Annual Report 2008

Brüder Mannesmann Aktiengesellschaft
Remscheid

BRÜDER MANNESMANN
REMSCHEID AKTIENGESELLSCHAFT

Annual Report 2008

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Introduction from the Board of Management

Dear shareholders!

In terms of the performance of the economy as a whole, there has not been as disastrous a year as 2008 for many decades. The Brüder Mannesmann Group has also been unable to escape the severe recessive trends in the German and global economy completely unscathed. Nonetheless, with consolidated sales of € 83.9 million (previous year: € 90.6 million), the 2008 financial year can still be considered satisfactory. While the development of the economy as a whole has already left a considerable mark on the Tools Trading division in the form of a drop in sales, the Valves Trading division, which did not bear the full brunt of the crisis on account of the sector it operates in, helped to partially offset this development. Thus, internal risk offsetting with the strategic design of a two-division structure has again proven its worth. The Group generated EBIT of € 3.7 million from operations as against € 3.5 million in the previous year.

At € 42.9 million, the Tools division's sales did not reach the same level as in the previous year (€ 61.0 million). Following a moderate start to 2008, the decline in sales continued throughout the year, reflecting the crisis-wracked development of the economy as a whole.

Sales in the Valves Trading division rose by 39.1 % to € 40.1 million after € 28.9 million in the previous year. This increase was achieved by handling several major projects, though demand remained stable into the fourth quarter of 2008 in spite of the economic slowdown.

At the present time it is extraordinarily difficult to forecast the progress of the 2009 financial year. In the Tools Trading division, catch-up effects over the course of the year could still help stabilise business volumes. Given the long-term contracts already in place, Valves Trading should still contribute significantly to internal risk offsetting over the next two quarters as well. Overall, the Group is still aiming to maintain its profitability even with lower sales levels.

The two operating divisions are in a good starting position to face and master the challenges of the global economic crisis as they have business models that are both proven and rich in future prospects. If the economy were at least stable, conditions would therefore be right for further growth. However, the uncertainty as to the future development of the economy is greater today than it has been for decades. If the economy truly collapses in a major way over the coming years, this could lead to structural changes affecting our social, political and economic system in completely unknown ways.

We, however, are certain that we have taken every possible step currently conceivable to counter these risks. Thanks to our solid financial position, we can follow the short-term global developments calmly and are ready at any time to act on possible acquisitions that may arise and to leverage other future opportunities as well.

The Board of Management, on behalf of both itself and the Supervisory Board, would like to thank the company's employees, whose dedication and expertise have led to the results of the 2008 financial year.

Remscheid, April 2009
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein Chairman of the Board of Management	Bernd Schafstein

Supervisory Board Report

Dear shareholders,

During the 2008 financial year, the Supervisory Board performed the duties incumbent on it in line with legal requirements and the Articles of Association. The Supervisory Board will present the following report on its activities at the Annual General Meeting:

How the Supervisory Board operates

The Supervisory Board must monitor the management of the Company, namely the Board of Management. The Supervisory Board's monitoring of the Board of Management's activities focussed on issues of legality, correctness, effectiveness and economic viability. The Supervisory Board monitored the Board of Management's activities and discussed decision-making and planning on the basis of reports by the Board of Management, reviewing and considering specific business documents and submissions. The Supervisory Board heard regular, up-to-date and comprehensive reports on the Company's performance. These reports were both written and verbal and were given both outside and during Supervisory Board meetings. In addition, the Chairman of the Supervisory Board maintained regular contact with the Chairman of the Board of Management to intensively exchange information and opinions, ensuring that the Supervisory Board was comprehensively informed of the Group's performance at all times. Where necessary, the Supervisory Board also had direct access to the Company's accounts and documents.

Regular subjects of reports to the Supervisory Board were business policy and, in particular, business transactions, business planning and compliance therewith, profitability and the financial and liquidity situation as well as business performance overall.

If the consent of the Supervisory Board was required for Board of Management decisions, or if the Board of Management requested the consent of the Supervisory Board for its activities, the Supervisory Board was informed of this in advance and the background was explained in detail. Consent was then granted following discussion by the Supervisory Board. In the case of events of considerable economic relevance, the Board of Management kept the Supervisory Board regularly informed of the progress of measures implemented, in addition to providing information prior to implementing the measures. The Supervisory Board monitored the extent to which its decisions, suggestions and recommendations have been taken into account in the management of the Company. During the period under review, the Supervisory Board deemed it unnecessary to impose special approval conditions for the execution of management decisions in view of its close contact with the Board of Management.

Supervisory Board meetings

The Supervisory Board met six times in financial year 2008. During the meetings, the Supervisory Board was informed of the strategic orientation and business performance of the Company and its subsidiaries and provided advice in this respect. In particular, the meetings focused on the financial position of the Group, its different business segments, strategic and staff policy, business projections and the risk situation.

The meetings focused on the following topics in particular:

- In the March 2008 meeting, the Board of Management presented a review of the year 2007 to the Supervisory Board and the preliminary business figures for the Group as of 31 December 2007. On the basis of the reporting documents, the provisional balance sheet and income statement, finance calculations, a liquidity overview of all equity holdings and other documents, the Supervisory Board discussed the business performance in 2007. In addition, the Supervisory Board examined the efficiency of its work in 2007. To this end, as is now standard practice, an efficiency review was conducted in accordance with the Supervisory Board Efficiency Review guidelines issued by the investor advocacy organisation Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

- In the April 2008 meeting, the annual financial statements as of 31 December 2007, based on the combined management report of Brüder Mannesmann Aktiengesellschaft and the Group were presented, adopted and approved, and the consolidated financial statements as of 31 December 2007 were presented and approved. The annual and the consolidated financial statements as of 31 December 2007 were analysed in depth in the presence of the Company's auditor on the basis of the combined management report and subsequently approved. There followed a resolution on the proposal by the Board of Management on the appropriation of net retained profits. The Board of Management proposed to distribute a dividend of € 0.10 per share or € 300,000 from the net retained profits for the 2006 financial year and that the remaining sum of € 276,000 be appropriated to other revenue reserves. The Supervisory Board approved this proposal.

- The May 2008 meeting focused on analysis of business in the first quarter of 2008 and the presentation of the quarterly report as of 31 March 2008. In addition to the interim consolidated financial statements as of the first quarter of 2008, key figures on the duration of capital requirements, net debt and figures on receivables, liabilities and inventory periods were analysed. Formal preparations were also made for the Annual General Meeting to be held in August 2008.

- In its August 2008 meeting, the Supervisory Board reviewed the half-year financial report, including at the level of equity holdings, in addition to reviewing corporate strategy and long-term corporate financing. Furthermore, the final preparations were made for the imminent Annual General Meeting.

- In its November 2008 meeting, the Supervisory Board discussed the interim financial statements of the equity holdings and the quarterly report as of 30 September 2008. It also reviewed the equity resources of the equity holdings, particularly in light of the acute global financial crisis.

- In its December 2008 meeting, the Supervisory Board conducted a preliminary review of business developments in the financial year coming to a close. It devoted particular attention to the situation of the Company and any need for action or reaction in light of the worsening global financial crisis. Additionally, the final capital market dates were set for 2009.

Other individual topics were dealt with in all Supervisory Board meetings and discussed with the Board of Management.

Corporate governance

Corporate Governance was also the subject of discussion by the Supervisory Board, during which it resolved to update of the declaration of compliance. A particular concern of these discussions was applying the Code recommendations in a manner commensurate with the Company's specific structure, resulting in further compliance with key points of the Code's recommendations.

Supervisory Board committees

The three-member Supervisory Board did not form any committees.

Audit of annual financial statements

Following the appointment of the auditors Morison AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main by the shareholders at the Annual General Meeting on 28 August 2008 meeting, the Supervisory Board granted it the audit assignment. Over the course of the year the Supervisory Board also reviewed and monitored the independence of the auditor.

The auditors Morison AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main audited the annual financial statements of Brüder Mannesmann AG, the IFRS consolidated annual financial statements and the combined management report for the 2008 financial year including the accounts and issued with unqualified audit opinions.

All financial statement documents and audit reports were discussed with the auditor at length at the meeting of the Supervisory Board on 28 April 2009. The auditor answered the questions posed by Supervisory Board members.

The Supervisory Board also carefully reviewed the annual and the consolidated financial statements and the management report. The Supervisory Board was in accordance with the findings of the auditor, raising no objections on the basis of its own review. The Supervisory Board then approved the annual and the consolidated annual financial statements for the 2008 financial year. The annual financial statements were thereby adopted in line with section 172 of the Aktiengesetz (AktG – German Stock Corporation Act).

There were no conflicts of interest affecting Supervisory Board members during the period under review arising in connection with these or other board memberships.

The Supervisory Board would like to expressly its thanks and recognition for the employees and the Board of Management for their hard work last year and the outstanding results achieved.

Remscheid, 28. April 2009
Supervisory Board

Reinhard C. Mannesmann
Chairman

Corporate Governance Report

The Government Commission of the German Corporate Governance Code – in the version of the German Corporate Governance Code (subsequently referred to as "the Code") dated 6 June 2008 – resolved a series of changes to the Code. The Board of Management and the Supervisory Board have been intensively examining the issue as to how Brüder Mannesmann Aktiengesellschaft can implement the recommendations of the Code in a meaningful manner for a company of its structure. In April 2009, a declaration of compliance was then submitted, declaring that most of the material recommendations of the Code were again complied with.

A remuneration report in line with item 4.2.5 of the Code also forms part of this report.

General notes on management structure

Brüder Mannesmann Aktiengesellschaft is a stock corporation under German law and is subject to the provisions of German law governing stock corporations, capital market regulations and the provisions within the Company's Articles of Association and the Rules of Procedures governing the Board of Management and the Supervisory Board. The Company is managed by its Board of Management and Supervisory Board, which cooperate closely in representing the interests of the Company and its shareholders. With its Board of Management and Supervisory Board, Brüder Mannesmann Aktiengesellschaft maintains a two-tier governance and monitoring structure. The Annual General Meeting forms the third executive body of the Company.

The Supervisory Board

In line with sections 96 (1) and 101 (1) of the Aktiengesetz (AktG – German Stock Corporation Act) and the Articles of Association, the Company's Supervisory Board is composed of three members appointed by the Annual General Meeting. The Supervisory Board advises and monitors the Board of Management in its management of the Company. Management measures cannot be transferred to the Supervisory Board. However, the Articles of Association or the Supervisory Board can stipulate that certain types of transactions may only be carried out by the Board of Management with the approval of the Supervisory Board. If the Supervisory Board refuses to give its approval, the Board of Management can request that the Annual General Meeting resolve the issue.

The Supervisory Board can form committees. However, it has not done this so far as it is composed of the statutory minimum number of members (three). Therefore, establishing committees would not generate any advantage.

The Board of Management

Brüder Mannesmann Aktiengesellschaft's Board of Management, comprising one or more members to be appointed by the Supervisory Board, manages the Company and conducts its business. The Board of Management is currently made up of two members. The Board of Management is bound to represent the interests of the Company and to increase enterprise value on a sustainable basis. It determines the strategic orientation of the Company in coordination with the Supervisory Board and ensures its implementation. The Board is also responsible for the Company's year-to-year and multi-year planning and the preparation of mandatory reports including the annual and consolidated financial statements and the quarterly reports.

Furthermore, the Board of Management is responsible for ensuring that adequate risk management and risk controlling procedures are in place and that timely and comprehensive information is provided to the Supervisory Board on a regular basis for all issues concerning the Group in relation to strategy, operational planning, business development, the risk situation and risk management.

The Annual General Meeting

At the Annual General Meeting, shareholders can exercise their rights and cast their votes. Each share grants one vote. The Annual General Meeting is held within the first eight months of each financial year. The agenda for the Annual General Meeting and any reports and documentation required at the Annual General Meeting are also published on the Company's website.

To facilitate the exercising of rights at Annual General Meetings, the Company provides shareholders with a proxy bound by instructions. When convening the Annual General Meeting and in communications with shareholders, it is explained how instructions can be issued for exercising voting rights prior to the Annual General Meeting.

In addition, a shareholder may authorise an individual of his choice with power of attorney for voting.

Transparency

Brüder Mannesmann Aktiengesellschaft uses the Company's website (www.bmag.de) to distribute information to shareholders and investors promptly. In addition, it issues all mandatory disclosures and notifications. In addition to the consolidated financial statements, annual financial statements, six-month and quarterly reports, information on current developments is also provided by ad hoc disclosures and press releases. The Company's key dates are published with sufficient advance notice.

The compiled company notifications in line with stock exchange and securities trading law as defined by section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act) are also available on the website www.bmag.de.

Accounting and risk management

For the 2008 reporting year, the consolidated financial statements were compiled in accordance with the principles of the International Financial Reporting Standards (IFRSs). The annual financial statements of Brüder Mannesmann Aktiengesellschaft are compiled in line with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code). The risk management system is further developed on an ongoing basis by the Board of Management and adjusted to changing circumstances and is reviewed by auditors.

Remuneration report

In line with item 5.4.6 of the Code, Supervisory Board members shall receive performance-based or variable remuneration in addition to a fixed component. In line with article 18 of the Articles of Association, each Supervisory Board member receives fixed remuneration of € 12,000 in addition to the reimbursement of expenses. Furthermore, Supervisory Board members receive variable remuneration of € 500 for each percentage of the dividend resolved by the Annual General Meeting in excess of 4% of the share capital (variable remuneration). The Chairman receives double this amount, the Deputy Chairman receives one and a half times this amount.

Remuneration for the Board of Management is comprised solely of fixed salary components. These also include pension commitments. No additional benefits were provided.

Currently, information on remuneration is not broken down individually as the Annual General Meeting on 31 August 2006, in line with sections 286 (5) and 314 (2) HGB, resolved that the individual remuneration of the Board of Management remuneration will not be disclosed.

To avoid repetition, please also see the descriptions in the combined management report and in the notes to the consolidated financial statements.

Directors’ dealings and shareholdings

The Company was not notified of any transactions in the 2008 financial year. Information regarding shares held by the members of management can be found in the notes to the annual financial statements on investment notifications received by the Company.

Supplementary disclosures in line with the provisions of the German Corporate Governance Code

Disclosures on stock option plans and similar incentive systems involving securities of the Company (item 7.1.3): No stock option or similar option plans exist.

Declaration of compliance with the German Corporate Governance Code in the version dated 6 June 2008 by the Board of Management and the Supervisory Board of Brüder Mannesmann AG in line with section 161 AktG

In line with section 161 AktG, the Board of Management and the Supervisory Board of Brüder Mannesmann AG must declare annually that the recommendations of the Government Commission of the German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Bundesanzeiger (Federal Gazette), were and are complied with or which recommendations were not and are not applied. The declaration in line with section 161 AktG must be made permanently accessible to shareholders.

Retrospective declaration by the Board of Management and the Supervisory Board on the recommendations of the German Corporate Governance Code in line with section 161 AktG.

The Board of Management and the Supervisory Board of Brüder Mannesmann AG declare that the recommendations of the German Corporate Governance Code were complied with in the period between the last declaration of compliance dated 30 April 2008 to the time of this declaration in the form shown, except the deviations as mentioned there.

Forward-looking declaration by the Board of Management and the Supervisory Board on the recommendations of the German Corporate Governance Code in the version dated 6 June 2008 in line with article 161 AktG.

The Board of Management and the Supervisory Board of Brüder Mannesmann AG declare that in future, the German Corporate Governance Code in its version dated 6 June 2008 shall be complied with, except for the recommendations listed below:

- Transmission of information by way of electronic media (item 2.3.2): The Articles of Association of the Company also permit it to transmit information to the bearers of authorised securities of the Company by way of electronic media. The Company believes that this is a necessary option but not a mandatory course of action, not least because the Company’s shares are bearer shares and therefore the contact details of the Company’s shareholders are not generally known.

- Deductible on D&O insurance (item 3.8): A deductible has not been agreed. The Company believes that its executive bodies are able to observe their duties with all due diligence and prudence even in the absence of a set deductible.

- Board of Management remuneration (item 4.2.3): The remuneration of the Board of Management does not currently include variable components such as stock options as no such elements are provided for under the agreements still in force at this point in time. As there are no variable components, stock options or similar instruments requiring explanation, no additional explanations are provided. Please see also the remuneration report in the Corporate Governance Report for pension commitments and other commitments.

- Reporting of Board of Management remuneration (item 4.2.4): Currently, information on remuneration is not broken down individually as the Annual General Meeting on 31 August 2006, in line with sections 286 (5) and 314 (2) HGB that the information stipulated in section 285 sentence 1 no. 9, a) sentences 5 to 9 and section 314 (1) no. 6, a) sentences 5 to 9 HGB will not be disclosed.

- Age limit for Board of Management members (item 5.1.2): There is currently no age limit for Board of Management members. This appears unnecessary in view of the age of Board of Management members.

- Formation of committees (item 4.2.2 and 5.3.1 to 5.3.5): In view of the current number of Supervisory Board members (three), the formation of committees does not appear meaningful.

- Age limit for Supervisory Board members (item 5.4.1): There is currently no age limit for Supervisory Board members. This appears unnecessary in view of the age of Supervisory Board members.

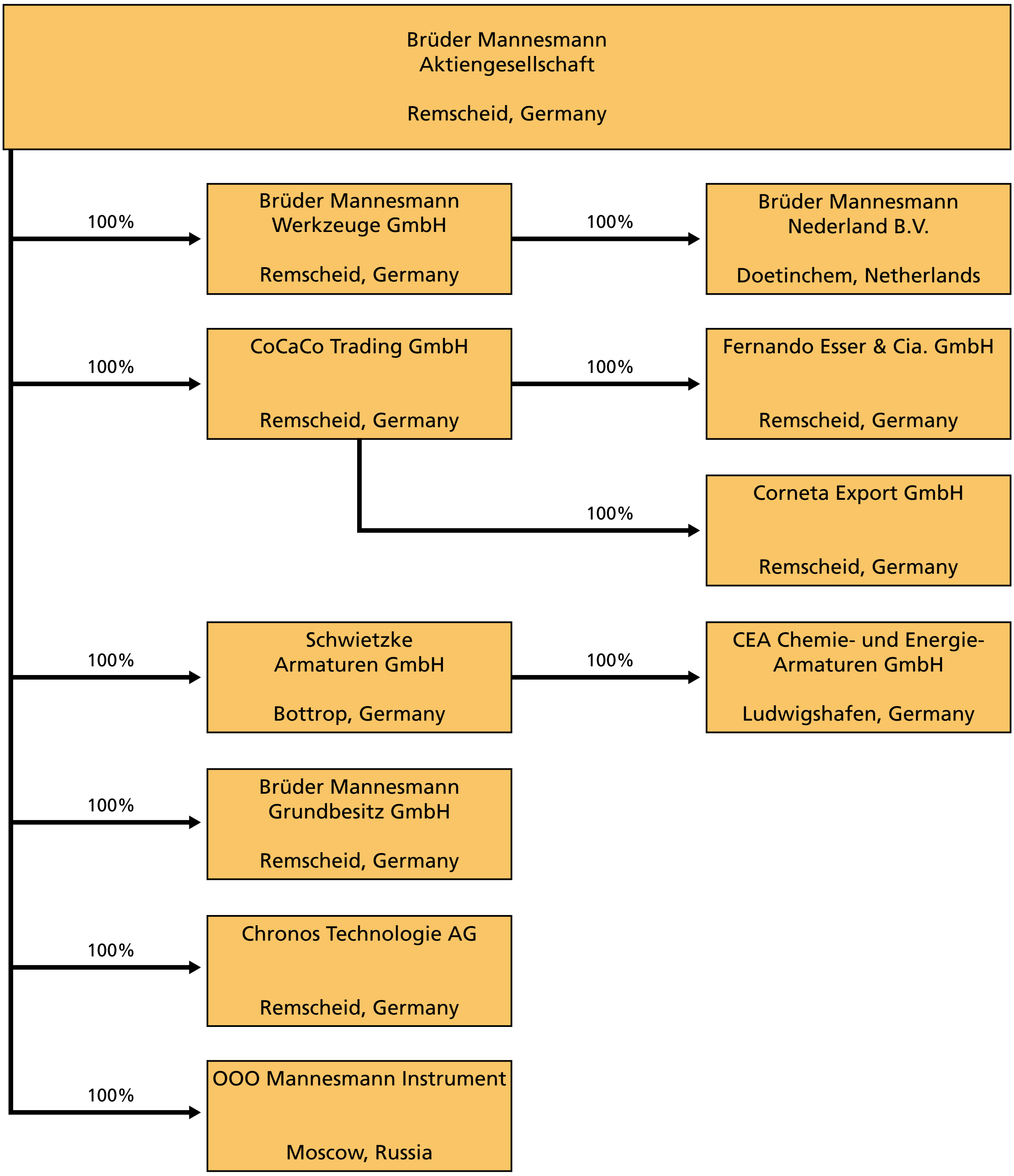
- Publication of the consolidated financial statements and interim reports (item 7.1.2): The annual financial statements and the consolidated financial statements for a financial year are made available to the public no more than four months after the end of the financial year. Six-month and quarterly reports are made publicly accessible within two months of the end of the reporting period. These deadlines are in adherence to the rules and regulations of the Deutsche Börse Prime Standard and the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

- Publication of a list of third party companies in which it has a shareholding that is not of minor importance (item 7.1.4): The list is published in the management report and contains information on the names and registered offices of such companies, the shareholding and the amount of equity. It does not include the earnings for the last financial year. In the opinion of Brüder Mannesmann AG, publishing such information is not of fundamental importance to the capital markets as it does not provide a transparent view of the specific way in which earnings are structured. In some cases, such information may be to the detriment of the companies concerned as it could be exploited, e.g. by its competitors.

Remscheid, 27. April 2009

The Board of Management   The Supervisory Board

Organization Chart of Brüder Mannesmann AG
as at 31. December 2008



Group Management Report

Group Management Report

1. Preliminary remarks

Brüder Mannesmann Aktiengesellschaft is a holding company for its operating subsidiaries. The holding combines two independently operating divisions, "Tool Trade" and "Valve Trade", under a single umbrella. The subsidiary Brüder Mannesmann Grundbesitz GmbH acts solely as a leasing company for property and is not involved in market operations. These properties are industrial and office property which has been held decades and which is mostly still used for the company's own business operations.

This management report is a combined report for Brüder Mannesmann-Holding and for Brüder Mannesmann Aktiengesellschaft.

2. Business development in the operating divisions

2.1. Tools Trade

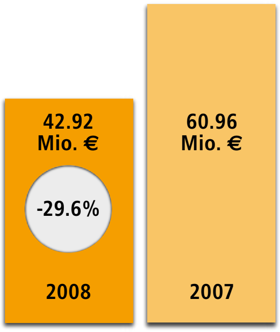
2.1.1. Tools Trading business developments

The Tools Trading division sells a full range of hand and electrical tools supplemented by garden tools, compressed air equipment and high-pressure cleaners. The "Brüder Mannesmann" brand is positioned on the market as a quality and innovation-oriented range and its excellent price-performance ratio is a key factor in its success. In combination with a consistent service focus, "Brüder Mannesmann" has had an excellent reputation within the industry for decades as a competent and reliable trading partner.

As anticipated, at € 42.9 million, the Tools division's sales did not reach the same level as in the previous year (€ 61,0 million). Following a moderate start to 2008, the decline in sales continued throughout the year, reflecting the crisis-wracked development of the economy as a whole. In light of this economic environment, however, the level of sales achieved can be considered satisfactory.

Operating earnings (EBIT) remained high at € 1.6 million (previous year: € 1.9 million).

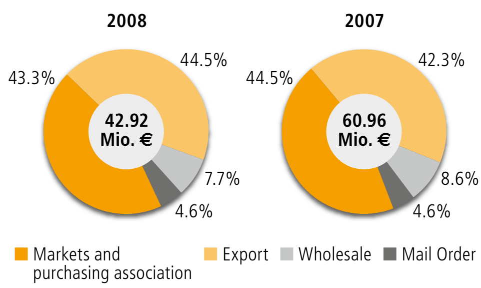
Tools Trade: Sales



Sales development by key customer groups was as follows:

Tools Trade: Sales by customer group

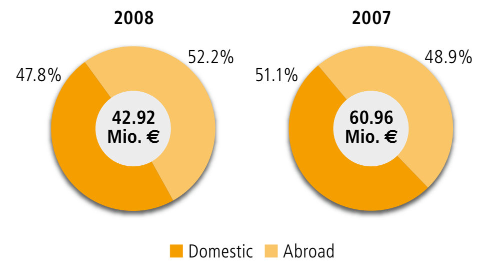
	2008 Mio. €	2008 %	2007 Mio. €	2007 %	Change Mio. €	Change %
Markets and purchasing associations	18.58	43.3	27.11	44.5	-8.53	-31.5
Export	19.08	44.5	25.78	42.3	-6.70	-26.0
Wholesale	3.30	7.7	5.23	8.6	-1.93	-36.8
Mail order	1.96	4.6	2.84	4.6	-0.88	-31.1
	42.92		**60.96**		**-18.04**	**-29.6**



Exports recorded a slight improvement in performance compared to other customer groups. The even distribution of changes in the other customer groups shows that demand is in decline overall, that this development is not specific to customers and that the reasons for it therefore lie in the general economic developments.

Tools Trade: Sales by region

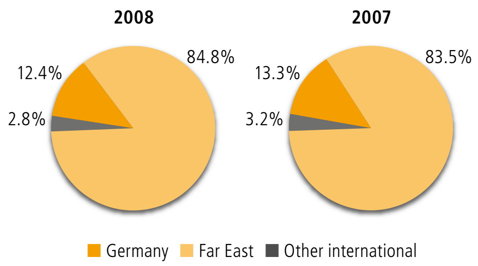
	2008 Mio. €	2008 %	2007 Mio. €	2007 %	Change Mio. €	Change %
Domestic	20.52	47.8	31.17	51.1	-10.65	-34.2
Abroad including exports	22.40	52.2	29.79	48.9	-7.39	-24.8
	42.92		**60.96**		**-18.04**	**-29.6**



The analysis of regional sales distribution shows a very strong decline in domestic sales, clearly reflecting the pronounced weakness of the Germany economy.

Tools Trade: Sales by region

	2008 %	2007 %	Change %
Germany	12,4	13,3	-0,9
Far East	84,8	83,5	1,3
Other international	2,8	3,2	-0,4
	100,0	**100,0**	



The Far East remains the most important region.

Tools Tade: Expenses

	2008 Mio. €	2007 Mio. €	Change Mio. €
Staff costs	5.44	6.13	-0.69
Depreciation and amortisation of assets	0.20	0.23	-0.03
Other operating expenses	6.16	7.54	-1.38
	11.80	**13.90**	**-2.10**

The average number of employees was unchanged at 76. Sales per employee amounted to € 0.56 million after € 0.80 million in the previous year.

The gross margin amounted to 30.9%, an increase on the previous year's figure of 25.3%. Gross income was € 13.3 million (previous year: € 15.4 million).

Operating foreign currency liabilities were reduced from USD 7.0 million to USD 6.3 million.

2.1.2. Tools Trade summary

In light of the extremely difficult overall economic situation, the business development of the Tool Trade division can be described as satisfactory. Cost items and the composition of the range and warehousing were adjusted promptly and in a forward-looking manner in line with changing economic conditions. As a result, operating income (EBIT) – as mentioned above – remained at a high level in spite of sales losses.

2.2. Valves Trade

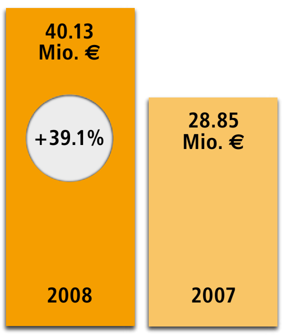
2.2.1. Valves Trading business developments

The Valves Trading division sells valves for industrial und technical applications. In particular, these applications include power plant technology and industrial chemicals and petrochemicals facilities. In addition, there is also the large field of freshwater provision and wastewater disposal at the level of utilities companies. In addition to the typical range of standard valves, full storage and warehouse logistics are handled for major customers as part of a universal service provider concept. The combination with highly defined technical consulting skills allows this division to take up an unusual positioning. The Valves Trading division is represented by the company Schwietzke, which is based in Bottrop and has other locations at Cologne and Ludwigshafen.

Sales in the Valves Trading division rose by 39.1% to € 40.1 million after € 28.9 million in the previous year. This increase was achieved by handling several major projects, though demand remained stable into the fourth quarter of 2008 in spite of the economic slowdown.

EBIT rose to € 2.3 million after € 1.1 million in the previous year. This increase resulted from growth in business volumes that was achieved with only a minor rise in cost items.

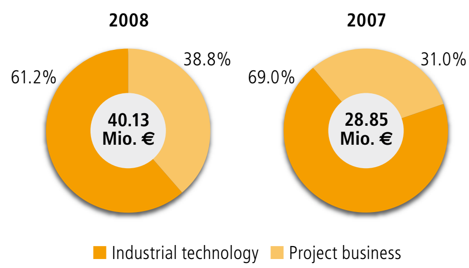
Valves Tade: Sales



As of the reporting date, the distribution of sales between industrial technology and projects business shifted further in favour of project business.

Valves Tade: Sales by business area

	2008 Mio. €	2008 %	2007 Mio. €	2007 %	Change Mio. €	Change %
Industrial technology	24.54	61.2	19.90	69.0	4.64	23.3
Project business	15.59	38.8	8.95	31.0	6.64	74.2
	40.13		**28.85**		**11.28**	**39.1**



Gross income was € 7.4 million (previous year: € 5.8 million). This corresponds to a gross margin of 18.4% (previous year: 20.0%).

Valves Tade: Expenses

	2008 Mio. €	2007 Mio. €	Change Mio. €
Staff costs	3.07	3.08	-0.01
Depreciation and amortisation of assets	0.12	0.13	-0.01
Other operating expenses	2.18	1.70	0.48
	5.37	**4.91**	**0.46**

Despite the strong increase in business volumes, staff costs were down slightly as against the previous year. The average number of employees was unchanged at 53. Sales per employee increased again to € 0.76 million (previous year: € 0.54 million).

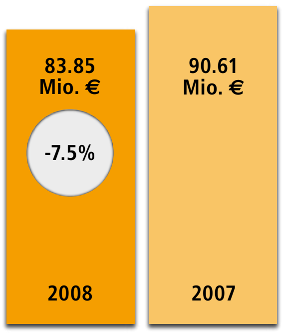
2.2.2. Valves Trading summary

With the strong growth in sales and income, Valves Trading reported a record year. This was made possible by an increase in order volumes with existing customers and systematic efforts to acquire new customers. Other aspects included the invoicing of major projects and the fact the sector was unaffected by the economic crisis until the end of the fourth quarter of 2008. The excellent performance impressively confirms the success of the business model.

3. Group business performance

The Brüder Mannesmann Group has been unable to escape the recessive trends in the German and global economy completely unscathed. However, with consolidated sales of € 83.9 million (previous year: € 90.6 million), the 2008 financial year can still be considered highly satisfactory. The development of the economy as a whole has already left a considerable mark on the Tools Trading division in the form of a drop in sales. The Valves Trading division, which did not bear the full brunt of the crisis on account of the sector it operates in, helped to partially offset this development. Thus, internal risk offsetting with the strategic design of a two-division structure has again proven its worth.

Group: Sales



Group: Sales

	2008 Mio. €	2008 %	2007 Mio. €	2007 %	Change Mio. €	Change %
Tools division	42.92	51.2	60.96	67.3	-18.04	-29.6
Valves division	40.13	47.9	28.85	31.8	11.28	39.1
Property (non-divisional sales)	0.80	0.9	0.80	0.9	0.00	0.0
	83.85		**90.61**		**-6.76**	**-7.5**

The business performance of Brüder Mannesmann Aktiengesellschaft is largely defined by that of its equity holdings. Net investment income was increased by € 1.0 million to € 4.0 million.

3.1. Group result

The Group generated EBIT of € 3.7 million from operations as against € 3.5 million in the previous year. As with the respective sales performance, the earnings contributions by the individual divisions varied, though both were profitable.

Gross consolidated income was € 21.5 million (previous year: € 22.0 million), remaining virtually stable in spite of the decline in sales.

Group: Group result

in Mio. €	2008	2007	Change
1. EBIT (operating result)	**3.67**	**3.53**	**0.14**
./. Financial result	-4.27	-2.44	-1.83
2. Earnings before tax	**-0.61**	**1.09**	**-1.70**
./. Taxes	0.09	-0.96	1.05
3. Consolidated net income	**-0.52**	**0.13**	**-0.65**

EBIT increased further in spite of the decline in business volumes. This was made possible by strict cost management, the effects of which were seen in particular in the significant reduction in cost of materials.

At the level of consolidated net income, results were affected by an increase in the negative net financial income of EUR 1.8 million. This increase was due to write-downs on bonus and basket certificates on various DAX and EURO STOXX 50 stocks. Consolidated net income therefore amounted to EUR 0.5 million or around EUR -0.17 per share. Based on EBIT, earnings per share came to € 1.22 after € 1.18 in the previous year.

Brüder Mannesmann Aktiengesellschaft achieved net income of € 54,893.28 thousand in the 2008 financial year (previous year: € 0.6 million). As stated above, the decline was essentially due to a reduction in net financial income.

3.2. Balance sheet

In the 2007 financial year, consolidated total assets increased from € 63.1 million in the previous year to € 66.9 million.

Group: Working capital

in Mio. €	2008	2007	Change
Inventories	14.22	14.64	-0.42
Receivables	12.55	10.81	1.74
Cash and cash equivalents and securities	13.47	12.00	1.47
Total	**40.24**	**37.45**	**2.79**
Current financial liabilities	0.89	3.80	-2.91
Creditors	7.43	5.03	2.40
Total	**8.32**	**8.83**	**-0.51**
Working-Capital	**31.92**	**28.62**	**3.30**

Working capital rose by € 3.3 million to € 31.9 million, reflecting a further improvement in liquidity and the financial situation.

With balance sheet equity for the 2008 financial year of € 7.9 million (previous year: € 8.7 million), the equity ratio amounted to 11.8% (previous year: 13.8%). Including subordinated loans (mezzanine capital) in equity, economic equity amounted to € 24.9 million with an equity ratio of 37.2% (previous year 40.7%).

The total assets of Brüder Mannesmann Aktiengesellschaft increased by € 0.8 million to € 36.1 million.

3.3. Employees

The average number of employees in the Group was unchanged at 134. Sales per employee amounted to € 0.63 million after € 0.68 million in the previous year.

Group: Employees

	2008	2007	Change
Industrial employees	28	31	-3
Salaried employees	106	103	3
Number of employees	**134**	**134**	**0**
Trainees and apprentices	5	5.5	0.5
Sales per employee € million	0.63	0.68	-0.05

3.4. Expenses

Group: Expenses

in Mio. EUR	2008	2007	Change
Staff costs	9.63	10.08	-0.45
Depreciation and amortisation of assets	0.43	0.48	-0.05
Other operating expenses	9.27	9.24	0.03
	19.33	**19.80**	**-0.47**

Expense items declined slightly overall.

4. Risk management and safeguarding the future

The Company has a reporting and control system that allows it to identify business risks that could potentially jeopardise the existence of the Company as a going concern and its ability to achieve key strategic goals. The information obtained from this system is incorporated into management planning. Responsibility for implementing countermeasures lies with division management.

Both of the Groups operative divisions use a variety of measures in the areas of attracting new customer segments, internationalisation and innovative product range policy as a means of safeguarding the future of the company.

The company counters currency risk through efficient management of its foreign currency liabilities. At the same time, price calculations are adapted to anticipate developments as far as possible.

The company employs an internal computer-based controlling and reporting system. Financial accounting data from operating Group companies are transferred into the system on a monthly basis and analysed according to certain criteria focusing on deviation from projected earnings and financial status. The implications drawn from these analyses and steps taken in light of them are communicated to operating Group companies in regular meetings. In addition, the Board of Management forwards the quarterly figures from the companies to the Supervisory Board for review. The Supervisory Board convenes at least six times per year.

The operative development opportunities of the Group's equity holdings are supported by the functions of the parent holding company. In particular, this includes assistance in issues of strategy and ensuring funds. As a result, these holdings have the opportunity to make appropriate contributions to earnings at Group level.

5. Other information

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

On 31 December 2008, the members of the Board of Management held a total of 696,300 ordinary shares (previous year: 696,300) representing 23.21% of share capital. On 31 December 2008, the members of the Supervisory Board held 228,500 ordinary shares (previous year: 228,500) representing 7.62% of share capital.

Remuneration for the Board of Management is comprised solely of fixed salary components. These also contain pension commitments. To avoid duplication, please refer to the descriptions in the notes to the consolidated financial statements.

The responsibility statement in accordance with section 289 (1) sentence 5 and section 315 (1) sentence 6 of the German Commercial Code (HGB) can be found in the notes and the notes to the consolidated financial statements.

6. Disclosures per Article 289 Para. 4 and Article 315 Para. 4 of German Commercial Code regarding the annual and consolidated financial statements

1. As of 31 December 2008, Company share capital totalled € 9,000,000.00, consisting of 3,000,000 no par value bearer shares.

2. The Board of Management is not aware of any restrictions in place concerning voting rights or sale of shares pursuant to any agreements between shareholders.

3. According to Company information, Board of Management Chairman Jürgen Schafstein is above the 10% of voting rights threshold, directly holding 16.67% of equity and voting shares. The Company has no information concerning any other direct or indirect shareholdings exceeding the threshold of 10% of voting shares in the Company.

4. No special rights are in place conferring control privileges.

5. There is no monitoring conducted of employee shareholdings in the Company.

6. Appointing and dismissing members of the Board of Management is done in line with Articles 84 and 85 of the Stock Corporation Act. Pursuant to Article 7 of the Company bylaws, the Board of Management may consist of one or more members. At this time there are two members. The Supervisory Board appoints Board of Management members and determines their number. The Supervisory Board may appoint a Chairman or Speaker of the Board of Management. The Company bylaws may be amended by shareholder resolution in accordance with Articles 119 Para. 1 no 5, 179 and 133 of the Stock Corporation Act. As permitted by law, resolutions are passed by a simple majority of votes cast and a simple majority of share capital represented in accordance with Article 179 Para. 2 of Stock Corporation Action in conjunction with Article 21 Para. 2 of the Company bylaws, instead of by a majority of three quarters of share capital represented as provided under Article 179 Para. 2 sentence 1 Stock Corporation Act. Pursuant to Article 17 of the Company bylaws, the Supervisory Board is only authorised to amend the Company bylaws in respect of the version.

7. The Board of Management is authorised to issue and buy back shares as outlined below.

   - The Board of Management is authorised pursuant to Article 5 Para. 3 of the Company bylaws to increase Company share capital (authorised capital) one or more times by a maximum € 4,500,000.00 through 29 August 2012 through the issuance of bearer shares versus cash or contributions in kind, subject to Supervisory Board approval. The Board of Management is furthermore authorised to determine the further specifics concerning share class rights and the terms of share offerings, subject to Supervisory Board approval.

   - Existing shareholders must be given opportunity to subscribe to new shares. However, the Board of Management is authorised to exclude shareholder subscription rights under the following circumstances, subject to Supervisory Board approval: for fractional shares, capital increases against contributions in kind (particularly for granting shares for the purpose of mergers, acquisitions, partial buyouts and equity investments) and cash contributions not exceeding 10% of share capital either at the time of effective authorisation or exercise thereof when the offering price is not significantly below the market price of Company shares actively trading on the secondary market at the point of final price determination. Shares purchased and sold excluding shareholder subscription rights under in line with Article 71 Para. 1 no 8 sentence 5 Stock Corporation Act in conjunction with Article 186 Para. 3 sentence 4 Stock Corporation Act count toward the aforementioned 10% threshold. Shares issued or to be issued without subscription rights under such authorisation in connection with convertible bonds, warrants and other hybrid securities in line with Article 186 Para 3 sentence 4 Stock Corporation Act also apply towards this threshold.

- On 25 August 2005, the annual shareholders' meeting authorised the Board of Management to issue bearer or registered profit sharing rights and/or participation certificates (the latter also referred to below as debentures) on one or more occasions to 24 August 2010. The total nominal value of the profit sharing rights and/or participation certificates issued under this authorisation with a duration not exceeding 15 years may not exceed € 20,000,000.00. Bearer warrants may be attached to the participation certificates or they can be provided with a conversion right for the bearer. The option or conversion rights may only be issued with a proportionate amount of the share capital up to a nominal amount of € 1,800,000.00. The Company has not thus far exercised this authorisation. Share capital was increased on a contingent basis by a maximum € 1,800,000.00 for the issuance of a maximum 600,000 new bearer shares. The contingent capital increase will be implemented only to the extent that the owners of conversion rights or options connected with participation certificates to be issued by the Company up to 24 August 2010 exercise their conversion or option rights or to the extent the owners of the convertible participation certificates of the Company to be issued up to 24 August 2010 exercise their conversion obligation. The new shares participate in profits from the start of the financial year in which they originate as a result of the exercise of conversion rights or options or by fulfilling conversion obligations.

- On 30 August 2007, the annual shareholders' meeting authorised the Company effective 31 August 2007 to buy back Company shares up to a maximum of € 900,000.00 of share capital for a period of 18 months, i.e. through 28 February 2009. The Board of Management was further authorised to sell the acquired shares without subscription rights or retire the repurchased shares, subject to Supervisory Board approval.

8. The Company has no clauses in place of material significance predicated upon change of control in consequence of a buyout/takeover offer.

9. Nor does the Company have any golden parachute clauses in place with Board of Management members or employees in the event of a buyout/takeover.

7. Outlook

7.1. Tools Trading

The fundamental elements of the business model in the Tools Trading division again proved their worth in the difficult year of 2008. They made a key contribution towards cushioning the direct effects of the downward economic trend, especially in terms of income. Accordingly, we feel more than justified in retaining the corporate strategy elements that have led to our success thus far:

- expansion of the positioning in existing market and customer segments,
- ongoing development of product innovations and measures affecting range policy,
- consistency in terms of quality, service and price-performance trade-off,
- reliability in supplier and customer relations,
- customer-oriented expansion into new international markets,

As part of the process of expansion into international European markets designed over a period of several years, Southeast and Eastern Europe starting from Russia are particularly gaining in significance.

As of 31 December 2008, order backlog and incoming orders amounted to € 4.6 million (previous year: € 5.6 million) and € 47.3 million (previous year: € 69.5 million) respectively. While these figures are significantly lower than the prior-year figures, the previous year is not a realistic basis of comparison in light of the economic crisis. Given the pronounced restraint on the part of our customers, order backlog and incoming orders are at an acceptable level.

At the current time, however, it is difficult to say how our sales markets will develop in future. It is also presently difficult to forecast the performance of our purchasing markets. Manufacturers in our main purchasing region, the Far East, are already suffering significantly under the economic crisis, to the extent that even well established companies could come under threat.

Within these general conditions, however, the start of 2009 was satisfactory. Nonetheless, it is not possible to make either a specific forecast or a general trend for the overall development of the rest of the year. We shall conduct our day-to-day operations with the utmost sensitivity, attempting to counter risks early on while at the same time seizing opportunities directly.

7.2. Valves Trading

With record earnings, the 2008 financial year confirmed the right long-term direction of the Valves Trading division. We therefore intend to continue our corporate strategy on the basis of the following elements:

- an extremely high level of state-of-the-art technical consulting expertise,
- proximity to key customers through locations at Bottrop, Cologne and Ludwigshafen
- pronounced sales strength in sophisticated project business,
- reliable and innovative support for all customer ambitions,
- further expansion of the share on long-term master agreements

One strategically viable addition to trading operations is the assembly of automated valves offered as required. This will help to further hone Schwietzke’s profile as a technologically highly advanced service provider. The Company intends to strengthen its activities in this area in future.

As of 31 December 2008, order backlog and incoming orders amounted to € 10.0 million (previous year: € 9.1 million) and € 39.7 million (previous year: € 34.2 million) respectively. However, these increases probably do not mean that 2009 will be as strong a year as 2008. Given the economic crisis, it is more likely that business volumes will be in decline.

Some orders already negotiated in project business and the level of long-term master agreements to serve the ongoing requirements of major customers reveal an excellent starting position, particularly in light of the overall economic situation.

The opening quarter of 2009 confirms the assumption that the recessive trends in the German and international economy will not allow the division to repeat its 2008 sales and earnings in 2009. A more detailed forecast is not possible at this time on account of the global uncertainty factors.

7.3. Group

The two operating divisions of the Brüder Mannesmann Group, Tools Trading and Valves Trading, are in the best possible starting position to face and master the challenges of the global economic crisis. The two divisions have business models that are both proven and rich in future prospects. If the economy were at least stable, conditions would be right for further growth.

However, the uncertainty as to the future development of the economy is greater today than it has been for decades. If the economy truly collapses in a major way over the coming years, this could lead to structural changes affecting our social, political and economic system in completely unknown ways.

An serious forecast containing specific figures is not possible at this time. We, however, are certain that we have taken every possible step currently conceivable to counter these risks. Thanks to our solid financial position, we can follow the short-term global developments calmly and are ready at any time to act on possible acquisitions that may arise and to leverage other future opportunities as well.

Remscheid, 27. April 2009
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein
Chairman of the
Board of Management

Bernd Schafstein

Consolidated Financial Statements

Consolidated Balance Sheet

Assets in TEUR	Notes	31.12.2008	31.12.2007
Non-current assets			
Goodwill	3.1.	3,845	3,845
Other intangible assets	3.1.	458	638
Property, plant and equipment	3.2.	7,037	7,189
Investment property	3.3.	8,377	8,377
Financial assets	3.4.	1,577	636
Deferred tax assets	3.5.	2,717	2,599
Other assets	3.6.	110	142
		24,121	**23,426**
Current assets			
Inventories	3.7.	14,219	14,641
Trade receivables	3.8.	12,545	10,808
Other receivables and other assets	3.9.	2,176	1,791
Assets for current tax	3.10.	357	420
Investments	3.11.	1,004	3,792
Cash and cash equivalents	3.12.	12,469	8,209
		42,770	**39,661**
Balance sheet total		**66,891**	**63,087**

Liabilities in TEUR	Notes	31.12.2008	31.12.2007
Equity			
Share capital	3.13.	9,000	9,000
Reserves	3.14.	770	770
Accumulated losses brought forward		-1,363	-1,188
Net consolidated income		-520	125
		7,887	**8,707**
Non-current liabilities			
Mezzanine subordinate loans	3.18.	17,048	16,949
Provisions for pensions and similar liabilities	3.16.	9,848	8,320
Financial liabilities	3.18.	14,361	15,233
Other liabilities	3.19.	4,159	803
Deferred tax liabilities	3.20.	667	639
		46,083	**41,944**
Current liabilities			
Other provisions	3.17.	894	1,527
Financial liabilities	3.18.	893	3,797
Trade liabilities	3.21.	7,432	5,035
Other liabilties	3.19.	3,702	2,065
Current income tax liabilities	3.22.	0	12
		12,921	**12,436**
Balance sheet total		**66,891**	**63,087**

Consolidated Statement of Earnings

In TEUR	Notes	01.01.-31.12.2008	01.01.-31.12.2007
Sales revenue	4.1.	83,851	90,610
Other operating income	4.2.	1,537	1,336
Costs of materials		-62,390	-68,629
Staffing costs	4.3.	-9,633	-10,076
Other operating expenses	4.4.	-9,274	-9,240
EBITDA		**4,091**	**4,001**
Amortisation and depreciation of intangible assets and property, plant and equipment		-426	-475
EBIT (operating result)		**3,665**	**3,526**
Financial earnings	4.5.	-4,273	-2,438
Earnings before tax		-608	1,088
Income taxes	4.6.	88	-963
Net consolidated income		**-520**	**125**
Earnings per share (undiluted) in EUR	**4.7.**	**-0.17**	**0.04**
Earnings per share (diluted) in EUR	**4.7.**	**-0.17**	**0.04**

Consolidated Capital Finance Account

in TEUR	Notes	2008	2007
EBIT		3,665	3,526
Depreciation on noncurrent assets		426	475
Gains on disposal on noncurrent assets		-12	-17
Change of noncurrent provisions and other noncurrent liabilities		1,509	1,038
Other non-cash income and expenses		162	96
Interest payments		-447	-392
Income tax payments		51	-343
Cash inflows / outflows from operating activities before change in current net assets	**6.2.**	**5,354**	**4,383**
Change of current assets / liabilities			
Inventories		422	-1,133
Trade receivables		-1,737	245
Other receivables and other assets		-23	-693
Financial liabilities		-2,926	2,926
Trade liabilities		2,397	-2,040
Other liabilities and other items		182	-287
Inflows / outflows from operating activities	**6.2.**	**3,669**	**3,401**
Inflows from disposal of noncurrent assets		94	52
Outflow for investment properties		-344	-815
Interest received		414	340
Dividends received		38	26
Investments		258	-4,070
Current financial instruments		227	853
Inflows / outflows from investing activities	**6.2.**	**687**	**-3,614**
Change of long-term financial liabilities			
Borrowing subordinated loan		0	4,800
Borrowing other liabilities		3,375	0
Repayment long-term financial liabilities		-851	-5,643
Interest payment		-2,320	-2,371
Distribution of profits		-300	-360
Inflows / outflows from financing activities	**6.2.**	**-96**	**-3,574**
Changes in cash and cash equivalents	**6.2.**	**4,260**	**-3,787**
Cash and cash equivalents on 1 January	**6.2.**	**8,209**	**11,996**
Cash and cash equivalents on 31 December	**6.2.**	**12,469**	**8,209**

Statement of Changes to Shareholders' Equity

in TEUR	Share capital	Capital reserves	Revenue reserves	Retained earnings brought forward	Net income	Total share-holders' equity
Shareholders'equity as at December 31, 2006	**7,700**	**770**	**927**	**0**	**151**	**9,548**
Transfer to earnings reserves from 2006 net income			151		-151	
Increase of share capital	1,300		-1,300			
Profit distribution			-360			
Adjustment of deferred taxes			-606			
Reclassification to the result brought forward			1,188	-1,188		
Profit January 1, to December 31, 2007					125	
Shareholders'equity as at December 31, 2007	**9,000**	**770**	**0**	**-1,188**	**125**	**8,707**
Transfer to earnings reserves from 2007 net income			125		-125	
Profit distribution			-300			
Reclassification to the result brought forward			175	-175		
Profit January 1, to December 31, 2008					-520	
Shareholders'equity as at December 31, 2008	**9,000**	**770**	**0**	**-1,363**	**-520**	**7,887**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. General information on the consolidated financial statements

Brüder Mannesmann Aktiengesellschaft is a holding company whose operating subsidiaries are active in the international trading of tools and valves. Two independently operating divisions – Tools Trading and Valves Trading – are established on the market, while the subsidiary Brüder Mannesmann Grundbesitz GmbH acts exclusively as a rental company for the properties held by the Group and does not operate on the market.

The registered business address of the Group is:
Lempstrasse 24, 42859 Remscheid, Germany.

Brüder Mannesmann Aktiengesellschaft is entered in the commercial register of the Wuppertal Local Court under HRB 11838.

Brüder Mannesmann Aktiengesellschaft is a listed company admitted for trading in the Prime Standard segment of the Frankfurt Stock Exchange.

2. Accounting policies

2.1. Basis of preparation of the financial statements

Accounting

In accordance with section 315a of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with EU Directive 1606/2002 dated 19 July 2002, the consolidated financial statements of Brüder Mannesmann Aktiengesellschaft for the year ended 31 December 2008 were prepared on the basis of the applicable International Financial Reporting Standards (IFRSs) adopted by the EU at the balance sheet date.

The consolidated financial statements are based on the historical cost convention with the exception of specific items, such as investment property, derivative financial instruments and certain securities, which are measured at fair value.

The consolidated income statement was prepared in accordance with the total cost (nature of expense) method.

Individual items in the consolidated balance sheet and the consolidated income statement are summarised in order to improve the clarity of presentation. These items are discussed in greater detail in the notes to the financial statements.

The structure of the balance sheet is based on the term of the respective assets and liabilities.

Assets and liabilities are classified as current if they fall due or are held for sale within one year. Accordingly, assets and liabilities are classified as non-current if the Group intends to hold them for more than one year. Trade payables and receivables, current tax assets and liabilities and inventories are generally classified as current, while deferred tax assets and liabilities are classified as non-current.

Reporting currency

The consolidated financial statements are prepared in euro. All amounts are presented in thousands of euro (TEUR) unless stated otherwise.

Basis of consolidation

In addition to Brüder Mannesmann Aktiengesellschaft, the consolidated financial statements include all of the subsidiaries whose financial and business policy are controlled by Brüder Mannesmann Aktiengesellschaft on account of it holding a majority of the voting rights or in accordance with the relevant articles of association, partnership agreement or other contractual arrangements, with the exception of two subsidiaries.

A total of seven German subsidiaries (previous year: seven) and one foreign subsidiary (previous year: one) controlled by Brüder Mannesmann Aktiengesellschaft in accordance with IAS 27 (Consolidated and Separate Financial Statements) are included in the consolidated financial statements.

The full list of shareholdings of the Brüder Mannesmann Group is published in the electronic Bundesanzeiger (Federal Gazette).

Consolidation principles

The single-entity financial statements of the companies included in consolidation are reconciled to uniform, consolidation-ready financial statements in accordance with International Financial Reporting Standards (IFRSs).

The single-entity financial statements of the companies included in consolidation are prepared to the same reporting date as the consolidated financial statements.

The initial consolidation of the companies included in consolidation prior to 1 January 2004 was performed on the basis of the purchase method set out in section 301 (1) no. 1 of the HGB. Under this method, the Group's interest in the shareholders' equity of a consolidated subsidiary is offset against the carrying amount of the investment at the acquisition date. Any remaining excess after the allocation of hidden reserves and liabilities is recognised as goodwill from capital consolidation and amortised on a straight-line basis over the economic life of the respective investment.

Following the initial application of IFRS 3 (Business Combinations), the straight-line amortisation of goodwill was discontinued with effect from 1 January 2004. Since this date, goodwill has been regularly tested for impairment at least once a year, with the carrying amount written down to the recoverable amount as necessary. No impairment losses were recognised in the year under review.

Intragroup profits and losses are eliminated. Intragroup revenues, expenses and income, receivables, liabilities and provisions are consolidated. Deferred taxes are recognised for consolidation adjustments in accordance with IAS 12 (Income Taxes).

Currency translation

As the euro is the functional currency of all the companies included in consolidation, no single-entity financial statements were required to be translated.

Foreign currency transactions in the single-entity financial statements of Group companies are translated in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) at the applicable exchange rate at the transaction date. Monetary assets and liabilities whose values are stated in a foreign currency are translated at the closing rate on the balance sheet date. The resulting exchange rate gains and losses are recognised in profit and loss.

2.2. Application of new accounting policies

Accounting provisions applied for the first time

The following accounting provisions, the adoption of which was mandatory for Brüder Mannesmann Aktiengesellschaft in the reporting year in line with the regulations of the IASB, were applied for the first time in the 2008 financial year:

IFRIC 11
(IFRS 2 Group and Treasury Share Transactions)

IFRIC 12
(Service Concession Arrangements)

IFRIC 14
(IAS 19 – The Limit on a Defined Benefit Asset,
Minimum Funding Requirements and their Interaction)

These interpretations have no effect on the net assets, financial position and results of operations of the Brüder Mannesmann Group.

In addition, on 13 October 2008, the IASB published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Reclassification of Financial Assets). These changes allow the reclassification of certain financial instruments.

In particular, this applies to financial instruments that originally met the definition of "loans and receivables" as there was no intention to trade them and they were not designated as "available for sale". Such instruments can be reclassified retroactively to 1 July 2008.

No such reclassifications were implemented in the Brüder Mannesmann Group.

Provisions already passed but not yet adopted

The following standards, interpretations and amendments to published standards that have already been passed but are not yet mandatory will be adopted in the consolidated financial statements from the time at which this is required for Brüder Mannesmann Aktiengesellschaft, i.e. from the 2009 or 2010 financial years:

- IAS 1 Presentation of Financial Standards (new version, effective for financial year from 1 January 2009)

  Among other things, the new version of the standard provides for a full income statement including income and expenses previously recognised directly in equity ("other comprehensive income"); income taxes are then broken down by the components of the full income statement. In future, retroactive amendments to accounting policies or corrections of errors must also be disclosed in the opening balance sheet of the comparative period. The renaming of the elements of the financial statements as implemented in the standard does not necessarily have to be adopted.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate) (effective from 1 January 2009)

  The amendment to IFRS 1 allows a company to report either the fair value of the investment at the time of the transition to IFRSs or the carrying amount of the investment as determined by the previous accounting policies at the time of the transition to IFRSs for subsidiaries, joint ventures or associates in the IFRS opening balance sheet of its separate financial statements instead of their cost (deemed cost).

- IFRS 1 First-time Adoption of International Financial Reporting Standards (revised version) (effective from 1 January 2009)

  This revised IFRS 1 replaces the previous IFRS 1 and relates to the formal structure of the standard (separation of the standard's general and specific regulations).

- Amendment to IFRS 2 (Vesting Conditions and Cancellations) (effective from 1 January 2009)

  The new regulations clarify terms and offer a more precise definition of vesting conditions for share-based payment agreements.

- IFRS 3 Business Combinations (effective for financial years from 1 July 2009)

  The new IFRS 3 contains regulations on scope, purchase price components, the treatment of minority interests, goodwill and the scope of the recognised assets, liabilities and contingent liabilities. The amended standard also contains regulations on the recognition of loss carry-forwards and the classification of contracts of the acquired company. The use of the purchase method for business combinations has been retained. Changes have been made in the determination of cost, for instance when the purchase price agreement is dependent on future events. Under the new regulation, minority interests can either be measured at fair value (full goodwill method) or at the fair value of the pro rata identifiable net assets.

- IFRS 8 Operating Segments (effective from 1 January 2009)

  IFRS 8 replaces IAS 14 (Segment Reporting) and regulates that segment information must be published on the same basis on which internal reporting is based (management approach).

- IAS 23 Borrowing Costs (effective from 1 January 2009)

  The standard, which is to be applied prospectively from the time it becomes effective, requires the capitalisation of borrowing costs that can be allocated to a qualifying asset.

- IAS 27 Consolidated and Separate Financial Statements (effective for financial years from 1 July 2009)

  The amended standard regulates the treatment of acquisitions and disposals of shares after achieving and while retaining control. In line with this, minority transactions are treated as transactions between shareholders and recognised in equity. For disposals of shares that result in a loss of control, the gain or loss on disposal is recognised in profit or loss. If shares are still held after the loss of control, the remaining shares are carried at fair value. The difference between the previous carrying amount of the remaining shares and their fair value is recognised in income in the gain or loss on disposal and disclosed separately in the notes at the corresponding revaluation amount of the remaining share. For step acquisitions or in proportionate disposals, the standard requires the remeasurement of the shares already held and those remaining at fair value. Losses relating to minorities that exceed the carrying amount must be shown as negative carrying amounts in consolidated equity.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (Puttable Financial Instruments and Obligations Arising on Liquidation) (effective from 1 January 2009)

  The amendments regulate questions on the distinction between equity and financial liabilities and, under certain conditions, allow enterprises to report contributions not previously classified as equity under equity. For example, these include shares in partnerships and cooperatives.

- Amendment to IAS 39 Recognition and Measurement (Eligible Hedged Items) (effective for financial years from 1 July 2009)

  These amendments clarify the principles that decide whether a hedged risk or portions of cash flows can be considered eligible as a hedged item.

- Improvements to IFRS (effective from 1 January 2009 except for the regulations on IFRS 5, which are effective from 1 July 2009)

  This omnibus standard contains a total of 35 amendments to 20 different existing IFRSs. These break down into two groups:

  Part I contains 24 amendments to standards relating to issues of presentation, recognition and measurement

  Part II contains 11 terminological and editorial changes that barely affect accounting.

- IFRIC 13 Customer Loyalty Programmes (effective for financial years from 1 July 2008)

  In line with this interpretation, benefits (bonuses) granted to customers are measured at fair value as own sales and recognised separately from the transaction in the context of which they were granted.

- IFRIC 15 (Agreement for the Construction of Real Estate) (effective from 1. January 2009)

  IFRIC 15 contains guidelines as to when a real estate sale falls within the scope of IAS 11 (Construction Contracts) and when it falls within the scope of IAS 18 (Revenue).

- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) (effective for financial years from 1 October 2008)

  IFRIC 16 clarifies what is considered a risk when hedging a net investment in a foreign operation and where the hedge for reducing this risk may be held within the company group.

- IFRIC 17 (Distributions of Non-cash Assets to Owners) (effective for financial years from 1 July 2009)

  IFRIC 17 regulates how a company must measure non-cash assets distributed to owners. Dividend obligations are carried at the fair value of the net assets transferred. The difference between the dividend obligation and the carrying amount of the asset transferred is recognised in profit or loss.

The adoption of the new version of IAS 1 will have an extensive effect on the presentation of the consolidated financial statements from 2009. The adoption of IFRS 8 will lead to changes in presentation from the 2009 reporting year. The effects of the amendments to IAS 27 and IFRS 3 are dependent on the nature and scope of future share acquisition and disposal transactions.

The amendments to IFRS 1 are of no relevance for the consolidated financial statements of Brüder Mannesmann Aktiengesellschaft.

For the other changes, Brüder Mannesmann Aktiengesellschaft is currently examining the impact of the new standards and interpretations on its consolidated financial statements. This will partly be dependent on whether future issues that fall within the scope of the amended provisions are implemented. The Company does not expect the first-time application of these new standards and interpretations to have a material effect on the Group’s net assets, financial position and results of operations.

2.3. Assumptions and estimates

The preparation of the consolidated financial statements requires the application of certain assumptions and estimates affecting the amount and classification of assets, liabilities, income, expenses and contingent liabilities. The actual amounts may deviate from these assumptions and estimates. In the event of a change in the original basis of an assumption or estimate, the resulting change in the value of the affected item is recognised in income.

The main areas in which assumptions and estimates are applied include the determination of the useful lives of non-current assets, the calculation of discounted cash flows for the purposes of impairment testing and the measurement of interest optimisation transactions, the calculation of the fair values of derivative financial instruments, the recognition of deferred tax assets from tax loss carryforwards, the recognition of provisions for employee benefits and uncertain obligations, the recognition of onerous contracts and the measurement of inventories.

2.4. Summary of significant accounting policies

Intangible assets

Goodwill from capital consolidation is recognised in accordance with IFRS 3 and regularly tested for impairment at least once a year, and more often if there is evidence of impairment. The carrying amount of goodwill is written down to the recoverable amount as necessary. For the purpose of impairment testing, goodwill is allocated to the cash-generating units tools (TEUR 2,497) and valves (TEUR 1,348). To measure the value, expected future cash flows are discounted at a factor of 8.8% or 9% before taxes (previous year: 8%). The expected cash flows are based on company planning. The detailed planning period covers three years.

Other intangible assets are carried at cost and amortised pro rate temporis over their estimated useful life. An impairment loss is recognised for any impairment in excess of amortisation. Impairment losses are reversed if the reasons for their recognition no longer exist. The useful lives of intangible assets are between three and 15 years.

Property, plant and equipment

Property, plant and equipment is carried at cost less straight-line depreciation and any impairment losses.

The following useful lives for property, plant and equipment are applied throughout the Group:

- Buildings, including buildings on third-party land: 8-60 years
- Technical equipment and machinery: 2-15 years
- Other equipment, office and operating equipment: 2-15 years

In accordance with IAS 17 (Leases) in conjunction with IFRIC 4, the beneficial ownership of leased assets accrues to the lessee if substantially all of the risks and rewards incidental to the asset are also transferred to the lessee (finance leases).

The Group did not have any leases meeting this definition in the year under review. All of the Group's leases were classified as operating leases, with the corresponding lease instalments expensed as incurred.

Investment property

IAS 40 (Investment Property) defines investment property as property held to earn rentals or for capital appreciation or both. Investment property is carried at fair value.

The fair value of investment property is calculated by an independent expert on the basis of the capitalised income value, taking into account all aspects of the property market.

Financial instruments

Financial assets and liabilities are recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

Financial assets are broken down into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial assets held to maturity
- Available-for-sale financial assets

Financial liabilities are broken down into the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities carried at amortised cost

At the balance sheet date, the Brüder Mannesmann Group did not hold any financial assets classified as held to maturity.

The purchase and sale of financial instruments in arm's length transactions is recognised at the settlement date, i.e. the date on which the asset is delivered to or by the Brüder Mannesmann Group. Financial assets and liabilities are not generally offset unless the Group has a current right to offset the respective amounts and intends to settle them on a net basis.

On initial recognition, financial assets and liabilities are measured at fair value. Subsequent measurement is performed on the basis of the IAS 39 categories to which the respective items are allocated.

Financial assets include both primary and derivative financial instruments.

Financial instruments are carried at amortised cost (calculated in accordance with the effective interest method) or fair value. They are derecognised when the right to receive payments from the instruments expire or are transferred and the Brüder Mannesmann Group transfers significantly all the risks and rewards incidental to ownership. The amortised cost of a financial asset or liability is the amount applied on initial recognition less

- repayments,
- impairment losses or allowances for uncollectability, and
- the cumulative allocation of any differences between the original amount and the amount repayable on maturity (e.g. premiums).

Premiums are calculated over the term of the financial asset or liability using the effective interest method.

The amortised cost of current receivables and liabilities generally corresponds to their notional or settlement amount.

The fair value of a financial instrument generally corresponds to its market value or quoted price. If no active market exists for a financial instrument, the fair value is calculated using recognised investment techniques, e.g. by discounting the estimated future cash flows using the applicable discount rate, and examined by obtaining confirmations from the banks responsible for settling the respective transactions.

Financial assets are examined for objective evidence of impairment at each balance sheet date.

Non-current financial assets

Non-current financial assets primarily relate to long term security investments and shares in two unconsolidated subsidiaries. As there is no market for these instruments and their fair values cannot be reliably determined without an unreasonable degree of cost and effort, they are generally carried at original cost. If there is evidence that the fair value of a non-current financial asset is lower than its carrying amount, the carrying amount is written down to fair value accordingly.

Deferred tax assets and liabilities

Deferred taxes are calculated in accordance with IAS 12. Temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax base are recognised in the amount of the probable future tax benefits and expenses. The expected tax savings from the future utilisation of tax loss carryforwards are capitalised. Deferred tax assets from deductible temporary differences and tax loss carryforwards are recognised at the amount in which it is reasonably certain that sufficient taxable income will be generated to realise the corresponding benefits.

Inventories

In accordance with IAS 2 (Inventories), inventories are defined as assets held for sale in the ordinary course of business (goods) and consumed in providing services (raw materials and supplies).

Goods classified as inventories are initially carried at cost, which is determined in accordance with the weighted average cost method. At subsequent reporting dates, goods are carried at the lower of cost and net realisable value. Specific valuation allowances are recognised for goods if the proceeds on their sale are expected to be lower than their carrying amount. Net realisable value is defined as the expected selling price less the direct selling expenses attributable to the goods up until their sale.

Trade receivables

Trade receivables are classified as loans and receivables in accordance with IAS 39 and carried at amortised cost.

Doubtful receivables are carried at the lower recoverable amount.

Other receivables and other assets

The assets reported in other receivables and other assets that are required to be classified as loans and receivables in accordance with IAS 39 are carried at amortised cost.

Other assets include derivative financial instruments, which are measured at fair value in accordance with IAS 39.

Prepaid expenses include transitional deferrals. Prepaid expenses with a remaining term of more than one year are reported in non-current assets (other non-current assets).

Cash and cash equivalents, current tax assets and other securities

Cash and cash equivalents are composed of checks, cash in hand and bank balances with a term of three months or less, and are carried at the respective nominal amounts.

Current tax assets relate to income tax receivables from tax authorities.

Other securities are classified as available for sale and carried at fair value in accordance with IAS 39.

Provisions

In accordance with IAS 19 (Employee Benefits), the actuarial valuation of pension provisions is performed using the projected unit credit method for defined benefit obligations. This includes current and future pension claims at the balance sheet date and expected future salary and pension increases. In accordance with the corridor method, actuarial gains and losses at the end of the year are only recognised if they fall outside a range of 10% of the amount of the obligation. Any such actuarial gains or losses are distributed across the average remaining working life of the respective beneficiaries and recognised in income. In accordance with IAS 39, past service cost for vested new benefits and changes in pension plans are recognised in income immediately.

Other provisions are recognised in accordance with IAS 37 if the Group has a legal or constructive obligation to a third party resulting from a past transaction or event that is likely to result in an outflow of benefits that can be reliably determined. Provisions are carried at the expected settlement amount, taking into account all identifiable risks.

Liabilities

In accordance with IAS 39, financial liabilities are carried at amortised cost using the effective interest method.

Trade payables are carried at amortised cost.

Other liabilities are carried at their repayment amount, unless they are required to be measured at fair value in accordance with IAS 39.

Income and expenses

Revenues and other operating income are recognised only when the significant risks and rewards incidental to ownership of the goods are transferred to the customer.

Operating expenses are recognised when the respective services are utilised or when the event giving rise to the expenses occurs.

Borrowing costs are expensed in the period in which they are incurred in accordance with the benchmark method set out in IAS 23.

3. Disclosures on the consolidated balance sheet

3.1. Intangible assets

Schedule of intangible assets in TEUR	Goodwill	Other intangible assets	Total
Cost			
As of 01.01.2007	3,845	3,050	6,895
Additions	0	0	0
Disposals	0	0	0
As of 31.12.2007	**3,845**	**3,050**	**6,895**
As of 01.01.2008	3,845	3,050	6,895
Additions	0	0	0
Disposals	0	0	0
As of 31.12.2008	**3,845**	**3,050**	**6,895**
Cumulated deprecation			
As of 01.01.2007	0	2,225	2,225
Depreciation	0	187	187
Disposals	0	0	0
As of 31.12.2007	**0**	**2,412**	**2,412**
As of 01.01.2008	0	2,412	2,412
Depreciation	0	180	180
Disposals	0	0	0
As of 31.12.2008	**0**	**2,592**	**2,592**
Carrying amount			
01.01.2007	3,845	825	4,670
31.12.2007	3,845	638	4,483
01.01.2008	3,845	638	4,483
31.12.2008	**3,845**	**458**	**4,303**

Goodwill consists of goodwill from capital consolidation and relates to the carrying amounts of the following cash-generating units:

in TEUR	31.12.2008	31.12.2007
Tools segment	2,497	2,497
Valves segment	1,348	1,348
	3,845	**3,845**

Rights to company names and software licences are reported in other intangible assets.

3.2. Property, plant and equipment

Schedule of property, plant and equipment in TEUR	Land and buildings	Technical equipment and machinery	Other plant and equipment	Advance payments	Total
Cost					
As of 01.01.2007	9,634	35	1,504	0	11,173
Additions	0	15	194	0	209
Disposals	0	-2	-97	0	-99
As of 31.12.2007	**9,634**	**48**	**1,601**	**0**	**11,283**
As of 01.01.2008	9,634	48	1,601	0	11,283
Additions	17	0	134	16	167
Disposals	0	-12	-123	0	-135
As of 31.12.2008	**9,651**	**36**	**1,612**	**16**	**11,315**
Cumulated depreciation					
As of 01.01.2007	2,581	29	1,265	0	3,875
Depreciation	167	5	116	0	288
Disposals	0	-1	-68	0	-69
As of 31.12.2007	**2,748**	**33**	**1,313**	**0**	**4,094**
As of 01.01.2008	2,748	33	1,313	0	4,094
Depreciation	155	3	88	0	246
Disposals	0	-12	-50	0	-62
As of 31.12.2008	**2,903**	**24**	**1,351**	**0**	**4,278**
Carrying amount					
01.01.2007	7,053	6	239	0	7,298
31.12.2007	6,886	15	288	0	7,189
01.01.2008	6,886	15	288	0	7,189
31.12.2008	**6,748**	**12**	**261**	**16**	**7,037**

The group has concluded sale-and-leaseback agreements that qualify as finance leases for movable property, plant and equipment and intangible assets. The related assets are balanced unvaried because the beneficial ownership has not changed.

3.3. Investment property

Investment property is carried at fair value in accordance with IAS 40. At 31 December 2008, the fair value of the investment property recognised by the Group amounted to TEUR 8,377 (previous year: TEUR 8,377). Valuation was performed by an independent expert on the basis of the capitalised income value, taking into account all aspects of the property market.

The Group has transferred all of its investment property as real estate liens to secure a loan.

All of the investment property held by the Group is let under the terms of a rental agreement. The resulting rental income amounted to TEUR 738 in the year under review (previous year: TEUR 735). The expenses relating directly to investment property amounted to TEUR 65 (previous year: TEUR 18).

3.4. Financial assets

in TEUR	Shares in affilated companies	Loans due from affilated companies	Other equity investments	Long term security investment	Other loans	Total
Cost						
As of 01.01.2007	0	0	26	0	9	35
Additions	606	0	0	0	0	606
Disposals	0	0	-5	0	0	-5
As of 31.12.2007	**606**	**0**	**21**	**0**	**9**	**636**
As of 01.01.2008	606	0	21	0	9	636
Additions	17	160	0	1,451	0	1,628
Disposals	0	0	0	0	-9	-9
As of 31.12.2008	**623**	**160**	**21**	**1,451**	**0**	**2,255**
Cumulated depreciation						
As of 01.01.2007	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As of 31.12.2007	**0**	0	**0**	**0**	**0**	**0**
As of 01.01.2008	0	0	0	0	0	0
Depreciation	0	0	0	678	0	678
Disposals	0	0	0	0	0	0
As of 31.12.2008	**0**	**0**	**0**	**678**	**0**	**678**
Carrying value						
01.01.2007	0	0	26	0	9	35
31.12.2007	606	0	21	0	9	636
01.01.2008	**606**	0	21	0	9	636
31.12.2008	**623**	**160**	**21**	**773**	**0**	**1,577**

Long-term investments relate to certificates acquired or reclassified from current assets in the reporting year. Write-downs due to changes in fair value are reported under net finance costs. These financial assets have been assigned to the fair value option category to reduce complexity on account of the embedded derivative.

3.5. Deferred tax assets

Deferred tax assets are composed as follows:

in TEUR	31.12.2008	31.12.2007
Deferred tax assets from tax loss carryforwards	1,175	1,446
Deferred taxes from timing difference	1,147	789
Deferred taxes from derivative financial instruments	374	343
Deferred taxes from consolidation adjustments	21	21
	2,717	**2,599**

Deferred tax assets were recognised for tax loss carryforwards to the extent that they are expected to be utilised. In the year under review, deferred tax assets from tax loss carryforwards were recognised in the amount of TEUR 68 (previous year: TEUR 529).

The group has accumulated losses brought forward from corporate tax about TEUR 5,331 (previous year TEUR 5,866) and accumulated losses brought forward from trade tax about TEUR 2,118 (previous year TEUR 3,307).

Deferred tax assets also include timing differences relating to consolidation adjustments and timing differences arising from valuation differences at Group companies in accordance with IFRSs.

3.6. Other non-current assets

Other non-current assets relate to prepaid expenses with a remaining term of more than one year in the amount of TEUR 110 (previous year: TEUR 142).

3.7. Inventories

The inventories reported by the Brüder Mannesmann Group in the amount of TEUR 14,219 (previous year: TEUR 14,641) primarily relate to merchandise.

3.8. Trade receivables

Write-downs of TEUR 17 (previous year: TEUR 25) were recognised for trade receivables that are expected to be uncollectible. The carrying amounts of trade receivables are roughly approximate to their fair values.

Changes in valuation allowances on capitalised financial instruments	Trade receivables	Other assets
Balance at 31 Dec. 2006/1 Jan. 2007	**34**	**21**
Utilisation	-2	0
Addition/Reversal	-2	0
Balance at 31 Dec. 2007/1 Jan. 2008	**30**	**21**
Utilisation	0	0
Addition/Reversal	23	0
As of 31 Dec. 2008	**53**	**21**

The Group also had trade receivables that were overdue as of 31 December but for which no valuation allowances were recognised. These items were composed as follows:

in TEUR	31.12.2008	31.12.2007
1-30 days overdue	981	2.332
31-60 days overdue	371	367
61-90 days overdue	208	207
More than 90 days overdue	361	712

Receivables that are overdue by 1-30 days do not generally lead to default, as the delays in payment are primarily due to temporary posting differences. Based on past experience, the recognition of valuation allowances on receivables that are overdue for more than 30 days is generally also not necessary, as the delays primarily relate to export customs and the receivables are usually settled in full.

3.9. Other receivables and other assets

Other receivables and other assets are composed as follows:

	31.12.2008	31.12.2007
Miscellaneous derivative financial instruments	826	523
Prepaid expenses	242	236
Creditors with debit balances and bonus credits	200	161
Receivable from employees	153	18
Advance payment for project planning	150	0
Loan receivables	49	397
Receivables from tax authorities	39	346
Miscellaneous	517	110
	2,176	**1,791**

3.10. Current tax assets

Current tax assets amounted to TEUR 357 (previous year: TEUR 420) and related to prepayments of taxes.

3.11. Securities

This item contains a money market fund and in previous year bonus and basket certificates on various DAX and EURO STOXX 50 stocks. At 31 December 2008, the fair value of these instruments was TEUR 1,004 (previous year: TEUR 3,792).

3.12. Cash and cash equivalents

Cash and cash equivalents, which are composed of checks, cash in hand and bank balances, amounted to TEUR 12,469 at the balance sheet date (previous year: TEUR 8,209).

3.13. Share capital

Share capital

As of 31 December 2008, Company's share capital amounted to TEUR 9,000 (previous year: TEUR 9,000), consisting of 3,000,000 no par value bearer shares.

Authorised capital

By way of resolution of the Annual General Meeting on 30 August 2007, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital by up to TEUR 4,500 against cash and/or non-cash contributions on one or more occasions until 29 August 2012.

Contingent capital

By way of resolution of the Annual General Meeting on 30 August 2007, the share capital was contingently increased by up to TEUR 1,800 through the issue of up to 600,000 new no-par value bearer shares. The contingent capital increase serves to grant rights to the holders of the options and convertible profit participation certificates to be issued by the Company up until 24 August 2010. No profit participation certificates had been issued as of 31 December 2008.

3.14. Reserves

Other revenue reserves include the Group's interest in the undistributed profits of the companies included in consolidation, to the extent that they were generated during the companies' membership of the Group. In the year under review, a dividend of EUR 0.10 per share was distributed from other revenue reserves, corresponding to a total dividend of TEUR 300 (previous year: TEUR 360). The resulting negative amount was reclassified to retained profits carried forward.

The compoition and development of shareholders' equity are presented in the statement of changes in equity.

3.15. Capital management

In its capital management activities, Brüder Mannesmann Aktiengesellschaft observes the statutory requirements on capital maintenance. The aim of the Group's capital management activities is to ensure the continued existence of the Company and an adequate return on equity.

Capital is monitored on the basis of the ratio of net debt to economic equity. Net debt is defined as liabilities less cash and cash equivalents, securities and current tax assets, while economic equity is defined as the shareholders' equity recognised on the face of the balance sheet plus subordinated loans.

in TEUR	31.12.2008	31.12.2007
Liabilities	41,956	37,431
Cash and cash equivalents, securities and current tax assets	-13,830	-12,421
Net debt	**28,126**	**25,010**
Equity	7,887	8,707
Mezzanine subordinate loans	17,048	16,949
Economic equity	**24,935**	**25,656**
Ratio	**1.13**	**0.97**

3.16. Employee benefits

The occupational pensions provided by Brüder Mannesmann Aktiengesellschaft are primarily based on direct defined benefit commitments. The amount of these commitments varies depending on the remuneration and length of service of the respective employee (defined benefit plans).

Obligations resulting from pension plans are calculated on an annual basis by independent valuers using the projected unit credit method set out in IAS 19.

The key assumptions are:

in percent	2008	2007
Discount rate	5.59	5.5
Future salary increases	2.0 -3.0	2.0 -3.0
Future pension increases	1.5-3.0	1.5-3.0

Biometric mortality rates were calculated on the basis of the 2005 G mortality tables compiled by Dr. Klaus Heubeck.

Actuarial gains and losses falling outside a range of 10% of the amount of the gross pension obligation are amortised over the average term of the obligations.

Pension provisions developed as follows in the year under review:

Pension provisions in TEUR	2008	2007
Pension provisions on 1 January	**8,320**	**7,282**
Retirement benefit expenses	1,528	1,038
Pension provisions on 31 December	**9,848**	**8,320**

The obligations recognised in the balance sheet are derived as follows:

in TEUR	31.12.2008	31.12.2007
Present value of defined benefit obligation	9,165	7,589
Unrecognised actuarial gains/losses	683	684
Actuarial gains/losses to be repaid	0	47
Balance sheet provision	**9,848**	**8,320**

The following retirement benefit expenses are included in the staff costs reported in the consolidated income statement:

in TEUR	31.12.2008	31.12.2007
Service cost	172	251
Interest cost	420	363
Repayment of actuarial gains/losses	-20	-72
Repayment of past service cost	1,134	574
Repayment of transition loss	0	-4
Retirement benefits paid	-178	-74
Net pension expenses	**1,528**	**1,038**

The past service cost primarily resulted in an adjustment in pension plans. The measures were necessary to guarantee appropriate benefits.

The present value of the defined benefit obligation developed as follows:

in TEUR	2008	2007
Present value of defined benefit obligation on 1 Jan.	7,589	7,806
Current service cost	172	251
Interest cost	420	363
Actuarial (gains)/losses	28	-1,327
Benefits paid	-178	-74
Past service cost	1,134	574
Repayment of transition loss	0	-4
Present value of defined benefit obligation on 31 Dec.	**9,165**	**7,589**

The financing status of the obligations is as follows:

in TEUR	31.12.2008	31.12.2007	31.12.2006
Present value of defined benefit obligation	9,165	7,589	7,806
Plan assets	0	0	0
Financing status	**9,165**	**7,589**	**7,806**
Experience adjustments (%)	**0.9**	**2.3**	**-2.9**

3.17. Other provisions

The composition and development of other provisions is as follows:

	Opening balance as at 01.01.2008	Used financial year	Reversed financial year	Addition financial year	Closing balance as at 31.12.2008
Provisions for bonuses and personnel expenses	550	-471	-16	185	248
Provisions for other uncertain liabilities	977	-579	-38	286	646
Total provisions	**1,527**	**-1,050**	**-54**	**471**	**894**

	Opening balance as at 01.01.2007	Used financial year	Reversed financial year	Addition financial year	Closing balance as at 31.12.2007
Provisions for bonuses and personnel expenses	309	-293	0	534	550
Provisions for other uncertain liabilities	820	-322	-8	487	977
Total provisions	**1,129**	**-615**	**-8**	**1,021**	**1,527**

Personnel provisions are largely recognised for holiday pay and contributions to the employers' liability insurance association. Provisions for other uncertain liabilities primarily relate to provisions for litigation costs, insurance premiums, year-end closing costs, advertising cost subsidies and warranties.

3.18. Financial liabilities

Financial liabilities are composed as follows:

Non-current financial liabilities in TEUR	31.12.2008	31.12.2007
Mezzanine subordinate loans	17,048	16,949
Bank loans	14,361	15,233
	31,409	**32,182**

Non-current liabilities with a term to maturity of more than five years totalled TEUR 15,615 (previous year: TEUR 28,529).

Current financial liabilities:

Current financial liabilities in TEUR	31.12.2008	31.12.2007
Portion of non-current bank loans to be repaid in the next year	893	871
Bank overdrafts	0	2,926
	893	**3,797**

In 2008, the weighted average interest rate for financial liabilities was 7.1% (previous year: 7.7%).

Financial liabilities of TEUR 15,253 (previous year: TEUR 19,022) are secured by way of liens, land charges, the assignment of receivables and the assignment of inventories.

3.19. Other liabilities

Other non-current liabilities

The other non-current liabilities of TEUR 4,159 (previous year: TEUR 803) include pension obligations and obligations from sale-and-leaseback loans. Of this figure, TEUR 288 had a term of more than five years (previous year: TEUR 408).

Other current liabilities in TEUR	**31.12.2008**	**31.12.2007**
Derivative financial instruments	1,795	1,088
Debitors with credit balances	547	356
Liabilities to tax authorities	536	327
Pension obligations	141	143
Commissions	66	70
Payments received on account of orders	23	65
Miscellaneous	135	16
	3,702	**2,065**

3.20. Deferred tax liabilities

Deferred tax liabilities of TEUR 534 (previous year: TEUR 639) include the timing differences between the carrying amounts in the consolidated financial statements and the tax base, which are due to IFRS valuation differences.

In accordance with IAS 1 (revised 2005), deferred tax liabilities are reported as non-current liabilities irrespective of their maturity.

3.21. Trade payables

Trade payables amounted to TEUR 7,432 (previous year: TEUR 5,035) and are carried at fair value.

3.22. Current income tax liabilities

Current income tax liabilities amounted to TEUR 0 in the year under review (previous year: 12).

4. Disclosures on the consolidated income statement

4.1. Sales revenue

The Group's external revenue is composed as follows:

TEUR	2008	2007
Domestic	59,244	59,632
European Union	16,882	22,004
Other international	7,725	8,974
	83,851	**90,610**

4.2. Other operating income

Other operating income is composed as follows:

Sonstige betriebliche Erträge in TEUR	2008	2007
Exchange rate gains and gains on hedges	979	622
Income from vehicle use	157	182
Del credere	115	110
Income from the reversal of provisions and valuation allowances	64	13
Income from the disposal of non-current assets	17	17
Income from claims for damages	9	72
Prior-period income	0	196
Miscellaneous	196	124
	1,537	**1,336**

4.3. Staff costs

The Brüder Mannesmann Group employed an average of 134.0 people in the 2008 financial year (previous year: 134). Part-time employees are included in accordance with the economic concept.

	2008	2007
Hourly workers	28.0	31.0
Salaried employees	106.0	103.0
	134.0	**134.0**
Trainees and apprentices	5.0	5.5

4.4. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses in TEUR	2008	2007
Selling expenses	3,594	3,941
Hedging expenses	1,122	355
Travel, entertainment and corporate hospitality expenses	912	882
Purchased services, consulting and legal services	863	1,083
Rental and lease expenses	690	645
Insurance and telecommunications expenses	660	762
Maintenance, cleaning and waste disposal expenses	335	245
Money market and capital market transaction costs	262	427
Pension obligations	139	149
Miscellaneous	697	751
	9,274	**9,240**

4.5. Financial result

Net finance costs are composed as follows:

Financial result in TEUR	2008	2007
Income from equity investments	38	26
Other interest and similar income	1,117	1,407
Write-downs of securities	-1,644	-376
Interest and similar expenses	-3,784	-3,495
	-4,273	**-2,438**

4.6. Income taxes

This item is composed as follows:

in TEUR	2008	2007
Current tax expense inside Germany (of which prior-period)	-1 (-1)	-128 (-36)
Current tax expense outside Germany	1	-16
Deferred tax expenses (of which prior-period)	-1,193 (0)	-1,342 (-41)
Deferred tax income (of which prior-period)	+1,281 (0)	+523 (0)
	88	**-963**

The overall tax income (previous year: expense) from current and deferred income taxes is derived from the Group's pre-tax profit as follows:

in TEUR	2008	2007
Earnings before tax	-608	1.088
Expected tax income/expense (based on a Group income tax rate of 31.5%)	+192	-468
Reconciliation:		
Differences in foreign tax rates	-1	+15
Tax component for:		
Tax-free income and non-tax-deductible expenses	-49	-279
Temporary differences for which no deferred taxes have been recognised	-18	+111
Prior-period tax income/expense	-36	-77
Effects of changes in tax rates	0	-265
Reported tax income/expense	**+88**	**-963**

4.7. Earnings per share

Earnings per share are calculated on the basis of the net profit/loss for the period and the number of shares outstanding (which remained unchanged at 3,000,000 in both years).

There were no dilutive options, meaning that diluted and basic earnings per share are identical.

5. Segment reporting

Segment reporting was prepared in accordance with IAS 14 (Segment Reporting). Reflecting the Group's internal reporting structure, the figures contained in the annual financial statements are broken down into the Tools, Valves and Land segments. Transactions between these segments were conducted at arm's length conditions.

in TEUR	Tools 31.12.2008	Valves 31.12.2008	Land 31.12.2008	Reconciliation 31.12.2008	Group 31.12.2008
Revenue with third parties	42,915	40,134	802	0	83,851
Revenue with other segments	2	0	611	-613	0
Total revenues	42,917	40,134	1,413	-613	83,851
Revenues by region					
Germany	20,518	37,924	802	0	59,244
Outside Germany	22,397	2,210	0	0	24,607
Of which EU	14,859	2,023	0	0	16,882
Result	1,628	2,276	873	-5,297	-520
Assets	30,491	12,213	13,391	10,796	66,891
Liabilities	16,603	5,502	166	36,733	59,004
Investments in assets	78	65	11	13	167
Depreciation	-235	-118	-91	18	-426
Non-cash expenses excluding depreciation	-1,077	-2	0	-495	-1,574
Number of employees (average figure for the year without trainees)	76	53	0	5	134

Breakdown by segments is in line with the internal reporting structure and covers the segments Tools, Valves and Land
Segment assets, segment liabilities and segment investments occur entirely in Germany.

The segment information is based on the same accounting principles as the consolidated financial statements. The key non-cash items are changes in provisions, valuation adjustments and changes in deferred taxes.

Tools 31.12.2007	Valves 31.12.2007	Land 31.12.2007	Reconciliation 31.12.2007	Group 31.12.2007
60,964	28,849	797	0	90,610
1,063	0	598	-1,661	0
62,027	28,849	1,395	-1,661	90,610
31,177	27,659	797	0	59,633
29,787 20,946	1,190 1,058	0 0	0 0	30,977 22,004
1,900	1,109	958	-3,842	125
28,997	7,334	13,425	13,331	63,087
12,404	2,861	117	38,998	54,380
130	77	2	606	815
-261	-131	-102	19	-475
-889	-1	0	-1,085	-1,975
76	53	0	5	134

6. Supplementary information

6.1. Financial instruments

Carrying amounts of financial assets and liabilities (classified by IAS 39 category):

in TEUR	2008	2007
Financial assets		
Loans and receivables	14,483	11,872
Cash and cash equivalents	12,469	8,209
Available-for-sale financial assets	1,648	636
Fair value option	773	3,792
Derivative financial instruments	826	523
	30,199	**25,032**
Financial liabilities		
Financial liabilities carried at amortised cost	32,301	35,979
Trade payables	7,432	5,035
Other liabilities	6,424	2,981
Derivative financial instruments	1,795	1,088
	47,952	**45,083**

Carrying amounts and fair values of financial assets and liabilities carried at cost or amortised cost:

in TEUR	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Financial assets				
Non-current financial assets*	914	914	778	778
Trade receivables	12,545	12,545	10,808	10,808
Other receivables	1,310	1,310	922	922
Cash and cash equivalents, securities and current tax assets	13,830	13,830	12,421	12,421
	28,599	**28,599**	**24,929**	**24,929**
Financial liabilities				
Mezzanine subordinate loans	17,048	17,048	16,949	16,949
Non-current financial liabilities	14,361	14,361	15,233	15,233
Current financial liabilities	893	893	3,797	3,797
Trade payables	7,432	7,432	5,035	5,035
Other liabilities	6,424	6,424	2,981	2,981
	46,158	**46,158**	**43,995**	**43,995**

* This item includes available-for-sale financial assets carried at cost as their fair value cannot be reliably determined.

Net gains/losses on financial instruments (classified by IAS 39 category):

in TEUR	2008	2007
Loans and receivables	-26	85
Cash and cash equivalents	396	232
Available-for-sale financial assets	42	26
Fair value option	-1,762	-278
Financial liabilities carried at amortised cost	-2,737	-2,762
Trade payables	-77	0
Other liabilities	-30	0
Derivative financial instruments (at fair value through profit or loss)	-274	227

Net gains/losses on financial instruments are composed of net income/expense from interest, fair value measurement, currency translation, impairment losses and disposals.

Interest income and expense from financial instruments not measured at fair value

in TEUR	2008	2007
Interest income	414	338
Interest expense	-2,767	-2,762
Interest income and expense	**-2,353**	**-2,424**

Impairment losses on financial assets by category:

in TEUR	2008	2007
Derivative financial instruments (at fair value through profit or loss)	-685	-733
Fair value option	-1,644	-376
Amortised cost	-44	-21
Impairment losses	**-2,373**	**-1,130**

Impairment losses result from the fair value measurement of securities and derivative financial instruments.

Derivative financial instruments

Brüder Mannesmann Aktiengesellschaft is exposed to exchange rate and interest rate risks in its ordinary course of business. Derivative financial instruments are used to hedge these risks in certain cases. The instruments used are currency forwards, currency swaps and interest rate caps.

The above instruments are only used if corresponding underlyings are also concluded. Exchange rate hedges relate exclusively to the US dollar (USD). The operational hedging of exchange rate risks relates to the liabilities already recognised by the Group and procurement agreements and generally covers a period of between one and four months, while strategic hedging covers a maximum period of nine months. Furthermore, hedges with floating purchase agreements transactions in USD were shown as fair value hedges. In the fair value hedge, the gains relating to the relevant hedged risk amounted to TEUR 423 (previous year: TEUR 0), the losses relating to the hedging instrument (currency forward) amounted to TEUR 423 (previous year: TEUR 0).

Furthermore, the Company conducted interest rate optimisation transactions in connection with interest rate risks in the form of interest rate swaps and currency options. Irrespective of their intended purpose, derivatives are carried at fair value or, if this cannot be reliably determined, on the basis of the discounted cash flow model as set out in IAS 39.A.

Derivatives are reported in other assets and other liabilities on the face of the balance sheet. In the income statement, they are reported in the operating result or net interest income, depending on the nature of the respective underlyings.

in TEUR	31.12.2008 Nominal amount	31.12.2008 Fair value	31.12.2007 Nominal amount	31.12.2007 Fair value
Exchange rate derivatives	12,604	-72	17,605	-10
Interest rate derivatives	54,400	-961	35,500	-554

Information on the nature and extent of risks

Credit risk

On the whole, the Group is exposed to a low level of credit risk, as it has a broad-based receivables portfolio and only conducts transactions with counterparties with a good credit rating. In all cases, default risk is limited to the carrying amounts of the respective assets. Specific valuation allowances are only recognised for receivables from customers. The Group recognised specific valuation allowances of TEUR 12,599 (previous year: TEUR 10,838) on its receivables portfolio before valuation allowances with a volume of TEUR 54 (previous year: TEUR 30). The receivables for which specific valuation allowances have been recognised do not include any items in significant arrears.

Exchange rate risk

Exchange rate risks within the meaning of IFRS 7 arise from monetary financial instruments that are denominated in a currency other than the Group's functional currency.

If the euro had appreciated (depreciated) by 10% compared with all of the Group's foreign currency financial instruments as of 31 December 2008, net other finance costs and the fair value of the financial instruments would have been TEUR 1,317 higher (lower) (previous year: TEUR 334).

Liquidity risk

Liquidity risk describes the risk that the Company will be unable to meet its payment obligations due to insufficient funds. Brüder Mannesmann Aktiengesellschaft's liquidity is guaranteed at all times by way of liquidity forecasts for fixed periods and the available liquidity reserves and unutilised credit facilities.

The following table provides an overview of the undiscounted cash flows from the interest and repayment of financial liabilities.

in TEUR	Up to 1 year	2–5 years	More than 5 years
Loans with long-term fixed interest rates	2,005	9,149	14,805
Variable-interest loans	439	1,453	0
Mezzanine subordinate loans	1,404	17,405	5,060
	3,848	**28,007**	**19,865**

Interest rate risk

In accordance with IFRS 7, interest rate risk is presented using sensitivity analyses showing the effects of changes in market interest rates on interest payments and interest income and expense.

The following assumptions are applied in preparing interest sensitivity analyses: If market interest rates had been 100 bp higher/lower as of 31 December 2008, earnings would have been TEUR 80 lower/higher (previous year: TEUR 254).

6.2. Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents during the year under review as a result of cash inflows and outflows. In accordance with IAS 7 (Cash Flow Statements), these are broken down into cash flows from operating, investing and financing activities. The cash and cash equivalents reported in the cash flow statement are composed of cash in hand, checks and bank balances.

6.3. Contingent liabilities

in TEUR	31.12.2008	31.12.2007
Guarantees	100	150
Liabilities on bills	41	165

6.4. Other financial obligations

Other financial obligations in TEUR	31.12.2008	31.12.2007
Lease instalments due within one year	335	330
Lease instalments due between 1 and 5 years	298	301
Lease instalments due in more than 5 years	1	-

6.5. Related party disclosures

In accordance with IAS 24 (Related Party Disclosures), persons or companies that control or are controlled by the Brüder Mannesmann Group must be disclosed, unless they are already included in the consolidated group.

There are loan agreements in place with non-consolidated affiliated companies.

Each of the members of the Board of Management is authorised to represent the company individually.

The Board of Management of the Group parent is composed as follows:

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

- **Mr. Bernd Schafstein**
  Businessman
  Member of the Supervisory Board of Chronos Technologie AG, until 22 December 2008
  Member of the Management Board of Chronos Technologie AG, Remscheid,
  since 22 December 2008

The total remuneration of the Board of Management in the year under review was TEUR 1,186 (previous year: TEUR 1,038). In accordance with section 285 (1) no. 9 (a) sentences 5-9 and section 314 (1) no. 6 (a) sentences 5-9 of the HGB, listed companies must disclose both the total remuneration paid to the Board of Management and the names of and remuneration paid to the individual members in the notes to the financial statements. By way of resolution of the Annual General Meeting of Brüder Mannesmann Aktiengesellschaft on 31 August 2006, the Company is exempt from the disclosure of this information in accordance with sections 286 (5) and 314 (2) of the HGB.

In addition, current service costs of TEUR 178 (previous year TEUR 178) were transferred to pension provisions.

There are pension provisions of TEUR 1,893 (previous year TEUR 1,920) for former members of the Board of Management. In the financial year 2008 retirement pension of TEUR 104 (previous year TEUR 0) were paid out.

The members of the Supervisory Board received remuneration of TEUR 54 (previous year: TEUR 56) in the year under review.

Notification of equity holdings in accordance with the Wertpapierhandelsgesetz (German Securities Trading Act)

On 28 March 2007, Mr. Jürgen Schafstein notified Brüder Mannesmann Aktiengesellschaft that he held 16.67% of the Company's shares.

On 12 September 2002, Ms. Nicole Coen notified Brüder Mannesmann Aktiengesellschaft that she held 7.62% of the Company's shares.

On 12 September 2002, Mr. Bernd Schafstein notified Brüder Mannesmann Aktiengesellschaft that he held 7.39% of the Company's shares.

The Supervisory Board of the Group parent is composed as follows:

- Mr. Reinhard C. Mannesmann
Chairman
Businessman
Chairman of the Management Board of Chronos Technologie AG, Remscheid,
since 22 December 2008
Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mrs. Nicole Coen
Qualified bank clerk,
Member of the Supervisory Board of Chronos Technologie AG, Remscheid
Member of the Supervisory Board of Saltus Technology AG, Solingen,
until 30 September 2008

- Mr. Michael Nagel
Deputy Chairman
Industrial engineer
Member of the Supervisory Board of Chronos Technologie AG, Remscheid
Member of the Supervisory Board of Saltus Technology AG, Solingen, since 1 October 2008

6.6. Exemption in accordance with section 264 (3) of the HGB

The exemption options provided by section 264 (3) of the HGB for the preparation of the management report and disclosure requirements were exercised for the following companies (to the extent required by law):

- Brüder Mannesmann Werkzeuge GmbH
- CoCaCo Trading GmbH
- Fernando Esser & Cia. GmbH
- Corneta Export GmbH
- Schwietzke Armaturen GmbH
- CEA Chemie- und Energie-Armaturen GmbH
- Brüder Mannesmann Grundbesitz GmbH

The following companies were also exempt from the requirement to prepare notes to their financial statements:

- Brüder Mannesmann Werkzeuge GmbH
- CoCaCo Trading GmbH
- Fernando Esser & Cia. GmbH
- Corneta Export GmbH
- Brüder Mannesmann Grundbesitz GmbH

6.7. Corporate governance code

The declaration in accordance with section 161 of the AktG has been submitted and made available to shareholders.

6.8. Auditors

Auditors' fees at Group level for the 2008 financial year consisted of TEUR 86.3 (previous year: TEUR 85.5) for the audit of the consolidated financial statements and TEUR 49 (previous year: 44) for other services.

6.9. Events after the balance sheet date

There were no events with a significant impact on the evaluation of the net assets, financial position and results of operations of the Group prior to the release of the annual financial statements for submission to the Supervisory Board in April 2009.

The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement on their approval.

7. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Remscheid, 27. April 2009
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein
Chairman of the
Board of Management

Bernd Schafstein

8. List of share holdings

Fully-consolidated subsidiaries	%	Equity in TEUR
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100	10.000
Brüder Mannesmann Nederland B.V., Doetinchem/Netherlands	100	600
CoCaCo Trading GmbH, Remscheid	100	1.559
Fernando Esser & Cia. GmbH, Remscheid	100	64
Corneta Export GmbH, Remscheid	100	25
Schwietzke Armaturen GmbH, Bottrop	100	3.300
CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100	130
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100	126
Chronos Technologie AG, Remscheid	*	*
OOO Mannesmann Instrument, Moscow/Russia	*	*

* These companies were not included in consolidation.

Independent Auditor's Report

We have audited the consolidated financial statements prepared by the Parent Company Brüder Mannesmann Aktiengesellschaft, Remscheid, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Company, for the business year from 1. January 2008 to 31. December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Absatz 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, den 28. April 2009

MORISON AG
Wirtschaftsprüfungsgesellschaft

Rolf Peter Krukenkamp	**ppa. Bardo Bruchmüller**
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements

AG-Balance Sheet

Aktiva	31.12.2008 EUR		31.12.2007 TEUR
A. Fixed Assets			
I. Intangible assets			
Licences, trade marks and patents, etc., as well as licences to such rights and assets	2,697.00		5
II. Tangible assets			
Office and plant equipment	12,608.00		4
III. Financial assets			
1. Shares in group companies	22,622,066.22		22,605
2. Loans due from affiliated companies	1,018,376.33		1,031
3. Long term security investment	1,451,000.00		
		25,106,747.55	**23,645**
B. Current Assets			
I. Receivables and other current assets			
1. Amounts due from group companies	8,219,954.08		4,820
2. Other current assets	552,822.70		1,126
		8,772,776.78	**5,946**
II. Investments		0.00	3,693
III. Cash, deposits with commercial banks		1,588,523.26	1,233
		10,361,300.04	**10,872**
C. Prepaid expenses			
1. Disagio	448,809.61		549
2. Other prepayments and accrued income	162,561.22		203
		611,370.83	**752**
		36,079,418.42	**35,269**

Liabilities	31.12.2008 EUR		31.12.2007 TEUR
A. Shareholders' Equity			
I. Share capital	9,000,000.00		9,000
II. Capital reserve	1,292,930.53		1,293
III. Earnings reserves			
Other earnings reserves	2,940,379.78		2,609
IV. Net profit	0.00		576
		13,233,310.31	**13,478**
B. Accruals			
1. Accruals for pensions and similar obligations	1,090,405.00		314
2. Other accruals	801,200.00		246
		1,891,605.00	**560**
C. Liabilities			
1. Liabilities from mezzanine financing	17,500,000.00		17,500
2. Amounts due to banks	1,687,166.25		2,069
3. Trade payables	72,993.84		5
4. Amounts due to group companies	221,125.67		178
5. Amounts due to group companies thereof taxes EUR 14,703.07 (December 31, 2007 EUR 122,887.24) thereof in respect of social security EUR 0.00 (December 31, 2007 EUR 0.00)	1,473,217.35		1,479
		20,954,503.11	**21,231**
		36,079,418.42	**35,269**

AG-Statement of Earnings

		01.01.-31.12.2008 EUR		01.01.-31.12.2007 TEUR
1.	Sales		1,182,000.00	1,062
2.	Other operating income		335,778.51	120
3.	Personnel costs			
	a) Wages and salaries	-588,037.32		-557
	b) Social security and other pension costs, of which in respect of old-age pensions EUR 776.961,00 (December 31, 2007 TEUR 173)	-824,511.22		-222
			-1,412,548.54	**-779**
4.	Depreciation, amortization and special provisions on intangible and tangible assets		-6,104.87	-5
5.	Other operating expenses		-2,046,023.81	-1,204
6.	Income from profit transfer agreements		4,166,691.21	3,002
7.	Income from other investments and long-term loans of which relating to affiliated companies EUR 65.619,25 (December 31, 2007 TEUR 78)		65,619.25	77
8.	Other interest and similar income of which from affiliated companies EUR 9.726,38 (December 31, 2007 TEUR 1)		494,864.13	481
9.	Write - down of financial assets and of securities included in current assets		-965,674.95	-376
10.	Expenditure from losses assumed		-124,957.16	-26
11.	Interest and similar expenses of which from affiliated companies EUR 1.026,93 (December 31, 2007 TEUR 1)		-1,632,675.91	-1,653
12.	**Result of ordinary operations**		**56,967.60**	**699**
13.	Taxes on income		-809.32	-122
14.	Other taxes		-1,265.00	-1
15.	**Net income of the year**		**54,893.28**	**576**
16.	Accumulated losses brought forward		0.00	60
17.	Transfer to earnings reserves		-54,893.28	-60
18.	**Net profit**		**0.00**	**576**

Fixed Assets Schedule and Liabilities Schedule

Development of fixed assets as per December 31, 2008	Historic cost of acquisition			
in EUR	As of 01.01.2008	Additions	Disposals	As of 31.12.2008
I. Intangible assets				
Licences, industrial property rights and similar rights and assets, as well as licences to such rights	44,127.99	0.00	0.00	44,127.99
II. Tangible assets				
Furnitures and fixtures	29,252.33	12,988.87	0.00	42,241.20
III. Financial assets				
1. Shares in group companies	23,721,786.08	17,000.00	0.00	23,738,786.08
2. Loans due from affilated companies	1,031,514.51	160,231.71	173,369.89	1,018,376.33
3. Long term security investments	0.00	2,416,674.95	0.00	2,416,674.95
	24,753,300.59	**2,593,906.66**	**173,369.89**	**27,173,837.36**
Total	**24,826,680.91**	**2,606,895.53**	**173,369.89**	**27,260,206.55**

Schedule of liabilities as of December 31, 2008		with a remaining term			
in TEUR	Balance sheet value 31.12.2008	up to one year	one to five years	more than five years	of which collateralised
Liabilities from mezzanine financing	17,500	0	12,500	5,000	0
Amounts due to banks	1,687	391	1,296	0	0
Trade liabilities	73	73	0	0	0
Amounts due to group companies	221	221	0	0	0
Other liabilities - thereof taxes: 87 TEUR (December 31, 2007: 15 TEUR) - thereof in respect of social security: 0 TEUR) (December 31, 2007: 0 TEUR)	1,473	758	427	288	0
Total	**20,954**	**1,443**	**14,223**	**5,288**	**0**

Depreciations			Book values	
As of 01.01.2008	Additions	As of 31.12.2008	31.12.2008	31.12.2007
39,404.99	2,026.00	41,430.99	2,697.00	4,723.00
25,554.33	4,078.87	29,633.20	12,608.00	3,698.00
1,116,719.86	0.00	1,116,719.86	22,622,066.22	22,605,066.22
0.00	0.00	0.00	1,018,376.33	1,031,514.51
0.00	965,674.95	965,674.95	1,451,000.00	0.00
1,116,719.86	**965,674.95**	**2,082,394.81**	**25,091,442.55**	**23,636,580.73**
1,181,679.18	**971,779.82**	**2,153,459.00**	**25,106,747.55**	**23,645,001.73**

Notes for the 2008 AG-Financial Year

A. General information on the annual financial statements

1. Legal basis

The annual financial statements for the year ended 31 December 2008 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act).

In accordance with section 275 (2) of the HGB, the income statement was prepared using the total cost (nature of expense) method.

2. Equity

2.1. Share capital

The share capital amounts to TEUR 9,000 and is divided into 3,000,000 no-par value bearer shares.

2.2. Authorised capital

By way of resolution of the Annual General Meeting on 30 August 2007, the Board of Management was authorised, with the approval of the Supervisory Board, to increase the share capital by up to TEUR 4,500 on one or more occasions until 29 August 2012 through the issue of new no-par value bearer shares against cash and/or non-cash contributions.

2.3. Contingent capital

By way of resolution of the Annual General Meeting on 30 August 2007, the share capital was contingently increased by up to TEUR 1,800 through the issue of up to 600,000 new no-par value bearer shares. The contingent capital increase serves to grant rights to the holders of the options and convertible profit participation certificates to be issued by the Company up until 24 August 2010. No profit participation certificates had been issued as of 31 December 2008.

3. Currency translation

Bank balances in USD were translated at the lower rate on the balance sheet date. All other receivables and liabilities were solely in euro.

B. Disclosures on accounting policies

1. Accounting policies

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

Low-value assets with a cost of EUR 150.00 or less are written down in full in the year of acquisition. Assets with a value of between EUR 150 and EUR 1,000 are recognised in an omnibus account in line with tax regulations and written down uniformly over five years.

Financial assets are carried at the lower of cost or fair value. Long-term investments are written down by the amount at which impairment is expected to be permanent.

The statement of changes in fixed assets has been presented as an appendix to the notes.

Receivables and other assets are carried at their nominal amount.

Discounts on mezzanine liabilities are recognised in the form of annual amortisation over the term of the respective items.

Provisions for pensions were calculated in line with actuarial principles on the basis of the 2005 G mortality tables compiled by Dr. Klaus Heubeck and an interest rate of 6%. In contrast to the previous year, the options provided by tax law for the distribution of the allocation amount were not exercised to report the obligation in full. If the option had been exercised, provisions would have been TEUR 290 lower and the net income correspondingly higher.

Other provisions are recognised in accordance with prudent business practice, taking into account all identifiable risks and uncertain obligations.

Liabilities are carried at their redemption amount, while pension obligations are carried at their actuarial present value at the balance sheet date.

2. Balance sheet disclosures

In accordance with section 287 of the HGB, the disclosures on shareholdings are presented in a separate list that is included as an appendix to these notes.

Long-term investments relate to three certificates reclassified from current assets. In accordance with section 253 (3) of the HGB, write-downs to the lower fair value arising from an expected permanent impairment, were recognised in the amount of TEUR 966. No impairment in the amount of the difference between the carrying amount (TEUR 1,451) and the fair value on the balance sheet date (TEUR 773) was recognized in line section 253 (2) sentence 3 of the HGB as the Company is assuming that securities based on various share prices will recover after the financial crisis has been overcome.

Receivables from affiliated companies result from profit and loss transfer agreements, the provision of goods and services (intragroup allocation), VAT group liability, interest, oncharged costs and short-term loans.

Other assets primarily consist of tax receivables.

In accordance with section 250 (3) of the HGB, discounts on mezzanine liabilities after settlement were recognised in the amount of TEUR 449.

Details of shareholders' equity can be found in part A, section 2.

The Annual General Meeting distributed TEUR 300 of net retained profits from the previous year as a dividend to shareholders and appropriated TEUR 276 to other revenue reserves.

Other provisions relate to the expected cost of the audits prescribed by German commercial law, internal annual financial statement costs, storage costs, residual paid leave claims and contributions to the employers' liability insurance association, as well as a provision for expected losses on contracts entered into for interest rate optimisation purposes.

Liabilities to affiliated companies include settlement accounts with subsidiaries (VAT group, profit and loss transfer).

At the balance sheet date, the Company had nine outstanding interest optimisation transactions with a total nominal value of TEUR 54,400. Eight of these items, which are manages using a diversified portfolio approach, have a fair value of TEUR 285, the other has a fair value of TEUR 1,188. Deferred interest in the amount of TEUR 545 was reported in the balance sheet under other liabilities. The fair values were alternatively calculated using the discounted cash flow method set out in IAS 39 A 74 in order to ensure their informative value. In one case, the existing provision was increased by TEUR 534 to TEUR 702 to cover the anticipated loss from the uncompleted transaction.

The miscellaneous other liabilities essentially relate to a pension obligation and deferred interest in connection with derivatives.

Details of the terms to maturity of the Company's liabilities and the collateral provided can be found in the "Maturity structure of liabilities" table.

Other financial commitments relate to rental agreements and leases totalling TEUR 137, of which TEUR 48 is due in 2009.

C. Contingent liabilities

At the balance sheet date, liabilities from guarantees and joint and several liability amounted to TEUR 1,670, of which TEUR 1,570 was attributable to affiliated companies and TEUR 100 to non-Group companies.

In addition, the Company has issued a guarantee for the payment obligations of two affiliated companies from sale-and-lease-back agreements amounting to TEUR 4,052 on the balance sheet date.

D. Income statement disclosures

1. Sales revenue

Sales primarily relate to intragroup allocations to affiliated companies, TEUR 60 of which was attributable to an affiliated company outside Germany.

2. Other income

Income primarily relates to costs oncharged to affiliated companies, gains on the disposal of investments classified as current assets, rental income and income from the adjustment of the present value of a pension obligation.

3. Income from profit transfer agreements

This item relates to the net profit of affiliated companies transferred for 2008 under the terms of the existing profit and loss transfer agreements.

4. Cost of loss absorption

This item relates to the net loss of an affiliated company absorbed for 2008 under the terms of the profit and loss transfer agreement.

5. Interest and similar income

This item includes interest from affiliated companies in the amount of TEUR 10.

6. Interest and similar expenses

This item includes interest paid to affiliated companies in the amount of TEUR 1.

E. Other information

In addition to the Board of Management, the Company employed an average of five people during the year under review. The Company is managed by the Board of Management.

The Company is the Group parent for the purposes of the consolidated financial statements. The consolidated financial statements are published in the electronic Bundesanzeiger (Federal Gazette).

Auditors' fees for the 2008 financial year consisted of TEUR 86 for the audit of the financial statements and TEUR 49 for other services.

F. Executive bodies

The members of the Board of Management are as follows:

- Mr. Jürgen Schafstein
Chairman of the Board of Management
Businessman
Member of the Management Board of Chronos Technologie AG, Remscheid
Chairman of the Supervisory Board of Saltus Technology AG, Solingen

- Mr. Bernd Schafstein
Businessman
Member of the Supervisory Board of Chronos Technologie AG, Remscheid, until 22 December 2008
Member of the Management Board of Chronos Technologie AG, Remscheid, since 22 December 2008

The members of the Supervisory Board are as follows:

- Mr. Reinhard C. Mannesmann
Chairman
Businessman
Chairman of the Management Board of Chronos Technologie AG, Remscheid, since 22 December 2008
Member of the Supervisory Board of Saltus Technology AG, Solingen

- Mrs. Nicole Coen
Qualified bank clerk,
Member of the Supervisory Board of Chronos Technologie AG, Remscheid
Member of the Supervisory Board of Saltus Technology AG, Solingen, until 30 September 2008

- Mr. Michael Nagel
Deputy Chairman
Industrial engineer
Member of the Supervisory Board of Chronos Technologie AG, Remscheid
Member of the Supervisory Board of Saltus Technology AG, Solingen, since 1 October 2008

In the year under review, the members of the Board of Management received compensation totalling TEUR 322 from the Company. The compensation paid to the members of the Supervisory Board amounted to TEUR 54. By way of resolution of the Annual General Meeting on 31 August 2006, no disclosures are made in accordance with section 285 (9a) sentence 5 ff. in conjunction with section 286 (5) of the HGB.

Notification of equity holdings

The following notifications were submitted to the Company:

On 28 March 2007, Mr. Jürgen Schafstein notified the Company that he held 16.67% of the voting rights.

On 12 September 2002, Ms. Nicole Coen notified the Company that she held 7.62% of the voting rights.

On 12 September 2002, Mr. Bernd Schafstein notified the Company that he held 7,39% of the voting rights.

The declaration in accordance with section 161 of the AktG has been submitted and made available to shareholders.

G. Appropriation of net profit

The Board of Management proposes carrying the reported net income for the period forward to new account.

H. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the combined management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Remscheid, 27. April 2009
Brüder Mannesmann Aktiengesellschaft,
The Board of Management

Jürgen Schafstein
Chairman of the
Board of Management

Bernd Schafstein

I. List of share holdings

Fully-consolidated subsidiaries	%	Equity in TEUR
Brüder Mannesmann Werkzeuge GmbH, Remscheid	100	10.000
Brüder Mannesmann Nederland B.V., Doetinchem/Netherlands	100	600
CoCaCo Trading GmbH, Remscheid	100	1.559
Fernando Esser & Cia. GmbH, Remscheid	100	64
Corneta Export GmbH, Remscheid	100	25
Schwietzke Armaturen GmbH, Bottrop	100	3.300
CEA Chemie- und Energie-Armaturen GmbH, Ludwigshafen	100	130
Brüder Mannesmann Grundbesitz GmbH, Remscheid	100	126
Chronos Technologie AG, Remscheid	*	*
OOO Mannesmann Instrument, Moscow/Russia	*	*

* These companies were not included in consolidation.

Independent Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report, of the Brüder Mannesmann Aktiengesellschaft, Remscheid, for the business year from 1. January 2008 to 31. December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

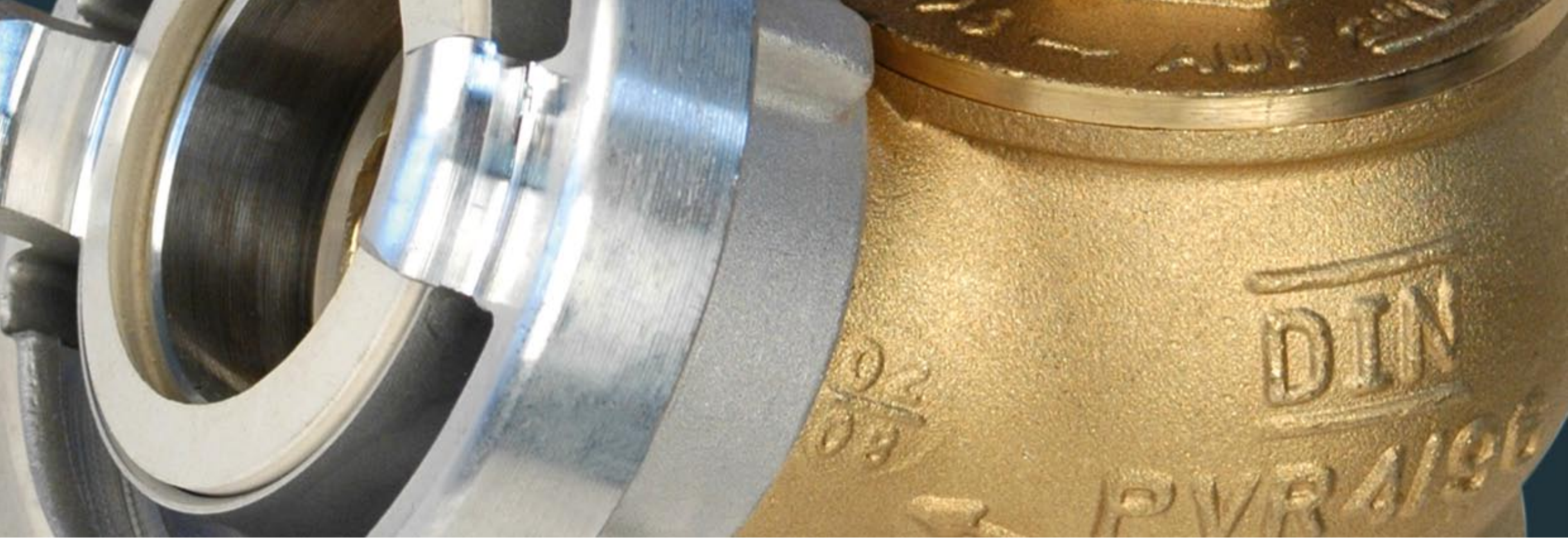
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 28. April 2009

MORISON AG
Wirtschaftsprüfungsgesellschaft

Rolf Peter Krukenkamp	**ppa. Bardo Bruchmüller**
Wirtschaftsprüfer	Wirtschaftsprüfer



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