BRÜDER MANNESMANN
REMSCHEID AKTIENGESELLSCHAFT

Consolidated Financial Statements 2004

Table of Contents

Group management report

1. Preliminary remarks

Brüder Mannesmann AG combines two independently operating divisions under a single parent company umbrella, the “Tool Trade” and the “Valve Trade”. The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as a leasing company. In line with this structure, the management report presents and discusses business in both the operating divisions and the Group as a whole.

The consolidated financial statements were prepared in accordance with the International Accounting Standards (IAS) that applied as at the balance sheet date, taking into account the interpretation of the International Financial Reporting Interpretations Committee (IFRIC).

Material differences to consolidated accounting in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) are as follows:

- Disclosure of deferred tax assets from tax loss carryforwards (IAS 12)

- Adjustment of pension obligations (IAS 19)

- Elimination of global valuation allowances on trade receivables (IAS 39.109 ff.)

- Utilisation of new provisions in line with IFRS 3 and IAS 36, according to which goodwill reported from an acquisition has to be carried at cost, less accumulated losses or impairments. Goodwill is therefore no longer amortised on a straight-line basis, but subject to an annual impairment test, to a lower amount if required, should there be any indications of this in line with IAS 36. In this respect, the previous year’s figures were not adjusted.

2. Business development in the operating divisions

2.1. Tool Trade

2.1.1. General development of business

Despite widespread optimism in 2004, a sustained economic recovery failed to materialise. Neither was there any fundamental improvement in the tool industry.

The market remained affected by highly muted consumer spending, having a direct impact on retail sales. This also contributed to fierce competition on price and disappointing margins.

Although market conditions were unfavourable, business in the Tool Trade division was highly encouraging.

We succeeded in fully achieving our main objective – lasting stability as a basis upon which to expand in the market. The development of margins provided some limited amount of satisfaction in light of conditions within the industry. On the other hand, the high level of negative net interest result continued to impact the development of income.

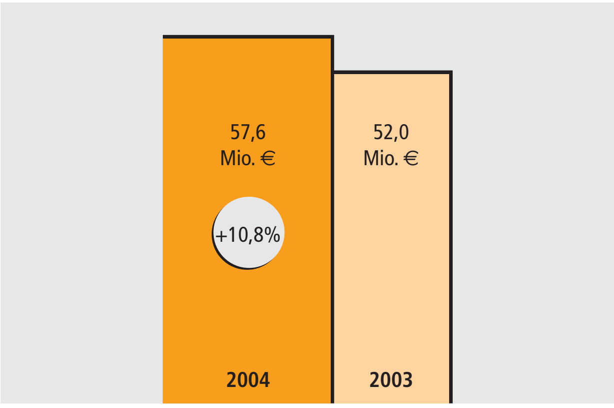
The factors that have driven the success of our corporate strategy over the past four years were rigorously pursued, contributing in increased measure to a very positive result in financial year 2004.

As in previous years, our corporate strategy rested on these pillars:

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

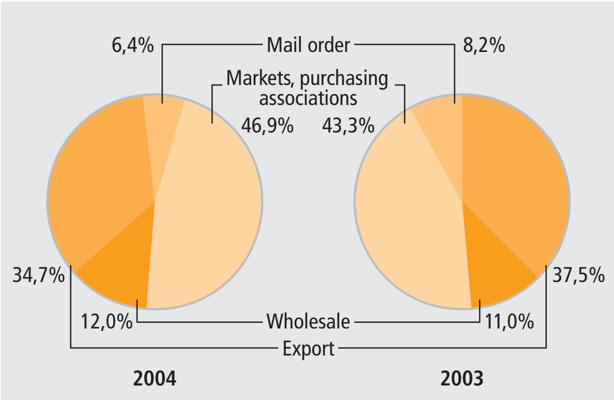
2.1.2. Key operating figures

Tools Division: Sales



	2004		2003		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Mail order	3.7	6.4	4.3	8.2	-0.6	-14.0
Markets. purchasing associations	27.0	46.9	22.5	43.3	4.5	20.0
Wholesale	6.9	12.0	5.7	11.0	1.2	21.1
Export	20.0	34.7	19.5	37.5	0.5	2.6
	57.6	100.0	52.0	100.0	5.6	10.8

Tools Division: Sales by Customer Groups



Sales for the Tools division rose by 10.8% to EUR 57.6 million. This amounts to an increase of EUR 5.6 million against the previous year's figure of EUR 52.0 million. This success is due primarily to an expansion of our activity in the domestic market.

By customer groups, sales broke down as follows:

In certain sub-segments, such as Wholesale and Markets/ purchasing associations, we generated sound double-digit growth rates. A number of new customer segments also developed encouragingly. As competition continued to heighten however, product prices remained in a general downtrend. The additional volume obtained thus exceeded the increase in sales.

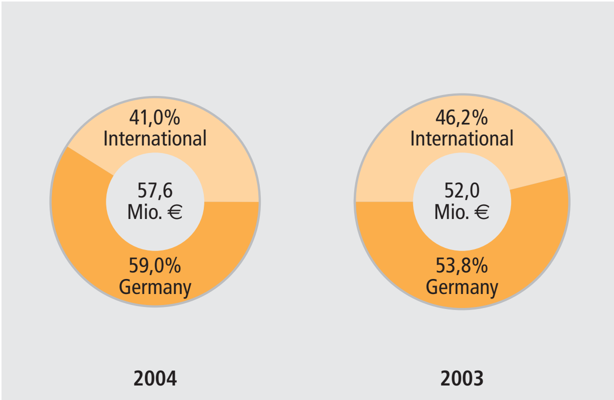
Ongoing efforts to reduce low-margin and risk-exposed export activities in South and Central American countries and the Caribbean were nearly completed. In financial year 2004, this strategic process only resulted in a loss of EUR 0.5 million in sales, on the heels of a EUR 3.6 million downturn the year before.

The percentage attributable to Wholesale and Markets/purchasing associations rose. Mail order declined marginally by EUR 0.6 million.

	2004		2003		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Germany	34.0	59.0	28.0	53.8	6.0	21.4
International*	23.6	41.0	24.0	46.2	-0.4	-1.7
	57.6	100.0	52.0	100.0	5.6	10.8

*Note: Export customer group plus all other international sales

Tools Division: Geographic Information



In addition to the traditional export business, international sales include other sales from abroad within the different customer groups.

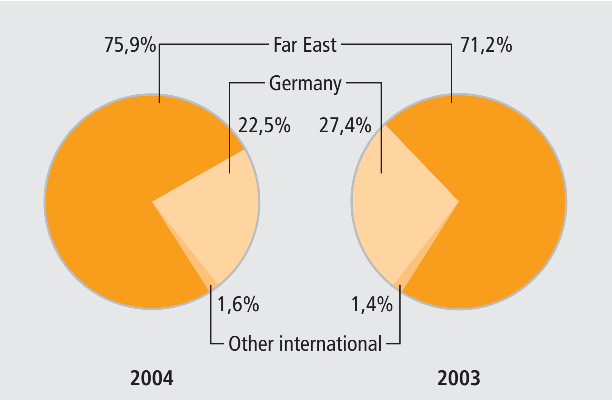
The sales increase was generated primarily in Germany. The backdrop of poor domestic economic and industry conditions highlights our strong positioning in the Tool trade.

The order book of EUR 11.3 million at the end of 2004 increased substantially year-on-year by 31.4% from EUR 8.6 million. This level provides a powerful springboard into the new financial year. Incoming orders rose by 17.7% as against the previous year to EUR 71.0 million.

Export sales were driven largely by goods produced in Germany.

	2004 %	2003 %	Change in % points
Germany	22.5	27.4	-4.9
Far East	75.9	71.2	4.7
Other international	1.6	1.4	0.2
	100.0	100.0	

Tools Division: Purchasing Volume by Region



Comparing purchasing volume by region, sales to the Far East remain in an obvious uptrend.

	2004 Mio.€	2003 Mio.€	Change Mio.€
Staff costs	5.2	5.1	0.1
Depreciation and amortisation expense	0.2	0.2	0.0
Other operating expenses	7.4	6.8	0.6
	12.8	12.1	+0.7

Staff and material costs rose by EUR 0.7 million or 5.8% to EUR 12.8 million. Though still high, the increase was less in percentage terms than the rise in sales.

The number of staff employed by the division increased by two persons in financial year 2004 to 80.5 employees.

Sales per employee increased by 9.1% from EUR 0.66 million in financial year 2003 to EUR 0.72 million, reflecting increasing productivity.

Despite sharply intensifying competition in an overall difficult market environment, we succeeded in expanding the gross margin slightly. The figure improved by 0.6 percentage points to 26.0% compared with 25.4% in the previous year. Gross income rose from EUR 13.2 million to EUR 15.0 million.

The significant level of foreign currency liabilities attendant with divisional operations rose by 17.5% to US-$ 7.4 million during the financial year (previous year: US-$ 6.3 million). The financial result remained almost stable at minus EUR 1.5 million.

With sales up significantly and gross income improving along with an effective currency management, the division's operating result/EBIT climbed substantially to EUR 3 million (up from EUR 1.8 million in the previous year).

Thus the Tools division fared outstandingly well, not only in relation to the poor economy and industry conditions.

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 scale. The Company has offices in Cologne and Ludwigshafen.

For a number of years this segment has been negatively impacted by market stagnation. Both the municipal utilities and industrial plant construction businesses suffered from the savings measures of municipalities and companies and experienced an industry-wide downturn in financial year 2004.

Again, we view the key pillars of our corporate strategy as being responsible for our positive business operations in this field:

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

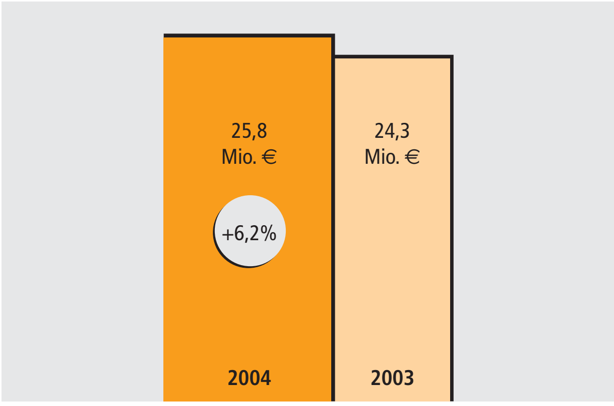
- A high level of sales activity in the project business, requiring substantial expertise

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

2.2.2. Key operating figures

	2004		2003		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
Industrial technology	18.5	71.9	18.1	74.6	0.4	2.2
Project business	7.3	28.1	6.2	25.4	1.1	17.7
	25.8	100.0	24.3	100.0	1.5	6.2

Valves Division: Sales



Nonetheless, the Valves division managed to lift sales to EUR 25.8 million in this difficult market environment. Against the previous year, in which sales were EUR 24.3 million, this represents a 6.2%. The breakdown by business area is shown above.

In the face of ongoing and extreme pricing pressure in the market, we boosted gross income from EUR 4.7 million (gross margin = 19.3%) to EUR 5.0 million (gross margin = 19.4%).

	2004 Mio. €	2003 Mio. €	Change Mio. €
Staff costs	2.9	2.9	0.0
Depreciation and amortisation expense	0.1	0.1	0.0
Other operating expenses	1.4	1.4	0.0
	4.4	4.4	0.0

Staff and material costs did not change substantially. The number of staff increased by one person during the financial year to 54 employees. Sales per employee amount to EUR 0.48 million in 2004 as against EUR 0.46 million in financial year 2003.

With sales growth and a slight improvement in margins, the division achieved substantially higher EBIT in financial year 2004, generating EUR 0.7 million after EUR 0.4 million in the previous year.

3. Group business developments

The following measures were of material importance in financial year 2004:

- Optimising business volume in light of financing constraints
- Optimisation of currency management
- Improving cash flow
- Continued expansion into new customer segments in Germany
- Adapting cost structures

Encouragingly, the results obtained were above our own targets, though the market environment was negative.

3.1. Group result

We again saw a major expansion of our business in the Tools division – as already described – with sales up nearly 11% and EBIT rising more strongly.

The Valves division – as explained – is also very much on track, recording sales growth of more than 6% as well as higher earnings growth, closing with a considerable improvement on the previous year.

The divisions thus were able to further strengthen their position in the market despite the difficult economic situation.

In view of overall business conditions, this represents a highly pleasing achievement.

Due to the excellent earnings generated by both divisions, consolidated sales in the past financial year amounted to EUR 84.2 million, up from EUR 77.3 million in the previous year. This represents a sound growth rate of 9%. Our business thus outperformed the industry and the general economic trend in Germany.

Though competition remains as fierce as ever, we steadily expanded our margins up to a new level. Consolidated gross income (unadjusted for currency exchange rates) improved to EUR 20.8 million, up from EUR 18.8 million in the previous year. This amounts to an increase of EUR 2.0 million or 10.6%.

	2004	2003	Change
	Mio. €	Mio. €	Mio. €
Staff costs	9.2	9.0	0.2
Depreciation and amortisation expense	0.6	1.1	-0.5
Other operating expenses	8.1	7.6	0.5
	17.9	17.7	0.2

Staff and material costs, including depreciation and amortisation, rose by EUR 0.2 million or 1.1% to EUR 17.9 million (previous year: EUR 17.7 million), although less in percentage terms than the not inconsiderable increase in sales. The total expenses ratio for financial year 2004 decreased to 21.3% (previous year 22.9%).

	2004		2003		Change	
	Mio. €	%	Mio. €	%	Mio. €	%
1. EBIT	3.86	100.0	2.02	100.0	1.84	91.1
2. Financial result	-2.50	-64.8	-2.51	-124.3	0.01	0.4
3. Operating results	1.36	35.2	-0.49	-24.3	1.85	377.6
4. Income taxes	-0.68	-17.6	-0.42	-20.8	0.26	61.9
(thereof deferred taxes)	(-0.49	-24.3)	(-0.08	-4.0)	(0.41	512.5)
5. Other taxes	-0.04	-1.0	-0.04	-2.0	0.0	0.0
6. Consolidated result	0.64	16.6	-0.95	-47.0	1.59	167.4

EBIT improved by EUR 1.84 million as against the previous year to EUR 3.86 million – an increase of 91,1%.

The Group‘s net interest result remained nearly unchanged at minus EUR 2.5 million, a persistently high level that continues to impact earnings directly. Unchanged to the previous year, EUR 1.6 million of the interest expense is attributable to short-term liabilities to banks and EUR 0.9 million to long-term liabilities to banks.

Operating earnings climbed EUR 1.85 million from minus EUR 0.49 million in 2003 to EUR 1.36 million in 2004.

The consolidated result for the period was impacted by deferred taxes pursuant to IFRSs totalling EUR 0.49 million (previous year: EUR 0.08 million) and other IFRS-related expenses totalling EUR 0.35 million. Nonetheless, the consolidated result for the period climbed EUR 1.59 million from a loss of EUR 0.95 million to a profit of EUR 0.64 million, an improvement of 167.4%. Group earnings per share thus rose from minus EUR 0.32 to EUR 0.21.

Earnings per share (EBIT) reached EUR 1.29, up from EUR 0.67 last year – an increase of 92.5%.

Cash flow per DVFA/SG rose from EUR 3.1 million to EUR 4.6 million, corresponding to a EUR 1.5 million increase, or about 48.4%.

3.2. Consolidated balance sheet

	2004 Mio. €	2003 Mio. €	Change Mio. €
Inventories	13.7	14.8	-1.1
Receivables	12.9	11.9	1.0
Liquid funds	1.4	1.0	0.4
Total	28.0	27.7	0.3
Commercial banks/bills payable*	12.4	15.0	-2.6
Creditors	8.8	9.1	-0.3
Total	21.2	24.1	-2.9
Working capital	6.8	3.6	3.2

*Note: excluding loan financing of property assets

Inventories were reduced by EUR 1.1 million. At the same time, inventory turnover for the Group increased from 5.2 to 6.1. We see the continued improvement in this key figure for the Company as a validation of the strategic product range measures systematically implemented over the last several years.

Although notes payable to banks and liabilities to banks were reduced by almost EUR 6.0 million as at the balance sheet date over the past two years, liquid funds increased by EUR 0.4 million to EUR 1.4 million.

Working capital increased from last year‘s level of EUR 3.6 million by EUR 3.2 million up to a new level of EUR 6.8 million.

Financial year 2004 saw total Group assets decline year-on-year by EUR 2.4 million, or 4.3%, from EUR 55.9 million to EUR 53.5 million.

At EUR 8.5 million, equity for financial year 2004 (previous year EUR 8.1 million) results in an equity ratio of 15.9% (previous year 14.5%).

The book value per share, based on the equity ratio, amounted to EUR 2.83.

3.3. Guarantees and other contingent liabilities

Contingent liabilities totalled EUR 2.4 million, down from EUR 3.6 million in the previous year.

3.4. Employees

During financial year 2004, the Group employed an average of 139.5 persons in total. The number of employees thus remains almost unchanged in comparison with the previous year’s figure of 139 employees.

The figures compare as follows year-on-year:

Employees	2004	2003	Change
Industrial employees	36	28	8
Salaried employees	103.5	111	-7.5
Number of staff employed	139.5	139	0,5
Trainees and apprentices	2	5	-3
Sales per employee in TEUR (rounded)	604	556	48

Based on the overall Group result, sales per employee for the Group improved by TEUR 48.

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 that are only attributable to a concrete but relatively short planning horizon, both divisions employ a variety of measures on an ongoing basis in the areas of new customer segments and innovative product assortment 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 anticipated developments as far as possible.

The Company employs a proprietary computer-based controlling and reporting system. Financial accounting data from 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 monthly data 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

Tool trade

Economic and industry-specific conditions continue to involve a great degree of uncertainty. It is thus extremely difficult to make reliable projections regarding the future course of business. However, the higher order book of EUR 11.3 million, up EUR 2.7 million or 31.4% year-on-year at the end of 2004 permits a certain degree of optimism for the future.

In addition to materials prices, another major risk factor in terms of cost is the steady and dramatic rise in shipping costs. With global demand for shipping container capacity high, freight forwarding costs continued to rise in 2004. This importance of this cost factor is increasing for us, as trading volume is rising steadily while product prices fall. This means that shipping costs are advancing at a faster rate.

US-$-based transactions are hedged whenever possible.

As the Cologne Practical World Fair, an important event for our organisation, is not due to be held in 2005, we will be putting greater emphasis on presenting new articles at in-house exhibitions to engage our customers.

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

Incoming orders and order book in the first few months of the new financial year are moving upward, indicating that the trend is set to continue until September 30, 2005 at least.

Valves trade

Expectations are modest for 2005 in the German-speaking economic zone, the primary market for sales of the Valves division. The industry is still in the midst of a consolidation phase. Additionally, there is a trend toward direct sales to the detriment of dealers. As a result, price wars will escalate.

Incoming orders, especially in the industrial business, posted an extremely good performance in the first months of the new financial year. Based on a number of framework agreements concluded and our traditionally strong position in this market, we hope to be able maintain the level of the previous year.

In financial year 2005, 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 to allow transacting greater business volume without requiring additional staff

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

The Group

Though economic conditions remain challenging, the results thus far obtained indicate it is likely that we will stay on the growth track. Our market position is good, and incoming orders are up against the industry trend. This is a reliable witness to the reputation and acceptance we enjoy among customers.

Our corporate financing objective is the continued improvement of our equity ratio and a reduction of the net interest position. If financial year 2005 proceeds as successfully as 2004, we are confident that we will make major progress toward this goal.

Remscheid, April 2005
Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein | Bernd Schafstein | Frank Schafstein

Consolidated Financial Statements

Consolidated Balance Sheet

ASSETS

	Note	31.12. 2004 EUR	31.12.2003 TEUR
I. Intangible assets	2.1.	4,554,091.61	4,714
II. Tangible assets	2.2.	16,229,258.37	16,532
III.Financial assets	2.3.	34,824.25	22
FIXED ASSETS		20,818,174.23	21,268
I. Inventories	2.4.	13,712,141.65	14,848
II. Receivables and other current assets	2.5.	13,483,135.33	13,797
III.Cheques, cash, deposits with commercial banks	2.6.	1,373,827.86	1,044
CURRENT ASSETS		28,569,104.84	29,689
PREPAID EXPENSES	2.8.	435,846.11	569
ACCRUED AND DEFERRED TAXES	2.7.	3,678,143.44	4,393
		53,501,268.62	55,919

LIABILITIES

	Note	31.12. 2004 EUR	31.12.2003 TEUR
I. Share capital	2.9.	7,700,000.00	7,700
II. Capital reserve	2.10.	770,000.00	10,226
III.Other earnings reserves	2.11.	40,487.81	8,177
IV.Consolidated net earnings/ loss	2.12.	0.00	-18,000
SHAREHOLDERS' EQUITY		8,510,487.81	8,103
1. Accruals for pensions and similar obligations		3,520,166.21	3,080
2. Accrued taxes		271,818.00	237
3. Other accruals		683,007.49	660
ACCRUALS	2.13.	4,474,991.70	3,977
1. Amounts due to banks		27,596,563.96	29,628
2. Advance payments received		238,296.61	21
3. Trade payables		8,840,705.09	9,108
4. Notes payable		0.00	883
5. Other liabilities		3,840,223.45	4,199
LIABILITIES	2.14.	40,515,789.11	43,839
		53,501,268.62	55,919

Consolidated Statement of Earnings

January 1, 2004 to December 31, 2004

	Note	01.01.-31.12. 2004 EUR	01.01.-31.12. 2003 TEUR
1. Sales	3.1.	84,208,852.34	77,254
2. Other operating income	3.2.	1,901,741.83	1,730
3. Materials		-63,411,544.44	-58,504
4. Personnel costs	4.4.	-9,192,099.52	-9,033
5. Depreciation, amortisation and special provisions	5.	-1,459,991.99	-1,126
6. Other operating expenses	3.3.	-8,185,999.89	-8,296
7. Financial result	3.4.	-2,496,729.30	-2,514
8. Results of ordinary operations		1,364,229.03	-489
9. Taxes on income	3.5.	-684,279.35	-425
10. Other taxes		-36,736.89	-38
11. Consolidated net income/loss for the year		643,212.79	-952
12. Profit/loss carried forward		-18,023,986.09	-17,048
		-17,380,773.30	-18,000
13. Retransfer of Capital reserve		9,455,837.63	-
14. Retransfer of Other earnings reserves		7,924,935.67	-
15. Consolidated net profit/loss		0.00	-18,000
16. Earnings per share (undiluted) in EUR	3.6.	0.21	-0.32
17. Earnings per share (diluted) in EUR	3.6.	0.21	-0.32

Consolidated Capital Finance Account

	2004 TEUR	2003 TEUR
I. Operating activities		
1. Earnings before cash interest payments, interest income, taxes on income and extraordinary earnings	3,094	1,904
2. Depreciation on (+) / additions to (-) fixed assets	648	1,126
3. Increase (+) / decrease (-) in accruals	158	17
4. Non-cash expenditure and income		
a) from deferred taxes	730	82
b) other non-cash expenditure and income	3	-4
Cash flow of the year as DVFA / SG	4,633	3,125
5. Profit (-) / loss (+) on the disposal of fixed assets	0	-1
6. Increase (-) / decrease (+) in inventories, trade receivables and other assets not included in Investment Activities or Financing Activities	1,738	3,643
7. Increase (+) / decrease (-) in trade payables and other liabilities not included in Investment Activities or Financing Activities	-408	-1,000
8. Cash from:		
a) Interest payments (+) / (-)	-2,497	-2,513
b) Taxes (+) / (-)	-21	-343
Cash flow from operating activities	3,445	2,911
II.Investment activities		
1. Income from disposal of tangible assets	19	12
2. Expenditure on investment in tangible assets	-186	-153
3. Expenditure on investment in intangible assets	-20	-52
4. Income from disposal of financial assets	3	11
5. Expenditure on investment in financial assets	-16	0
Cash flow from investment activities	-200	-182
III. Financing activities		
Expenditure on capital repayments on outstanding bond issues and (financial) loans	-2,915	-3,034
Cash flow from financing activities	-2,915	-3,034
Change in liquid funds	330	-305
Funds at start of period	1,044	1,349
Funds at end of period	1,374	1,044

Fixed Assets Schedule for the Consolidated Financial Statements

	Historic cost of acquisition				
	Balance carried forward 01.01. 2004 TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As of 31.12.2004 TEUR
Fixed Assets					
I. Intangible assets					
1. Licences, trade marks and patents, etc. as well as licences to such rights and assets	2,569	17	0	0	2,586
2. Goodwill from the consolidation of capital	8,172	0	0	0	8,172
3. Advance payments	0	3	0	0	3
	10,741	20	0	0	10,761
II. Tangible assets					
1. Land, rights similar to land and buildings, including buildings on property owned by others	18,509	63	36	-15	18,593
2. Technical equipment and machinery	25	12	0	0	37
3. Ohter equipment, office furniture and equipment	1,340	109	0	-75	1,374
4. Advance payments on tangible assets and construction in process	36	0	-36	0	0
	19,910	184	0	-90	20,004
III. Financial assets					
1. Other participating interest	10	16	0	0	26
2. Other loans	12	0	0	-3	9
	22	16	0	-3	35
	30,673	220	0	-93	30,800

Depreciation					Net book value	
Balance carried forward 01.01. 2004 TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As of 31.12.2004 TEUR	As of 31.12.2004 TEUR	As of 31.12.2003 TEUR
1,700	180	0	0	1,880	706	869
4,327	0	0	0	4,327	3,845	3,845
0	0	0	0	0	3	0
6,027	180	0	0	6,207	4,554	4,714
2,282	345	0	-13	2,614	15,979	16,227
13	9	0	0	22	15	12
1,083	114	0	-58	1,139	235	257
0	0	0	0	0	0	36
3,378	468	0	-71	3,775	16,229	16,532
0	0	0	0	0	26	10
0	0	0	0	0	9	12
0	0	0	0	0	35	22
9,405	648	0	-71	9,982	20,818	21,268

Statement of Changes to Shareholders' Equity

	Share capital TEUR	Capital reserves TEUR	Revenue reserves* TEUR
Shareholders'equity as at December 31, 2002	7,700	10,226	8,233
Transfer to earnings reserves from 2002 net income			-6
Profit distribution to the parent company			-50
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	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, 2002	-16,679	-419	9,061
Transfer to earnings reserves from 2002 net income		6	
Transfer to retained earnings brought forward from 2002 net income	-413	413	
Profit January 1, to December 31, 2003		-952	
Profit distribution to the parent company	50		
Changes due to consolidation effects	-6		
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		
Revaluation of deferred taxes			
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	0	0	8,510

Notes to the Consolidated Financial Statements

1. General information about the consolidated financial statements

1.1. Principles

The consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for financial year 2004 were prepared in accordance with the standards of the International Accounting Standards Board (IASB) that applied as at the balance sheet date, taking into account the interpretation of the International Financial Reporting Interpretations Committee (IFRIC). They present a true and fair view of the Group's net assets, financial position and results of operations. The previous year's figures were calculated using the same principles.

The consolidated financial statements have been prepared in euro. In accordance with Article 297 (2) of the Handelsgesetzbuch (HGB – German Commercial Code), the total cost method was applied to the statement of earnings. In the year under review, two companies made use of the exemption option under Article 264 (3) of the HGB.

The conditions stipulated in Article 292a of the HGB for exemption from the obligation to prepare consolidated financial statements in line with German commercial law have been fulfilled. These conditions are assessed on the basis of German Accounting Standard No.1 (GAS 1) issued by the German Accounting Standards Committee. In order to achieve parity with consolidated financial statements prepared in accordance with the provisions of German commercial law, all information and explanatory notes required by German commercial law and extending beyond the obligatory information to be provided in line with IASs are also published.

Material differences to consolidated accounting in accordance with the HGB primarily arise from reporting deferred tax assets from tax loss carryforwards in line with IAS 12, from the adjustment of pension obligations in line with IAS 19 and the elimination of global valuation allowances on trade receivables in line with IAS 39.109 ff.

The new provisions in line with IFRS 3 and IAS 36 were also utilised in the period under review. In accordance with IFRS 3, goodwill reported from an acquisition has to be carried at cost, less accumulated losses or impairments. Goodwill is therefore no longer amortised on a straight-line basis but subject to an annual impairment test, to a lower amount if required, should there be any indications of this according to IAS 36. In this respect, the previous year's figures were not adjusted.

In addition to these points, there are no further changes in accounting policies as International Accounting Standards are not intended to apply to immaterial items.

1.2. Companies included in consolidation

In addition to the parent company, Brüder Mannesmann Aktiengesellschaft, the consolidated financial statements include a total of seven domestic subsidiaries and one foreign subsidiary.

In financial year 2004, Brüder Mannesmann Werkzeuge GmbH acquired all limited partner shares in Brüder Mannesmann Werkzeuge GmbH & Co. KG, thus becoming the sole shareholder of the company. Consequently, Brüder Mannesmann Werkzeuge GmbH & Co. KG was dissolved through this restructuring. As a result, Brüder Mannesmann Werkzeuge GmbH is the universal successor of Brüder Mannesmann Werkzeuge GmbH & Co. KG. The number of companies included in consolidation is thus reduced by one company.

Furthermore, Brüder Mannesmann Nederland B.V. was sold in the year under review by the parent company to Brüder Mannesmann Werkzeuge GmbH, which will continue to operate the acquired company as a wholly-owned subsidiary.

The complete list of Brüder Mannesmann Aktiengesellschaft Group's shareholdings has been filed in the Wuppertal Commercial Register.

1.3. Consolidation principles

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.

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

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 January 1, 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 amortised over 15 years.

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

The following useful lives primarily apply to non-current 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 equipment, operating and office equipment	2 to 15 years

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

Non-current financial assets are recognised at cost.

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 in hand and bank deposits are carried at their principal amount.

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/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 that are unlikely to be realised in the future.

The actuarial valuation of provisions 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 provisions are recognised in accordance with IAS 37 and take into account all discernible risks and uncertain obligations. Provisions 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. In this respect, a permissible deviation was made from the principle of individual valuation and the right to offset was exercised. The valuation was carried out using the exchange rates of hedging transactions.

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 to the consolidated balance sheet

2.1. Intangible assets

Intangible assets of TEUR 4,554 include TEUR 3,845 for goodwill from capital consolidation.

Additions in financial year 2004 amounted to TEUR 19 and amortisation to TEUR 180.

2.2. Property, plant and equipment

Additions to property, plant and equipment amounted to TEUR 184, disposals at carrying amounts amounted to TEUR 19. Depreciation charged totalled TEUR 469 in the financial year.

The land and buildings owned by the Brüder Mannesmann Group but used by third parties are not reported as investment properties since they cannot be sold individually (IAS 40.8).

2.3. Non-current financial assets

The reduction is due to the repayment of other loans.

2.4. Inventories

The Brüder Mannesmann Group inventories amounting to TEUR 13,712 consist exclusively of merchandise.

2.5. Receivables and other current assets

	2004 TEUR	2003 TEUR
Trade receivables	12,863	11,849
Other current assets	620	1,948
(of which with a residual term of more than one year)	(0)	(177)
	13,483	13,797

In accordance with IAS 39.109, global valuation allowances on trade receivables are not taken into account. Following recognition of deferred tax expenses, the reversal of global valuation allowances during the financial year resulted in a TEUR 22 increase in consolidated net profit for the period.

Other current assets can be broken down as follows:

	2004 TEUR	2003 TEUR
Creditors with debit balances and bonuses	411	279
Receivables from tax offices	131	453
Complainant claims	0	812
Loan receivables	0	228
Other	78	177
Other current assets	620	1,949

2.6. Cash and cash equivalents

The Company's cash and cash equivalents comprise cash in hand, cheques and bank deposits.

2.7. Deferred taxes

The deferred tax assets reported primarily include recoverable taxes from tax loss carryforwards (IAS 12). This was based on a tax rate of 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 for the period.

Accumulated deferred taxes from previous years result in a deferred tax expense of TEUR 2,393.

In the 2004 year under review, deferred taxes from tax loss carryforwards of TEUR 469 were written down. The deferred tax expense in accordance with IAS thus increased by this amount.

The parent company's tax loss carryforward was reduced in the year under review as part of a tax audit for the period from 1997 to 2000. The additional deferred tax expense resulting from the reassessment of the realisable deferred tax asset of TEUR 236 was offset against retained earnings without impacting income in accordance with IAS 12.60 and 12.63.

This line item also includes deferred taxes from the elimination of interim profits.

2.8. Prepaid expenses

The amount reported is mainly due to the financial restructuring of a subsidiary's land holdings in the previous year. In this respect, forfeited rent payments have been repaid.

The fees incurred as a result of the repayment of previous financing are deferred in line with IASs 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 131 lower than in the annual financial statements prepared in accordance with German commercial law.

2.9. 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. 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 September 26, 2006 through the issue of new bearer shares.

2.10. Capital reserves

This item also includes a premium of TEUR 10,226 from capital increases.

In the year under review, TEUR 9,456 was withdrawn from the capital reserves and offset against net accumulated losses.

2.11. Other retained earnings

At TEUR 1,387, other retained earnings include pro rata undistributed profits of companies included in the consolidated financial statements, provided that these were generated during affiliation to the Group. Differences arising from currency translation in the balance sheets of foreign companies before January 1, 1999 were offset in this item.

In addition, IAS adjustments (TEUR 6,815) were transferred to retained earnings in the opening balance sheet as at January 1, 2001 without impacting income. Due to the reassessment of the current deferred tax asset in the year under review, the resulting difference of TEUR 236 was offset against retained earnings without impacting income (see 2.7).

In the year under review, one subsidiary paid the parent company TEUR 150 from retained earnings. This sum was consolidated by a profit carryforward in the course of elimination of income from equity holdings.

This item was eliminated in the year under review against consolidated net accumulated losses of TEUR 7,925.

2.12. Unappropriated surplus/net accumulated losses

The Group's unappropriated surplus/net accumulated losses are derived from the statement of earnings.

Changes in equity are shown in the statement of changes in equity.

2.13. Provisions

The company pension provided by the Brüder Mannesmann Group is mainly based on direct defined benefit pension plans.

Length of service and remuneration relevant to the benefit are generally used as a basis for valuation.

The actuarial valuation of provisions for pensions was carried out using the projected unit credit method in accordance with IAS 19 (Employee Benefits) for the first time on December 31, 2001 and January 1, 2002, taking future developments into account. In line with IAS 19.155, deviations from the values stipulated by German commercial law are distributed over five years.

Discount rates of 5.30% and 5.75% were applied. Future annual salary increases were fixed at 2% and pensions at 1.5%.

In the year under review, this results in an additional expenses of TEUR 259 compared with annual financial statements prepared in line with the HGB. This comprises the difference between HGB and IAS initial values in the amount of TEUR 96 and the estimated annual retirement benefit cost of TEUR 163.

Due to the distribution of this difference between HGB and IAS initial amounts over five years, the additional amount of TEUR 191 was not yet recognised in 2004 (IAS 19.155 b (ii)).

Actuarial gains and losses did not have to be recognised.

Please refer to the statement of changes in provisions for details of changes in provisions.

Statement of changes in provisions in accordance with IAS 37.84	Opening balance at January 1, 2004 TEUR	Utilisation in financial year TEUR	Reversal in financial year TEUR	Addition in financial year TEUR	Ending balance at December 12, 2004 TEUR
Provisions for pensions and other post-employment benefits	3,080	-1	-20	461	3,520
Provisions for taxes	150	-150	0	170	170
Deferred tax liabilities	87	0	0	15	102
Provisions for taxes	237	-150	0	185	272
Provisions for guarantees	57	-8	-22	30	57
Provisions for bonuses, including staff costs	333	-309	-12	323	335
Provisions for other uncertain obligations	270	-228	-7	256	291
Other provisions	660	-545	-41	609	683
Total provisions	3,977	-696	-61	1,255	4,475

Maturity structure of liabilities at December 31, 2004	Total	Thereof with a maturity of				
		up to 1 year	1 to 5 years	More than 5 years	Collateralised amounts	Type of collateral
	TEUR	TEUR	TEUR	TEUR	TEUR	
Amounts due to banks	27,597	12,635	1,923	13,039	27,289	Land charges, assignment of receivables, assignment of tangible assets and goods as collateral
Advance payments received	238	238	0	0	0	
Trade payables	8,841	8,841	0	0	0	
Other liabilities - thereof from taxes TEUR 578 (previous year: TEUR 857) - thereof from social security TEUR 153 (previous year: TEUR 157)	3,840	2,835	531	474	0	
	40,516	24,549	2,454	13,513	27,289	

2.14. Liabilities

Type of liability	Maturity	Interest rates	Average interest rate	Fair value TEUR as at 31.12.2004	Nominal amount TEUR as at 31.12.2004
Amounts due to banks	up to 23 years	5.0 % to 10.5 %	7.7%	27,597	27,597

Other liabilities relate to the following material items:

	2004 TEUR	2003 TEUR
Loan commitments to associated companies	1,288	1,572
Liabilities from pension obligations	1,130	1,146
Amounts due to tax offices	578	857
Amounts due to debtors with credit balances	352	251
Amounts due to social security organisations	153	157
Amounts due in commissions	146	174
Other	193	42
	3,840	4,199

3. Notes to the consolidated statement of earnings

3.1. Revenue

The general principles of earnings from transactions apply to revenue.

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

3.2. Other operating income

Other operating income includes the following items:

	2004 TEUR	2003 TEUR
Income from exchange gains	1,505	1,169
Income from car use	130	103
Income from the reversal of provisions	53	74
Income from claims	13	54
Other	201	330
	1,902	1,730

3.3. Other operating expenses

	2004 TEUR	2003 TEUR
Selling expenses	3,632	3,097
Travel, entertainment and representation expenses	1,033	938
Insurance and telecommunication expenses	734	739
Purchased services, consultancy, legal protection	657	615
Transaction expenses	379	350
Rental and leasing expenses	312	470
Exchange rate losses	123	653
Other	1,316	1,434
	8,186	8,296

3.4. Net finance costs

	2004 TEUR	2003 TEUR
Other interest and similar income	76	9
Interest and similar expenses	-2,573	-2,522
	-2,497	-2,513

3.5. Income tax expense

The items can be broken down as follows:

	2004 TEUR	2003 TEUR
Current tax expense, within Germany (of which prior-period)	-184 (-14)	-254 (-)
Current tax expense, outside Germany	-7	-89
Deferred tax expense	-520	-131
Deferred tax income	+27	+49
	-684	-425

3.6. 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.

At net profit for the period of TEUR 643 (previous year: net loss of TEUR -952), earnings per share amount to EUR 0.21 (previous year: EUR -0.32), thus up EUR 0.53 or 165.6%.

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

Earnings before interest and taxes (EBIT) amount to EUR 1.29 per share (previous year: EUR 0.67), up 92.5%.

4. Other information

4.1. Cash flow statement

The cash flow statement was prepared using the indirect method, in accordance with IAS 7. Cash and cash equivalents comprise cash in hand, cheques and bank deposits.

4.2. Contingent liabilities

	2004 TEUR	2003 TEUR
Guarantees	2,332	3,323
Bills payable	111	279

4.3. Other financial obligations

	2004 TEUR	2003 TEUR
Total leasing instalments due within 1 year	200	257
Total leasing instalments due within 1 to 5 years	161	204
Total leasing instalments due after more than 5 years	-	-

4.4. Staff costs and employees

In financial year 2004, the Brüder Mannesmann Group employed an average of 139.5 persons (previous year: 139). Part-time employees were included in line with the economic concept.

	2004	2003
Industrial employees	36.0	28.0
Salaried employees	103.5	111.0
	139.5	139.0
Trainees and apprentices	2.0	5.0

Expenses for pensions amounted to TEUR 600 in the year under review.

5. Segment reporting

In accordance with the provisions of IAS 14 (Segment Reporting), a breakdown of individual data from the annual financial statements by the tools, valves and land holdings business areas is presented below.

The segment reporting breakdown reflects the internal reporting structure.

Transactions between segments are conducted at arm's length.

Segment reporting

	Tools* 31.12.2004 TEUR	Valves 31.12.2004 TEUR	Land Holdings 31.12.2004 TEUR	Tools* 31.12.2003 TEUR	Valves 31.12.2003 TEUR	Land Holdings 31.12.2003 TEUR
Revenue	57,605	25,808	796	52,044	24,341	869
Domestic	33,959	25,022	796	28,056	23,775	869
Foreign	23,646	786	0	23,988	566	0
Segment result before profit distribution	90*	482	71	-1,145	197	-4
Segment assets	29,079	6,281	13,937	29,574	6,685	14,230
Segment liabilities	12,083	2,924	248	11,347	3,792	381
Investment in non-current assets	123	34	48	109	60	37
Depreciation and amortisation	-1,067	-110	-283	-727	-117	-282
Annual average number of employees (excluding trainees and apprentices)	85.5	54	0	86	53	0

*In addition to the Tools business area, the Tools segment includes Brüder Mannesmann AG and IAS-related expense entries. After adjustment for these expenses and an adopted tax rate of 40%, the Tools segment result amounts to TEUR 1,113 (previous year: TEUR 328).

6. Other information

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

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

The following are members of the parent company's 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

In the year under review, the compensation for the Board of Management amounted to TEUR 1,497, the Supervisory Board's remuneration totalled TEUR 27.

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

Board of Management	708,700 shares
Supervisory Board	228,500 shares

The declaration in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued and made available to the shareholders.

Remscheid, 25. April 2005
Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein Bernd Schafstein Frank 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

Financial Statements

Balance Sheet

ASSETS

	31.12.2004 EUR	31.12.2004 EUR	31.12.2003 TEUR
A. FIXED ASSETS			
I. Intangible assets			
1. Licences, trade marks and patents, etc., as well as licences to such rights and assets	9,025.00		15
2. Downpayments for intangible assets	2,862.00		
		11,887.00	
II. Tangible assets			
Office furniture and equipment	6,887.00		14
III. Financial assets			
Shares in group companies	11,417,067.22		12,505
		11,435,841.22	12,534
B. CURRENT ASSETS			
I. Receivables and other current assets			
1. Amounts due from group companies	1,520,230.59		91
2. Other current assets	36,175.09		92
		1,556,405.68	183
II. Cash, deposits with commercial banks		12,846.40	2
		13,005,093.30	12,719

LIABILITIES

	31.12.2004 EUR	31.12.2004 EUR	31.12.2003 TEUR
A. SHAREHOLDERS' EQUITY			
I. Share capital	7,700,000.00		7,700
II. Capital reserve	1,292,930.53		10,226
III. Earnings reserves			
Other earnings reserves	1,247,242.83		1,247
IV. Net profit/loss	0.00		-10,469
		10,240,173.36	8,704
B. ACCRUALS			
1. Pension accruals	65,978.00		0
2. Accrued taxes	170,000.00		0
3. Other accruals	78,500.00		73
		314,478.00	
C. LIABILITIES			
1. Amounts due to banks	0.00		421
2. Trade payables	78,908.36		147
3. Amounts due to group companies	154,095.08		1,768
4. Other liabilities	2,217,438.50		1,606
thereof taxes EUR 31,663.68			
(December 31, 2003 EUR 25,710.67)		2,450,441.94	3,942
thereof in respect of social security EUR 7,969.23			
(December 31, 2003 EUR 8,395.61)			
		13,005,093.30	12,719

Statement of Earnings

January 1, 2003 to December 31, 2004

	2004 EUR	2004 EUR	2003 TEUR
1. Sales		1,098,000.00	1,029
2. Other operating income		919,107.35	1,221
3. Personnel costs			
a) Wages and salaries	939,115.36		976
b) Social security costs	119,217.67		53
		1,058,333.03	1,029
4. Depreciation, amortisation and special provisions on intangible and tangible assets		15,688.69	82
5. Other operating expenses		687,284.47	1,491
6. Income from profit transfer agreement and partial profit transfer agreements		2,130,009.16	189
7. Income from dividend distribution		150,000.00	50
8. Other interest and similar income		2,320.51	1
9. Write - down of financial assets and of securities included in current assets		803,080.76	0
10. Expenditure from losses assumed		0.00	4
11. Interest and similar expenses		27,876.33	57
12. Result of ordinary operations		1,707,173.74	-173
13. Taxes on income		170,000.00	0
14. Other taxes		757.35	0
15. Net income / loss of the year		1,536,416.39	-173
16. Loss carried forward		-10,469,323.49	-10,296
		-8,932,907.10	-10,469
17. Retransfer of Capital reserve		8,932,907.10	0
18. Net profit/loss		0.00	-10,469

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31, 2004

	Historic cost of acquisition			
	As of 01.01.2004 EUR	Additions EUR	Disposals EUR	As of 31.12.2004 EUR
I. Intangible assets				
1. Licences, industrial property rights and similar rights and assets, as well as licences to such rights	34,482.99	0.00	0.00	34,482.99
2. Downpayments for intangible assets	0.00	2,862.00	0.00	2,862.00
	34,482.99	2,862.00	0.00	37,344.99
II. Tangible assets				
Furnitures and fixtures	28,352.10	2,796.69	0.00	31,148.81
III. Financial assets				
Shares in group companies	13,390,402.59	8,031,349.11	8,316,673.74	13,105,077.96
Total	13,453,237.68	8,037,007.80	8,316,673.74	13,173,571.76

Schedule of liabilities as of December 31, 2004

Type of liability	Balance sheet value 31.12.2004 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	79	79	0	0	0
Amounts due to group companies	154	154	0	0	0
Other liabilities - thereof taxes: 31,663.68 EUR (December 31, 2003: 25,710.67 EUR) - thereof in respect of social security: 7,969.23 EUR (December 31, 2003: 8,395.61 EUR)	2,217	1,422	321	474	0
	2,450	1,655	321	474	0

Depreciations					Book values	
As of 01.01.2004 EUR	Additions EUR	Disposals EUR	As of 31.12.2004 EUR		As of 31.12.2004 EUR	As of 31.12.2003 EUR
19,176.99	6,281.00	0.00	25,457.99		9,025.00	15,306.00
0.00	0.00	0.00	0.00		2,862.00	0.00
19,176.99	6,281.00	0.00	25,457.99		11,887.00	15,306.00
14,854.10	9,407.69	0.00	24,261.81		6,887.00	13,498.00
884,929.98	803,080.76	0.00	1,688,010.74		11,417,067.22	12,505,472.61
918,961.07	818,769.45	0.00	1,737,730.54		11,435,841.22	12,534,276.61

Notes for the 2004 Financial Year

A. General information about the annual financial statements

1. Legal basis

The annual financial statements as at December 31, 2004 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Public Companies Act).

In accordance with Article 297 (2) of the HGB, the total cost method was applied to the profit and loss account.

2. Share capital

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

3. 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 several occasions until September 26, 2006 through the issue of new bearer shares against cash or non-cash contributions.

4. Currency translation

The receivables and liabilities of Brüder Mannesmann Aktiengesellschaft were denominated solely in euro as at the balance sheet date. Thus, currency translation is not an issue.

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. An equity investment was written down on the basis of the value that applied at the balance sheet date.

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.

Provisions 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 the course of a capital increase, one subsidiary (Komplementär-GmbH) acquired all limited partner shares in the GmbH & Co. KG, thus becoming the sole shareholder of the company and its universal successor. The GmbH & Co. KG was dissolved through restructuring. A profit transfer agreement was concluded with the GmbH.

In addition, a foreign subsidiary was sold in the year under review to an affiliated company, which will continue to operate the acquired company as a wholly owned subsidiary.

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. Net accumulated losses were reversed by reclassifying the net income for 2004 of EUR 1,536,416.39 and reclassifying EUR 8,932,907.10 from the capital reserves.

Other provisions 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.

Other liabilities primarily relate to VAT payment, social security and wage tax. A pension obligation assumed was reclassified from liabilities to affiliated companies.

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 6,351, TEUR 6,050 of which was attributable to affiliated companies and TEUR 301 to third-party companies.

D. Notes to the profit and loss account

1. Sales

Sales primarily relate to Group contributions to affiliated companies, EUR 96,000 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 disposal of an equity investment.

3. Income from profit-pooling

This item relates to the profit of affiliated companies transferred for 2004 within the framework of profit transfer agreements.

4. Interest and similar income

This item includes interest from affiliated companies of EUR 2,317.09.

5. Interest and similar expenses

This item includes interest to affiliated companies of EUR 2,600.00.

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).

F. Executive bodies

The following are members of the Board of Management:

- **Mr. Jürgen Schafstein**

  Chairman 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**

  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

During the year under review, the members of the Board of Management received compensation of TEUR 698 from the Company. The Supervisory Board's remuneration amounted to TEUR 27.

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

Board of Management	708,700 shares
Supervisory Board	228,500 shares

The declaration in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies 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 25, 2005
Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein Bernd Schafstein Frank Schafstein