



Nine months' statement 2006

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Consolidated Balance Sheet

ASSETS

	Notes	30.09.2006 TEUR	31.12.2005 TEUR
NON-CURRENT ASSETS			
Goodwill		3,845	3,845
Other intangible assets	2.1.	901	582
Property, plant and equipment	2.2.	7,256	7,530
Investment property		8,377	8,377
Financial assets		35	35
Deferred tax assets	2.3.	2,913	3,110
		23,327	23,479
CURRENT ASSETS			
Inventories	2.4.	13,076	12,047
Trade receivables		18,995	14,343
Other receivables and other assets	2.5.	891	1,089
Cash and cash equivalents	2.6.	7,098	720
		40,060	28,199
Balance sheet total		63,387	51,678

LIABILITIES

	Notes	30.09.2006 TEUR	31.12.2005 TEUR
EQUITY			
Share capital		7,700	7,700
Reserves		810	810
Unappropriated surplus	2.7.	1,447	903
		9,957	9,413
SUBORDINATED MEZZANINE CAPITAL			
	2.8.	12,035	0
NON-CURRENT LIABILITIES			
Provisions for pensions and similar liabilities	2.9.	5,092	3,737
Financial liabilities	2.10.	16,257	14,996
Other liabilities	2.10.	900	2,229
Deferred tax liabilities	2.11.	111	111
		22,360	21,073
CURRENT LIABILITIES			
Other provisions	2.9.	1,179	765
Financial liabilities	2.10.	4,442	9,410
Trade liabilities	2.10.	11,850	9,176
Other liabilities	2.10.	1,432	1,483
Current income tax liabilities	2.11.	132	358
		19,035	21,192
Balance sheet total		63,387	51,678

Consolidated Statement of Earnings

	Notes	III. Quarter		I.– III. Quarter	
		01.07.-30.09. 2006 TEUR	01.07.-30.09. 2005 TEUR	01.01.-30.09. 2006 TEUR	01.01.-30.09. 2005 TEUR
Sales revenue	3.1.	23,349	22,963	74,710	64,155
Other operating income		83	192	501	430
Costs of materials		-17,699	-17,936	-57,370	-48,911
Staffing costs		-2,296	-2,184	-6,870	-6,748
Other operating expenses		-2,407	-1,998	-7,700	-6,156
EBITDA		1,030	1,037	3,271	2,770
Amortisation and depreciation of intangible assets and property, plant and equipment		-145	-146	-436	-456
EBIT / OPERATING RESULT		885	891	2,835	2,314
Financial earnings		-600	-540	-1,913	-1,596
EBT / EARNINGS BEFORE TAX		285	351	922	718
Income taxes		-104	-175	-378	-485
NET CONSOLIDATED INCOME		181	176	544	233
Profit carried forward		903	0	903	0
UNAPPROPRIATED SURPLUS		1,084	176	1,447	233
Earnings per share (undiluted) in EUR	3.2.	0.06	0.06	0.18	0.08
Earnings per share (diluted) in EUR	3.2.	0.06	0.06	0.18	0.08
Earnings per share (EBIT) in EUR	3.2.	0.30	0.30	0.95	0.77

Consolidated Capital Finance Account

	30.09.2006 TEUR	30.09.2005 TEUR
I. Operating activities		
1. Earnings for the period before non-cash interest expenses, interest income, income tax and extraordinary earnings	2,638	1,813
2. Depreciations and amortisations (+) / additions (-) on fixed assets	436	456
3. Additions (+) / deductions (-) of provisions	1,543	1,081
4. Non-cash expenses and income from		
a) deferred taxes	190	501
b) other non-cash expenses and income	-2	1
Cash flow in accordance with DVFA/SG	4,805	3,852
5. Increase (-) / decrease (+) in inventories, trade receivables and other assets, which are not classified as investing or financial activity	-5,483	-5,054
6. Addition (+) / deduction (-) of trade liabilities and other liabilities, which are not classified as investing or financial activity	1,232	4,402
7. Cash transactions from:		
a) Interest payments (+) / (-)	-1,913	-1,596
b) Taxes (+) / (-)	-174	16
Cash flow from operating activities	-1,533	1,620
II. Investment activities		
1. Income from disposal of tangible assets	-56	-120
2. Expenditure on investment in tangible assets	-422	-2
Cash flow from investment activities	-478	-122
III. Financing activities		
1. Inflow from the issue of bonds and taking out (financial) loans and bills of exchange	14,250	941
2. Outflow from the repayment of bonds and (financial) loans	-5,861	-2,811
Cash flow from financing activities	8,389	-1,870
Changes in cash and cash equivalents	6,378	-372
Cash balance at the start of the period	720	1,374
Cash balance at the end of the period	7,098	1,002

Statement of Changes to Shareholders' Equity

	Share capital TEUR	Capital reserves TEUR	Revenue reserves* TEUR	Retained earnings brought forward TEUR	Net income TEUR	Total shareholders' equity TEUR
Shareholders' equity as at December 31, 2004 before retransfer of reserves	7,700	10,226	7,965	-18,024	643	8,510
Retransfer of Capital reserve		-9,456		10,469	-1,013	
Retransfer of Other earnings reserves			-7,925	7,555	370	
Shareholders' equity as at December 31, 2004	7,700	770	40	0	0	8,510
Net income from January 1 to September 30, 2005					233	
Shareholders' equity as at September 30, 2005	7,700	770	40	0	233	8,743
Shareholders' equity as at December 31, 2005	7,700	770	40	0	903	9,413
Transfer to retained earnings brought forward from 2005 net income				903	-903	
Net income from January 1 to September 30, 2006					544	
Shareholders' equity as at September 30, 2006	7,700	770	40	903	544	9,957
* Currency translation differences incurred in previous years have been offset against revenue reserves						

Consolidated Notes

1. General information about the consolidated financial statements

1.1. Basis

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft as at 30 September 2006 were prepared in accordance with Article 315a of the German Commercial Code (HGB) in conjunction with EU Directive 1606/2002 of 19 July 2002 and in accordance with the International Financial Reporting Standards (IFRS) accepted by the EU and valid on the reporting date of the financial statements.

The consolidation principles and the accounting and valuation methods are in line with those applied to the annual financial statements. For more information we refer to the financial statements as of December 31, 2005.

1.2. Scope of consolidation

The companies included in consolidation are the same as of December 31, 2005. In addition to Brüder Mannesmann Aktiengesellschaft as the parent company, a total of seven German subsidiaries and one foreign subsidiary are included in the consolidated financial statements.

Full details of the shareholdings of the Brüder Mannesmann Aktiengesellschaft Group are listed in the Wuppertal Register of Companies.

2. Notes on the consolidated balance sheet

2.1. Intangible assets

In the first nine months of the financial year 2006 additions to the intangible assets amounted to TEUR 422, the amortisation amounted to TEUR 103.

2.2. Property, plant and equipment

Additions to property, plant and equipment amounted to TEUR 56. Depreciation amounted to TEUR 333 in the first nine months of the financial year 2006.

2.3. Deferred tax assets

The deferred tax assets reported primarily include recoverable taxes from tax loss carryforwards (IAS 12). This was based on a tax rate of 43% during the reporting year. Deferred taxes in the amount of TEUR 6,749 were appropriated to retained earnings as per the status of the tax loss carryforwards on January 1, 2001 without impacting income and were reversed in line with the development of net profit/loss of TEUR 3,664 for previous years.

A reversal of TEUR 197 of deferred tax assets on loss carryforwards was carried out in the first nine months of the 2006 reporting year. Deferred tax expenses thus increased by this amount in accordance with IAS.

In addition, this item also included deferred taxes from the elimination of intercompany profits.

2.4. Inventories

The inventories of TEUR 13,076 held by the Brüder Mannesmann Group comprise commercial goods.

2.5. Receivables and other assets

The receivables and other assets have got due within one year.

In accordance with IAS 39 global valuation allowances on trade receivables are not taken into account.

In this position prepayments and accrued income are included. This was essentially the result of the reorganisation of financing for land held by a subsidiary. The forfeited rent interest receivables were settled in this context.

The fees incurred as a result of the repayment of previous financing are deferred in line with IAS and reversed over the term of the rental agreements using the diminishing balance method. As a result, the IAS consolidated profit for the period is TEUR 68 lower than in the annual financial statements prepared in accordance with German commercial law.

The total current assets increased by TEUR 11,861, while the current liabilities only increased by TEUR 2,157.

2.6. Cash and cash equivalents

Cash and cash equivalents of the company comprise cash in hand, cheques and bank balances.

2.7. Unappropriated surplus

The unappropriated surplus of the Group is derived from the income statement.

The development of equity is presented in the statement of changes in equity.

2.8. Subordinated mezzanine capital

Subordinated capital relates to a promissory note loan agreement between Brüder Mannesmann Aktiengesellschaft as the issuer and H.E.A.T. Mezzanine II 2006 S.A., Luxembourg, as the creditor with a fixed interest rate of 7.933% and a nominal volume of EUR 12,500,000.

The carrying amount as of 30 September 2006 consists of the amount paid out less a discount.

The loan is subordinate to receivables from all existing and future creditors. The term of the loan is seven years, and the interest rate remains constant for the entire term of the loan.

The subordinated mezzanine capital, which is classified as economic capital, is used for long-term Group financing. This allowed us to repay current liabilities to banks and ensure the financing of current assets, which have increased as a result of the expansion of the Group's business.

2.9. Provisions

The company pension provided by the Brüder Mannesmann Group is mainly based on direct defined benefit pension plans. The pension commitments are generally based on the amount for the performance and the employee's length of employment (defined benefit plans).

Liabilities resulting from the pension plans are calculated on an annual basis by independent evaluators using the projected unit credit method in accordance with IAS 19.

The key assumptions are:

- Discount interest	3.9 %
- Anticipated percentage salary increase	2.0 %
- Future pension increases	1.5 %

Actuarial gains and losses are amortized over the average term of the pension liabilities after up to 10 % of the gross liabilities have been placed in a corridor that is not taken into account.

In the reporting period this results in additional expenses of TEUR 320 compared with the interim financial statements prepared in line with the German Commercial Code (HGB). This includes the difference between HGB and IAS initial values.

The other provisions essentially include provisions for contingent liabilities, holiday allowances, other personnel cost and third-party warranty claims.

2.10. Liabilities

The residual terms of liabilities have developed as follows compared to the annual financial statements 2005:

The short-term liabilities with a remaining term of up to one year decreased by TEUR 2,345.

Liabilities with a remaining term of one to five years decreased by TEUR 337.

The long-term liabilities with a remaining term of more than five years increased by TEUR 12,304.

2.11. Tax liabilities

Deferred tax liabilities amount to TEUR 111.

Current income tax liabilities decreased by TEUR 226 to TEUR 132.

3. Notes on the consolidated income statement

3.1. Sales

The general principles of earnings from transactions apply to sales revenue.

Please refer to the segment reporting in section 5 for the breakdown of revenue by division and region.

3.2. Earnings per share

In accordance with IAS 33, undiluted earnings per share are calculated by dividing the consolidated net profit for the period (including tax expense and extraordinary items) by the weighted number of ordinary shares outstanding in the financial year of 3,000,000.

With net income of TEUR 544 (previous year TEUR 233), earnings per share are EUR 0.18 (previous year EUR 0.08) thus corresponding to an increase of EUR 0.10 or 125 %.

Since Brüder Mannesmann Aktiengesellschaft did not issue any ordinary shares with dilutive potential, diluted earnings and undiluted earnings are the same.

4. Other notes

The contingent liabilities amount to TEUR 598. In comparison with the financial statements 2005 they decreased by TEUR 53.

5. Segment reporting

In line with the regulations of IAS 14 (Segment Reporting), individual annual financial statement data is divided into the company segments of tools, valves and land holdings.

The segment reporting breakdown reflects the internal reporting structure.

Transactions between segments are conducted at standard market conditions

Segment reporting						
	Tools*	Valves	Land holdings	Tools*	Valves	Land holdings
	30.09.2006	30.09.2006	30.09.2006	30.09.2005	30.09.2005	30.09.2005
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenue	52,945	21,167	598	45,775	17,782	598
Germany	32,374	20,624	598	28,616	16,237	598
Abroad	20,571	543	0	17,159	1,545	0
- thereof European Union	13,120	480	0	10,626	1,426	0
Segment earnings before profit distribution	-188*	725	7	41*	153	39
Segment assets	37,863	8,578	13,441	32,580	7,015	13,724
Segment liabilities	14,946	4,773	181	16,912	4,099	247
Investment in non-current assets	461	17	0	53	69	0
Depreciation and amortisation	-141	-83	-212	-168	-76	-212
Annual average number of employees (excluding trainees)	82	55	0	78	53	0

*In addition to the tools division, the tools segment also comprises Brüder Mannesmann AG and IAS-relevant expenses amounting to TEUR 600.

The investments in non-current assets and the segment assets are nearly exclusive located in Germany.

6. Other disclosures

The composition of the Board of Directors and Supervisory Board did not change compared to that as of December 31, 2005.

The declaration prescribed by Article 161 of the German Stock Corporation Act (AktG) has been issued and made available to shareholders.

7. List of shareholdings

Fully-consolidated subsidiaries	%		
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100	Corneta Export GmbH, Remscheid	100
Brüder Mannesmann Nederland B.V., Doetinchem, Netherlands	100	Schwietzke Armaturen GmbH, Bottrop	100
CoCaCo Trading GmbH, Remscheid	100	CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100
Fernando Esser & Cia. GmbH, Remscheid	100	Brüder Mannesmann Grundbesitz GmbH, Remscheid	100

Remscheid, November 2006
Brüder Mannesmann Aktiengesellschaft,
Board of Management



Jürgen Schafstein



Bernd Schafstein