest expense	-2,700	-2,767
Interest income and expense	**-2,584**	**-2,353**

Impairment losses on financial assets by category:

in TEUR	2009	2008
Derivative financial instruments (at fair value through profit or loss)	-396	-685
Fair value option	0	-1,644
Amortised cost	-129	-44
Impairment losses	**-525**	**-2,373**

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 31.12.2009	Valuation based on market data Level 2 31.12.2009	Total 31.12.2009	Quoted prices in active markets Level 1 31.12.2008	Valuation based on market data Level 2 31.12.2008	Total 31.12.2008
Financial assets						
Non-current financial assets	688		688	773		773
Current investments	1,303		1,303	1,004		1,004
Other assets						
Derivative financial instruments		435	435		826	826
Financial assets at fair value	**1,991**	**435**	**2,426**	**1,777**	**826**	**2,603**
Other current liabilities						
Derivative financial instruments		194	194		1,795	1,795
Fair value obligations	**0**	**194**	**194**		**1,795**	**1,795**

There are no financial instruments valued in Level 3. There were no reclassifications between Level 1 and Level 2 in 2009.

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, in the previous year, hedges with floating purchase agreements transactions in USD were shown as fair value hedges. In the fair value hedge, the gains in 2008 relating to the relevant hedged risk amounted to TEUR 423 (previous year: TEUR 0), the losses relating to the hedging instrument (currency forward) amounted to TEUR 423.

Furthermore, the Company conducted interest rate optimisation transactions in connection with interest rate risks in the form of interest rate swaps and currency options. 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.

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	31.12.2009 Nominal amount	31.12.2009 Fair value	31.12.2008 Nominal amount	31.12.2008 Fair value
Exchange rate derivatives	5,592	35	12,604	-72
Interest rate derivatives	30,125	207	54,400	-961

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 TEUR 10,030 (previous year: TEUR 12,599) on its receivables portfolio before valuation allowances with a volume of TEUR 139 (previous year: TEUR 54). 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 2009, net other finance costs and the fair value of the financial instruments would have been TEUR 231 lower/higher (previous year: TEUR 1,317).

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	1,195	4,772	13,614
Variable-interest loans	412	971	0
Mezzanine subordinate loans	1,404	21,061	0
	3,011	**26,804**	**13,614**

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 2009, earnings would have been TEUR 9 lower/higher (previous year: TEUR 80).

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	31.12.2009	31.12.2008
Guarantees	100	100
Liabilities on bills	49	41

6.4. Other financial obligations

Sonstige finanzielle Verpflichtungen in TEUR	31.12.2009	31.12.2008
Lease instalments due within one year	418	335
Lease instalments due between 1 and 5 years	177	298
Lease instalments due in more than 5 years	0	1

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.

There are loan agreements, delivery relationships and agreements to share project costs with the non-consolidated, affiliated companies and associated companies.

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 TEUR 1,197 (previous year: TEUR 1,186). 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 31 August 2006, 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 TEUR 234 (previous year TEUR 178) were transferred to pension provisions.

There are pension provisions of TEUR 1,933 (previous year TEUR 1,893) for former members of the Board of Management. In the financial year 2009 retirement pension of TEUR 106 (previous year TEUR 104) were paid out.

The members of the Supervisory Board received remuneration of TEUR 54 (previous year: TEUR 54) 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 Coen notified Brüder Mannesmann Aktiengesellschaft that 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.

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 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
- Brüder Mannesmann Grundbesitz GmbH

6.7. Corporate governance code

The declaration in accordance with section 161 of the AktG has been submitted and made available to shareholders.

6.8. Auditors

Auditors' fees at Group level for the 2009 financial year consisted of TEUR 84 (previous year: TEUR 86) for the audit of the consolidated financial statements, TEUR 11 (previous year: TEUR 0) for tax consulting services and TEUR 16 (previous year: TEUR 49) 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 2010.

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, 28. April 2010
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein Chairman of the Board of Management	Bernd Schafstein

8. List of share holdings

Fully-consolidated subsidiaries	%	Equity in TEUR
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100	10,000
Brüder Mannesmann Nederland B.V., Doetinchem/Netherlands	100	452
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	430
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100	126
Chronos Technologie AG, Remscheid	*	*

* This company was not included in consolidation.

Companies valued at equity	%
OOO Mannesmann Instrument, Moscow/Russland	50

Independent Auditor's Report

We have audited the consolidated financial statements prepared by the Parent Company Brüder Mannesmann Aktiengesellschaft, Remscheid, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Company, for the business year from 1. January 2009 to 31. December 2009. 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 Absatz 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. 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 management, 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 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, den 28. April 2010

MORISON AG
Wirtschaftsprüfungsgesellschaft

Rolf Peter Krukenkamp	**ppa. Bardo Bruchmüller**
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements

AG-Balance Sheet

Assets	31.12.2009	31.12.2009 EUR	31.12.2008 TEUR
A. Fixed Assets			
I. Intangible assets			
Licences, trade marks and patents, etc., as well as licences to such rights and assets	673.00		3
II. Tangible assets			
Office and plant equipment	17,831.00		13
III. Financial assets			
1. Shares in group companies	23,305,066.22		22,622
2. Loans due from affiliated companies	672,328.25		1,018
3. Equity investments	8,763.00		0
4. Loans due to investees and inventors	824,744.09		0
5. Long term security investment	558,044.34		1,451
		25,387,449.90	**25,107**
B. Current Assets			
I. Receivables and other current assets			
1. Trade receivables	5,986.35		0
2. Amounts due from group companies	8,364,326.89		8,220
3. Other current assets	175,712.97		553
		8,546,026.21	**8,773**
II. Investments		297,288.17	0
III. Cash, deposits with commercial banks		794,218.24	1,588
		9,637,532.62	**10,361**
C. Prepaid expenses			
1. Disagio	348,809.65		449
2. Other prepayments and accrued income	125,973.70		162
		474,783.35	**611**
		35,499,765.87	**36,079**

Liabilities	31.12.2009 EUR		31.12.2008 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	2,428,214.57		2,940
IV. Net profit	0.00		0
		12,721,145.10	**13,233**
B. Accruals			
1. Accruals for pensions and similar obligations	1,789,511.00		1,091
2. Provisions for taxation	20,685.00		0
3. Other accruals	216,300.00		801
		2,026,496.00	**1,892**
C. Liabilities			
1. Liabilities from mezzanine financing	17,500,000.00		17,500
2. Amounts due to banks	1,303,041.88		1,687
3. Trade payables	12,842.42		73
4. Amounts due to group companies	699,899.44		221
5. Amounts due to group companies thereof taxes EUR 397,723.31 (December 31, 2008 EUR 86,978.95)) thereof in respect of social security EUR 0.00 (December 31, 2008 EUR 0.00)	1,236,341.03		1,473
		20,752,124.77	**20,954**
		35,499,765.87	**36,079**

AG-Statement of Earnings

			01.01.-31.12.2009 EUR	01.01.-31.12.2008 TEUR
1.	Sales		1,212,000.00	1,182
2.	Other operating income		559,115.30	336
3.	Personnel costs			
	a) Wages and salaries	-639,642.71		-588
	b) Social security and other pension costs, of which in respect of old-age pensions EUR 699.106.00 (December 31, 2008 EUR 776,961.00)	-754,469.32		-825
			-1,394,112.03	**-1,413**
4.	Depreciation, amortization and special provisions on intangible and tangible assets		-7,467.25	-6
5.	Other operating expenses		-2,428,414.50	-2,046
6.	Income from profit transfer agreements		3,368,043.84	4,167
7.	Income from other investments and long-term loans of which relating to affiliated companies EUR 56,982.91 (December 31, 2008 EUR 65,619.25)		57,612.08	66
8.	Other interest and similar income of which from affiliated companies EUR 6,000.00 (December 31, 200 EUR 9,726.38)		222,766.50	495
9.	Write - down of financial assets and of securities included in current assets		0.00	-966
10.	Expenditure from losses assumed		-479,627.29	-125
11.	Interest and similar expenses of which from affiliated companies EUR 7,278.66 (December 31, 2008 EUR 1,026.93)		-1,589,700.74	-1,633
12.	**Result of ordinary operations**		**-479,784.09**	**57**
13.	Taxes on income		-16,472.12	-1
14.	Other taxes		-15,909.00	-1
15.	**Net income of the year**		**-512,165.21**	**55**
16.	Appropriation from other revenue reserves		512,165.21	0
17.	Transfer to other revenue reserves		0.00	-55
18.	**Net profit**		**0.00**	**0**

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31, 2009	Historic cost of acquisition				
in EUR	**01.01.2009**	**Additions**	**Disposals**	**Reclassifications**	**31.12.2009**
I. Intangible assets					
Licences, industrial property rights and similar rights and assets, as well as licences to such rights	44,127.99	0.00	0.00	0.00	44,127.99
II. Tangible assets					
Furnitures and fixtures	42,241.20	10,666.25	0.00	0.00	52,907.45
III. Financial assets					
1. Shares in group companies	23,738,786.08	700,000.00	8,237.00	-8,763.00	24,421,786.08
2. Loans due from affilated companies	1,018,376.33	598,883.21	185,816.37	-759,114.92	672,328.25
3. Equity investments	0.00	0.00	0.00	8,763.00	8,763.00
4. Loans due to investees and investors	0.00	65,629.17	0.00	759,114.92	824,744.09
5. Long term security investments	2,416,674.95	558,044.34	2,416,674.95	0.00	558,044.34
	27,173,837.36	**1,922,556.72**	**2,610,728.32**	**0.00**	**26,485,665.76**
Total	**27,260,206.55**	**1,933,222.97**	**2,610,728.32**	**0.00**	**26,582,701.20**

Schedule of liabilities as of December 31, 2009		with a remaining term			
in TEUR	**Balance sheet value 31.12.2009**	**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	1,303	377	926	0	0
Trade liabilities	13	13	0	0	0
Amounts due to group companies	700	700	0	0	0
Other liabilities - thereof taxes: 398 TEUR (December 31, 2008: 87 TEUR) - thereof in respect of social security: 0 TEUR (December 31, 2008: 0 TEUR)	1,236	555	427	254	0
Total	**20,752**	**1,645**	**18,853**	**254**	**0**

Depreciations					Book values	
01.01.2009	Additions	Disposals	31.12.2009		31.12.2009	31.12.2008
41,430.99	2,024.00	0.00	43,454.99		673.00	2,697.00
29,633.20	5,443.25	0.00	35,076.45		17,831.00	12,608.00
1,116,719.86	0.00	0.00	1,116,719.86		23,305,066.22	22,622,066.22
0.00	0.00	0.00	0.00		672,328.25	1,018,376.33
0.00	0.00	0.00	0.00		8,763.00	0.00
0.00	0.00	0.00	0.00		824,744.09	0.00
965,674.95	0.00	965,674.95	0.00		558,044.34	1,451,000.00
2,082,394.81	**0.00**	**965,674.95**	**1,116,719.86**		**25,368,945.90**	**25,091,442.55**
2,153,459.00	**7,467.25**	**965,674.95**	**1,195,251.30**		**25,387,449.90**	**25,106,747.55**

Notes for the 2009 AG-Financial Year

A. General information on the annual financial statements

1. Legal basis

The annual financial statements for the year ended 31 December 2009 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act).

In accordance with section 275 (2) of the HGB, the income statement was prepared using the total cost (nature of expense) method.

2. Equity

2.1. Share capital

The share capital amounts to TEUR 9,000 and is divided into 3,000,000 no-par value bearer shares.

2.2. Authorised capital

By way of resolution of the Annual General Meeting on 30 August 2007, the Board of Management was authorised, with the approval of the Supervisory Board, to increase the share capital by up to TEUR 4,500 on one or more occasions until 29 August 2012 through the issue of new no-par value bearer shares against cash and/or non-cash contributions.

2.3. Contingent capital

By way of resolution of the Annual General Meeting on 30 August 2009, the share capital was contingently increased by up to TEUR 4,500 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 to be 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 2009.

3. Currency translation

Bank balances in USD and liabilities in CHF were translated at the lower rate on the date of initial entry or the balance sheet date. All other receivables and liabilities were solely in euro.

B. Disclosures on accounting policies

1. Accounting policies

Intangible and tangible assets are carried at cost and reduced by straight-line amortisation and depreciation over their useful operating lives.

Low-value assets with a cost of EUR 150.00 or less are written down in full in the year of acquisition. Assets with a value of between EUR 150 and EUR 1,000 are recognised in an omnibus account in line with tax regulations and written down uniformly over five years.

Financial assets are carried at the lower of cost or fair value.

The statement of changes in fixed assets has been presented as an appendix to the notes.

Receivables and other assets are carried at their nominal amount.

The securities included in current assets are carried at fair value.

Discounts on mezzanine liabilities are recognised in the form of annual amortisation over the term of the respective items.

Provisions for pensions were calculated in line with actuarial principles on the basis of the 2005 G mortality tables compiled by Dr. Klaus Heubeck and an interest rate of 6 %.

Other provisions are recognised in accordance with prudent business practice, taking into account all identifiable risks and uncertain obligations.

Liabilities are carried at their redemption amount, while pension obligations are carried at their actuarial present value at the balance sheet date.

2. Balance sheet disclosures

In accordance with section 287 of the HGB, the disclosures on shareholdings are presented in a separate list that is included as an appendix to these notes.

Receivables from affiliated companies result from profit and loss transfer agreements, the provision of goods and services (intragroup allocation), VAT group liability, interest, oncharged costs and short-term loans.

Other assets consist primarily of loans and claims for tax refunds.

In accordance with section 250 (3) of the HGB, discounts on mezzanine liabilities after settlement were recognised in the amount of TEUR 349.

Details of shareholders' equity can be found in part A, section 2. For the 2009 financial year, TEUR 512 were taken from other revenue reserves.

Other provisions relate to the expected cost of the audits prescribed by German commercial law, internal annual financial statement costs, storage costs, residual paid leave claims and contributions to the employers' liability insurance association, as well prorated project costs for Russia.

Liabilities to affiliated companies include settlement accounts with subsidiaries (VAT group, profit and loss transfer).

At the balance sheet date, the Company had six outstanding interest optimisation transactions with a total nominal value of TEUR 30,125. The fair value of these items using a diversified portfolio approach was TEUR 207. Deferred interest in the amount of TEUR 31 was reported in the balance sheet under other liabilities. The fair values were alternatively calculated using the discounted cash flow method set out in IAS 39 A 74 in order to ensure their informative value.

The miscellaneous other liabilities essentially relate to a pension obligation and wage and salary taxes as well as value added tax.

Details of the terms to maturity of the Company's liabilities and the collateral provided can be found in the "Maturity structure of liabilities" table.

For economic reasons, various assets were leased or rented. The future obligations for these rental and leasing transactions amounts to TEUR 124, TEUR 56 of which will be due in 2010.

C. Contingent liabilities

At the balance sheet date, liabilities from guarantees and joint and several liability amounted to TEUR 1,273, of which TEUR 1,173 was attributable to affiliated companies and TEUR 100 to non-Group companies.

In addition, the Company has issued a guarantee for the payment obligations of two affiliated companies from sale-and lease-back agreements amounting to TEUR 3,547 on the balance sheet date.

D. Income statement disclosures

1. Sales revenue

Sales primarily relate to intragroup allocations to affiliated companies, TEUR 30 of which was attributable to an affiliated company outside Germany.

2. Other income

Income primarily relates to costs oncharged to affiliated companies, gains on the disposal of investments classified as current and fixed assets, rental income, cost allocation for Project Russia, and income from the adjustment of the present value of a pension obligation.

3. Income from profit transfer agreements

This item relates to the net profit of affiliated companies transferred for 2009 under the terms of the existing profit and loss transfer agreements.

4. Expenditure from losses assumed

This item relates to the net loss of two affiliated companies transferred for 2009 under the terms of the existing profit and loss transfer agreements.

5. Interest and similar income

This item includes interest from affiliated companies in the amount of TEUR 6.

6. Interest and similar expenses

This item includes interest paid to affiliated companies in the amount of TEUR 7.

E. Other information

In addition to the Board of Management, the Company employed an average of six people during the year under review. The Company is managed by the Board of Management.

The Company is the Group parent for the purposes of the consolidated financial statements. The consolidated financial statements are published in the electronic Bundesanzeiger (Federal Gazette).

The fees paid to the auditor in 2009 pursuant to section 285 (17) HGB are listed in the Notes for 2009.

F. Executive bodies

The members of the Board of Management are 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 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 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 compensation totalling TEUR 333 from the Company. The compensation paid to the members of the Supervisory Board amounted to TEUR 54. By way of resolution of the Annual General Meeting on 31 August 2006, no disclosures are made in accordance with section 285 (9a) sentence 5 ff. in conjunction with section 286 (5) of the HGB.

Notification of equity holdings

The following notifications were submitted to the Company:

On 28 March 2007, Mr. Jürgen Schafstein notified the Company that he held 16.67 % of the voting rights.

On 12 September 2002, Ms. Nicole Coen notified the Company that she held 7.62 % of the voting rights.

On 12 September 2002, Mr. Bernd Schafstein notified the Company that he held 7.39 % of the voting rights.

The declaration in accordance with section 161 of the AktG has been submitted and made available to shareholders.

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, 28. April 2010
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein Chairman of the Board of Management	Bernd Schafstein

I. List of share holdings

Fully-consolidated subsidiaries	%	Equity in TEUR
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100	10,000
Brüder Mannesmann Nederland B.V., Doetinchem/Netherlands	100	452
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	430
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100	126
Chronos Technologie AG, Remscheid	*	*

* This company was not included in consolidation.

Companies valued at equity	%
OOO Mannesmann Instrument, Moscow/Russland	50

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 2009 to 31. December 2009. 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 management. 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 management, as well as evaluating the overall presentation of the annual financial statements and 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, den 28. April 2010

MORISON AG
Wirtschaftsprüfungsgesellschaft

Rolf Peter Krukenkamp
Wirtschaftsprüfer

ppa. Bardo Bruchmüller
Wirtschaftsprüfer