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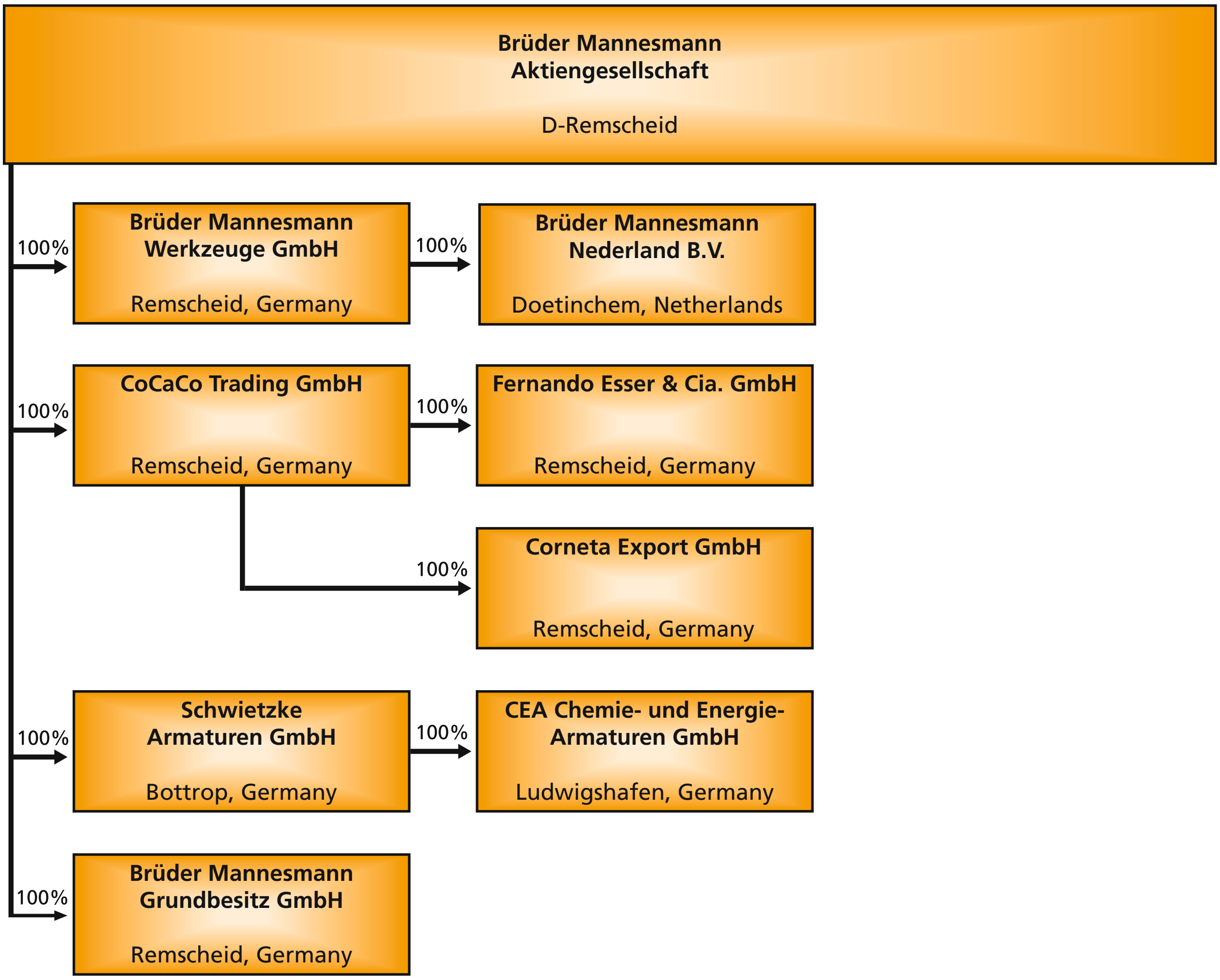
Organization Chart of Brüder Mannesmann AG
as at 31. December 2005



Group Management Report

Group management report

1. Preliminary remarks

Brüder Mannesmann Aktiengesellschaft is a holding company with subsidiaries operating internationally in the fields of tools and valves. The holding combines two independently operating divisions under a single umbrella ”Tool Trade“ and ”Valve Trade“. 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 decades and which is mostly still used for the company‘s own business operations.

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft as at 31 December 2005 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.

As at 31 December 2005, investment property was disclosed and analysed for the first time in accordance with IAS 40.

2. Business development in the operating divisions

2.1. Tools trade

2.1.1. General development of business

Consolidation was observed in the tools industry in Germany for the first time in years. This means that despite another significant decrease in retail sales, a level only slightly below the previous year was achieved. However, there is a continued trend of low prices. Although almost constant sales at lower prices mean increasing sales volume, there is fierce competition and unsatisfactory margins.

There was a slight increase in export sales in the industry.

Under these conditions our business development in the Tools Trade division was very satisfactory and partially avoided the negative influencing factors.

The market positioning as a competent trading partner was strengthened further and expanded in all target segments. The ”Brüder Mannesmann“ brand stands for quality tools and uncompromising delivery, price and product competency.

However, the margins did not always follow the development of the market positioning in full, thus there is still potential in this area, High negative net interest income continued to have a negative impact on income development.

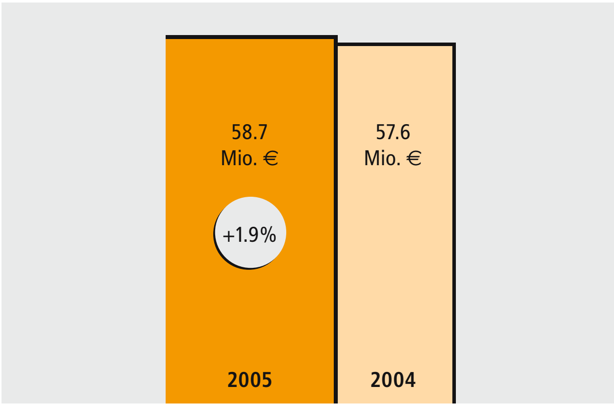
The success factors of our corporate strategy that we have been following in recent years have stood the test of time on the market. We will thus continue to follow them and build on the following pillars, as in previous years:

- Opening up new customer segments,
- Ongoing adaptation and refinement of our product range,
- Further cultivation of our purchasing relationships with reliable suppliers.

2.1.2. Key operating figures

Sales for the Tools division rose by 1.9% to €58.7 million. Sales thus increased from the previous year's level once again and outperformed the development of the industry. However, sales development did not fully reflect the expansion of trade volume due to the trend of falling prices. The business volume processed at last year's prices would have resulted in a double-digit sales increase.

Tools Division: Sales



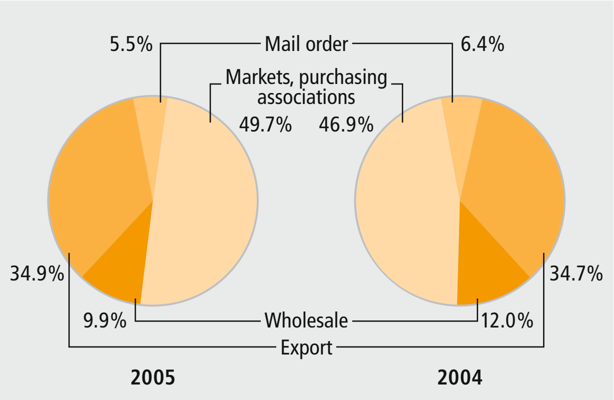
By customer groups, sales development broke down as follows:

Tools trade: sales according to customer group

	2005		2004		Change	
	Mio.€	%	Mio.€	%	Mio.€	%
Mail order	3.2	5.5	3.7	6.4	-0.5	-13.5
Markets, purchasing associations	29.2	49.7	27.0	46.9	2.2	8.1
Wholesale	5.8	9.9	6.9	12.0	-1.1	-15.9
Export	20.5	34.9	20.0	34.7	0.5	2.5
	58.7	100.0	57.6	100.0	1.1	1.9

The structure of the customer groups thus changed in favour of the markets and purchasing associations group.

Tools Division: Sales by Customer Groups



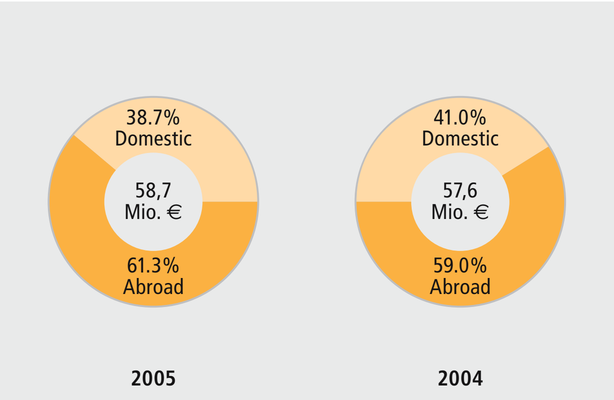
There was renewed strengthening of activities in domestic activities in the regional distribution of sales. Domestic sales rose by 5.9 % and were thus above the industry average.

Tools trade: sales according to region

	2005		2004		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Domestic	36.0	61.3	34.0	59.0	2.0	5.9
Abroad, including export	22.7	38.7	23.6	41.0	-0.9	-3.8
	58.7	100.0	57.6	100.0	1.1	1.9

nternational sales comprise two areas. Firstly, traditional export sales of goods which were originally manufactured and created in Germany. This also includes activities abroad, which transfer the business model that has successfully been implemented in Germany to international markets.

Tools Division: Geographic Information



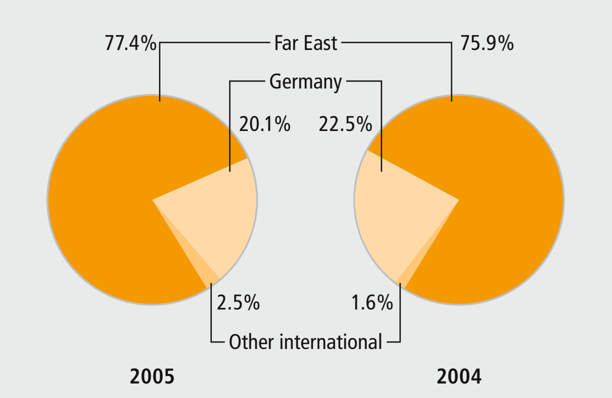
In a few international sub-markets in which only disappointing margins can be generated, sales were scaled back.

Well integrated, maintained and supported purchasing conditions are particularly important for the success of our company. Almost all of our quality suppliers are headquartered in Germany and the Far East.

Tools trade: purchasing according to region

	2005	2004	Change
	%	%	in %
Germany	20.1	22.5	-2.4
Far East	77.4	75.9	1.5
Other international	2.5	1.6	0.9
	100.0	100.0	

Tools Division: Purchasing Volume by Region



There was thus a slight increase in the contribution of purchasing volume from the Far East once again.

Tools trade: expenses

	2005	2004	Change
	Mio. €	Mio. €	Mio. €
Staffing costs	5.1	5.2	-0.1
Depreciation and amortisation of assets	0.2	0.2	0.0
Other operating expenses	7.4	7.4	0.0
	12.7	12.8	-0.1

Staffing and material costs were down slightly by €0.1 million or 0.8% to €12.7 million.

The average number of employees in the Tools Trade was 74.5 (previous year 80.5). Sales per employee amounted to €0.79 million (previous year €0.72 million).

The gross margin was 25.3% (previous year: 26%). Gross income was €14.9 million (previous year €15 million).

The significant level of foreign currency liabilities attendant with divisional operations rose by 27% to USD 9.4 million (previous year USD 7.4 million.) Financial earnings improved by €0.3 million to €1.2 million (previous year: -€1.5 million).

Business development in the Tools division thus improved further based on the previous high level.

2.2. Valves trade

2.2.1. General development of business

The Valves division, represented by the Schwietzke company headquartered in Bottrop, involves sales of standard valves and related products with distribution focused regionally in Germany as well as valve sales on a project basis primarily for industrial applications on a national and international scale. The company has offices in Cologne and Ludwigshafen.

The stagnation in the industry experienced in recent years continues. Both the municipal utilities and industrial plant construction businesses have suffered from the savings measures of municipalities and companies.

The rising raw material and energy prices were not passed on to the market in full, which worsened already tight margins.

The following pillars of the corporate strategy continue to be responsible for the positive development of our own business activities despite these circumstances:

- A high level of consulting competence in advising customers not typical for the industry

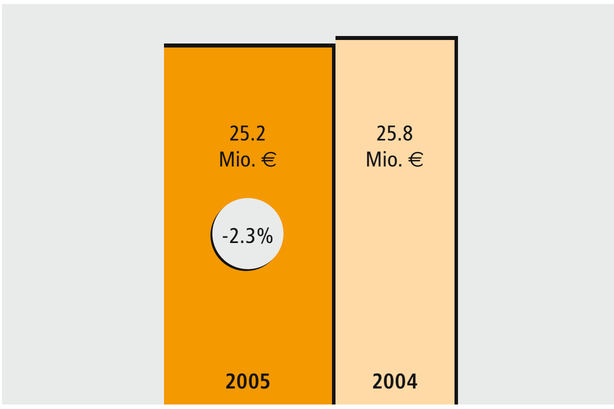
- A high level of sales activity in project business requiring substantial expertise

- Flexibility and proximity to our customers through our locations in Bottrop, Cologne and Ludwigshafen

2.2.2. Key operating figures

Sales of the Valves trade amounted to €25.2 million (previous year €25.8 million). This achieved stability despite the negative market situation. This success was based on growth in the new equipment business and increased sales in the parts business in the industrial technology segment through targeted technical advice for customers.

Valves Division: Sales



The breakdown by business area is as follows:

Valves trade: sales according to business area						
	2005		2004		Change	
	Mio.€	%	Mio.€	%	Mio.€	%
Industrial technology	18.9	75.0	18.5	71.9	0.4	2.2
Project business	6.3	25.0	7.3	28.1	-1.0	-13.7
	25.2	100.0	25.8	100.0	-0.6	-2.3

The positioning of Schwietzke as a specialist for material-related new equipment and orientation of all work processes to the customer are important factors for sales volume. Combining the customer‘s personal information on site with transparency and clear decisions in selecting valve components is a significant factor for the continuity of customer relations.

Gross income was €5 million (previous year €5 million). This corresponds to a gross margin of 20% (previous year: 19.4%).

Valves trade: expenses			
	2005	2004	Change
	Mio.€	Mio.€	Mio.€
Staffing costs	3.0	2.9	0.1
Depreciation and amortisation of assets	0.1	0.1	0.0
Other operating expenses	1.7	1.4	0.3
	4.8	4.4	0.4

Whilst there was only a slight increase in staffing costs, there was a sharp rise in other operating expenses.

The average number of employees in the Valves division was 54 (previous year 54). Sales per employee amounted to €0.47 million (previous year €0.48 million).

In view of the industry situation, business development in the Valves division is satisfactory.

3. Group business development

Consolidated sales were up to €84.6 million after €84.2 million in the previous year.

Consolidated sales	2005		2004		Change	
	Mio.€	%	Mio.€	%	Mio.€	%
Tools division	58.7	69.3	57.6	68.4	1.1	1.9
Valve division	25.2	29.7	25.8	30.6	-0.6	-2.3
Property (sales outside the division)	0.7	1.0	0.8	1.0	-0.1	-12.5
	84.6	100.0	84.2	100.0	0.4	0.5

The following measures were of material importance in the 2005 financial year:

- Optimising business volume in light of financing constraints,
- Optimisation of currency management,
- Improving cash flow,
- Continued expansion into new customer segments in Germany,
- Accelerated transfer of the national business model to international markets,
- Adapting cost structures.

3.1. Group result

Both operating divisions in the Group contributed to pleasing, positive earnings. EBIT of €3.9 million was generated from Group business operations, up slightly from the previous year.

Despite the continued intense competition, margins improved slightly. Gross consolidated income (unadjusted for currency exchange rates) remained consistent at €20.7 million compared to the previous year's level of €20.8 million.

Group: Results	2005	2004	Change	
	Mio.€	Mio.€	Mio.€	%
1. EBIT (operating result)	3.9	3.8	0.1	2.6
./. Financial result	-2.2	-2.5	0.3	12.0
2. Earnings before tax	1.6	1.3	0.3	23.1
./. Taxes	-0.7	-0.7	0.0	0.0
3. Consolidated net income	0.9	0.6	0.3	50.0

The Group's net interest result (financial result) was reduced by 12% to minus €2.2 million (previous year: minus €2.5 million) but remains at a high level with a direct impact on the earnings situation.

€1.3 million of the interest expense (previous year €1.6 million) is attributable to current liabilities to banks and, unchanged from the previous year, €0.9 million to non-current liabilities to banks.

Earnings before tax reached €1.6 million (previous year €1.3 million). This corresponds to an increase of 23.1%

Consolidated earnings were impacted by deferred tax expenses of €0.58 million (previous year: €0.49) in line with IFRS. Nevertheless, consolidated net income was up by €0.3 million or 50% from €0.6 million to €0.9 million.

Consolidated net income per share rose from €0.21 to €0.30.

Earnings per share (EBIT) amounted to €1.29, following €1.27 in the previous year.

Cash flow in accordance with DVFA/SG was up from €4.6 million to €5.3 million, corresponding to an increase of €0.7 million, approximately 15.2%.

3.2. Consolidated balance sheet

The 2005 financial year saw the consolidated balance sheet total decline year-on-year by -€1.8 million or -3.4% from €53.5 million to €51.7 million.

Group	2005	2004	Change
	Mio. €	Mio. €	Mio. €
Inventories	12.0	13.7	-1.7
Receivables	14.3	12.9	1.4
Liquid funds	0.7	1.4	-0.7
Total	27.0	28.0	-1.0
Current financial liabilities	9.4	12.4	-3.0
Creditors	9.2	8.8	0.4
Total	18.6	21.2	-2.6
Working capital	8.4	6.8	1.6

Inventories were reduced by €1.7 million. At the same time, inventory turnover for the Group increased from 6.1 to 7.1. We see the continued improvement in this key figure for the Group as a validation of the strategic product range measures systematically implemented over the past few years.

Working capital increased by €1.6 million from last year's level of €6.8 million to €8.4 million

At €9.4 million (previous year: €8.5 million), equity for the 2005 financial year results in an equity ratio of 18.2% (previous year: 15.9%). We thus succeeded in further improving the company's financing. Compared to other companies in the sector (trade), the equity ratio achieved is good.

The book value per share, based on the equity ratio, amounted to €3.13, following €2.83 in the previous year.

3.3. Guarantees and other contingent liabilities

Contingent liabilities totalled €0.7 million (previous year: €2.4 million).

3.4. Employees

The average number of employees in the Group was 133.5 (previous year 139.5). Sales per employee amounted to €0.63 million (previous year €0.6 million).

Group employees			
	2005	2004	Change
Industrial employees	32	36	-4
Salaried employees	101.5	103.5	-2
Number of staff employed	133.5	139.5	-6
Trainees and apprentices	5	2	3
Sales per employee in € million (rounded)	0.63	0.60	0.03

The number of trainees and apprentices doubled from two to five, now corresponding to 3.7% of the total work force (previous year 1.4%).

Group: Expenses			
	2005	2004	Change
	Mio. €	Mio. €	Mio. €
Staffing costs	8.9	9.2	-0.3
Depreciation and amortisation of assets	0.6	0.6	0.0
Other operating expenses	8.4	9.0	-0.6
Total	17.9	18.8	-0.9

Staff and material costs, including depreciation, were reduced by €0.9 million to €17.9 million. Total costs were thus down to 21.2% (previous year: 22.3%).

4. Risk management and safeguarding the future

Critical business risks potentially jeopardising the continued existence of the company or its ability to obtain important strategic goals are addressed through the deployment of a reporting and control system. The information obtained through the system is incorporated into management planning. Responsibility for implementing countermeasures lies with division management.

With regard to industry-specific risks, both divisions employ a variety of measures on an ongoing basis in the areas of new customer segments and innovative product range policy to safeguard 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-supported controlling and reporting system. Financial accounting data from operating Group companies are transferred into the 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 Supervisory Board convenes at least six times per year.

5. Other information

No events of material importance took place after the close of the financial year.

6. Outlook

Tools trade

At €16 million at the end of 2005, the order book increased considerably compared to €11,3 million in the previous year. The number of orders received also indicates an upward trend.

The expansion of international operations by transferring the successful national business model to international markets will continue. We are aiming to achieve an EU-wide presence through exclusive dealers, sales representatives and supporting branches, focussing on Croatia, Bosnia, Romania, Bulgaria, Turkey and Hungary. We will thus provide our customers who are expanding into these markets with their own regional presence and will remain a reliable partner. Considerable potential for expansion is anticipated in addition to the national growth prospects in the medium and long-term.

The development of the economic, industry-specific and international political conditions remains uncertain. A reliable overall forecast for future business development in concrete figures is thus extremely difficult. However, we are confident that we will once again achieve above-average development due to our good market position.

Purchase prices, which are likely to increase, represent a fundamental risk factor in terms of costs. This means that the traditional, long-term purchasing relations maintained by our company are even more important as they not only allow for reliable planning, but also appropriate pricing.

US-$-based transactions are hedged whenever possible.

The further expansion of our own facilities for product and packaging design enables us to create very detailed presentations of products which currently only exist in a virtual format. This enables us to design, test and optimise the packaging design of new products and product ranges at low cost. We can also respond to our customers‘ design requirements more quickly and more specifically in line with their personal preferences.

Large clients in particular are demanding ever-higher standards of quality. This means greater expense for testing and documentation. However, this is good for us as we have an extensive track record and are well positioned in the field of high-quality tools.

Incoming orders and the order book in the first few months of the new financial year are moving upward, indicating that the trend is set to continue at least until 30 September 2006.

Valves trade

No significant economic growth is expected in the German-speaking economic area in 2006, the primary sales market for the Valves division and from which we could benefit. However, several new buildings are planned in the power station market, for which we have already received enquiries in relation to their valve equipment.

The first order received for the supply of valves to a power station in another EU country during the reporting year had a significant impact on sales volume in the project business. This, combined with the solid potential represented by the Group's regular customers which has been strengthened through framework agreements, results in a positive outlook for 2006.

Incoming orders, especially in the industrial business, posted an extremely good performance in the first months of the new financial year.

In financial year 2006, the focus will be on these measures, some of which have already been implemented:

- Process optimisation to improve the cost-effectiveness across the entire range of processes

- Deployment of new IT software for materials management and order processing,

- Expanding the core business into neighbouring countries,

- Additional staff training events to allow us to maintain our high level of expertise in advising customers

Group

The overall development of the Group is based on the success of the two operating divisions Tools Trade and Valves Trade.

Both divisions are well positioned on the market and make good contributions to earnings. Though economic conditions remain uncertain, it is likely that we will successfully continue our positive development.

Our corporate financing objective remains the continued improvement of our equity ratio and renewed reduction of the net interest position.

Remscheid, April 2006
Brüder Mannesmann Aktiengesellschaft,
Board of Management

Jürgen Schafstein | Bernd Schafstein

Consolidated Financial Statements

Consolidated Statement of Earnings

	Notes	01.01.-31.12. 2005 TEUR	01.01.-31.12. 2004 TEUR
Sales revenue	2.1.	84,611	84,209
Other operating income	2.2.	1,141	1,902
Costs of materials		-63,925	-63,412
Staffing costs		-8,945	-9,192
Other operating expenses	2.3.	-8,406	-9,035
EBITDA		4,476	4,472
Amortisation and depreciation of intangible assets and property, plant and equipment		-620	-648
EBIT (operating result)		3,856	3,824
Financial earnings	2.4.	-2,239	-2,497
Earnings before tax		1,617	1,327
Income taxes	2.5.	-714	-684
Net consolidated income		903	643
Earnings per share (undiluted) in EUR	2.6.	0,30	0,21
Earnings per share (diluted) in EUR	2.6.	0,30	0,21
Earnings per share (EBIT) in EUR		1,29	1,27

Consolidated Capital Finance Account

	2005 TEUR	2004 TEUR
I. Operating activities		
1. Earnings for the period before non-cash interest expenses, interest income, income tax and extraordinary earnings	3,280	3,094
2. Depreciations and amortisations (+) / additions (-) on fixed assets	620	648
3. Additions (+) / deductions (-) of accruals	836	158
4. Non-cash expenses and income from		
a) deferred taxes	577	730
b) other non-cash expenses and income	2	3
Cash flow for the year in accordance with DVFA / SG	5,315	4,633
5. Increase (-) / decrease (+) in inventories, trade receivables and other assets, which are not classified as investing or financial activity	-197	1,738
6. Addition (+) / deduction (-) of trade liabilities and other liabilties, which are not classified as investing or financial activity	-1,032	-408
7. Cash transactions from:		
a) Interest payments (+) / (-)	-2,239	-2,497
b) Taxes (+) / (-)	-137	-21
Cash flow from operating activities	1,710	3,445
II. Investment activities		
1. Income from disposal of tangible assets	3	19
2. Expenditure on investment in tangible assets	-135	-186
4. Expenditure on investment in intangible assets	-42	-20
5. Income from disposal of financial assets	0	3
6. Expenditure on investment in financial assets	0	-16
Cash flow from investment activities	-174	-200
III. Financing activities		
1. Inflow from the issue of bonds and taking out (financial loands) and bills of exchange	1,000	0
2. Outflow from the repayment of bonds and (financial) loans	-3,190	-2,915
Cash flow from financing activities	-2,190	-2,915
Changes in cash and cash equivalents	-654	330
Cash balance at the start of the period	1,374	1,044
Cash balance at the end of the period	720	1,374

Consolidated Balance Sheet

ASSETS

	Notes	31.12. 2005 TEUR	31.12.2004 TEUR
NON-CURRENT ASSETS			
Goodwill	3.1.	3,845	3,845
Other intangible assets	3.2.	582	709
Property, plant and equipment	3.3.	7,530	7,852
Investment property	3.4.	8,377	8,377
Financial assets	3.5.	35	35
Deferred tax assets	3.6.	3,110	3,678
		23,479	24,496
CURRENT ASSETS			
Inventories	3.7.	12,047	13,712
Trade receivables		14,343	12,863
Other receivables and other assets	3.8.	1,089	1,056
Cash and cash equivalents	3.9.	720	1,374
		28,199	29,005
Balance sheet total		51,678	53,501

LIABILITIES

	Notes	31.12. 2005 TEUR	31.12.2004 TEUR
EQUITY			
Share capital	3.10.	7,700	7,700
Reserves	3.11.	810	810
Unappropriated surplus	3.12.	903	0
		9,413	8,510
NON-CURRENT LIABILITIES			
Accruals for pensions and similar liabilities	3.13.	3,737	3,520
Financial liabilities	3.14.	14,996	14,962
Other liabilities	3.14.	2,229	1,005
Deferred tax liabilities	3.15.	111	102
		21,073	19,589
CURRENT LIABILITIES			
Other accruals	3.13.	765	683
Financial liabilities	3.14.	9,410	12,635
Trade liabilities		9,176	8,841
Other liabilties	3.14.	1,483	3,073
Current income tax liabilities	3.15.	358	170
		21,192	25,402
Balance sheet total		51,678	53,501

Fixed Assets Schedule for the Consolidated Financial Statements

	Historical costs			
	Carried forward 01.01. 2005 TEUR	Additions TEUR	Disposals TEUR	Balance 31.12.2005 TEUR
Intangible assets				
1. Goodwill from capital consolidation	8,172	0	0	8,172
2. Other intangible assets				
a) Concessions, commercial property rights and similar rights and values as well as licences for such rights and values	2,586	42	0	2,628
b) Advance payments received	3	0	-3	0
	10,761	42	-3	10,800
Property, plant and equipment				
1. Land, land rights and building, including buildings on third party land*	18,593	0	-26	18,567
2. Technical equipment and machinery	37	0	0	37
3. Other plant and equipment	1,374	135	-64	1,445
	20,004	135	-90	20,049
Financial assets				
1. Other investments	26	0	0	26
2. Other loans	9	0	0	9
	35	0	0	35
	30,800	177	-93	30,884

* This item includes investment property

Depreciation and amortisation				Net carrying amount	
Carried forward 01.01. 2005 TEUR	Additions TEUR	Disposals TEUR	Balance 31.12.2005 TEUR	As at 31.12.2005 TEUR	As at 31.12.2004 TEUR
4,327	0	0	4,327	3,845	3,845
1,880	166	0	2,046	582	706
0	0	0	0	0	3
6,207	166	0	6,373	4,427	4,554
2,614	345	-26	2,933	15,634	15,979
22	7	0	29	8	15
1,139	102	-61	1,180	265	235
3,775	454	-87	4,142	15,907	16,229
0	0	0	0	26	26
0	0	0	0	9	9
0	0	0	0	35	35
9,982	620	-87	10,515	20,369	20,818

Statement of Changes to Shareholders‘ Equity

	Share capital TEUR	Capital reserves TEUR	Revenue reserves* TEUR
Shareholders'equity as at December 31, 2003	7,700	10,226	8,177
Transfer to earnings reserves from 2003 net income			174
Profit distribution to the parent company			-150
Revaluation of deferred taxes			-236
Shareholders'equity as at December 31, 2004 before retransfer of reserves	7,700	10,226	7,965
Retransfer of Capital reserve		-9,456	
Retransfer of Other earnings reserves			-7,925
Shareholders'equity as at December 31, 2004 before retransfer of reserves	7,700	770	40
Shareholders'equity as at December 31, 2005	7,700	770	40

* Currency translation differences incurred in previous years have been offset against revenue reserves

	Retained earnings brought forward TEUR	Net income TEUR	Total share holders' equity TEUR
Shareholders'equity as at December 31, 2003	-17,048	-952	8,103
Transfer to earnings reserves from 2003 net income		-174	
Transfer to retained earnings brought forward from 2003 net income	-1,126	1,126	
Profit January 1, to December 31, 2004		643	
Profit distribution to the parent company	150		
Shareholders'equity as at December 31, 2004 before retransfer of reserves	-18,024	643	8,510
Retransfer of Capital reserve	10,469	-1,013	
Retransfer of Other earnings reserves	7,555	370	
Shareholders'equity as at December 31, 2004 before retransfer of reserves	0	0	8,510
Profit January 1, to December 31, 2005		903	
Shareholders'equity as at December 31, 2005	0	903	9,413

Notes to the Consolidated Financial Statements

1. General information about the consolidated financial statements

1.1. Basis

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft as at 31 December 2005 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.

For the first time the consolidated income statement was broken down in line with the nature of expense method (IAS 1.91). For the consolidated balance sheet the breakdown in line with IAS 1.68ff. was used. The previous year figures were adjusted accordingly.

In addition to the consolidated income statement and the consolidated balance sheet in line with IAS 1, the consolidated financial statements also comprise a cash flow statement in accordance with IAS 7 and an overview of changes in equity in accordance with IAS 1.

Individual items on the consolidated income statement and the consolidated balance sheet were summarised for clearer presentation. These items are listed and explained in the notes.

We have been applying IFRS 3 in conjunction with the new version of IAS 36 since 01 January 2004. According to this, there is no longer amortisation of goodwill.

As at 31 December 2005, investment property was disclosed and analysed for the first time in accordance with IAS 40.

In line with Article 264 Paragraph 3 HGB, Brüder Mannesmann Werkzeuge GmbH and Brüder Mannesmann Grundbesitz GmbH take advantage of the relief afforded for preparing the notes and publication.

In line with Article 264 Paragraph 3 HGB Schwietzke Armaturen GmbH take advantage of the relief afforded for publication.

1.2. Scope of consolidation

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.

1.3. Principles of consolidation

Revenue from sales generated internally and other income within the Group were offset against the corresponding expenses in the consolidated income statement.

Capital consolidation was implemented using the purchase method of accounting by offsetting the acquisition cost of shares against the pro rata equity of the subsidiaries at the time of acquisition. Resulting differences on the asset side of the balance sheet are reported as goodwill from capital consolidation.

Receivables and liabilities between the companies included in the consolidated financial statements were offset and interim results were eliminated.

1.4. Currency translation

All the companies included in the consolidated financial statements are based in the euro zone. Thus, currency translation is not an issue.

Currency translation differences resulting from the translation of a subsidiary's equity before 1 January 1999 were offset against retained earnings without impacting income.

1.5. Accounting policies

Intangible assets acquired against payment – mainly registered rights and software – are carried at acquisition cost and amortised over their useful operating lives. Registered rights are amortized over 15 years.

Property, plant and equipment are carried at cost, less straight-line depreciation.

The following useful lives apply to assets:

- Intangible assets	3 to 15 years
- Land, land rights and buildings including buildings on third-party land	8 to 60 years
- Technical equipment and machinery	2 to 15 years
- Other plant and equipment	2 to 15 years

Impairment losses were charged in previous years if, in accordance with IAS 36, the value of the assets in question fell below the carrying amount.

Investment property is carried at the attributable fair value.

Non-current financial assets are recognised at cost.

Deferred taxes are recognised for all temporary differences between the recognition of amounts in the tax accounts and the consolidated balance sheet. Deferred taxes from tax loss carryforwards are also posted. Deferments are made in the amount of the expected tax burden or tax relief for subsequent financial years on the basis of the income tax rate applicable at the time of realisation. Write-downs are charged on deferred tax assets, which are unlikely to be realised in the future.

Inventories were carried at cost at the lower of cost or market. Inventory risks were taken into account through write-downs.

Receivables and other current assets are carried at the principal amount or the lower carrying amount at the balance sheet date.

Cash and cash equivalents at carried at their principle amount.

The actuarial valuation of accruals for pensions is based on the projected unit credit method for defined benefit pension plans in accordance with IAS 19. Pension payments and vested entitlements existing at the balance sheet date are taken into account as well as expected future increases in salaries and pensions.

Other accruals are recognised in accordance with IAS 37 and take into account all discernible risks and uncertain obligations. Accruals are recognised at levels commensurate with their anticipated occurrence.

Liabilities were carried at their redemption or settlement values.

The line items Inventories, Trade receivables, Bank deposits and Trade payables includes items for which the amounts are denominated in foreign currency (US dollars) or were originally denominated in foreign currency. Translation into euro takes into account currency forward transactions that are concluded to hedge currency risks. The principle of continuity of assessment was used.

The leases at the Brüder Mannesmann Group are classified as "operating leases". The leasing instalments paid are therefore posted immediately as expenditure.

The leasing agreements predominantly include options to extend or buy.

2. Notes on the consolidated income statement

2.1. 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.

2.2. Other operating income

Other operating income includes the following items:

	2005 TEUR	2004 TEUR
Income from exchange gains	374	1,505
Income from car use	146	130
Pension growth	100	0
Delcredere	91	0
Income from damage claims	70	13
Income from the reversal of value adjustments	61	4
Income from the reversal of accruals	130	53
Other	169	197
	1,141	1,902

2.3. Other operating expenditure

	2005 TEUR	2004 TEUR
Selling expenses	3,998	3,632
Travel, entertainment and representation expenses	945	1,033
Insurance and telecommunications expenses	688	734
Purchased services, consultancy, legal protection	527	657
Transaction expenses	482	379
Rental and lease expenses	412	312
Maintenance, cleaning, waste disposal expenses	373	207
Other taxes	51	37
Exchange rate losses	13	123
Depreciation of current assets	0	812
Other	917	1,109
	8,406	9,035

2.4. Net finance costs

	2005 TEUR	2004 TEUR
Other interest and similar income	13	76
Interest and similar expenses	-2,252	-2,573
	-2,239	-2,497

2.5. Income taxes

This item comprises the following:

	2005 TEUR	2004 TEUR
Current tax expenses within Germany	-170	-184
(of which from prior periods)	(+16)	(-14)
Current tax income / expenses abroad	+33	-7
Deferred tax expenses	-602	-520
Deferred tax income	+25	+27
	-714	-684

2.6. 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 903 (previous year TEUR 643), earnings per share are EUR 0.30 (previous year EUR 0.21) thus corresponding to an increase of EUR 0.09 or 42.9%.

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

3. Notes on the consolidated balance sheet

3.1. Goodwill

No impairments were carried out on goodwill, which results from the consolidation of cash flow, during the reporting year as the annual impairment test confirmed that the value had remained the same.

3.2. Intangible assets

Additions to intangible assets totalled TEUR 42 in the reporting year. Write-downs totalled TEUR 166.

3.3. Property, plant and equipment

Additions to property, plant and equipment totalled TEUR 134 and disposals TEUR 3. Depreciation totalled TEUR 453 in the financial year.

3.4. Investment property

Investment property held by the Brüder Mannesmann Group was carried at the attributable fair value for the first time in the reporting year in accordance with IAS 40.

This amounted to TEUR 8,377 as at 31 December 2005. An independent expert, who does not have any connections to the Group, carried out the valuation. It is based on the income value calculated by taking into account the appreciation of all aspects of the property market.

The Group has transferred all investment property as collateral for a property-secured loan.

All investment property held by the Group is let through lease contracts. The rent income resulting from this totalled TEUR 736. Expenditure directly related to investment property amounted to TEUR 11.

3.5. Financial assets

Financial assets generally comprise other investments.

3.6. 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 (previous year: 40%). 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 3,098 for previous years.

A reversal of TEUR 566 of deferred tax assets on loss carryforwards was carried out in the 2005 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.

3.7. Inventories

The inventories of TEUR 12,047 held by the Brüder Mannesmann Group comprise commercial goods.

3.8. Receivables and other assets

Global valuation allowances on trade receivables are not permitted under IAS 39. The reversal of global valuation allowances in the financial year resulted in a TEUR 14 increase in consolidated net income after forming deferred tax expenses.

The remaining receivables and other assets comprise the following:

	2005 TEUR	2004 TEUR
Creditors with debt balances and bonus credits	388	411
Receivables from financial authorities	331	131
Deferred income	335	436
Other	35	78
	1,089	1,056

The deferred income listed 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 111 lower than in the annual financial statements prepared in accordance with German commercial law.

3.9. Cash and cash equivalents

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

3.10. Share capital

The share capital of TEUR 7,700 is fully paid up and divided into 3,000,000 no-par value bearer shares. One share represents EUR 2.57 of the company's capital.

3.10.1. Authorised capital

The Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital by up to TEUR 3,850 on one or several occasions until 26 September 2006 through the issue of new bearer shares.

3.10.2. Contingent capital

There was a contingent capital increase of up to TEUR 1,540 with the issue of up to 600,000 new no-par value bearer shares following a resolution by the Annual General Meeting on 25 August 2005. The contingent capital increase is to grant rights to the holders of options or convertible profit-sharing certificates that are issued by the company until 24 August 2010. No profit-sharing certificates had been issued as at 31 December 2005.

3.11. Reserves

3.11.1. Capital reserves

This item includes the premium from the capital increases in the amount of TEUR 10,226.

TEUR 9,456 was taken from the capital reserves in the previous year and adjusted against the balance sheet loss.

3.11.2. Other retained earnings

Other retained earnings include the undistributed profit of TEUR 1,387 from companies included in the consolidated financial statements, provided that this was generated during affiliation to the Group. Differences arising from currency translation in the balance sheets of foreign companies before 1 January 1999 were offset against this item.

Furthermore, adjustments of TEUR 6,579 were transferred to retained earnings in the context of the International Accounting Standards in previous years without impacting income.

An adjustment of TEUR 7,925 was carried out against the consolidated balance sheet in the previous year.

3.12. 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.

3.13. Accruals

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	4.2% – 5%
- Anticipated percentage salary increase	2%
- Future pension increases	1.5%

Actuarial gains and losses are amortised 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.

Liabilities comprise the following:

	TEUR
Cash value of performance-related liability	4,736
Actuarial gains / (-) losses not to be taken into account	-340
Actuarial gains / (-) losses to be repaid	-564
Remaining transition loss	-96
Balance sheet accrual	3,736

The following pension expenses are included in staffing costs on the consolidated income statement:

	TEUR
Expenses for length of service	78
Interest expenses	174
Repayment of the transition loss	96
Pension payments paid	-64
Net pension expenses	284

Please refer to the statement of changes in accruals for details of the development of accruals.

Statement of changes in accruals in accordance with IAS 37.84

	Opening balance at January 1, 2005 TEUR	Used in financial year TEUR	Reversed in financial year TEUR	Addition in financial year TEUR	Closing balance December 12, 2005 TEUR
Pension accruals and similar liabilities	3,520	-64	-67	348	3,737
Accruals for guarantees	57	0	-57	1	1
Accruals for bonuses including staffing costs	335	-317	-5	306	319
Accruals for other uncertain liabilities	291	-232	-1	386	444
Other accruals	683	-549	-63	693	764
Total accruals	4,203	-613	-130	1,041	4,501

3.14. Liabilities

Liabilities schedule as at 31 December 2005

	Total	Of which with a remaining term of				
		Up to 1 year	1 to 5 years	More than 5 years	Secured amounts	Type of collateral
	TEUR	TEUR	TEUR	TEUR	TEUR	
Financial liabilities	24,406	9,410	2,504	12,492	24,363	Land changes, assignment of receivables, assignment of tangible assets and goods as collateral
Trade liabilities	9,176	9,176	0	0	0	
Other liabilities	3,712	1,483	1,790	439	0	
	37,294	20,069	4,294	12,931	24,363	

Type of liability	Term	Interest rate	Average interest	Market value TEUR 31 December 2005	Nominal value TEUR 31 December 2005
Financial liabilities	Up to 22 years	5,0% to 10.25%	7,8 %	24,406	24,406

Financial liabilities are liabilities to banks.

Other liabilities comprise the following:

	2005 TEUR	2004 TEUR
Loan liabilities to a former subsidiary	1,358	1,288
Liabilities from pension commitments	1,034	1,130
Liabilities to financial authorities	597	578
Liabilities to debtors with credit balances	316	352
Social security liabilities	145	153
Liabilities from commission	117	146
Advance payments received for orders	35	238
Other	110	193
	3,712	4,078

3.15. Tax liabilities

Deferred tax liabilities increased by TEUR 9 to TEUR 111 in the 2005 financial year.

Deferred income tax liabilities increased by TEUR 188 to TEUR 358.

4. Other notes

4.1. Cash flow statement

The cash flow statement was prepared in accordance with IAS 7, using the indirect method.

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

4.2. Contingencies

	2005 TEUR	2004 TEUR
Guarantees	575	2,332
Liabilities on bills	77	111

4.3. Other financial liabilities

	2005 TEUR	2004 TEUR
Total lease instalments due within one year	236	200
Total lease instalments due between 1 and 5 years	247	161
Total lease instalments due within 5 years	-	-

4.4. Employees

The Brüder Mannesmann Group employed an average of 133.5 employees in the 2005 financial year (previous year 139.5). Part-time employees are included using the economic concept.

	2005	2004
Workers	32.0	36.0
Employees	101.5	103.5
	133.5	139.5
Trainees	5.0	2.0

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* 31.12.2005 TEUR	Valves 31.12.2005 TEUR	Land holdings 31.12.2005 TEUR	Tools* 31.12.2004 TEUR	Valves 31.12.2004 TEUR	Land holdings 31.12.2004 TEUR
Revenue	58,661	25,152	798	57,605	25,808	796
Germany	35,967	23,325	798	33,959	25,022	796
Abroad	22,694	1,827	0	23,646	786	0
Segment earnings before profit distribution	486*	316	101	90	482	71
Segment assets	25,699	8,547	13,653	29,079	6,281	13,937
Segment liabilities	11,008	4,286	191	12,083	2,924	248
Investment in non-current assets	106	71	0	123	34	48
Depreciation and amortisation	-222	-115	-283	-1,067	-110	-283
Annual average number of employees (excluding trainees)	79,5	54	0	85,5	54	0

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

6. Other disclosures

The following are members of the Board of Management of the parent company:

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

- **Mr. Bernd Schafstein**
  Businessman
  Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

- **Mr. Frank Schafstein** to 30 April 2005
  Businessman
  Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

The following are members of the Supervisory Board:

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

- **Mrs. Nicole Coen**
  Banker
  Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid
  Member of the Supervisory Board of Saltus Technology AG, Solingen

- **Mr. Michael Nagel**
  Businessman
  Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

The Board of Management received payment of TEUR 1,205 and the Supervisory Board received payment of TEUR 54 in the reporting year.

Members of the Board of Management and the Supervisory Board held the following shares:

Board of Management	696,300 shares
Supervisory Board	228,500 shares

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

TEUR 60 for the parent company and TEUR 10 for the subsidiaries were included in expenses as fees for the auditor of the financial statements in 2005.

Remscheid, April 2006
Brüder Mannesmann Aktiengesellschaft,
Board of Management

Jürgen Schafstein Bernd Schafstein

7. List of shareholdings

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

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 income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1. January 2005 to 31. December 2005. 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. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

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 full IFRS 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, 25. April 2006

MORISON AG
Wirtschaftsprüfungsgesellschaft

Karl-Heinz Barth	**Karl-Heinz Wolf**
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements

AG-Balance Sheet

ASSETS

	31.12.2005 EUR	31.12.2005 EUR	31.12.2004 TEUR
A. FIXED ASSETS			
I. Intangible assets			
1. Licences, trade marks and patents, etc., as well as licences to such rights and assets	11,318.00		9
2. Downpayments for intangible assets	0.00		3
		11,318.00	12
II. Tangible assets			
Office and plant equipment	2,162.00		7
III. Financial assets			
Shares in group companies	11,417,067.22		11,417
		11,430,547.22	11,436
B. CURRENT ASSETS			
I. Receivables and other current assets			
1. Amounts due from group companies	2,810,375.87		1,520
2. Other current assets	242,835.27		36
		3,053,211.14	1,556
II. Cash, deposits with commercial banks		40,555.41	13
		3,093,766.55	1,569
		14,524,313.77	13,005

LIABILITIES

	31.12.2005 EUR	31.12.2005 EUR	31.12.2004 TEUR
A. SHAREHOLDERS' EQUITY			
I. Share capital	7,700,000.00		7,700
II. Capital reserve	1,292,930.53		1,293
III. Earnings reserves			
Other earnings reserves	1,247,242.83		1,247
IV. Net profit	1,534,437.26		0
		11,774,610.62	10,240
B. ACCRUALS			
1. Accruals for pensions and similar obligations	0.00		66
2. Accruals for taxes	357,000.00		170
3. Other accruals	81,500.00		79
		438,500.00	315
C. LIABILITIES			
1. Trade payables	5,405.55		79
2. Amounts due to group companies	119,992.37		154
3. Other liabilities	2,185,805.23		2,217
thereof taxes EUR 12,551.28 (December 31, 2004 EUR 31,663.68) thereof in respect of social security EUR 7,274.27 (December 31, 2004 EUR 7,969.23)		2,311,203.15	2,450
		14,524,313.77	13,005

AG-Statement of Earnings

	01.01.-31.12. 2005 EUR	01.01.-31.12. 2005 EUR	01.01.-31.12. 2004 TEUR
1. Sales		1,062,000.00	1,098
2. Other operating income		289,763.85	919
3. Personnel costs			
a) Wages and salaries	-783,226.01		-939
b) Social security costs	-46,122.05		-119
		-829,348.06	-1,058
4. Depreciation, amortization and special accruals on intangible and tangible assets		-13,358.63	-16
5. Other operating expenses		-692,783.69	-687
6. Income from profit transfer agreements and partial profit transfer agreements		1,986,274.31	2,130
7. Income from distribution of dividends		0.00	150
8. Other interest and similar income		3,892.27	2
9. Write-down of financial assets and of securities included in current assets		0.00	-803
10. Interest and similar expenses		-83,026.64	-28
11. Result of ordinary operations		1,723,413.41	1,707
12. Taxes on income		-188,730.15	-170
13. Other taxes		-246.00	-1
14. Net income of the year		1,534,437.26	1,536
15. Loss carried forward		0.00	-10,469
		1,534,437.26	-8,933
16. Retransfer of Capital reserve		0.00	8,933
17. Net profit		1,534,437.26	0

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31, 2005

	Historic cost of acquisition			
	As of 01.01.2005 EUR	Additions EUR	Disposals EUR	As of 31.12.2005 EUR
I. Intangible assets				
1. Licences, industrial property rights and similar rights and assets, as well as licences to such rights	34,482.99	8,745.00	0.00	43,227.99
2. Downpayments for intangible assets	2,862.00	0.00	2,862.00	0.00
	37,344.99	8,745.00	2,862.00	43,227.99
II. Tangible assets				
Furnitures and fixtures	31,148.81	2,181.63	0.00	33,330.44
III. Financial assets				
Shares in group companies	13,105,077.96	0.00	0.00	13,105,077.96
Total	13,173,571.76	10,926.63	2,862.00	13,181,636.39

Schedule of liabilities as of December 31, 2005

Art der Verbindlichkeit	Balance sheet value 31.12.2005 TEUR	with a remaining term up to one year TEUR	one to five years TEUR	more than five years TEUR	of which collateralised TEUR
Amounts due to banks	0	0	0	0	0
Trade liabilities	5	5	0	0	0
Amounts due to group companies	120	120	0	0	0
Other liabilities - thereof taxes: 12,551.28 EUR (December 31, 2004: 31,663.68 EUR) - thereof in respect of social security: 7,274.27 EUR (December 31, 2004: 7,969.23 EUR)	2,186	117	1,630	439	0
	2,311	242	1,630	439	0

Depreciations				Book values	
As of 01.01.2005 EUR	Additions EUR	Disposals EUR	As of 31.12.2005 EUR	As of 31.12.2005 EUR	As of 31.12.2004 EUR
25,457.99	6,452.00	0.00	31,909.99	11,318.00	9,025.00
0.00	0.00	0.00	0.00	0.00	2,862.00
25,457.99	6,452.00	0.00	31,909.99	11,318.00	11,887.00
24,261.81	6,906.63	0.00	31,168.44	2,162.00	6,887.00
1,688,010.74	0.00	0.00	1,688,010.74	11,417,067.22	11,417,067.22
1,737,730.54	13,358.63	0.00	1,751,089.17	11,430,547.22	11,435,841.22

Notes for the 2005 AG-Financial Year

A. General information about the annual financial statements

1. Legal basis

The annual financial statements as at 31 December 2005 were prepared in accordance with the accruals of the Handelsgesetzbuch (German Commercial Code – HGB) and the Aktiengesetz (German Stock Corporation Act – AktG).

In accordance with Article 275 (2) of the HGB, the total cost method was applied to the profit and loss account.

2. Shareholders' equity

2.1. Share capital

Share capital amounts to EUR 7,700,000.00 and is divided into 3,000,000 bearer shares.

2.2. Authorised capital

The Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 3,850,000.00 on one or more occasions until 26 September 2006 through the issue of new bearer shares against cash or non-cash contributions.

2.3. Contingent capital

There was a contingent capital increase of up to EUR 1,540,000.00 with the issue of up to 600,000 new no-par value bearer shares following a resolution by the Annual General Meeting on 25 August 2005. The contingent capital increase is to grant rights to the holders of options or convertible profit-sharing certificates that are issued by the company until 24 August 2010. No profit-sharing certificates had been issued as at 31 December 2005.

3. Currency translation

The receivables and liabilities of the Brüder Mannesmann Aktiengesellschaft were denominated solely in euro as at the balance sheet date.

B. Notes to the accounting policies

1. Accounting policies

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

Low-value assets with acquisition or production costs of up to, and including, EUR 410.00 are written down in full in the year of acquisition.

Financial assets are carried at cost or the lower of cost or market.

The statement of changes in fixed assets is presented in the appendix to the Notes.

Receivables and other assets are carried at their nominal amount.

Accruals take into account all discernible risks and uncertain obligations. They are recognised in the amount dictated by prudent business practice.

Liabilities were carried at their redemption amount and pension obligations at their actuarial values as at the balance sheet date.

2. Balance sheet disclosures

In accordance with section 287 of the HGB, details of shareholdings are summarised in a separate section to these Notes and filed in the Wuppertal Commercial Register.

Receivables from affiliated companies are due to profit-pooling agreements trade receivables (Group contributions), entity liability for VAT, interest rates, costs and profit entitlements that are charged on.

Please refer to part A sections 2 and 3 for details of equity.

The balance sheet was prepared in line with the proposed appropriation of net income.

Other accruals relate to the expected costs of mandatory audits prescribed in German commercial law as well as for remaining paid leave claims and contributions to a professional occupational liability association.

Liabilities to affiliated companies include settlement accounts with subsidiaries (value-added tax group).

Other liabilities primarily relate to VAT payment, social security, wage tax and a pension obligation.

Please refer to the maturity structure of liabilities for details of the maturity and collateral of liabilities.

Other financial commitments comprise rental agreements and leases totalling TEUR 24.

C. Contingent liabilities

As at the balance sheet date, liabilities from guarantees and joint and several liability amounted to TEUR 5,933, TEUR 5,723 of which was attributable to affiliated companies and TEUR 210 to third-party companies.

D. Notes to the profit and loss account

1. Sales

Sales primarily relate to Group contributions to affiliated companies, EUR 90,000 of which was to an affiliated company outside Germany.

2. Other income

The income mainly relates to passing costs incurred on to affiliated companies as well as income from writing down receivables. This item also includes income from the adjustment of the cash value of the bond.

3. Income from profit-pooling

This item relates to the profit of affiliated companies transferred for 2005 within the framework of profit transfer agreements.

4. Interest and similar income

This item includes interest from affiliated companies of EUR 3,231.30.

5. Interest and similar expenses

This item includes interest to affiliated companies of EUR 2,769.00.

E. Other disclosures

During the financial year, the Company employed an average of 5 other persons in addition to the Board of Management. The Board of Management manages the company.

The company is the parent company for the purposes of the consolidated financial statements. The consolidated financial statements are announced in the Bundesanzeiger (Federal Gazette) and filed with the Wuppertal Commercial Register under HRB 11838 (previously AG Remscheid Number HRB 1927).

TEUR 60 for the parent company were included in expenses as fees for the auditor of the financial statements in 2005.

F. Executive bodies

The following are members of the Board of Management:

- **Mr. Jürgen Schafstein**
  Speaker of the Board of Management,
  Businessman
  Board of Management of
  Deutsche Armaturen AG, Remscheid
  Chairman of the Supervisory Board of
  Saltus Technology AG, Solingen

- **Mr. Bernd Schafstein**
  Businessman
  Member of the Supervisory Board of
  Deutsche Armaturen AG, Remscheid

Mr. Frank Schafstein resigned from his position as a member of the Board of Management and left the committee on 30 April 2005.

The following are members of the Supervisory Board:

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

- **Mrs. Nicole Coen**
  Banker
  Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid
  Member of the Supervisory Board of Saltus Technology AG, Solingen

- **Mr. Michael Nagel**
  Businessman
  Member of the Supervisory Board of Deutsche Armaturen AG, Remscheid

During the year under review, the members of the Board of Management received payment of TEUR 548 from the company. The Supervisory Board‘s remuneration amounted to TEUR 54.

Members of the Board of Management and the Supervisory Board held the following shares:

Board of Management	696,300 shares
Supervisory Board	228,500 shares

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

G. Appropriation of profit

Please refer to part B section 2 for information on the appropriation of profit.

Remscheid, April 2006
Brüder Mannesmann Aktiengesellschaft,
Board of Management

Jürgen Schafstein   Bernd Schafstein

Independent Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Brüder Mannesmann Aktiengesellschaft, Remscheid, for the business year from 1. January 2005 to 31. December 2005. 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, 25. April 2006

MORISON AG
Wirtschaftsprüfungsgesellschaft

Karl-Heinz Barth	**Karl-Heinz Wolf**
Wirtschaftsprüfer	Wirtschaftsprüfer