six months' statement
2004

Brüder Mannesmann Aktiengesellschaft
Remscheid

Brüder Mannesmann AG is a trading group with two orientations – the worldwide trading in tools and the trading in pipe fittings for industrial applications.

The tools trading headquarters are located in Remscheid. The international business relationships of the tools segment have been coordinated and maintained from here for more than 25 years. Many of the flows of goods converge in the company's large high-bay store, where the goods are picked and batched to fulfil customer orders. Various speciality ranges are manufactured by qualified external companies under the “Brüder Mannesmann” brand in line with our design and quality specifications. The sales and product range has a high quality standard with TÜV/GS and DIN-ISO certification. Some products such as the hand tools from the “Green Line” product line even have a 10-year warranty. In addition to hand tools, a large range of electric tools is offered such as the “Center Line”, a high-quality range of electric tools. A leading market position is held in some product lines. With a total of some 8,000 products, Brüder Mannesmann AG's tools range is one of the largest in Europe.

The pipe fittings trading is represented by Schwietzke Armaturen GmbH in Bottrop. Intensive business relationships are fostered under the slogan “The independent trading house with distinct advisory competence for industrial applications”. With its own know-how in process technology, the company is a manufacturer-independent partner of industrial customers and the plant engineering sector. A sophisticated stock logistics supports this technological concept. The regional focus is in Germany, whereby international experience in the project business with well-known plant engineering companies is also important. Schwietzke offers a large range of pipe fittings for industrial applications which complies with DVGW and other important industrial standards.

Consolidated Balance Sheet

ASSETS

	Note	30.06.2004 TEUR	31.12.2003 TEUR
I. Intangible assets	2.1.	4,648.1	4,714.3
II. Tangible assets	2.2.	16,416.5	16,532.1
III. Financial assets	2.3.	34.8	22.0
FIXED ASSETS		21,099.4	21,268.4
I. Inventories	2.4.	17,758.5	14,847.6
II. Receivables and other current assets	2.5.	16,972.6	13,797.2
III. Cheques, cash, deposits with commercial banks	2.6.	686.4	1,043.7
CURRENT ASSETS		35,417.5	29,688.5
PREPAID EXPENSES	2.8.	513.0	569.1
ACCRUED AND DEFERRED TAXES	2.7.	4,208.6	4,393.0
		61,238.5	55,919.0

LIABILITIES

	Note	30.06.2004 TEUR	31.12.2003 TEUR
I. Share capital	2.9.	7,700.0	7,700.0
II. Capital reserve	2.10.	10,225.8	10,225.8
III. Other earnings reserves	2.11.	8,201.4	8,176.9
IV. Consolidated net loss	2.12.	-17,639.3	-17,999.6
SHAREHOLDERS' EQUITY		8,487.9	8,103.1
1. Accruals for pensions and similar obligations		3,248.0	3,079.6
2. Accrued taxes		162.6	237.4
3. Other accruals		955.9	660.0
ACCRUALS	2.13.	4,366.5	3,977.0
1. Amounts due to banks		30,726.9	29,628.4
2. Advance payments received		193.4	21.2
3. Trade payables		12,595.9	9,108.2
4. Notes payable		769.8	882.6
5. Other liabilities		4,098.1	4,198.5
LIABILITIES	2.14.	48,384.1	43,838.9
		61,238.5	55,919.0

Consolidated Statement of Earnings

for the period January 1 to June 30, 2004

	Note	Quarter 01.04 - 30.06. 2004 TEUR	 01.04 - 30.06. 2003 TEUR	Half-year 01.01 - 30.06. 2004 TEUR	 01.01 - 30.06. 2003 TEUR
1. Sales	3.1.	21,380.7	18,373.9	41,516.7	38,732.0
2. Other operating income		393.4	346.2	744.5	807.8
3. Materials		-16,301.7	-13,468.4	-31,487.9	-28,730.0
4. Personnel costs		-2,286.3	-2,392.7	-4,451.5	-4,622.6
5. Depreciation, amortisation and special provisions	5.	-156.7	-279.4	-311.7	-555.6
6. Other operating expenses		-1,935.2	-2,029.3	-4,108.1	-4,275.4
7. Financial result		-605.5	-631.8	-1,224.4	-1,297.4
8. Results of ordinary operations		488.7	-81.5	677.6	58.8
9. Taxes on income		-120.7	-261.1	-274.1	-248.3
10. Other taxes		-10.3	-7.9	-18.8	-18.2
11. Consolidated net income/loss for the year		357.7	-350.5	384.7	-207.8
12. Profit/loss carried forward		-18,024.0	-17,151.0	-18,024.0	-17,151.0
13. Consolidated net loss		-17,666.3	-17,501.5	-17,639.3	-17,358.8
14. Earnings per share (undiluted) in EUR	3.2.	0.12	-0.12	0.13	-0.07
15. Earnings per share (diluted) in EUR	3.2.	0.12	-0.12	0.13	-0.07

Consolidated Capital Finance Account

	30.06.2004 TEUR	30.06.2003 TEUR
I. Operating activities		
1. Earnings before cash interest payments, interest income, taxes on income and extraordinary earnings	1,883	1,337
2. Depreciation on (+) / additions to (-) fixed assets	312	556
3. Increase (+) / decrease (-) in accruals	390	439
4. Non-cash expenditure and income from		
deferred taxes	-184	-60
other non-cash expenditure and income	-2	12
5. Profit (-) / loss (+) on the disposal of fixed assets	0	-2
6. Increase (-) / decrease (+) in inventories, trade receivables and other assets not included in Investment Activities or Financing Activities	-5,845	954
7. Increase (+) / decrease (-) in trade payables and other liabilities not included in Investment Activities or Financing Activities	3,560	-769
8. Cash from:		
Interest payments (+) / (-)	-1,224	-1,297
Taxes (+) / (-)	-90	-188
Cash flow from operating activities	-1,200	982
II. Investment activities		
1. Income from disposal of tangible assets	2	7
2. Expenditure on investment in tangible assets	-133	-45
3. Expenditure on investment in intangible assets	0	-52
4. Income from disposal of financial assets	3	1
5. Expenditure on investment in financial assets	-16	0
Cash flow from investment activities	-144	-89
III. Financing activities		
1. Income from bond issues, (financial) loans and notes payable	1,231	177
2. Expenditure on capital repayments on outstanding bond issues, (financial) loans and notes payable	-245	-1,646
Cash flow from financing activities	986	-1,469
Change in liquid funds	-358	-576
Funds at start of period	1,044	-1,349
Funds at end of period	686	773

Statement of Changes to Shareholders' Equity

	Share capital TEUR	Capital reserves TEUR	Earnings reserves* TEUR	Retained earnings TEUR	Net income TEUR	Total share-holders' equity TEUR
Shareholders' equity as at December 31, 2002	**7,700.0**	**10,225.8**	**8,232.6**	**-16,679.2**	**-418.6**	**9,060.6**
Transfer to earnings reserves from 2002 net income			-5.7		-5.7	
Transfer to retained earnings from 2002 net income				-412.9	412.9	
Profit January 1, to June 30, 2003					-207.8	
Changes due to consolidation effects				-59.0		
Shareholders' equity as at June 30, 2003	**7,700.0**	**10,225.8**	**8,226.9**	**-17,151.1**	**-207.8**	**8,793.8**
Shareholders' equity as at December 31, 2003	**7,700.0**	**10,225.8**	**8,176.9**	**-17,047.8**	**-951.7**	**8,103.2**
Transfer to earnings reserves from 2003 net income			174.4		-174.4	
Transfer to retained earnings from 2003 net income				-1,126.1	-1,126.1	
Profit January 1, to June 30, 2004					384.7	
Profit distribution to the Parent company			-150.0	150.0		
Shareholders' equity as at June 30, 2004	**7,700.0**	**10,225.8**	**8,201.3**	**-18,023.9**	**384.7**	**8,487.9**

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

Consolidated Notes

1. General information about the consolidated financial statements

1.1. Principles

The Brüder Mannesmann Aktiengesellschaft consolidated financial statements for the first half-year of the 2004 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 consolidation principles and the accounting and valuation methods are in line with those applied to the annual financial statements. In addition, the new regulations in line with IFRS 3 and IAS 36 were applied in the reporting period. In line with IFRS 3, the acquisition of reported goodwill must be carried at the historical cost less accumulated losses or impairment of value. Goodwill is therefore no longer amortised, but is instead subject to annual impairment testing if there are indications of this in accordance with IAS 36 n. v. Figures for the previous year are not adjusted in this respect. For further information, please refer to the consolidated financial statements as of 31 December 2003.

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 Wuppertal Commercial Register.

1.3. 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, 1999 have been offset against the earnings reserves without impacting income.

2. Notes to the consolidated balance sheet

2.1. Intangible assets

Intangible assets of TEUR 4,648 include TEUR 3,845 for goodwill from capital consolidation. Owing to the new regulations in line with IFRS 3, this was not amortised in the reporting period. The write-downs of intangible assets of the first half-year 2004 amount to TEUR 66.

2.2. Tangible assets

Additions to tangible assets amounted to TEUR 133, and disposals at book value to TEUR 2. Accruals from depreciation amounted to TEUR 246 for the first half-year of 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

During the reporting period one company increased its shares to an investment about TEUR 16. Other loans reduced marginally.

2.4. Inventories

The Brüder Mannesmann Group inventories, amounting to TEUR 17,759 consist exclusively of merchandise.

2.5. Receivables and other current assets

This balance sheet item includes trade receivables about TEUR 15,386 and other current assets of TEUR 1,586. They are due within 1 year.

In line with IAS 39.109, general bad debt charges on trade receivables are not taken into account.

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 2,393.

In the first half-year of the 2004 reporting year, there was a write down of deferred tax claims on loss carryforwards of TEUR 184. The IAS deferred tax expense therefore increased by this amount.

Furthermore, this item includes deferred taxes from the elimination of intercompany 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 financial year 2002. 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 period is TEUR 65 lower than in the interim financial statement 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 1,387, 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 first half-year of the reporting year, one subsidiary paid TEUR 150 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 5.30 % and 5.75 % were applied. Future annual salary increases have been set at 2 % and pensions at 1.5 %.

In the reporting period, there is an additional expense of TEUR 160 compared to interim financial statement prepared in line with German commercial law. This includes the difference between IAS and German Commercial Code initial values of TEUR 48. Furthermore retirement benefit cost about TEUR 112 are included.

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

2.14. Liabilities

The residual time to maturity of liabilities have developed as follows compared to the annual financial statements:

The short - term liabilities with a residual time to maturity of up to one year increased by TEUR 4,641.

Liabilities with a residual time to maturity of one to five years increased by TEUR 81.

The long - term liabilities with a residual term of more than five years dropped by TEUR 177.

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. 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 0.13 (previous year: EUR -0.07). Since Brüder Mannesmann Aktiengesellschaft has not issued any bearer shares with dilutive potential, the diluted and undiluted earnings are the same.

4. Other information

The contingent liabilities amount to TEUR 3,470. In comparison with the financial statements 2003 they decreased by TEUR 132. They primarily cover guarantees.

5. Segment reporting

In line with the specifications of IAS 14 (Segment Reporting), individual data items from the interim financial statement 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*	Valves	Land holdings	Tools*	Valves	Land holdings
	30.06.2004	30.06.2004	30.06.2004	30.06.2003	30.06.2003	30.06.2003
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Sales	28,196.4	12,919.4	400.9	27,065.0	11,214.2	452.8
Domestic	15,610.8	12,514.5	400.9	14,336.4	10,977.6	452.8
Foreign	12,585.6	404.9	0.0	12,728.6	236.6	0.0
Segment earnings before profit transfer	133.6*	253.2	-2.1	-226.5	75.7	-57.0
Segment assets	35,053.3	7,173.9	14,179.0	33,008.4	6,112.4	14,314.9
Segment debts	15,166.3	4,202.1	332.0	12,709.4	3,325.4	386.8
Investments in fixed assets	80.0	21.0	48.0	63.0	34.0	0.0
Depreciation and amortisation	-118.3	-52.0	-141.4	-362.8	-51.9	-140.9
Average annual employees (excluding trainees)	82.5	51.0	0.0	87.5	54.0	0.0

* In addition to the tools division, the tools segment also incorporates Brüder Mannesmann AG as well as IAS-related postings of TEUR 417.

6. Other information

The composition of the Board of Directors and Supervisory Board did not change compared to that as of 31.12.2003.

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

Remscheid, August 2004

Brüder Mannesmann Aktiengesellschaft, Board of Management

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

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