Consolidated Financial Statements 2003

BRÜDER MANNESMANN
REMSCHEID AKTIENGESELLSCHAFT

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Group management report

1. Foreword

Under the parent company umbrella, Brüder Mannesmann AG combines two divisions that operate independently on the market, the “tool trade” and the “valve trade”. The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as a leasing company. In line with this structure, both the development of business in the operating sectors and the development of business of the Company as a whole are described and discussed in the management report.

The consolidated financial statements were prepared in line with the applicable International Accounting Standards (IAS) and in line with the interpretation of the International Financial Reporting Interpretations Committee (IFRIC) as of the balance sheet date.

The material differences to group accounting according to the German Commercial Code are as follows:

- Posting of deferred taxes under loss carryforwards (IAS 12);

- Adjustment of pension obligations (IAS 19);

- Elimination of general bad debt charges on trade receivables (IAS 39.109 ff.).

2. Business development in operating sectors

2.1. Tool trade

2.1.1 General development of business

The economic situation of the tool trade industry, which has been weak and by no means satisfactory since 2000, hardly improved in 2003. However, small sales increases were recorded in construction and DIY markets. These are primarily due to discounts and special offers, and by no means signify the start of a turnaround.

The market situation continued to be characterised by total uncertainty of end consumers regarding economic developments, and the unchanged hesitance on the part of consumers as a result. A ruinous price war is still being waged in the industry, resulting in unsatisfactory margins.

Against the background of these negative market conditions, the tool trade division's own developments were satisfactory.

Thanks to the continuing positive momentum within the Company itself, it has been possible to separate sales performance from the general trend in the industry, at least to a certain extent, thereby avoiding a greater decline. As a result, the segment achieved its own primary goal of stabilising its market position in full, even though significant declines in earnings were unavoidable.

The success factors of our corporate strategy again played a key role in this:

- Sales policy measures aimed at tapping into new customer segments, including those outside of the traditional sales channels,

- Product range policy measures aimed at the ongoing updating of internal product lines under the "Brüder Mannesmann" brand,

- Purchase policy measures aimed at utilising all the benefits of suppliers from the Far East incorporated into the Company by means of partnerships.

2.1.2 Key figures for the development of operating business

Business developments in the tools division show an increase in trading volume. In some subdivisions, such as mail order, clear double-digit growth rates were achieved. Developments in some new customer segments were also extremely encouraging. However, the general price level of products remained in decline as a result of further intensification of competition owing to market conditions. Thus, the volume increase achieved is not significantly reflected in sales.

Overall, however, division sales amounted to EUR 52.0 million. This corresponds to a nominal year-on-year decline of only 4.9% (previous year: EUR 54.7 million), although the scheduled reduction of low margin and risk bearing export activities in countries of South and Central America and the Caribbean result in a sales reduction of EUR 3.6 million or 6.6%.

Sales development by key customer groups is as follows:

	2003		2002		Change	
(in EUR million)	million	%	million	%	million	%
Mail order	4.3	8.2	2.6	4.8	+1.7	+65.4
Markets, purchasing associations	22.5	43.3	20.4	37.3	+2.1	+10.3
Wholesale	5.7	11.0	8.1	14.8	-2.4	-29.6
Export	19.5	37.5	23.6	43.1	-4.1	-17.4
	52.0	100.0	54.7	100.0	-2.7	-4.9

The customer group markets and purchasing associations is therefore the most important. Of the export decline of EUR 4.1 million, EUR 3.6 million or 88% relates to the intentional avoidance of sales in traditional export regions such as South and Central America and the Caribbean. The positive development in other division sales partly offset the decline in wholesale.

In addition to traditional export business, the international share of sales also includes international sales carried out in other customer groups. As a result of the scheduled reduction of traditional export activities, the international share of sales also declined, though to a lower extent:

	2003		2002		Change	
(in EUR million)	million	%	million	%	million	%
Germany	28.0	53.8	27.6	50.5	+0.4	+1.4
International*	24.0	46.2	27.1	49.5	-3.1	-11.4
	52.0	100.0	54.7	100.0		

*Note: Export customer group plus all other international sales

Although the reduction of export activities has reached an advanced stage, we have not yet fully met our internal corporate targets relating to the internal market realignment of export business at the expense of low-margin and risk bearing sales.

Despite a further clear intensification of competition in a difficult overall market, the gross profit improved slightly. At 25.4%, it rose by 0.9% year-on-year from 24.5%.

A comparative examination of regional distribution of purchase volume clearly shows that the Far East purchase quota has risen further:

	2003 %	2002 %	Change in % points
Germany	27.4	35.1	-7.7
Far East	71.2	62.6	+8.6
International, other	1.4	2.3	-0.9
	100.0	100.0	

A significant share of export sales, particularly outside the EU area, are still generated in merchandise originating from and manufactured in Germany. The increasing substitution of these “classic export sales” with products “designed and controlled by Brüder Mannesmann” remains one of the key tasks for the future.

Solely on the basis of Brüder Mannesmann Werkzeuge GmbH & Co KG, the Far East purchase quota remained high in the 2003 financial year, namely at 95% (previous year: 92%).

Staff and material costs increased by EUR 0.2 million or 1.7% to EUR 12.1 million, thereby remaining at a high level with a noticeable affect on the earnings situation.

(in EUR million)	2003 million	2002 million	Change million
Staff costs	5.1	5.0	+0.1
Depreciation and amortisation	0.2	0.3	-0.1
Other operating expenses*	6.8	6.6	+0.2
	12.1	11.9	+0.2

* Note: excluding exchange gains/losses

In addition to the relative increase in staff costs, the consistently high cost level is also due to the significant increase in trading volume. In the 2003 financial year, the number of employees in specific sectors fell by 9.2% or 8 persons to the current 78.5 employees.

Nominal sales per employee rose from EUR 0.63 million in the 2002 financial year by 4.8% to EUR 0.66 million, which recently also reflects a further increase in productivity.

At EUR 1.3 million, the development of the division's operating result (previous year: EUR 2.1 million) is unsatisfactory, and largely due to the increase in selling and transport costs.

On the whole, the result from exchange gains and losses (EUR/USD) was stable compared with the previous year.

(in EUR million)	2003	2002
Exchange gains	1.17	0.8
Exchange losses	-0.65	-0.4
	0.52	0.4

As in previous years, hedging transactions were only possible within strict confines, both in import and export, due to the limited flexibility offered by liquidity. Consequently, exchange losses were particularly recorded in exports based on the dollar for individual export destination countries, due to the increase in dollar parity in the 2003 financial year.

The division's considerable foreign currency liabilities as a result of business circumstances increased by 16.7% to EUR 6.3 over the course of the financial year (previous year: EUR 5.4 million). The financial result improved by EUR 0.1 million to EUR -1.5 million.

The extremely difficult external conditions played a critical role in the fact that the division's earnings power lessened tangibly over the past financial year.

The order book of EUR 8.6 million as of the end of 2003 was down as against the previous year's figure of EUR 10.4 million. On the one hand, this is a reflection of continuing reluctance on the part of key purchaser groups, and on the other hand, this represents a solid launch pad for the new financial year. Incoming orders declined as against the previous year by 6.7% to EUR 60.3 million.

Overall, it must be noted that against the backdrop of the economic and structural crisis that has been manifest in the tool trade for several years, the division succeeded in bucking the industry trend and sustainably securing its market position.

2.2. Valves trade

2.2.1 General development of business

The Valves trade sector, represented by the company Schwietzke with its head office in Bottrop, comprises the sale of standard valves and related products with sales focussed on the Ruhr region, and the sale of project-specific valves for predominantly industrial applications nationwide. The company has branches in Cologne and Ludwigshafen.

For a number of years, this market segment has been negatively impacted by stagnation. Both the communal utilities field and industrial plant engineering were again in sharp decline across the sector in the 2003 financial year. Economic developments also affected potential competitors heavily.

As in the previous year, the main pillars of corporate strategy were responsible for the division's positive development:

- High, and for the industry atypical, technical consultancy competence;

- Strong sales activities in project business relevant to expertise;

- Flexibility and customer proximity through sites at Bottrop, Cologne and Ludwigshafen.

2.2.2 Key figures for the development of operating business

Bucking the market trend once again, division sales amounted to EUR 24.3 million. Compared to the previous year (EUR 23.8 million) this corresponds to an increase of 2.1%. Sales development by business areas is as follows:

	2003		2002		Change	
(in EUR million)	million	%	million	%	million	%
Industrial technology	18.1	74	16.1	68	+2.0	+12.4
Project business	6.2	26	7.7	32	-1.5	-19.5
	24.3	100	23.8	100	+0.5	+2.1

Despite the continuing enormous price pressure due to market conditions, gross income remained almost unchanged at 19.2% after 20.2% in the previous year.

Staff and material costs declined slightly. The number of employees in the financial year was reduced by 4 to 53. Sales per employee is now EUR 0.46 million after EUR 0.42 million in the 2002 financial year.

	2003	2002	Change
(in EUR million)	million	million	million
Staff costs	2.9	3.0	-0.1
Depreciation and amortisation	0.1	0.1	0.0
Other operating expenses	1.4	1.4	0.0
	4.4	4.5	-0.1

In the 2003 financial year, operating earnings remained unchanged at EUR 0.4 million.

3. Group business development

The following measures were of material importance in the 2002 financial year:

- Optimisation of corporate financing taking into account the available credit volume,

- Further restriction of exchange risk-related factors as far as possible,

- Continued expansion of new customer segments in Germany,

- Attracting new international customers,

- Establishment of standardised reporting for the Group as a whole as a tool for the early detection of potential risks.

Given the results achieved, the Group met and in some cases even exceeded its own targets against the background of the negative market data.

The measures introduced in the 2002 financial year for restructuring export activities (CoCaCo sales division) by concentrating sales on high-margin regions were continued in the 2003 financial year.

3.1 Group earnings

In the past financial year, group sales amounted to EUR 77.3 million after EUR 79.5 million in the previous year. The EUR 2.2 million or 2.8% decline is moderate compared to economic and industry developments. Business expanded considerably in the tools division, generating an increase in sales volume, which was not reflected in nominal sales development on account of the declining price level. Furthermore, the tools division intentionally did not take up sales volume of around EUR 3.6 million that was previously generated with low-margin and risk-bearing export activities, particularly in traditional export regions such as South and Central America and the Caribbean. The valves division is performing well with sales growth of 2.1% and stable earnings. Both divisions not only consolidated their market position, but also actually expanded it in a difficult environment.

However, this extremely satisfactory achievement, given the general conditions, was only achieved through a considerable increase in workload and an ultimately volume-based rise in important cost types.

Despite the clear increase in competition, the Company largely avoided further margin reductions. Consolidated gross income amounted to EUR 18.8 million after EUR 19.3 million in the previous year.

Overall, staff and material costs affecting the operating result, including depreciation and amortisation fell by EUR 1.6 million to EUR 17.8 million (previous year: EUR 19.4 million). Thus, the total cost ratio for the 2003 financial year was 23.0% (previous year: 24.4%).

As a result of these cost developments, largely impossible to influence in wide areas, the consolidated operating result – adjusted for neutral earnings factors – totalled EUR 1.5 million (previous year: EUR 1.4 million).

The consolidated interest burden rose from EUR 2.4 million by EUR 0.1 million to EUR 2.5 million.

The net balance of exchange gains and losses rose to EUR 0.52 million after EUR 0.4 million in the previous year.

EBITDA amounted to EUR 3.15 million (previous year: EUR 2.96 million). This corresponds to earnings per share (EBITDA) of EUR 1.05 and an increase over the previous year of 6.1%.

EBIT improved as against the previous year by EUR 0.25 million to EUR 2.02 million. EUR 0.36 million of the reported operating result/earnings before taxes of EUR -0.49 million is due to IAS-related adjustments. This corresponds to earnings per share (EBIT) of EUR 0.67 and a year-on-year increase of 13.6%.

Transition from EBITDA to consolidated result:

	2003		2002		Change	
(in EUR million)	million	%	million	%	million	%
1. EBITDA	3.15	155.6	2.96	167.5	+0.19	6.3
2. Depreciation and amortisation	-1.13	-55.6	-1.19	-67.5	+0.06	5.7
3. EBIT	2.02	100.0	1.77	100.0	+0.25	14.5
4. Financial result	-2.51	-124.2	-2.36	-133.5	-0.15	6.5
5. Operating earnings/ earnings before taxes	-0.49	-24.2	-0.59	-33.5	+0.10	17.4
6. Income taxes	-0.34	-16.9	-0.35	-19.7	+0.01	1.7
7. Deferred taxes	-0.08	-4.1	0.56	31.8	-0.64	0.0
8. Other taxes	-0.04		-0.04		0.00	0.0
9. Consolidated result	-0.95	-47.0	-0.42	-23.6	-0.53	127.8

The EUR 0.53 million increase in the negative consolidated result to EUR -0.95 million is due to the discontinuation of deferred tax income from IAS conversion in the 2002 reporting period of EUR 0.56 million.

3.2 Consolidated balance sheet

As against the previous year, a decline of EUR 5 million or 8.2% to EUR 55.9 million was recorded in the consolidated balance sheet total in the 2003 financial year.

Working capital declined year-on-year by EUR 0.7 million from EUR 4.3 million to EUR 3.6 million.

	2003	2002	Change
(in EUR million)	million	million	million
Inventory assets	14.8	16.0	-1.2
Receivables	11.9	14.4	-2.5
Liquid funds	1.0	1.3	-0.3
Total	27.7	31.7	-4.0
Commercial banks/bills payable *	15.0	17.7	-2.7
Creditors	9.1	9.7	-0.6
Total	24.1	27.4	-3.3
Working capital	3.6	4.3	-0.7

* Note: excluding credit financing of immobile assets

Inventory assets were reduced by EUR 1.2 million. At the same time, the Group stock turnover rate increased from 5.0 to 5.2. We regard the further improvement of this extremely important key ratio for our Group as confirmation of the product range policy measures we have been systematically pursuing over recent years.

At EUR 9.1 million, shareholders' equity for the 2003 financial year (previous year: EUR 9.1 million) resulted in an equity ratio of 14.5% (previous year: 14.9%).

3.3 Guarantees and other contingent liabilities

Contingent liabilities totalled around EUR 3.6 million and largely comprised unchanged guarantees in place for a number of years and other contingent liabilities.

3.4 Employees

In the 2003 financial year, the Group employed an annual average of 139 staff. Thus, staff figures are down by an average of 8.5 employees.

In a year-on-year comparison, the figures are as follows:

Employees	2003	2002	Change
Industrial employees	28	30	-2
Salaried employees	111	117.5	-6.5
Employees	139	147.5	-8.5
Trainees	5	4	+1
Sales per employee in EUR thousand (rounded)	556	539	+17

Based on total Group output, consolidated sales per employee improved nominally by EUR 17 thousand.

4. Risk management and safeguarding the future

Responsible handling of corporate risks that could materially jeopardise the future existence of the Company or the attainment of strategically important targets is subject to a reporting and control system. The information obtained through this system is incorporated into management planning. Responsibility for implementing countermeasures lies with the operating management of the sectors.

With regard to sector-specific risks, which are only attributable to a concrete but relatively short planning timescale, both sectors operate permanent mechanisms to ensure that the Company develops in a manner that will safeguard its future, through various measures directed at acquiring new customer segments and maintaining an innovative product range policy. The extent to which it will also be possible in the 2004 financial year to establish and launch other product ranges with a view to safeguarding the future is open in view of the finance framework available.

In view of the permanent currency-specific risk factors, the Company reduced risk potential significantly through efficient management of foreign currency liabilities. At the same time, the respective timescale between the issue and repayment of the debt is constantly monitored and controlled, and price calculations are adapted to anticipated developments as far as possible.

The Group has an internal IT-supported controlling and reporting system. Data from financial accounting of the operating Group companies is transferred to the system on a monthly basis, and assessed using defined key figures in the form of deviation analyses on earnings development and financial status. The consequences of measures derived from these analyses are communicated to the operating Group companies in regular meetings. Furthermore, the Board of Management forwards the monthly figures for the operating companies to the Supervisory Board, which convenes six times per year.

5. Other information

No events of key importance took place after the end of the financial year.

6. Forecast

Tool trade

Although some indicators are pointing to a recovery, basic conditions remain subject to a high level of uncertainty. It is therefore extremely difficult to make reliable forecasts.

The Far East will remain the primary purchasing region for the tool trade. However, as a result of rising material prices and a reduction of state export subsidies, the Company anticipates a price increase in China of around 6%.

Major orders were largely hedged for 2004, so the basis of calculation is not subject to change as a result of this factor.

A material risk factor on the cost side is the trend towards strong increases in shipping rates. As a result of the high global demand, particularly for container freight capacity, some prices for goods transport have recorded double-digit growth. This cost factor is becoming increasingly significant for us, as trading volumes are increasing steadily, although prices for products sold are falling. This means that the share of transport costs is growing disproportionately.

The extent to which positive incoming orders and sales development in the mail order and discount store customer segments will be able to offset the difficult market developments in other segments remains to be seen.

Incoming orders and order books are rising slightly in the first few months of the new financial year, although the Company is continuing to reduce its export activities.

In addition to a further expansion of special offer business with innovative and new high-quality products, objectives for the 2003 financial year will focus on strict cost management. As regards to export activities, we will assign high importance to the development of margins and costs.

Valve trade

Economic expectations for the German-speaking countries as the main sales market of the Valves sector have improved slightly for the 2004 financial year. However, the market is still a long way from a fundamental turnaround. Therefore, the Company is anticipating sales for the current year to match those of the previous year, although we are not without optimism for the future.

Developments in incoming orders, particularly in the industrial business market segment, have been extremely encouraging in the first few months of the new financial year. On the basis of various master agreements and our traditionally strong market position in this area, we are hoping to again reach last year's level.

In the project business market segment, we also recorded great interest on an extremely impressive level (e.g. valve packages for power plant construction in batch sizes in excess of EUR 300 thousand).

The primary cause for this positive sentiment is the positioning achieved by the sector following significant run-up investments in recent years.

Systematically pursuing our corporate strategy, in the current financial year, we will focus on the following measures, some of which have already been introduced:

- Establishment of another agency location,

- Expansion of the internet site combined with a strengthening of e-Commerce trade for industrial wholesale customers,

- Process optimisation with a view to improving the cost efficiency of all processes.

Remscheid, April 2004

Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein **Bernd Schafstein** **Frank Schafstein**

Consolidated Financial Statements

Consolidated Balance Sheet

ASSETS

	Note	31.12.2003 EUR	31.12.2002 TEUR
I. Intangible assets	2.1	4,714,301.92	5,311
II. Tangible assets	2.2	16,532,115.83	16,868
III. Financial assets	2.3	21,947.85	33
FIXED ASSETS		21,268,365.60	22,212
I. Inventories	2.4	14,847,573.91	15,982
II. Receivables and other current assets	2.5	13,797,248.12	16,141
III. Cheques, cash, deposits with commercial banks	2.6	1,043,726.55	1,349
CURRENT ASSETS		29,688,548.58	33,472
PREPAID EXPENSES	2.8	569,133.88	723
ACCRUED AND DEFERRED TAXES	2.7	4,392,978.39	4,487
		55,919,026.45	60,894

LIABILITIES

	Note	31.12.2003 EUR	31.12.2002 TEUR
I. Share capital	2.9	7,700,000.00	7,700
II. Capital reserve	2.10	10,225,837.63	10,226
III. Other earnings reserves	2.11	8,176,886.55	8,233
IV. Consolidated net loss	2.12	-17,999,552.38	-17,098
SHAREHOLDERS' EQUITY		8,103,171.80	9,061
1. Accruals for pensions and similar obligations		3,079,596.24	2,894
2. Accrued taxes		237,389.80	376
3. Other accrual		659,965.31	689
ACCRUALS	2.13	3,976,951.35	3,959
1. Amounts due to banks		29,628,436.68	32,657
2. Advance payments received		21,154.17	40
3. Trade payables		9,108,191.41	9,695
4. Notes payable		882,570.00	889
5. Other liabilities		4,198,551.04	4,592
LIABILITIES	2.14	43,838,903.30	47,873
DEFERRED INCOME		0.00	1
		55,919,026.45	60,894

Consolidated Statement of Earnings

January 1, 2003 to December 31, 2003

	Note	01.01 - 31.12. 2003 EUR	01.01 - 31.12. 2002 TEUR
1. Sales	3.1	77,253,709.38	79,460
2. Other operating income	3.2	1,076,950.44	2,446
3. Materials		-58,504,008.82	-60,269
4. Personnel costs	4.4	-9,033,041.93	-8,859
5. Depreciation, amortisation and special provisions	5.	-1,126,157.33	-1,194
6. Other operating expenses	3.3	-7,643,424.83	-9,816
7. Financial result	3.4	-2,513,482.79	-2,361
8. Results of ordinary operations		-489,455.88	-593
9. Taxes on income	3.5	-424,658.12	213
10. Other taxes		-37,593.25	-39
11. Consolidated net income/loss for the year		-951,707.25	-419
12. Profit/loss carried forward		-17,047,845.13	-16,679
13. Consolidated net loss		-17,999,552.38	-17,098
14. Earnings per share (undiluted) in EUR	3.6	-0.32	-0.14
15. Earnings per share (diluted) in EUR	3.6	-0.32	-0.14
Earnings per share (EBITDA) in EUR		1.05	0.99
Earnings per share (EBIT) in EUR		0.67	0.59

Consolidated Capital Finance Account

	2003 TEUR	2002 TEUR
I. Operating activities		
1. Earnings before cash interest payments, interest income, taxes on income and extraordinary earnings	1,986	1,731
2. Depreciation on (+) / additions to (-) fixed assets	1,126	1,194
3. Increase (+) / decrease (-) in accruals	17	563
4. Non-cash expenditure and income:		
from deferred taxes	-82	563
other non-cash expenditure and income	-4	519
5. Profit (-) / loss (+) on the disposal of fixed assets	-1	2
6. Increase (-) / decrease (+) in inventories, trade receivables and other assets not included in Investment Activities or Financing Activities	3,725	647
7. Increase (+) / decrease (-) in trade payables and other liabilities not included in Investment Activities or Financing Activities	-1,000	-6,225
8. Cash from:		
Interest payments (+) / (-)	-2,513	-2,362
Taxes (+) / (-)	-343	-350
Cash flow from operating activities	2,911	-3,718
II. Investment activities		
1. Income from disposal of tangible assets	12	10
2. Expenditure on investment in tangible assets	-153	-106
3. Expenditure on investment in intangible assets	-52	-127
4. Income from disposal of financial assets	11	8
5. Expenditure on investment in financial assets	0	-4
Cash flow from investment activities	-182	-219
III. Financing activities		
1. Income from bond issues and (financial) loans and notes payable	0	15,005
2. Expenditure on capital repayments on outstanding bond issues and (financial) loans	-3,034	-7,789
3. Reacquisition of forfeited rents receivable	0	-7,634
Cash flow from financing activities	-3,034	-418
Change in liquid funds	-305	-4,355
Funds at start of period	1,349	5,704
Funds at end of period	1,044	1,349

Fixed Assets Schedule for the Consolidated Financial Statements

	Historic cost of acquisition			
	Balance carried forward 01.01.2003 TEUR	Additions TEUR	Disposals TEUR	As of 31.12.2003 TEUR
Fixed Assets				
I. Intangible assets				
1. Licences, trade marks and patents, etc. as well as licences to such rights and assets	2,517.2	52.2	0.0	2,569.4
2. Goodwill from the consolidation of capital	8,172.2	0.0	0.0	8,172.2
	10,689.4	52.2	0.0	10,741.6
II. Tangible assets				
1. Land, rights similar to land and buildings, including buildings on property owned by others	18,508.6	0.0	0.0	18,508.6
2. Technical equipment and machinery	14.1	11.1	0.0	25.2
3. Other equipment, office furniture and equipment	1,374.2	106.2	-140.1	1,340.3
4. Advance payments on tangible assets and construction in process	0.0	36.1	0.0	36.1
	19,896.9	153.4	-140.1	19,910.2
III. Financial assets				
1. Other participating interest	10.2	0.1	0.0	10.3
2. Other loans	22.8	0.0	-11.2	11.6
	33.0	0.1	-11.2	21.9
	30,619.3	205.7	-151.3	30,673.7

	Depreciation					Net book value	
	Balance carried forward 01. 01. 2003 TEUR	Additions TEUR	Disposals TEUR	As of 31.12.2003 TEUR		As of 31.12.2003 TEUR	As of 31.12.2002 TEUR
	1,513.3	186.7	0.0	1,700.0		869.4	1,003.9
	3,865.2	462.1	0.0	4,327.3		3,844.9	4,307.0
	5,378.5	648.8	0.0	6,027.3		4,714.3	5,310.9
	1,938.4	343.4	0.0	2,281.8		16,226.8	16,570.2
	8.1	4.8	0.0	12.9		12.3	6.0
	1,082.3	129.2	-128.2	1,083.4		256.9	291.9
	0.0	0.0	0.0	0.0		36.1	0.0
	3,028.8	477.4	-128.2	3,378.0		16,532.1	16,868.1
	0.0	0.0	0.0	0.0		10.3	10.2
	0.0	0.0	0.0	0.0		11.6	22.8
	0.0	0.0	0.0	0.0		21.9	33.0
	8,407.3	1,126.2	-128.2	9,405.4		21,268.3	22,212.0

Statement of Changes to Shareholders' Equity

	Equity TEUR	Capital reserves TEUR	Earnings-reserves* TEUR
Shareholders' equity as at December 31, 2001	**7,700**	**10,225.8**	**8,206.4**
Transfer to earnings reserves from 2001 net income			26.2
Shareholders' equity as at December 31, 2002	**7,700**	**10,225.8**	**8,232.6**
Transfer to earnings reserves from 2002 net income			-5.7
Profit distribution to the Parent company			-50.0
Shareholders' equity as at December 31, 2003	**7,700**	**10,225.8**	**8,176.9**

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

	Retained earnings TEUR	Net income TEUR	Total shareholders' equity TEUR
Shareholders' equity as at December 31, 2001	-19,209.5	2,531.6	9,454.3
Transfer to earnings reserves from 2001 net income		-26.2	
Transfer to retained earnings from 2001 net incom	2,505.4	-2,505.4	
Result January 1, to December 31, 2002		-418.6	
Changes due to consolidation effects	24.8		
Shareholders' equity as at December 31, 2002	-16,679.3	-418.6	9,060.6
Transfer to earnings reserves from 2002 net income		5.7	
Transfer to retained earnings from 2002 net income	-412.9	412.9	
Result January 1, to December 31, 2003		-951.7	
Profit distribution to the Parent company	50.0		
Changes due to consolidation effects	-5.6		
Shareholders' equity as at December 31, 2003	-17,047.8	-951.7	8,103.2

Consolidated Notes

1. General information about the consolidated financial statements

1.1 Principles

The Brüder Mannesmann Aktiengesellschaft consolidated financial statements for the 2003 financial year were drawn up in line with the standards of the International Accounting Standards Board (IASB) which were valid as at the balance sheet date and taking into account the interpretation of the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements present a true and fair view of the Group's net assets, financial and income situation. The previous year's figures were derived using the same principles.

The annual financial statements have been prepared in euro. The total cost method was applied for the statement of earnings.

The conditions of Article 292a of the German Commercial Code on the exemption from the obligation to prepare annual financial statements in line with German commercial law have been fulfilled. The conditions are assessed on the basis of German Accounting Standard No. 1 (DRS 1) as issued by the German Standardisation Council. In order to achieve parity with consolidated financial statements prepared in line with German commercial law, all information and explanatory notes required in accordance with German commercial law and extending beyond the obligatory information to be provided in line with IAS are also published.

The material differences to consolidated accounting in line with the German Commercial Code are as follows:

- Posting of deferred taxes on loss carryforwards in line with IAS 12,

  Adjustment of pension obligations in line with IAS 19,

  Elimination of general bad debt charges on trade receivables in line with IAS 39.109 ff.

There are no further accounting and valuation changes, since it is not necessary to apply International Accounting Standards to facts with no material consequence.

1.2 Companies included in consolidation

There have been no changes to the Group's companies included in consolidation as against the previous year. In addition to the parent company Brüder Mannesmann Aktiengesellschaft, the consolidated financial statements include a total of eight domestic and one foreign subsidiaries.

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

1.3 Consolidation principles

Capital consolidation was implemented using the book value method by offsetting the historical cost of the shares against the pro rata shareholders' equity of the subsidiaries at the time of acquisition. Resulting differences on the assets side are posted as goodwill from capital consolidation. In line with IAS 22.44, this is written down over 15 to 20 years.

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

Revenue from Group-internal sales and other Group-internal income has been offset against the relevant expenditure in the consolidated statement of earnings.

1.4 Currency translation

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

Currency translation differences resulting from the translation of the shareholders' equity of a subsidiary before January 1, 2001 have been offset against the earnings reserves without impacting income.

1.5 Accounting and valuation methods

Intangible assets acquired against payment – predominantly rights to the use of names and software – are valued at the historical cost and are subject to scheduled writedowns over their normal useful life. Rights to the use of names are written down over 15 years.

Differences on the assets side resulting from capital consolidation are posted as goodwill from capital consolidation. These are written down over 15 to 20 years in line with IAS 22.44.

Tangible assets are valued at historical cost/cost of manufacture less scheduled straight-line depreciation.

The following useful lives generally apply to fixed assets:

- Intangible assets	3 to 20 years
- Land, rights similar to land, and buildings, including buildings on property owned by others	8 to 60 years
- Technical equipment and machinery	2 to 15 years
- Other equipment, office furniture and equipment	2 to 15 years

In previous years, unscheduled depreciation was applied if the utility value of the asset concerned fell below the book value, in line with IAS 36.

Financial assets are posted at historical cost.

Inventories are valued at historical cost using the lower of cost or market principle.

Receivables and other assets are valued at the nominal value or the lower carrying value at the balance sheet date.

Cash and deposits at commercial banks are calculated at their nominal amount.

Deferred taxes are determined for all temporary differences between the valuations on the tax accounts and the consolidated balance sheet. Deferred taxes are also posted for loss carryforwards. Deferments are made in the amount of the expected tax charge/tax charge relief for subsequent financial years on the basis of the applicable income tax rate at the time of realisation. Value adjustments are applied for deferred taxes on the assets side that are unlikely to be realised in the future.

The actuarial assessment of accruals for pensions is based on IAS 19 on the net present value of vested defined benefit commitments. Pensions existing on the balance sheet date and vested rights, as well as expected future increases in salaries and pensions, are taken into account.

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

Obligations have been calculated at redemption or settlement values.

Leasing commitments at the Brüder Mannesmann Group fall into the "Operating Lease" category. The leasing instalments paid are therefore immediately posted as expenditure.

Leasing agreements predominantly include options to extend or buy.

2. Notes to the consolidated balance sheet

2.1 Intangible assets

Intangible assets of TEUR 4,714 include TEUR 3,845 for goodwill from capital consolidation.

Additions amounted to TEUR 52 in the 2003 financial year, and write-downs to TEUR 649.

2.2 Tangible assets

Additions to tangible assets amounted to TEUR 153, and disposals at book value to TEUR 12. Accruals from depreciation amounted to TEUR 477 for the financial year.

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

2.3 Financial assets

The reduction is due to the repayment of Other loans.

2.4 Inventories

The Brüder Mannesmann Group inventories, amounting to TEUR 14,848 consist exclusively of merchandise.

2.5 Receivables and other current assets

	2003 TEUR	2002 TEUR
Trade receivables	11,849	14,405
Receivables from companies in which a participation exists	0	25
Other current assets	1,948	1,711
(of which with a remaining term of more than one year)	(177)	(191)
	13,797	16,141

In line with IAS 39.109, general bad debt charges on trade receivables are not taken into account. After accruals for expenditure on deferred taxes, the write-back of general bad debt charges during the financial year resulted in a TEUR 18 reduction in consolidated net income.

Other current assets can be broken down as follows:

	2003 TEUR	2002 TEUR
Complaint claims	812	813
Receivables from tax offices	453	80
Creditors and bonuses	279	440
Loan claims	228	288
Other	177	90
Other current assets	1,949	1,711

2.6 Liquid funds

The Company's liquid funds consist of cash, cheques and deposits with commercial banks.

2.7 Accrued and deferred taxes

Deferred taxes posted on the assets side consist largely of tax refund claims on losses carried forward (IAS 12). A tax rate of 40% has been used as a basis. Deferred taxes of TEUR 6,749 were transferred to the earnings reserves as per their status on January 1, 2001 in line with losses carried forward without impacting income, and were written back in line with the development of the net profit/loss for the year.

Accumulated deferred taxes result in a deferred tax expense of TEUR 2,268.

In the 2003 reporting year, there was a write down of deferred tax claims on loss carryforwards of TEUR 125. The IAS deferred tax expense therefore increased by this amount.

Furthermore, this item includes deferred taxes from the elimination of inter-Group profits.

2.8 Prepaid expenses

The amount posted is essentially the result of the financial restructuring of the land holdings of a subsidiary in the previous year. In this context, forfeited rent payments have been repaid.

Fees incurred as a result of the repayment of previous financing are offset in line with IAS and written back over the term of the rental agreements in line with the declining-balance method. As a result, the IAS consolidated profit for the year is TEUR 151 lower than in the annual financial statements prepared in line with German commercial law.

2.9 Share capital

The share capital of TEUR 7,700 is fully been paid in and divided into 3,000,000 no-par value bearer shares. One share represents a EUR 2.57 equity share in the Company. The Board of Management is authorised, until September 26, 2006 and with the approval of the Supervisory Board, to increase share capital by up to TEUR 3,850 through the issue of new bearer shares on one or more occasions.

2.10 Capital reserve

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

2.11 Other earnings reserves

Other earnings reserves, at TEUR 1,362, include pro rata profits reinvested in the companies that are included in the consolidated financial statements, provided these were generated during affiliation to the Group. Differences arising from currency translations from the balance sheet for foreign companies before January 1, 1999 are included in this item.

Further, adaptations to IAS (TEUR 6,815) in the opening balance sheet as at January 1, 2001 were transferred to the earnings reserves without impacting income.

In the reporting year, one subsidiary paid TEUR 50 from its earnings reserve to the parent company. This sum was consolidated via the profit carryforward in the context of the elimination of income from equity holdings.

2.12 Net loss

The Group's net loss is derived from the statement of earnings.

Development of shareholders' equity is shown in the statement of changes to shareholders' equity.

2.13 Accruals

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

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

Accruals for pensions were actuarially assessed for the first time on December 31, 2001 or January 1, 2002 using the unit credit method in line with IAS 19 (Employee Benefits) and taking into account future development. In line with IAS 19.155, deviations from the values stipulated by German commercial law will be distributed over five years.

Discount rates of 5.75% and 6% were applied. Future annual salary increases have been set at 2% and pensions at 1.5%.

In the reporting year, there is an additional expense of TEUR 63 compared to annual financial statements preparedin line with German commercial law. This includes the difference between IAS and German Commercial Code initial values of TEUR 96. Furthermore – as a result of the change in estimated values – there was a change in the annual IAS retirement benefit cost of TEUR 33.

The distribution of this differential amount between HGB and IAS initial amounts over 5 years means that the additional amount of TEUR 287 was not taken into account in 2003 (IAS 19.155 b (ii)).

It was not necessary to take actuarial profits and losses into account.

Retirement benefit costs in the reporting year include interest of TEUR 167.

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

Statement of accruals in line with IAS 37.84

	Initial inventory as at 01.01.2003 TEUR	Use in financial year TEUR	Write-back in financial year TEUR	Transfer in financial year TEUR	Final inventory as at 31.12.2003 TEUR
Accruals for pensions and similar obligations	2,894.6	0.0	-22.7	207.7	3,079.6
Accrued taxes	276.8	-276.8	0.0	150.2	150.2
Accruals for deferred taxes	99.2	0.0	-12.0	0.0	87.2
Accrued taxes	376.0	-276.8	-12.0	150.2	237.4
Accruals for guarantee assurances	62.7	0.0	-24.3	18.2	56.6
Accruals for bonuses, including personnel costs	309.6	-290.6	-7.8	322.2	333.4
Accruals for other undefined obligations	316.7	-234.7	-24.5	212.5	270.0
Other accruals	689.0	-525.3	-56.6	552.9	660.0
Total accruals	3,959.6	-802.1	-91.3	910.7	3,977.0

Liabilities schedule as at December 31, 2003

	Total amount	Of which with a remaining term of				
		Up to 1 year	1-5 years	More than 5 years	Secured amounts	Type of security
	TEUR	TEUR	TEUR	TEUR	TEUR	
Amounts due to banks	29,628.4	14,253.6	1,822.1	13,552.7	28,918.6	Land charges, assignment of receivables, assignment of tangible assets and goods as collateral
Advance payments received	21.1	21.1	0.0	0.0	0.0	
Trade payables	9,108.2	9,108.2	0.0	0.0	2,153.1	
Notes payable	882.6	882.6	0.0	0.0	882.6	
Other liabilities - of which taxes TEUR 857 (previous year: TEUR 689) - of which in respect of social security TEUR 157 (previous year: TEUR 153)	4,198.6	3,231.8	487.8	479.0	372.5	
	43,838.9	27,497.3	2,309.9	14,031.7	32,326.8	

2.14 Liabilities

Type of liability	Remaining term	Interest rates	Average interest	Market value TEUR as at Dec. 31, 2003	Nominal value TEUR as at Dec. 31, 2003
Amounts due to banks	up to 24 years	5.6% to 9.75%	7.75%	29,628	29,628
Bills payable	up to 1 year	-	-	883	883

Other liabilities include the following material items:

	2003 TEUR	2002 TEUR
Loan commitments to associated companies	1,572	1,997
Pension obligations	1,146	1,182
Amounts due to tax offices	857	689
Amounts due to creditors	251	273
Amounts due in commissions	174	238
Other	199	213
	4,199	4,592

3. Notes to the consolidated statement of earnings

3.1 Sales

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

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

3.2 Other operating income

Other operating income includes the following items:

	2003 TEUR	2002 TEUR
Income from exchange gains	1,169	832
Income from debt waivers	-	767
Income from car use	103	100
Income from the write-back of accruals	74	111
Income from claims	54	171
Other	330	466
	1,730	2,447

3.3 Other operating expenses

	2003 TEUR	2002 TEUR
Sales costs	3,097	3,228
Repayment of forfeited rents	-	1,210
Travel, entertainment and representation costs	938	1,104
Insurance and telecommunications costs	739	779
Exchange losses	653	470
Bought services, consultancy, legal protection	615	488
Rental and leasing costs	470	519
Transaction costs	350	253
Other	1,434	1,765
	8,296	9,816

3.4 Financial result

	2003 TEUR	2002 TEUR
Income from equity holdings	-	2
Other interest and similar income	9	56
Interest and similar expenses	-2,522	-2,419
	-2,513	-2,361

3.5 Taxes on income

This item consists of the following:

	2003 TEUR	2002 TEUR
Actual tax expenditure, domestic	-254	-354
Actual tax expenditure, foreign (of which outside the period under review)	-89 (-)	+4 (+3)
Deferred tax expenditure	-131	-34
Deferred tax income	+49	+596
	-425	+212

Earnings for the period under review in line with IAS were TEUR -527, leading to an anticipated tax expenditure of TEUR 0. Actual income tax expenditure is from two operating subsidiaries with positive earnings which could not be offset against consolidated losses.

3.6 Earnings per share

In line with IAS 33, undiluted earnings per share are calculated by dividing Group earnings for the period under review (including tax expenditure and extraordinary earnings) by the weighted number of bearer shares outstanding during the financial year and total EUR -0.32 (previous year: EUR -0.14). Since Brüder Mannesmann Aktiengesellschaft has not issued any bearer shares with dilutive potential, the diluted and undiluted earnings are the same.

Earnings before depreciation and amortisation (EBITDA) calculated using the same method amount to EUR 1.05 per share (previous year: EUR 0.99), which corresponds to an increase of 6.1%. Earnings before interest and taxes (EBIT) amount to EUR 0.67 per share (previous year: EUR 0.59), an increase of 13.6%.

4. Other information

4.1 Cash flow statement

The cash flow statement was prepared in line with IAS 7 using the indirect method. Funds consist of cash, cheques and deposits with commercial banks.

4.2 Contingent liabilities

in TEUR	2003	2002
Guarantees	3,323	3,323
Bills payable	279	290

4.3 Other financial obligations

in TEUR	2003	2002
Total leasing instalments due in up to one year	257	368
Total leasing instalments due in 1 to 5 years	204	275
Total leasing instalments due in more than 5 years	-	1

4.4 Personnel costs and employees

An average of 139 employees worked for the Brüder Mannesmann Group in the 2003 financial year (previous year: 147.5). Part-time employees were factored into this figure based on an economic concept.

	2003	2002
Industrial employees	28.0	30.0
Salaried employees	111.0	117.5
	139.0	147.5
Trainees	5.0	4.0

Pension costs for the year under review were TEUR 352.

5. Segment reporting

In line with the specifications of IAS 14 (Segment Reporting), individual data items from the annual financial statements are to be shown broken down into the tools, valves and land holdings business areas.

The segment reporting breakdown corresponds to the internal reporting structure.

Transactions between segments took place under standard market conditions.

Segment reporting

	Tools* 31.12.2003 TEUR	Valves 31.12.2003 TEUR	Land holdings 31.12.2003 TEUR	Tools* 31.12.2002 TEUR	Valves 31.12.2002 TEUR	Land holdings 31.12.2002 TEUR
Sales	52,043.2	24,341.2	869.3	54,749.0	23,779.0	932.0
Domestic	28,055.7	23,774.8	869.3	27,620.6	23,333.5	932.0
Foreign	23,987.5	566.4	0.0	27,128.4	445.5	0.0
Segment earnings before profit transfer	-1,145.0*	197.0	-3.7	775.0	120.7	-1,314.3
Segment assets	29,574.3	6,684.7	14,229.8	33,898.0	7,119.6	14,535.6
Segment debts	11,347.4	3,791.8	381.1	11,436.0	4,314.2	363.7
Investments in fixed assets	109.0	60.0	37.0	191.2	46.2	0.0
Depreciation and amortisation	-727.4	-116.7	-282.1	-794.0	-118.0	-282.2
Average annual employees (excluding trainees)	86.0	53.0	0.0	90.5	57.0	0.0

* In addition to the tools division, the tools segment also incorporates Brüder Mannesmann AG including goodwill amortisation of TEUR 462, as well as IAS-related postings of TEUR 357. Adjusted for these factors, segment earnings amount to TEUR -326. This figure is still largely affected by the costs of the holding. Despite restructuring in its export activities, operating tools business concluded the year in positive territory.

6. Other information

The Board of Management of the parent company is as follows:

- **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 Supervisory Board of the parent company is as follows:

- **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

Board of Management emoluments for the year under review amounted to TEUR 1,507.4, and Supervisory Board remuneration amounted to TEUR 27.

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

Board of Management	593,700 shares
Supervisory Board	334,500 shares

A declaration in line with Article 161 of the German Stock Corporation Act has been submitted and made available to shareholders.

Remscheid, April 22, 2004
Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein **Bernd Schafstein** **Frank Schafstein**

7. List of shareholdings

Fully consolidated subsidiaries	%
Brüder Mannesmann Werkzeuge GmbH & Co. KG, Remscheid	100
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

	31.12.2003 EUR	31.12.2003 EUR	31.12.2002 TEUR
A. FIXED ASSETS			
I. Intangible assets			
Licences, trade marks and patents, etc., as well as licences to such rights and assets	15,306.00		847
II. Tangible assets			
Office furniture and equipment	13,498.00		8
III. Financial assets			
Shares in group companies	12,505,472.61		11,726
		12,534,276.61	12,581
B. CURRENT ASSETS			
I. Receivables and other current assets			
1. Amounts due from group companies	91,303.01		130
2. Other current assets	91,675.99		40
		182,979.00	170
II. Cash, deposits with commercial banks		2,111.30	2
		12,719,366.91	12,753

LIABILITIES

	31.12.2003 EUR	31.12.2003 EUR	31.12.2002 TEUR
A. SHAREHOLDERS' EQUITY			
I. Share capital	7,700,000.00		7,700
II. Capital reserve	10,225,837.63		10,226
III. Earnings reserves			
Other earnings reserves	1,247,242.83		1,247
IV. Net loss/profit	-10,469,323.49		-10,296
		8,703,756.97	8,877
B. ACCRUALS			
Other accruals		72,900.00	122
C. LIABILITIES			
1. Amounts due to banks	421,452.94		545
2. Trade payables	146,990.77		50
3. Amounts due to group companies	1,767,789.72		1,132
4. Other liabilities	1,606,476.51		2,027
thereof taxes EUR 25,710.67		3,942,709.94	3,754
(December 31, 2002 EUR 23,762.14)			
thereof in respect of social security EUR 8,395.61			
(December 31, 2002 EUR 6,667.72)			
		12,719,366.91	12,753

Statement of Earnings

January 1, 2003 to December 31, 2003

	2003 EUR	2003 EUR	2002 TEUR
1. Sales		1,029,600.00	947
2. Other operating income		1,221,159.69	1,014
3. Personnel costs			
a) Wages and salaries	975,934.40		724
b) Social security costs	53,194.96		30
		1,029,129.36	754
4. Depreciation, amortisation and special provisions on intangible and tangible assets		81,797.37	81
5. Other operating expenses		1,491,271.21	1,797
6. Income from profit transfer agreements and partial profit transfer agreements		188,867.78	0
7. Expenditure from losses assumed		3,709.83	1,314
8. Income from dividend distribution		50,000.00	0
9. Other interest and similar income		748.63	0
10. Write-down of financial assets and of securities included in current assets		0.00	335
11. Interest and similar expenses		57,276.96	62
12. Result of ordinary operations		-172,808.63	-2,382
13. Other taxes		430.65	0
14. Net income / loss of the year		-173,239.28	-2,382
15. Loss carried forward		-10,296,084.21	-7,914
16. Net loss		-10,469,323.49	-10,296

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31, 2003

	Historic cost of acquisition			
	As of 01.01.2003 EUR	Additions EUR	Disposals EUR	As of 31.12.2003 EUR
I. Intangible assets Licences, industrial property rights and similar rights and assets, as well as licences to such rights	1,632,270.12	0.00	1,597,787.13	34,482.99
II. Tangible assets Furnitures and fixtures	20,550.56	11,054.37	3,252.85	28,352.10
III. Financial assets Shares in group companies	13,390,402.59	0.00	0.00	13,390,402.59
Total	15,043,223.27	11,054.37	1,601,039.98	13,453,237.68

Schedule of liabilities as of December 31, 2003

Type of liability	Balance sheet value 31.12.2003 TEUR	with a remaining term up to one year TEUR	one to five years TEUR	more than five years TEUR	of which collateralised TEUR	Type of collateral
Amounts due to banks	421	421	0	0	0	-
Trade liabilities	147	147	0	0	0	-
Amounts due to group companies	1,768	982	307	479	0	-
Other liabilities - thereof taxes: 25,710.67 EUR (December 31, 2002: 23,762.14 EUR) - thereof in respect of social security: 8,395.61 EUR) (December 31, 2002: 6,667.72 EUR)	1,607	1,607	0	0	0	-
	3,943	3,157	307	479	0	

	Depreciations						Net book value	
	As of 01.01.2003 EUR	Additions EUR	Disposals EUR	Reduction because of appreciation in value EUR	As of 31.12.2003 EUR		As of 31.12.2003 EUR	As of 31.12.2002 EUR
	784,969.12	76,039.00	841,831.13	0.00	19,176.99		15,306.00	847,301.00
	12,345.56	5,758.37	3,249.85	0.00	14,854.10		13,498.00	8,205.00
	1,664,929.98	0.00	0.00	780,000.00	884,929.98		12,505,472.61	11,725,472.61
	2,462,244.66	81,797.37	845,080.98	780,000.00	918,961.07		12,534,276.61	12,580,978.61

Notes for the 2003 Financial Year

A. General information on the annual financial statements

1. Statutory bases

The annual financial statements as of December 31, 2003 were prepared in accordance with the regulations of the German Commercial Code and German Stock Corporation Act.

The total cost method was applied to the presentation of the profit and loss account in accordance with Article 275 (2) of the German Commercial Code.

2. Share capital

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

3. Authorised capital

The Board of Management is entitled, until September 26, 2006 and with the approval of the Supervisory Board, to increase share capital by up to EUR 3,850,000.00 through issue of new bearer shares on one or more occasions against a cash deposit or a payment in kind.

4. Currency translation

Receivables and payables of Brüder Mannesmann Aktiengesellschaft as of the balance sheet date were solely in euro, which means that there are no currency translations.

B. Notes on the accounting and valuation methods

1. Accounting and valuation methods

Intangible assets are posted on the balance sheet at historical cost, reduced by scheduled writedowns. Tangible assets are reported at historical cost, reduced by scheduled straight-line depreciation, according to their normal useful life.

The full depreciation rate has been applied in the case of movable fixed assets added in the first half of the financial year, while half the annual rate has been applied for additions made in the second half of the year. Minor-value assets with a historical cost or cost of manufacture of up to and including EUR 410.00 are written down in full in the year of acquisition.

Financial assets are valued at historical cost or the lower of cost or market. If the reasons for an impairment made in previous years no longer applies, the amount is written up appropriately.

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

Receivables and other assets are reported at nominal value.

Accruals take into account all identifiable risks and uncertain obligations. They were formed in line with prudent commercial principles.

Liabilities are reported at the repayment amount, pension obligations at the actuarial cash value as of the balance sheet date.

2. Information on the balance sheet

As of the end of the financial year, the “Corneta” brand rights reported under intangible assets were sold to the Group company that previously used the brand in return for a fee.

In the financial year, there was a write-up (increase) of EUR 780,000 to the book value of the interest in CoCaCo Trading GmbH, as intragroup measures have increased the economic value of the equity interest by the market value achieved by the transferred brand rights.

The details of shareholdings have been summarised in a separate list to these Notes in line with Article 287 of the German Commercial Code, and filed at the Wuppertal District Court.

The amounts due from group companies are derived from profit transfer agreements, trade (group contribution), group eligibility for sales tax, interest, costs and profit-sharing claims reduced by further negative impacts.

Other assets comprise tax refund claims of EUR 40,811.75 and other receivables of EUR 50,864.24.

Please refer to part A sections 2 and 3 for shareholders' equity.

The balance sheet was prepared in line with the proposed appropriation of the net result. The net loss posted comprises the net loss for 2003 of EUR 197,283.28 and the loss carry-forward of EUR 10,296,084.21.

The net loss for the previous year was carried forward to new account in full.

Other accruals relate to the expected costs for the mandatory audits set out in the commercial code, as well as to claims to residual paid leave and contributions for occupational liability to the professional association.

Amounts due to group companies comprise settlement accounts with subsidiaries.

Other liabilities largely comprise obligations from the payment of social security and tax on wages.

Please refer to the statement of liabilities for the remaining term and collateral of liabilities.

Other financial obligations consist of rental and leasing agreements totalling TEUR 37.

C. Contingent liabilities

As of the balance sheet date, there were liabilities from guarantees and joint and several liability of TEUR 9,691, TEUR 6,368 to Group companies and TEUR 3,323 to third-party companies.

D. Notes to the profit and loss account

1. Sales

Sales primarily relate to contributions from Group companies, EUR 72,000 of which from a foreign Group company.

2. Other income

The income largely relates to charging on costs from group companies, inflows from receivables which had been written off and the income from the transfer of the rights to use a name. In addition, this item contains income from a write-up following a revaluation of an associated company.

3. Income from profit transfer

This item relates to the profit for 2003 transferred by a Group company in the context of a profit transfer agreement.

4. Expenditure on assumption of losses

This item relates to the losses of a Group company assumed in 2003 in the context of a profit transfer agreement.

5. Interest and similar income

This item contains interest from Group companies of EUR 748.63.

6. Interest and similar expenditure

This item contains interest to Group companies of EUR 5,191.41.

E. Other information

In addition to the Board of Management, the Company employed an average of eight other persons during the financial year. Management is performed by the Board of Management.

The Company is the parent company for the purposes of the consolidated financial statements. The consolidated financial statements are published in the Federal Official Gazette and submitted to the Wuppertal Commercial Register under HRB 11838 (formerly AG Remscheid number HRB 1927).

F. Executive bodies

The Board of Management consists of the following persons:

- **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 Supervisory Board consists of the following persons:

- **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 members of the Board of Management received emoluments of TEUR 745 from the Company in the reporting year. Expenditure for remuneration of the Supervisory Board totalled TEUR 27.

Shareholdings of the members of the Board of Management and the Supervisory Board are as follows:

Board of Management	593,700 shares
Supervisory Board	334,500 shares

A declaration in line with Article 161 of the German Stock Corporation Act has been submitted and made available to shareholders.

G. Appropriation of profits

The Board of Management and Supervisory Board propose to carry forward the net loss posted for the 2003 financial year of EUR 10,469,323.49 to new account.

Remscheid, April 22, 2004
Brüder Mannesmann Aktiengesellschaft, Board of Management

Jürgen Schafstein **Bernd Schafstein** **Frank Schafstein**