

**Achieving
peak performance
together.**



Key Performance Indicators

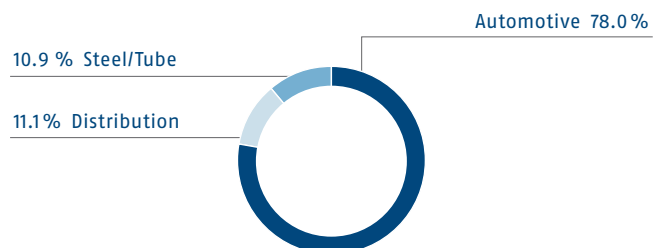
FINANCIAL YEAR FROM 1 JANUARY – 31 DECEMBER

— 1.1

		2016	2015
External revenue	€ MILLION	7,423	7,598
Employees including trainees (average for year)		27,917	27,764
Personnel expenses	€ MILLION	1,431	1,419
Investments	€ MILLION	440	455
Depreciation and amortization	€ MILLION	226	230
Cash flow from profit	€ MILLION	338	277
Equity	€ MILLION	1,092	996
Equity ratio	%	22.9	23.1
Total assets	€ MILLION	4,766	4,315
Profit/loss before tax	€ MILLION	142.6	91.5
Consolidated profit	€ MILLION	110.9	67.1

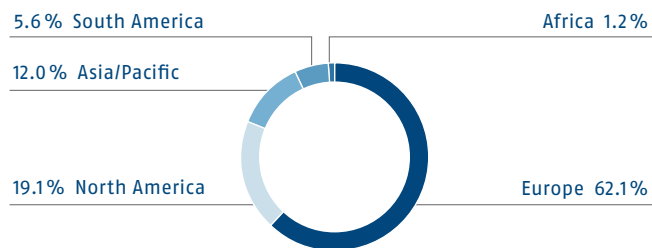
REVENUE BY SEGMENT

— 1.2



REVENUE BY REGION

— 1.3



Short profile of the BENTELER-Group

— The BENTELER-Group is organized into three Divisions: BENTELER Automotive, BENTELER Steel/Tube and BENTELER Distribution. The holding company BENTELER International AG in Salzburg, Austria, manages the strategic orientation of the group worldwide.

We have continued to develop consistently over our 140-year history. This is the basis of our success. We concentrate on our strengths, implement strategic initiatives with our customers and focus on long-term profitable growth. In this way we secure a sustainable future for our entrepreneurial independence.

As a family business, now in the fourth generation of the founding family, we employ 30,000 people worldwide, in 40 countries, 81 production facilities and 72 subsidiaries and trading firms.

Contents

Foreword by the Executive Board	4
Personnel Matters	6
Locations	7
BENTELER Overview	8
Key Developments in 2016	10
Outlook	14



— The new Executive Board, from April 1, 2017, with Hubertus Benteler.
From left to right: Guido Huppertz, Ralf Göttel, Hubertus Benteler, Isabel Diaz Rohr

Ladies and Gentlemen,

2016 was a year of intense competition, changeable markets and political challenges. Nevertheless our consolidated profit for the year was good. Due to the sale of BENTELER Trading International, revenue was lower than in fiscal 2015, but adjusted for this effect, Group revenue from operations came in at about the same level.

The **Automotive Division** was able to improve on both revenue and earnings in 2016 compared to 2015. By successfully implementing both sales- and efficiency-improvement activities, the **Distribution Division** managed to increase its earnings slightly, despite falling sales. Revenue and earnings in the **Steel/Tube Division** declined. A key factor in this was lower demand in a market environment characterized by overcapacities which put strong pressure on price levels in the USA and in Europe.

Agreement on securing the future in the Automotive Division

One important milestone in the year was the agreement reached between the Automotive Division and IG Metall on securing the future of the German components plants. With investments of 200 million euros, we will secure the continuation of our components plants in Germany. Both sides have contributed towards substantially increasing the competitiveness of the Group. Similar negotiations are currently taking place in other countries.

Securing locations in the Steel/Tube Division

In December we and the employee representatives succeeded in reaching an agreement on securing the German production locations. The agreement will be in place for five years. The concept to secure the German locations forms the basis for a sustainable future for the Division and its ability to be successful in a rapidly changing market.

Sale of BENTELER Engineering

The sale of the BENTELER Engineering business to the French Altran Group will enable us to concentrate on our core business. In fiscal 2016 this transaction brought a positive contribution of provisionally 30 million euros to the results.

New line-up in the Executive Board

At the end of 2016 a decision was reached on the future line-up of the Executive Board. After 25 years as CEO of the BENTELER-Group, Hubertus Benteler will be moving to the Supervisory Board on April 1, 2017. His successor and Chief Executive Officer will be Ralf Göttel, who has so far been CEO of BENTELER Automotive. Succeeding Boris Gleißner as Chief Financial Officer, as of February 1, 2017, is Guido Huppertz, who has so far been Executive Vice President Corporate Finance, Controlling and Accounting at BENTELER International AG. Isabel Diaz Rohr will continue to be a Member of the Executive Board as before.

Outlook

We are cautiously optimistic as regards the future business development of the company. Taking into account the sale of BENTELER Trading International and BENTELER Engineering in the year of report, we are expecting a slight increase in revenue in 2017. The **Automotive Division** will continue its growth path in sales and earnings, in particular in Asia. We are very confident that the **Distribution Division** will also increase its sales and earnings. As regards the **Steel/Tube Division**, we are expecting the market situation to improve. However the results from this Division are expected to come in significantly lower because of the high start-up costs for our hot rolling mill in Shreveport, USA. Given an overall improvement in operational performance, the start-up-related additional costs will lead to a lower result for the

Group in 2017 as compared to 2016. The latter includes a positive one-time effect from the sale of BENTELER Engineering.

Cautiously optimistic describes our view of the economic environment: The market is moving in our favor. The first positive signs are emerging in the steel tube market. We are well placed in all markets and therefore entering the year 2017 with confidence.

Also on behalf of the management of the different Divisions, the Executive Board of BENTELER International AG would like to thank the employees for their high level of personal commitment. Our gratitude is also extended to our customers for their continuing trust in us. And not least, we owe special thanks to our shareholders for their valuable support.

Salzburg, March 2017

Hubertus Benteler
Chief Executive Officer

Boris Gleißner
Chief Financial Officer

Isabel Diaz Rohr
Member of the Executive Board

BENTELER International AG

Personnel Matters

THE EXECUTIVE BOARD OF BENTELER INTERNATIONAL AG

Hubertus Benteler, Salzburg, Austria

Chief Executive Officer

(Departments: Corporate Compliance and Committees, Distribution Division, Glass Processing Equipment and Engineering [The Engineering area was sold with effect as of January 1, 2017])

Boris Gleißner, Seekirchen, Austria

Chief Financial Officer

until January 31, 2017

(Departments: Corporate Finances and Controlling, Corporate Legal & Insurance, Corporate Strategy and Corporate Development, Corporate Tax, Internal Audit, Procurement)

Guido Huppertz, Paderborn, Germany

Chief Financial Officer

from February 1, 2017

(Departments: Corporate Finance and Controlling, Corporate Legal & Insurance, Corporate Tax, Internal Audit)

Isabel Diaz Rohr, Schöna am Königssee, Germany

Member of the Board

(Departments: Corporate Human Resources, Corporate Communication/Marketing, IT)

THE SUPERVISORY BOARD OF BENTELER INTERNATIONAL AG

Dr. Ralf Bethke, Deidesheim, Germany

Chairman (Chairman of the Supervisory Board of K+S AG, Kassel, Germany)

Dr. Ulrich Dohle, Stuttgart, Germany

Vice Chairman since June 20, 2016

(until December 31, 2016 Chairman of the Executive Board of Rolls-Royce Power Systems AG, Friedrichshafen, Germany)

Axel Prym, Roetgen, Germany

(former Managing Director of William Prym GmbH & Co. KG, Stolberg, Germany)

Frederik Vaubel, Düsseldorf, Germany

(Managing Director of Vaubel Entwicklungs- und Beteiligungs GmbH & Co. KG, Düsseldorf, Germany)

Boudewijn Beerkens, Amsterdam, Netherlands

(CS00 of COFRA Holding AG, Zug, Switzerland)

Christian Caspar, Zurich, Switzerland

(Director Emeritus at McKinsey & Company, Inc., Zurich, Switzerland)

THE MANAGEMENT BOARDS OF THE DIVISIONS

BENTELER AUTOMOTIVE

Ralf Göttel (CEO)

Laurent Favre

James T. Sheehan

Dr. Christian Terlinde

BENTELER STEEL / TUBE

Dr. Andreas Hauger (CEO)

Matthias Jäger (until October 31, 2016)

André Sombecki

BENTELER DISTRIBUTION

Dr. Jost A. Massenberg (CEO)

Torsten O. Beer

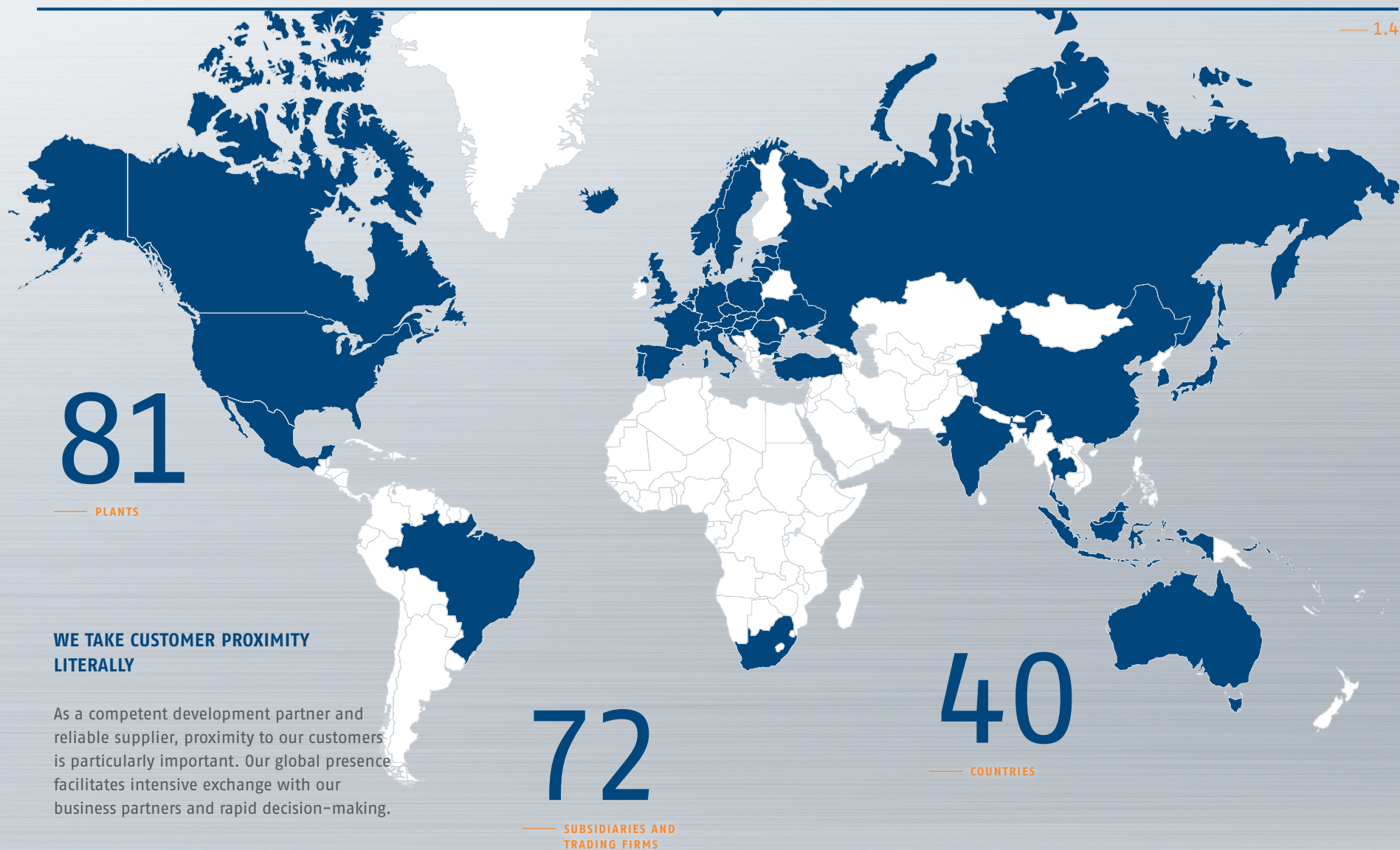
Dr. Arthur Jaunich

MANAGEMENT BOARD OF BENTELER BUSINESS SERVICES GMBH

Dirk Ringelkamp

André Sombecki

BENTELER Locations



BENTELER – An Overview



BENTELER AUTOMOTIVE

provides development, production and services in automobile technology world-wide – with a consistent focus on quality, safety and efficiency. Our products include components and modules for chassis, body, engine and exhaust systems. Our customers include almost all major vehicle manufacturers. We successfully implement new ideas and solutions in close collaboration with our customers.

— CHASSIS & MODULES

Lightweight optimized chassis components made of different materials as well as the design and assembly of highly complex modules

— ENGINE & EXHAUST SYSTEMS

Powertrain systems and components to reduce emissions

— STRUCTURES

Lightweight solutions for vehicle structures in steel and aluminum

— MECHANICAL ENGINEERING

Innovative machines, systems and tools for the automotive industry

— DEFENSE

Development and production of protective solutions for a range of customer and market segments

— BENTELER SGL

Innovative material composite concepts for lightweight solutions



BENTELER STEEL/TUBE

develops and produces seamless and welded quality steel tubes. As one of the leading manufacturers, we offer our customers problem-solving expertise worldwide, in areas ranging

from material definition to process integration. We develop customized tube solutions for the automotive, energy and industry market segments.



BENTELER DISTRIBUTION

is a trading company for steel tubes with more than 320,000 square meters of warehouse space. We are a leading distributor thanks to our worldwide sales and logistics network. We offer our customers a full range of carbon steel and stainless steel tubes, short and flexible delivery times as

well as comprehensive first-stage processing and customized additional services. These services range from technical consulting and the development of logistics concepts to project support for the construction or renovation of large industrial plants.



BENTELER GLASS PROCESSING EQUIPMENT

is a leading provider of flat glass processing machinery. We design and build innovative systems for the architectural, automotive, solar and display glass industry.



BENTELER ENGINEERING*

is an innovative, reliable development partner in the automotive engineering, vehicle construction, shipbuilding and industry market segments. We offer our customers services along the entire value chain: from initial design to prototype manufacture and test phase, through to series production.

*was sold with effect as of January 1, 2017.

Key Developments in 2016



—— Robot and employee working
hand in hand.

SHORTER DELIVERY TIMES THROUGH INTEGRATED PRODUCTION

We have already started to implement the first projects under the banner of "Industry 4.0". In Schwandorf, Germany, BENTELER Automotive has launched a pilot project involving collaborative robots that interact directly with the employees in production – this is one of the initiatives in our "Smart Factory" project. The aim is to maximize autonomous organization of delivery chains and production systems. And the key to achieving this is digital integration: Relevant information is exchanged in real time between suppliers, producers and customers. Flexibility in production increases because short-term changes can be implemented faster. Delivery times are also shortened. In order to support this move towards intelligent production, BENTELER Automotive has set up a cross-functional project team dedicated to further developing the Industry 4.0 strategy and coordinating worldwide activities.

TWO NEW PLANTS OPENED IN GROWTH MARKETS

BENTELER Automotive is planning to generate 30 percent of its revenue in China by 2025. The People's Republic is the biggest automobile market in the world, and it will continue to drive growth in the sector. By as early as 2025, one in four cars worldwide will be manufactured in China. In 2016 the Automotive Division opened two new plants: Shenyang is the tenth plant to go into operation in China, and in Września BENTELER Automotive opened its first plant in Poland. In 2017 a new components plant is to go into operation in the Czech Republic. BENTELER Automotive is thus continuing to participate in the future growth in China and Eastern Europe.




—— Opening of the BENTELER Automotive plant in Shenyang, China, June 2016.

—— In the USA, BENTELER Steel/Tube is producing high-quality seamless tube products for the oil and gas industry.



EXPANSION OF THE OCTG OFFER IN THE USA

In fiscal 2016 BENTELER Steel/Tube started to phase in production at the new mill in Shreveport, in the USA. Production ramp-up will follow in 2017. In line with the ramp-up curve, this location is now producing defined quantities and qualities and delivering to our customers. The product range has been expanded to include further processing of tubes into finished products. At the same time we have re-structured our sales activities and are now working directly with retail distributors. That has considerably expanded our market access. We are confident that we will achieve the performance targets for 2017.



—— BENTELER is concentrating on systematic employee development.

EMPLOYEE DEVELOPMENT FOR OUR SUCCESS

Our employees have a significant influence on our ability to meet the long-term growth targets of the Group. Which is why we are determined to attract, retain and promote the best people and to fill most of our vacancies with internal candidates.

To achieve this we are focusing on systematic training and further development. We offer seminars to help expand specialist expertise, strategic competence and communication, and to strengthen BENTELER competences that go beyond the individual specialisms.

The “Foundation of Leadership” program, for example, is organized in cooperation with the Zurich International Business School. At BENTELER Automotive in Asia we support the development of our employees in a program called “Managers of Tomorrow”. In terms of recruiting young talent, we are working with selected universities. And in Mexico, Brazil and Spain we are training young people along the lines of the German model in integrated work-and-study programs.

We are constantly optimizing the way we manage talent. In recently set-up “Talent Circles” employees prepare for roles in upper and middle management by benefiting from intensive training and mentoring by executives from other areas of the company. Already this is producing results: The number of internal promotions has risen.

For 2017 we are planning a training program that will help our senior managers identify and promote talent among their staff more effectively.

SAFETY TECHNOLOGY FOR NEW POWER TUNNEL IN SINGAPORE

The city-state of Singapore in Southeast Asia is moving its power cables 60 meters underground – into two tunnels totaling 35 kilometers in length. The company chosen to supply the high-pressure fire-suppression systems for the next phase of construction is Tyco Fire Products. Tyco is a new customer of BENTELER Distribution and one of the leading international companies in safety-relevant industrial applications. BENTELER Distribution is

supporting Tyco with a solution consisting of high-quality stainless steel pipe and PreFIS connectors. Requiring no welding, these connectors hold the pipes together even when subject to stresses such as high pressure. With this project BENTELER Distribution is expanding its business in the field of safety technology.

EXPANDED PRODUCT RANGE

Automotive glass manufacturers need a competent engineering partner to ensure fast and flexible production of high volumes of glass products. BENTELER Glass Processing Equipment has expanded its product portfolio to include modern screen-printing systems that can be installed in a small space and easily integrated into the processing line. Control mechanisms and a high degree of automation ensure maximum precision and safety.



—— BENTELER Glass Processing Equipment has expanded its product portfolio to include modern screen-printing systems.



— BENTELER Steel/Tube has used the market situation to consolidate its strengths.

EFFECTIVE INITIATIVES FOR A SUSTAINABLE FUTURE

The Steel/Tube Division made good use of the last fiscal year to consolidate its strengths. In the USA production was phased in at the new mill in Shreveport, the sales strategy re-aligned and the product offer expanded. In Germany, production is working even more closely together with sales with the aim of implementing customer wishes faster and developing new products.

In December we and the employee representatives succeeded in reaching an agreement on securing the German production locations. The agreement will be in place for five years. The concept to secure the German locations forms the basis for a sustainable future for the Division and its ability to be successful in a rapidly changing market.

FURTHER HIGHLIGHTS

— Strong showing at the TUBE trade show

The Steel/Tube and Distribution Divisions put on a joint presentation at TUBE, showcasing their competence as partners for the automotive, industrial and energy sectors. In focus at the booth were the hot rolling mill in Shreveport and the new surface protection Zista® Seal, a highly environmentally-friendly coating with enhanced corrosion-resistance for tubes used in hydraulics and automotive applications.

— BENTELER Engineering sold

BENTELER sold its engineering business to the Altran Group. This has produced a greater focus on our core business in the Automotive, Steel/Tube and Distribution Divisions.

Strong Leadership into the Future

—— After 25 years as CEO of the BENTELER Group, Hubertus Benteler will be moving to the Supervisory Board on April 1, 2017. The Executive Management Board of BENTELER International AG will now be made up of Ralf Göttel, as the new Chief Executive Officer, Guido Huppertz as Chief Financial Officer and Isabel Diaz Rohr as a Member of the Board.

WHAT WE STAND FOR

BENTELER has its eye on the essentials. As a reliable partner we think ahead. We devise and develop the solutions that are needed today and tomorrow – for our customers, for our employees and for society.

WHO WE ARE

We are a family business now run by the fourth generation. Taking responsibility is an important part of who we are, so at our locations we always engage in projects to support the local community. Further education and training are key themes here, as are social initiatives. We focus closely on the needs of our customers: Supporting them as a reliable development partner, we help them reach their goals. Courageous in seeking out new directions, we dare to find solutions that nobody has yet thought of. In order to meet the challenges of the future we need employees who can take responsibility and leaders who can motivate, develop and manage talent. An important basis for future growth is our corporate culture, which we actively nurture. Our goal is always to achieve the very best. This is what drives us as a family business, it is something we are proud of and it will continue to make all the difference to our customers now and in the future.

THIS IS HOW WE SHAPE SUCCESS

- The internationalization of the automotive industry in recent decades offers potential for our company to grow further. We will continue with our strategy of international expansion. In 2025 30 percent of our total turnover will be generated in China.
- The world's markets are in a state of flux. Through the power of innovation we will meet these changes in products and business environments. We are introducing new technologies at many locations to make processes more efficient and in order to simplify exchange of information. In this way we are increasing our competitiveness.
- Another focal theme is e-mobility. We offer our customers lightweight solutions in materials like steel, aluminum and fiber composites. These will play an important role in improving the operating range of electric vehicles. A interdepartmental project team is working on new product ideas.
- Rising demand for steel tube for oil production in the USA is opening up new growth potential for us. With high-quality products and custom services, we will continue to expand our business.

OUR TARGET 2021+

— Regionally diversified

We align our portfolio to the needs of regional growth markets.

— Close to the customer

We offer our customers ever more high-quality products, services and systems. We approach challenges in an active and collaborative way.

— Targeted innovation

We develop differentiated products, processes and materials that help our customers achieve their goals.

— Excellent implementation

We combine first-class manufacturing and sales competence with a lean, efficient organization.

— Strong corporate culture

We embrace a performance culture and continually develop our employees and improve our organization.

GROUP MANAGEMENT REPORT

Index

Business and General Conditions	17
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Result of Operations	19
----------------------	----

Assets and Financial Position	22
-------------------------------	----

Risk Report	27
-------------	----

Report on Research and Development Activities	30
---	----

Report on Environmental Management	33
------------------------------------	----

HR Report	35
-----------	----

Forecast	37
----------	----

Supplementary Report	40
----------------------	----

Disclaimer	41
------------	----

Business and General Conditions

After global economic growth remained muted at the beginning of the year, the pace of global production picked up markedly after the middle of the year according to the Institut für Weltwirtschaft (IfW) in Kiel. Indicators for the fourth quarter pointed to a further acceleration of the economy. There was a marked improvement particularly in the economic outlook of the emerging nations. On an annualized basis, global gross domestic product grew by 3.1%, slightly below the previous year's level.

Growth in the industrialized nations accelerated in the summer but remained moderate at 1.7% overall. Economic expansion remains underpinned by favorable conditions for the costs of finance, energy and commodities. The euro area economy grew by 1.7% amid sluggish conditions and persistently high unemployment as well as unresolved structural problems. In the United States, the economy improved slightly after very modest growth in the first half of the year, with GDP rising by 1.6%.

Economic growth in the emerging nations strengthened again after a weak start to the year. In China in particular, growth began to pick up more strongly thanks to an expansionary economic policy. The government's 6.5% expansion target was slightly exceeded. Production in Russia stabilized after falling sharply until the spring. In Latin America, by contrast, the situation presents a mixed picture. Whereas Brazil, Argentina and Venezuela remained

in recession, the economies of Mexico and the Andean countries expanded significantly. Overall, however, the economies of the emerging nations are showing signs of a pick-up in economic activity.

Acceleration of growth in global vehicle production in 2016

After a good year in 2015 with production of 88.7 million cars, 2016 showed even stronger growth. Global vehicle production reached a new all-time high of 92.7 million units, representing growth of 4.5% compared to the previous year. The combined share of production of the world's three largest automobile manufacturers VW, GM and Toyota, remained at the previous year's level of 34%. Volkswagen is the world industry leader, with 10.3 million units manufactured in 2016. Its excellent growth rate of 4.1% enabled it to overtake second-placed GM, which produced 10.1 million vehicles. Toyota, by contrast, was unable to defend its leading position with growth of just 1.4% and fell to third in the ranking.

Despite an increasingly difficult environment in 2016, automobile production in Europe grew by 2.6% to a total of 21.5 million units, albeit with sharp contrasts between regions. Western Europe showed stable growth with a 3.5% rise in car production. Significant contributions came particularly

from the United Kingdom, Spain and France. Production volumes in Eastern Europe, by contrast, stagnated with growth of 0.8%, almost at the same level as the previous year. Russia's production volume contracted by 8%, while Turkey and the Czech Republic recorded increases in production.

Production in North America in 2015 was affected particularly by declining export volumes for the first time since 2009. This was due to weaker sales markets in South America and China and the continued localization of production in the respective sales markets. This trend was also evident in 2016. Automobile production in North America rose in 2016, however, to an estimated figure of 17.8 million cars, equivalent to 2.0% growth compared to the previous year.

South American automobile production is expected to have bottomed out with production of approximately 2.7 million cars in 2016, marking a decline of almost 11% compared to 2015. From this low base, rising growth rates are forecast for South America from 2017. The situation in Brazil is forecast to stabilize with growth of 1.4% in 2017.

The Asia-Pacific region achieved another strong increase in its share of global car production in 2016, producing 48.1 million vehicles. This amounts to a 6.7% rise compared to 2015. China was the world's largest vehicle production market in 2016,

with 26.8 million vehicles, 3.1 million units or 13.1% more than in 2015. To support the market and maintain growth rates, the Chinese government extended tax relief for small capacity classes up to the end of 2016.

Continued challenging environment for the steel and tube market

The steel industry had to contend with continued difficult market conditions around the world in 2016. After the weakening of the economy in 2015, steel consumption recovered slightly in 2016 against a backdrop of low markets and falling commodity prices. European manufacturers remained under heavy pressure from cheap imports from China, which was affected by overcapacity. According to the World Steel Association, global steel consumption was 0.2% higher in 2016 than in 2015. The market is expected to recover slightly again in the coming year.

The steel tubes market was also affected by the oil price trend in 2016. The WTI benchmark grade reached a low at the beginning of the year but recovered over the course of the year and was well above \$50/bbl at the year-end. The OCTG (Oil Country Tubular Goods) regions of North America and the Middle East in particular stabilized at the end of the year and are showing signs of a market recovery. Many Asian countries are

continuing to show positive albeit low growth, while China recorded a further drop in demand due to the decline in the oil price. The steel tube market in the EU is having to contend with overcapacity and price pressure. European manufacturers responded to a further decline in production of seamless steel tubes in the EU with cost reduction programs and portfolio optimization.

Positive signals are that tube inventories for oil and gas applications in the USA market decreased further towards the end of 2016. The USA rig count also rose to over 650 during the year, representing a rise of 48% compared to the first quarter of 2016. OPEC's consensus on oil production volumes buoyed the oil price and the consequent recovery of the steel tubes market.

Result of Operations

BENTELER-Group posts lower revenue due to one-off effect

The BENTELER-Group generated revenue of €7,423 million in 2016, representing a decrease of €174 million compared to the previous year. Adjusted for currency effects, revenue decreased by 0.6% or €48 million year-on-year. While the Automotive Division exceeded the previous year's level, the Steel/Tube Division posted a decline in revenue as a result of developments in the oil and gas markets. The Distribution Division posted significantly lower

revenue year-on-year due to the sale of the interest in the strip steel trading business to Casper BENTELER GmbH on May 31, 2016. The loss of revenue from this business for the Distribution Division amounted to €194 million compared to 2015.

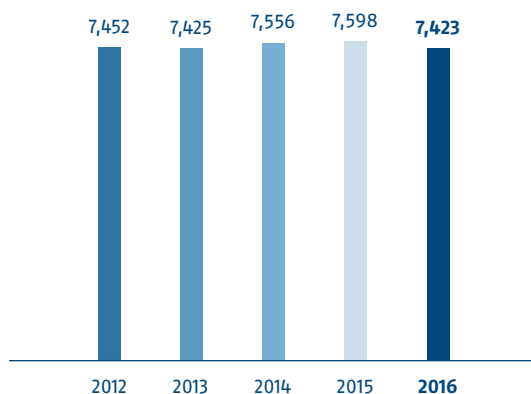
Revenue in the Automotive Division increased by around 1.7% year-on-year to €5,880 million. After adjustment for currency effects, revenue rose by €212 million or 3.7% year-on-year. Automotive accounts for 78% of Group revenue. Revenue in the Steel/Tube Division decreased by 6.8%, taking

the Division's share of Group revenue to about 11%. The Distribution Division recorded a 20.6% decline in revenue, primarily due to the one-off effect described above. The Division contributed around 11% of Group revenue. Excluding the one-off effect of the sale of the strip steel business, revenue from the Distribution Division's core business decreased by 3.6%.

REVENUE PERFORMANCE SINCE 2012

— 2.1

EXTERNAL REVENUE IN € MILLION



REVENUE BY DIVISIONS

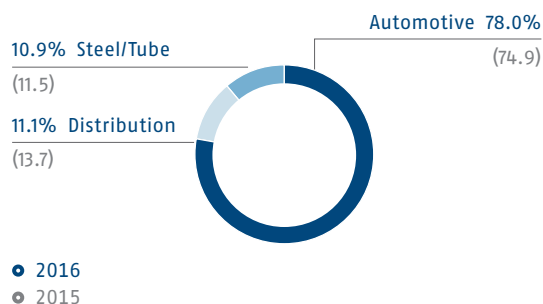
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	2016	2015	Change	
IN € MILLION				%
Automotive	5,880	5,782	98	1.7
Steel/Tube	825	885	-60	-6.8
Distribution	838	1,056	-218	-20.6
Division revenues	7,543	7,724	-181	-2.3
Internal revenues, Other	-119	-126	6	-5.2
External revenue	7,423	7,598	-174	-2.3

Automotive Division records year-on-year increase in revenue despite unfavorable exchange rate movements

The BENTELER Automotive Division develops and produces ready-to-install modules, components and parts for bodies, chassis and engines across 25 countries in 23 engineering and 14 sales offices and 72 plants as well as eight additional plants currently under construction. The Division generated revenue of €5,880 million in 2016. This corresponds to a rise of €98 million or 1.7% compared to the previous year.

DIVISION SHARES OF GROUP REVENUE



Share of revenue including internal revenue between Divisions

Movements in various exchange rates impacted negatively on revenue. The Mexican peso and the Chinese yuan in particular were weaker against the euro than in 2015. Adjusted for currency effects, revenue increased by 3.7% or €212 million year-on-year. Key contributors to the revenue increase were the growth regions of Eastern Europe, particularly as a result of the new module plant at Września in Poland, and the Asia-Pacific region with the new module plant at Shenyang in China. The recovery of the Brazilian market with the successful start-up of the Itatiaia module plant for our customer Land Rover is also contributing to the positive revenue trend. The Western Europe and North America regions show a marked decline in revenue, but this is more than offset by a combination of the effects referred to above and slightly positive revenue trends in the Southern Europe region and in the Mechanical Engineering Unit.

The Chassis and Modules Business Unit focuses on developing and manufacturing chassis cross-members, subframes, and control arms, and on assembling complete front and rear suspensions. The revenue generated by this business area in 2016 was €3,312 million, 2.0% higher than in 2015, particularly as a result of the new module plants.

The Structures Business Unit increased its revenue by 0.7% compared to 2015. This Unit manufactures safety components such as fenders, roof frames, A and B pillars, door beams, and instrument panel

supports, as well as press parts for external and internal use.

Revenue in the Engine and Exhaust Systems Business Unit rose by 5.4% year-on-year to €691 million. This Unit develops and produces components and systems to optimize fuel consumption and reduce exhaust gas emissions.

In addition to the three Business Units, there are smaller business areas with different focuses. BENTELER Mechanical Engineering produces machinery and tools for the automotive industry. BENTELER Defense provides vehicle protection solutions for a variety of customer and market segments in both the civilian and military sectors. BENTELER-SGL, a joint venture of BENTELER and the SGL Group, develops and produces fiber composite components, expanding BENTELER's materials competence for solutions in lightweight automotive construction.

Increased sales volume and revenue in a challenging Steel/Tube market

The Steel/Tube Division generated revenue of €825 million in 2016, 6.8% less than in the previous year. On the basis of constant exchange rates, operating revenue declined by 6.6%. A principal cause of the revenue decline was the weakness of the USA oil and gas market due to the low oil price.

The Seamless Operating Unit produces and sells seamless tubes for the automotive, oil and gas exploration, energy technology, construction, and mechanical engineering market segments worldwide. Adjusted for currency effects, revenue decreased by 8.2% year-on-year, primarily due to the developments in the USA detailed above.

The Welded Operating Unit produces welded tubes for a wide range of applications notably in the automotive industry, as well as other industrial sectors, such as mechanical and plant engineering. Adjusted for currency effects, revenue declined by 3% compared to the previous year.

Decline in revenue in the Distribution Division

BENTELER Distribution supplies steel and stainless steel tubes to customers through an international logistics network and offers a variety of tube processing solutions as well as technical consulting. Its business is focused on the mechanical engineering and hydraulic cylinder segments, on the automotive, construction, and energy sectors, and on industrial goods and downstream trading.

The Distribution Division generated revenue of €838 million in the year under review, representing a decrease of 20.6% compared to the previous year, or 19.7% after adjustment for currency effects. The decline in revenue resulted primarily from the sale

of the interest in BENTELER Trading International GmbH on May 31, 2016 to Casper BENTELER GmbH. Excluding the effect of the divested strip steel business, the revenue of the classic tube trading division was 3.6% below the 2015 level due to price pressure.

Significant rise in consolidated earnings

At €142.6 million, the Group's consolidated earnings before tax were €51.1 million higher than in 2015. This was mainly due to the continued positive trend in Automotive, which once again clearly exceeded the previous year's earnings level, as well as the book profit on the disposal of BENTELER Engineering Services.

The main drivers of the improved earnings at BENTELER Automotive were the improvement measures implemented in many areas. In the Asia-Pacific and Eastern Europe regions, the increase in earnings was also due to higher volumes. The successful start-up of the new module plants in Poland, Brazil, and China also contributed to the rise in earnings.

Earnings in the Steel/Tube Division declined compared to the previous year. This was due in particular to additional costs combined with the preparation for the start-up of the hot rolling mill at Shreveport, USA.

Earnings in the Distribution Division exceeded the previous year's level, despite a decline in revenue. Key factors were the successful implementation of measures to boost sales and cut costs and portfolio rationalization, which led to a clear rise in margins.

Taxes on income and profit amounted to €31.6 million for fiscal 2016. The tax rate was 22.2%, compared to 26.7% in the previous year. After income taxes, the BENTELER-Group recorded earnings of €110.9 million in fiscal 2016, compared to consolidated net profit of €67.1 million in the previous year. Net of minority interests, the Group's net income amounted to €103.5 million, compared to €58.5 million in 2015.

Assets and Financial Position

Investments still exceed depreciation and amortization

The BENTELER-Group invested €440 million in 2016. Investments were therefore considerably higher than the depreciation and amortization of €226 million during the reporting year. Of the total volume of investments, €428 million related to property, plant and equipment while intangible assets accounted for €12 million.

Total investment by the Automotive Division amounted to €338 million in 2016. €212 million, or 63%, of this went to project-specific investments, production facilities, and equipment for the Division. The largest investment projects were thermoforming lines at the sites in Paderborn, Germany, Vigo in Spain, Port Elizabeth in South Africa, Campinas in Brazil and investments in module projects at Spartanburg, USA, and Września, Poland, as well as the purchase of land in Kaluga, Russia. The Steel/Tube Division reported investments of €84 million. These included a further €60 million

in addition to the €180 million in the previous year for the expansion of the tube plant at Shreveport, Louisiana, USA. The Distribution Division invested €12 million during the past financial year, with the largest projects relating to tube processing plants.

Cash and cash equivalents remain high

Cash flow from profit in the 2016 financial year amounted to €338 million, substantially exceeding the previous year's level by €60 million.

INVESTMENTS

— 2.4

	2016	2015	Change	
IN € MILLION			%	
Automotive	338	210	128	61
Steel/Tube	84	218	-134	-61
Distribution	12	19	-7	-39
Other companies	6	8	-2	-25
Total investments*	440	455	-15	-3

* additions to intangible assets and property, plant and equipment

STATEMENT OF CASH FLOWS

— 2.5

	2016	2015
IN € MILLION		
Cash flow from operating activities	433.1	286.8
(of which: cash flow from earnings)	337.7	277.2
Cash flow from investing activities	-485.2	-407.9
Cash flow from financing activities	85.8	107.1
Effect of exchange rate changes on cash and cash equivalents	4.2	-0.5
Cash and cash equivalents at beginning of period	319.6	334.1
Cash and cash equivalents at end of period	357.6	319.6

At €348 million, working capital was €124 million lower in December 2016 than at the end of 2015. The bulk of the reduction was due to the increase in liabilities at the balance sheet date.

The cash used in investing activities increased by €77 million year-on-year to €485 million. The BENTELER-Group aims to finance all investments with cash flow from profit. As a result of the strong, largely order-driven investments in the Automotive Division and the completion of investments in the USA hot rolling mill, an investment amount of €103 million was therefore not covered by the generated cash flow in 2016.

Cash flow from financing activities amounted to €86 million in the reporting year. Net cash inflows from credit financing, the placement of promissory note loans and other financing activity of €412 million exceeded the net outflow of funds from scheduled repayments of €291 million. Dividend payments to shareholders led to a further cash outflow of €35 million.

At €358 million, the cash and cash equivalents during the reporting year were €38 million higher than in the previous year. Cash and cash equivalents represented 7.5% of total assets, compared to 7.4% in the previous year.

Increase in total assets due to investments

Total assets amounted to €4,766 million on December 31, 2016, representing a rise of 10.4% on the previous year. Non-current assets increased by €274 million to €2,618 million. This is primarily due to the €224 million increase in carrying value of property, plant and equipment. Additions of €440 million to intangible assets and property, plant and equipment were offset by depreciation and amortization of €226 million and disposals at residual carrying value of €24 million.

Compared to the previous year, current assets (not including cash and cash equivalents) increased by €139 million to €1,790 million. The changes in fiscal 2016 resulted mainly from an increase in other current assets as well as an increase in inventories.

The Group's cash and cash equivalents remained at a high level at the end of 2016, increasing by €38 million to €358 million. As a result of central cash pool liquidity management, most of these funds are deposited at BENTELER International Aktiengesellschaft and are available on a daily basis.

Sound financing structure

Equity amounted to €1,092 million, €96 million higher than in the previous year. The equity increase results primarily from the consolidated net profit of €111 million in 2016. The dividend payment for 2015 amounting to €15 million and dividends paid to non-controlling interests totaling €20 million, resolved by the Annual General Meeting in March 2016, resulted in a decrease in equity.

Non-current liabilities amounted to €1,904 million at the end of 2016, representing a rise of €205 million compared to the previous year. The growth resulted mainly from a rise in non-current financial liabilities, which were €130 million higher. Long-term provisions increased by €50 million and deferred tax liabilities increased by €13 million. Other long-term liabilities rose by €12 million.

Trade payables were €161 million higher than in the previous year at €1,044 million. Income tax liabilities increased by €7 million. Other liabilities rose slightly by €3.5 million compared to 2015. These mainly comprised liabilities for outstanding invoices, vacation and overtime, bonuses, and other liabilities. The current financial liabilities, by contrast, were €20 million lower and current provisions were €2 million lower than the 2015 level.

Working capital (current assets less current liabilities) decreased by €124 million to €348 million and amounted to 4.7% of revenue, compared to 6.2% in the previous year. The decrease compared to 2015 was due particularly to the increase in liabilities despite the countervailing increase in inventories. The continuation of the factoring program also had a positive impact on the working capital.

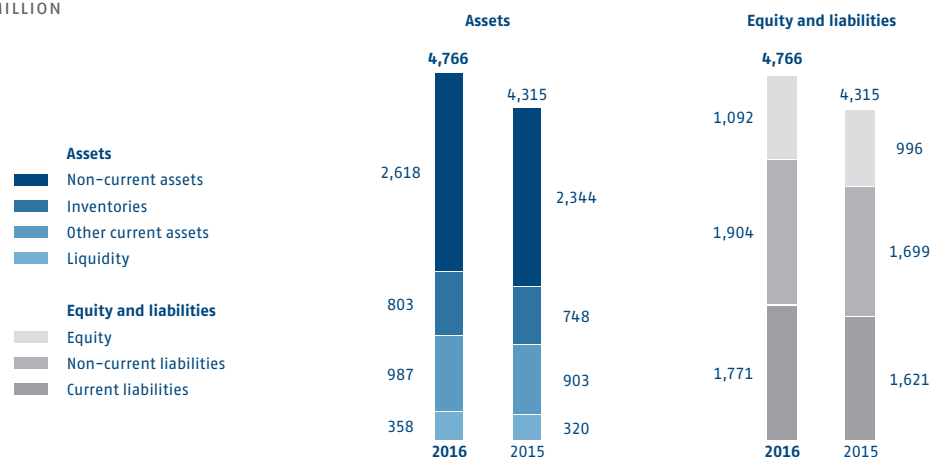
Non-current capital (equity and non-current liabilities) amounted to €2,995 million, equivalent to 63% of total assets, as in the previous year. It covered non-current assets by 114%, ensuring financing with matching maturities.

The equity ratio remained close to the previous year's level at 22.9% and the total assets increased substantially, primarily due to the increase in net profit.

Net financial liabilities remained almost constant at €1,064 million. As a result of the lower rise in net financial liabilities compared to equity, the gearing ratio decreased from 1.04 to 0.97.

GROUP BALANCE SHEET STRUCTURE

IN € MILLION



— 2.6

KEY FINANCIAL RATIOS

— 2.7

		2016	2015
Equity ratio (%)	1)	22.9	23.1
Internal financing ratio	2)	0.77	0.61
Gearing ratio	3)	0.97	1.04
Net financial debt to cash flow from earnings	4)	3.15	3.74
Net financial debt to EBITDA	6)	2.54	2.83
Return on equity (%)	7)	17.5	13.7
ROCE (%)	8)	7.1	5.3
Working capital	9)	348.2	472.1
EBIT (€ million)	10)	191.2	136.2
EBITDA (€ million)	11)	417.3	366.5

- 1) Equity: Total assets (profit participation capital was allocated to equity in the previous year, resulting in an adjusted equity ratio)
- 2) Cash flow from profit: Investments
- 3) Net financial debt⁹⁾: Equity (as of end of year)
- 4) Net financial debt⁹⁾: Cash flow from profit
- 5) Net financial debt = non-current and current financial debt less financial receivables and other financial assets (excluding derivatives) and less cash and cash equivalents. A current financing receivable from the disposal of Benteler Trading amounting to €35,062 thousand has not been deducted
- 6) Net financial debt⁹⁾: EBITDA¹¹⁾
- 7) EBIT: Adjusted equity (averaged between beginning and end of the year)
- 8) EBIT: (Intangible assets + property, plant and equipment + working capital⁹⁾) (averaged between beginning and end of the year)
- 9) Working capital = (Inventories + trade receivables from third parties, affiliated companies and equity investments) less (Trade payables to third parties, affiliated companies and equity investments + advance payments received)
- 10) Result of operating activities after non-recurring effects = EBIT
- 11) Result of operating activities after non-recurring effects + depreciation and amortization

Central cash and foreign exchange management

The BENTELER-Group manages its financing centrally. Liquidity surpluses or shortages are pooled by BENTELER International Aktiengesellschaft by way of internal investment and borrowing capabilities. This allows surpluses from individual

Group companies to be used by other Group companies as required.

As a rule, capital expenditure is financed out of cash flow for the long term, and working capital is financed by short-term funding. Non-current assets are continuously financed out of cash flow and by

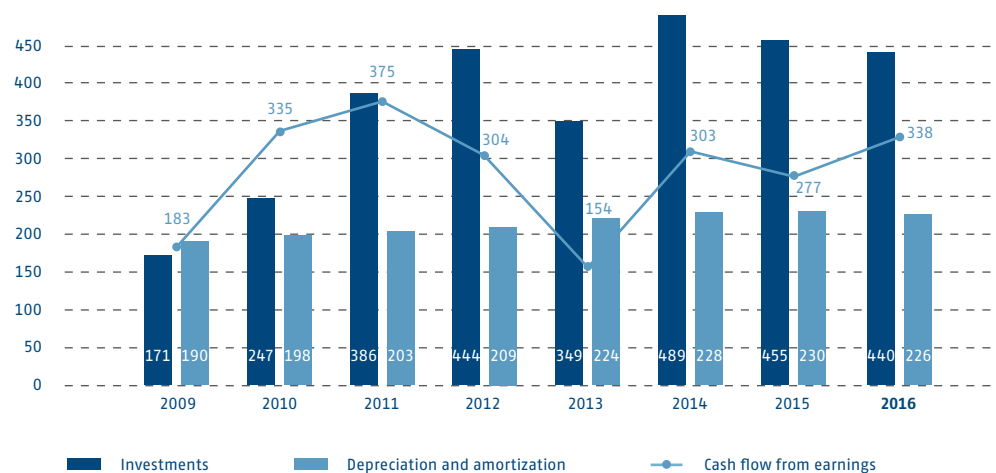
taking out appropriate long-term loans with matching maturities.

In order to finance working capital, the company had cash resources of €358 million available at December 31, 2016, plus a strategic liquidity reserve of unutilized medium- and long-term

TOTAL INVESTMENTS, DEPRECIATION AND AMORTIZATION, AND CASH FLOW

— 2.8

IN € MILLION



written credit commitments of €400 million (prior year: €387 million). All credit commitments are free from collateral and financial covenants.

Branches

There are no branches.

A large portion of the Group's internal goods and services are cleared through BENTELER International Aktiengesellschaft so that payment transactions can be regulated cost-effectively (clearing).

Risk Report

Comprehensive risk management

The BENTELER-Group, with its individual companies and Divisions, is exposed to a variety of strategic and operational opportunities and risks that could at times have a considerable impact on the Group's net assets, financial position, and results of operations. The BENTELER risk management system becomes especially important in periods of high market volatility. It regulates the identification, assessment, and management of defined risks, and is fully integrated into the company's strategy, planning, and information processes. The risk management system regularly undergoes a thorough review and its controlling effect within the Group is developed on an ongoing basis.

BENTELER International Aktiengesellschaft, as a strategic holding company, manages the Divisions by setting goals. A comprehensive management information system monitors goal achievement; it tracks all relevant key performance indicators in terms of actual, planned, and projected figures. If there is a negative deviation from planning, the Divisions initiate appropriate countermeasures.

Each month, all Divisions report on their economic performance and highlight opportunities and risks that may affect planned results and future developments. An aggregate risk status report is also submitted to the management bodies every six months, on the basis of an inventory of possible

risks that might pose a threat to the company as a going concern. In a cascading reporting system, the status of risks and pertinent measures is described for this purpose on the basis of defined indicators for probability and financial damage potential. Officers are appointed to take specific responsibility for each risk and the associated measures. The systematic risk management process helps management detect risks in a timely manner and initiate suitable precautionary measures to prevent or avoid the risks.

The BENTELER-Group also has a company-wide internal control system that arranges organizational safeguards, procedural rules, and system audits. Internal Auditing regularly reviews all business areas of the company. The matters examined include compliance with guidelines, the regularity and efficiency of business processes and reporting, and the proper functioning of the risk management.

Some particularly significant risks are laid off to insurance companies by the Group's central service provider. In particular, claims resulting from any recalls or liability issues are covered, as are property damage and losses caused by disruption to operations. In turn, risks that are only defined to a limited extent are reinsured for third-party insurance companies by BENTELER Reinsurance.

Particular attention is paid to risks resulting from changes in demand due to business cycles and from

the financial sector, specific customer and supplier risks, and risks resulting from changes in the supply markets. Management also carefully monitors project, quality, foreign exchange, IT, and liquidity risks.

Risks arising from the influence of economic demand

The company's business planning identifies opportunities in terms of new products, customers, and markets. However, these opportunities also entail risks to sales volumes, revenue, profits, liquidity, and investments, resulting from unplanned overruns – or even more importantly, underruns – of production volumes for vehicle models for which BENTELER supplies products. Economic fluctuations also significantly influence business in steel tubes, in both trading and production.

In recent years, BENTELER has initiated numerous projects and turned them into standard procedures, to adapt cost structures to demand at the various Divisions, and to manage those structures within narrow bounds. Projects to cut costs and increase revenue are an integral part of corporate planning. The Group's expanded risk management and early warning systems for analyzing customer and supplier credit risks and monitoring short- and medium-term liquidity as a part of cash management mitigate potential cash flow risks. The Group also aims to safeguard its liquidity position in the

long term and to build up reserves for growth projects through efficient investment and working capital management.

Specific customer and supplier risks

Adverse economic performance among individual contracting partners could have consequences for the BENTELER-Group's revenue and earnings. The company limits these risks by diversifying its customer and supplier base as far as possible, and by constantly monitoring important market metrics and other early warning indicators.

The BENTELER-Group may incur losses if the creditworthiness of individual customers deteriorates with the result that payment is delayed or defaulted on, or that budgeted sales volumes cannot be achieved. The company operates intensive debtor management to counteract this risk. The Divisions' sales and financing officers regularly track customers' financial situation, their payment performance, and the possibility of protection against risks, for example by insuring a portion of receivables.

To meet its obligations as a supplier, the BENTELER-Group must rely on materials and services provided by numerous other companies. Existing suppliers could have difficulties in supplying BENTELER, or suitable new suppliers might have to be found at short notice, thus hampering the company's own

business. The Automotive Division has a particularly large number of specialized suppliers. Here the procurement department applies an extensive range of successful tools for monitoring and mitigating risk. For example, suppliers' creditworthiness is continually monitored with the aid of external and internal information sources. Specialized teams in procurement ensure that, if a crisis arises, the Division's supplies – and thus its ability to serve its end customers – are secure.

Changes in procurement markets

Fluctuations in the price of steel, aluminum, scrap metal, and alloys pose a considerable risk for the BENTELER-Group. If prices of raw materials rise, for example, it is not always immediately possible to pass on the necessary amount of the increase to customers by raising selling prices. This can have an adverse effect on earnings performance. Conversely, delays in passing on lower procurement prices can also have a positive influence on earnings.

The Automotive Division sources considerable quantities of steel. It passes on most changes in procurement prices to the customer. Fixed price adjustment clauses exist with customers and suppliers with regard to aluminum procurement. Temporary differences that may arise in terms of price adjustment are also minimized by means of external hedging transactions with banks.

Project risks

The Automotive Division is involved in complex development and production projects. The inherent risks of these projects include unexpected technical difficulties in the Division or its suppliers. Those, in turn, may sometimes lead to higher costs for the start of series production or higher investments than were planned. To avert or reduce these risks, the Division applies extensive standards for project processing. These also call for regular project reviews to permit early countermeasures when needed. Suppliers are included in this process, and are audited periodically.

Largest ever investment project in Steel/Tube Division

BENTELER Steel/Tube has broadened its presence primarily in the North American market with the construction of a rolling mill in the USA state of Louisiana. As this is the Steel/Tube Division's first large-scale project in America, great attention was paid to identifying potential risks. These include in particular the development of production facilities, expansion of the sales network, and utilization of future capacities, which are heavily dependent on oil prices due to the focus on the OCTG segment. Special steering committees have been set up to limit potential risks. The mill's current start-up phase is an opportunity to identify any weaknesses

in the manufacturing process at an early stage and to implement appropriate improvements in good time.

Quality risks

Shortcomings in development, production, or logistics at BENTELER plants or suppliers can cause parts to be delivered to customers late or in faulty condition. Such problems may expose BENTELER to claims for damages. The BENTELER-Group has therefore introduced extensive operating procedures governing process reliability, quality management, and process audits at its own plants and at its suppliers. To mitigate such risks in their own production operations, the Divisions constantly refine their production methods and conduct preventive maintenance on their equipment. The BENTELER-Group has taken out insurance to limit residual risks to the company as a result of any liability or claims. Claims can also result from purchases of defective materials. Through a cooperative arrangement with an insurance broker, the BENTELER-Group also offers advantageous options for its external suppliers to take out product liability and recall insurance.

Risks from property damage and business interruption

The system for operational risk prevention reviews and classifies operational risks at the Group's plants, derives measures for damage prevention on that basis, prepares emergency plans for business processes, and introduces an annual operational safety report.

Foreign exchange risks and interest rate risks

The BENTELER-Group's international business operations, especially in procurement and sales, are exposed to foreign exchange risks as a result of fluctuations in exchange rates. Its central financing and foreign exchange management limits foreign exchange risks through the use of an information system and coordinated hedging transactions. The BENTELER-Group controls risks arising from interest rate movements by largely matching maturities when it borrows refinancing funds and by using derivatives. Further information on financing instruments can be found in the notes to the consolidated financial statements.

IT risks

The use of modern information technologies plays a crucial role in the execution and maintenance of business processes in the BENTELER-Group. Failures of systems or networks also pose potential risks such as breaches of data integrity and confidentiality. Our Central IT function ensures trouble-free, fail-safe operation, as well as the ongoing development of measures such as the "IT Security Strategy" that is currently being implemented.

Report on Research and Development Activities

Research and development in the BENTELER-Group is focused on maximum benefit for the customer, which is achieved through innovative products and processes. Innovation combined with cost and quality leadership offers our customers sustained added value. The global focus of the research and development on international markets was strengthened further in the 2016 financial year. As a result of intensive cross-divisional collaboration between the development departments, further progress was made in leveraging synergies for BENTELER. Research and development spending totaled €94 million in the 2016 financial year. A total of 87 patent applications were filed worldwide to safeguard innovations.

A culture of innovation

The management and communication of innovation was a particular focus of research and development in 2016. In November 2016 the annual InnoDay event was held in Paderborn an der Talle. All BENTELER research and development areas as well as some production areas were represented. The latest development results in products and processes were presented to an internal audience. As in the previous year, the event was integrated into existing production operations in a vacant area and thus showed a close association with current value creation.

Alongside intensified communication of research results, both internally and with our customers, modern innovation methods were used in selected projects. Selective use was made of "external" ideas, for example, with the aid of crowdsourcing. The results provide very positive models for future collaboration with external stakeholders.

The trend analyses included the theme of 3-D printing, which was analyzed in greater detail as an alternative manufacturing process. The publications produced on this research project were very well received.

The strategy process was once again intensively supported by market and trend analyses in 2016. At the current time in particular we are experiencing a major upheaval in the automotive industry, which could be likened to the replacement of the horse-drawn carriage by the motor vehicle. Electromobility is being promoted strongly around the world, calling into question the future of the internal combustion engine. In these times of highly technical but also market-related volatility, the BENTELER-Group needs to obtain reliable forecasts from the widest range of sources. By adopting a professional approach to the trend analysis and using all accessible global information from customers, official agencies, press, regulations, and patent filings, it was possible to draw up a meaningful scenario.

Electromobility – Opportunities for the BENTELER-Group

On the basis of the intensive analysis of the current volatile technology and market situation referred to above, an eMobility project center was developed. Over a period of four months an interdepartmental BENTELER Automotive project team with employees from all Business Units and from Procurement, Global Operation, Communications/Marketing, and Research and Development, researched, analyzed, and assessed the market developments and technology trends.

The overall development of electromobility is strongly influenced by politics. The Chinese market in particular is very tightly regulated by laws, regulations, and subsidies. On the technology side, the future will be dominated by clean, battery-powered electric vehicles. The question is not, therefore, whether electromobility is coming, but how fast and on what scale.

ALIVE and ENLIGHT EU multimaterial research projects

The ALIVE research project supported with EU funds and implemented in collaboration with prominent OEMs, suppliers, and research institutions was successfully concluded in 2016. The development

was aimed at delivering significant weight savings in a clean electric vehicle at attractive costs. The focus was on using a selective mix of different materials and semi-finished products to take advantage of their specific benefits. That made it possible to rethink and optimize the "right material in the right place" at overall vehicle level, with consideration also being given to the impact on a life-cycle assessment (LCA).

In 2016 the emphasis was on the production of prototypes and assemblies to provide a complete vehicle for whole-vehicle crash tests. This enabled the crash performance ascertained in a virtual environment to be demonstrated in real-life conditions. BENTELER contributed various central components such as a thermoformed B pillar made from a new, even higher-strength material, including the technology connecting it to the adjacent aluminum components.

On the basis of these extensive investigations of steel-aluminum components covering matters such as assembly technologies, corrosion protection, thermal alteration, adapted forming technologies, visual simulation, and appropriate component design, BENTELER is able to offer customers attractive solutions in the field of multimaterial assemblies. Further intensive research is being carried out particularly into complex and attractive aluminum sheet metal parts in order to supply this market too with unique components at attractive prices.

The ENLIGHT sister project was successfully concluded at the same time. This achieved significant advances in multimaterial lightweight construction based on examples of selected assemblies. The solutions presented by BENTELER and the research partners for the floor module of an electric vehicle and its front crash management system are based on a combination of aluminum with fiberglass-reinforced thermoplastics. Compared to the ALIVE benchmark project it was possible to achieve an average additional 25% weight saving against a background of higher lightweighting costs. The process chains necessary for implementation are based partly on the know-how already available to BENTELER from the thermoforming of steel and aluminum. It was also possible to test new joining processes allowing mixed construction methods using established metal components and lightweight plastics.

Product and process developments in the Steel/Tube Division

The generation of customer added value through innovation and differentiation from our market competitors are the essential focal points in the development of steel and tube solutions for tomorrow's markets. This is based on our targeted innovation management. Our areas of strategic innovation were adapted to the BENTELER Steel/Tube strategy in 2016 on a forward-looking,

customer-oriented basis and are a key element in the achievement of our strategic objectives.

Innovations for automotive tube solutions

In April 2016 we held the first BENTELER Steel/Tube lightweight construction conference at the "Bilster Berg Drive Resort" near Bad Driburg, Germany. Specialist presentations were given to customers to showcase our lightweight construction expertise and the latest innovations in automotive tube solutions. These included a prototype of a front-axle beam for electric vehicles. By using a new, innovative steel concept it was possible to reduce the weight by 35%. The use of welded tubes made of a new type of steel combining very high strength with above-average formability aroused great interest at the event from one German automotive manufacturer. In view of their high potential for lightweight construction, the first prototypes have already been produced for validation by that customer.

In the field of future chassis solutions, ultra high-strength tubes were successfully produced for use in an innovative automotive suspension system. That will allow weight savings of up to 30% compared to the current series solution. The first systems were produced for our customer and validated at the end of 2016.

Initial successes were also achieved in the field of hot-rolled axle tubes. The first customer projects have been completed and series deliveries have started successfully. In the field of axles, tie rods, and axle guides for utility vehicles a number of innovative steel and tube solutions were successfully placed with our customers and prototypes are being supplied.

Product and process developments for the industry and energy market segments

In the field of industrial applications of seamless precision tubes, BENTELER supplies preliminary tubes for the production of injection anchors (ground engineering). At Dinslaken, Germany, a modified steel material with an excellent combination of strength and ductility coupled with a special rolling and heat treatment technology was successfully developed and deployed for a major industrial project for the tunneling of a highway in the Netherlands.

In the case of welded and seamless tubes the focus in 2016 was on the ZISTA SEAL product. This unique surface technology (excellent corrosion resistance combined with outstanding processability) was a focal point for our customers at the "TUBE" trade fair. Technology roadshows and additional customer events were organized jointly with BENTELER Distribution to market the technology and ZISTA SEAL

was deployed in series production for many of our customers. Additional areas of application were also opened up.

The expansion of the OCTG product portfolio was systematically continued in 2016 with the successful validation of the sweet-gas-resistant steels. In the USA plant at Shreveport the first steels for tubings and casings were successfully validated and supplied to our customers.

In close collaboration with development, sales, and production, we were able to expand our market position in tube fittings by implementing of customer-specific material solutions. We also won a large order for boiler tubes in 2016. The required high-performance boiler tube material was industrialized in fully integrated production in close collaboration between our steel mill and the hot rolling mill and supplied to our customers.

Report on Environmental Management

As a company with international operations, the BENTELER-Group is aware of its responsibility to preserve resources and protect the environment. As a corporate goal, environmental protection ranks on a par with high product quality and employee safety.

An environmental and energy management system supports the continuity of these activities and ensures that they comply with applicable standards. All sites are now certified in accordance with the environmental management standard EN ISO 14001:2004 and/or the energy management standard EN ISO 50001:2011 and are inspected regularly.

In everyday business practice, environmental protection is a responsibility incumbent on all teams and sites in the BENTELER-Group. The range of industrial responsibilities includes aspects such as water protection, emission controls, waste management, and hazardous materials transportation, but also energy management and emissions trading.

This requires a broad range of specialist knowledge that is just as proficient in the sciences as it is in energy tax legislation, current CO₂ accounting methods, and other areas of applied environmental protection.

An important milestone in 2016 was the joint introduction of reporting on sustainable business

development across all BENTELER Divisions. The Group's first sustainability report covers a wide range of themes such as environmental and energy management and demonstrates the comprehensive, forward-looking approach we take to our social responsibility.

Automotive Division

As in the previous year, numerous energy efficiency projects and resource-saving measures were identified and implemented in 2016. Regular discussion in global teams and the creation of a knowledge store within the BENTELER Automotive Division were intensified by Division-wide exchanges as part of the "FM Journey" project. This enabled efficiency projects to be rolled out to more locations. For example, BENTELER Automotive implemented an optimization of the cooling system at its Paderborn site in Germany and thereby substantially reduced its energy consumption. As part of a global project, the hall lighting in almost all plants was switched to an efficient technology with a view to greater energy efficiency.

BENTELER Automotive also achieved successful recertification of the ISO 14001 and ISO 50001 standards in 2016. This again involved the initiation and implementation of numerous projects to improve energy efficiency and the responsible use of resources. All these measures have a positive

effect on energy consumption and create an improved CO₂ balance.

Steel/Tube Division

The basic idea of production-integrated recycling has been practiced by Steel/Tube since the 1970s: the Division's own electro-steel plant processes only scrap steel and this 100% recycling makes a substantial contribution to sustainability. Furthermore, the by-products of steel production such as steel slag are used in road building and highway maintenance – further relieving pressure on the environment through the preservation of natural resources.

Sustainability as a business strategy element is the past, present, and future of production and planning for the company and is reflected in all the various complex processes at BENTELER Steel/Tube.

A standardized evaluation procedure at each site ensures that all activities and their environmental aspects are inspected regularly in order to systematically accelerate their continuous improvement.

The results of the annual external audit of our environmental/energy management system confirm the effectiveness of this evaluation process and certify our system with the highest standards for treatment

of water, raw materials and hazardous substances, emissions, risks and energy.

Further energy saving potential was identified and fulfilled in the tube mills in 2016. This made it possible, for example, to achieve further energy savings of up to 10% with the aid of recovery measures in furnaces at the Schloß Neuhaus site in Paderborn, Germany. Such successes are being supplemented and consolidated with a comprehensive range of individual measures.

BENTELER Steel/Tube and ten other German electro-steel plants are members of the Electro-Steel Energy Efficiency Network established on the basis of an agreement between the German government and various industry associations. The aim is to exchange experience and ideas to boost energy efficiency. Such projects will continue to be integrated into and deployed alongside production in order to optimize our processes continuously.

HR Report

The BENTELER-Group has set itself ambitious growth targets: the company aims to generate total revenue of around €11 billion by 2021. This corresponds to an average annual growth rate (CAGR) of 10.2% for the years 2017–2021. At the same time BENTELER faces many challenges. These include in particular growing competitive pressure, the increased internationalization of the business, changing market conditions, and an increasingly changeable economic environment.

The BENTELER-Group believes that with its strategy it is well placed to meet these challenges and continue its growth course. A key component in this objective is the continued development of the corporate culture towards a high-performance organization, because to achieve long-term success, BENTELER needs a strong, efficient workforce with employees who think in an entrepreneurial way, assume individual responsibility, and respond flexibly to changes.

This also challenges HR management to act with professionalism and excellence, as the recruitment and continued development of employees is the key to our success. In a fast-changing world this is crucial in order to meet future challenges flexibly and hence successfully. Finally, it is the positive attitude and performance, skills, and commitment of each individual employee that contribute to the success of the BENTELER-Group as a whole.

Number of employees

On average over 2016, the BENTELER-Group had 27,917 FTEs (full-time equivalents) worldwide, 153 or 0.6% more than in the previous year. In the Automotive Division, the average workforce rose by 235 (1.1%) to 21,561. In the Steel/Tube Division, the average number of employees decreased by 151 FTEs to 3,697 FTEs compared to the previous year. The change results from the adjustment of the workforce due to the underutilization of capacity in the OCTG area. In the Distribution Division, the average number of employees remained almost unchanged at 1,438 FTEs. The average number of employees in the other companies (including holding companies, BENTELER Engineering Services, and BENTELER Glass Processing Equipment) amounted to 1,221 FTEs in 2016, compared to 1,158 FTEs in the previous year. The rise results from an increase in personnel at BENTELER Engineering Services, which is included for the last time, however, in 2016.

The company is well aware of the great importance of building its ranks for the future and trains young people in a variety of skilled trades. In 2016 BENTELER provided training for 764 young people worldwide (prior year: 756).

BENTELER employed an average of 271 FTEs in Austria in the reporting year. The Group had 9,289 FTEs in Germany and 18,357 FTEs in other countries.

Employee recruitment, loyalty, and development

As in the previous year, further measures were taken in 2016 to define an approach for candidates in the target group and to ensure a user-friendly and professional recruitment process worldwide. For employer branding, a new campaign was rolled out worldwide in 2016. The overall motto remains “Be it all at BENTELER”, as the employer BENTELER represents international opportunities for advancement and many diverse development prospects. The online application process was rolled out to additional countries and the BENTELER career website is constantly updated with country-specific content and translations. The company intensified collaboration with target universities in order to attract students and graduates as future employees as early as possible. In addition, recruitment through social networks was strengthened and potential candidates were addressed directly by the company.

“Be it all at BENTELER” also applies, of course, to our own employees. Ongoing training and individual development were once again among our highest priorities during the reporting year.

In 2016 the focus was mainly on building and developing professional talent management. As part of this, existing management development programs were overhauled and new programs were

implemented for the targeted promotion of talent. The trainee program, for example, was further expanded and continuing education programs, so-called "Talent Circles", were designed, in which internal candidates are prepared for middle and senior management positions at an early stage to ensure structured and long-term succession planning. Our goal is to fill significantly more vacancies – right through to senior levels – with our own employees who exhibit talent and potential. And we are succeeding: we have increased the number of internal promotions.

Outlook

In 2017 we will continue to provide intensive support for the development of our employees. The processes for the recruitment and induction of new employees, continuing education, talent management, performance assessment and remuneration are being further professionalized through substantially improved data collection and systems integration. We will continue to refine our corporate culture and values. This requires all employees to engage intensively with the values in individual workshops.

We are confident that with a corporate culture characterized by effort, courage, and respect, as well as our excellently trained employees and executives, we are well prepared for the future challenges

posed by demographic change and the consequent shortage of specialists.

We regard all these measures as a crucial investment in the future of our company. Our employees are and will continue to be the foundation for our success!

Forecast

Focus remains on long-term, profitable growth

The BENTELER-Group continues to pursue its corporate goal of a constant, long-term increase in corporate value while maintaining financial independence. The company is well positioned thanks to its product portfolio and geographic presence to take advantage of market opportunities and meet new challenges.

Global economic momentum is gradually strengthening

The moderate upturn in the global economy is expected to continue in the next two years. The general growth of the economy is being supported by a continued highly expansionary monetary policy. From 3.1% in 2016, global GDP growth of 3.5% and 3.6% is forecast for 2017 and 2018 respectively.

For the euro area, the Kiel Institute for the World Economy forecasts moderate economic growth. The eurozone economy is forecast to grow by 1.7%. Unresolved structural problems in parts of the single-currency area are continuing to weigh on the global economic outlook. The underlying moderate pace of expansion should be sustained by a continued improvement in the labor market and higher private consumption.

Production in the United States is expected to increase by 2.5% after growth of just 1.6% in 2016. Economic growth will be driven on the one hand by the government's expansionary economic policy in the form of higher spending and cost cutting as well as the announced deregulation measures. On the other hand the consolidation of the shale oil and gas industry and the associated subdued investment climate should largely come to an end.

In view of the recent rise in commodity prices, the recovery in economic activity in the emerging nations is likely to strengthen further, although the significant debt levels in many emerging nations is a risk factor for economic growth. The corporate sector has been particularly affected as the debt burden has increased with the strengthening of the dollar. After the Chinese government took numerous monetary and fiscal policy measures to revive the economy in 2016, a slight reduction in growth rates, albeit remaining at a high level, is expected in the subsequent years.

Growing uncertainty is considered to be the principal risk factor for the global economy during the forecast period. This is due on the one hand to the announcement by the new United States government of a change in the direction of economic policy. A further uncertainty concerns the United Kingdom's departure from the European Union with continued unclear consequences for economic con-

ditions in Europe. The negative effects of extremely low interest rates, entailing increased risks to financial market stability, are also becoming clear.

Sustained upward trend in the Automotive Division

Market forecasts for vehicle production in 2017 assume that the global market will continue to grow. This development will be driven primarily by growth in the Asia region. Strong growth is also expected in Eastern Europe. Overall, the market situation in Europe is expected to remain stable at a high level.

The BENTELER Automotive Division is very well placed to serve global OEM platform projects. Above all, there are major growth opportunities in Asia and – once the crisis has been resolved – in Latin America. Parallel to this, specific plans are being devised for the future positioning of the various BENTELER Automotive locations in Europe to maintain and enhance the company's competitive capability.

The first measures have already been implemented. The focus in 2016, for example, was on the implementation of the European Manufacturing Strategy (EMS) with substantial restructurings in the components plants in northern, western, and southern Europe. This strategic focus includes implementing

the future dialog to strengthen competitiveness in Germany and France, modernizing the technical equipment and optimizing the material flow. As a result of the measures agreed to cut personnel costs, the future-oriented dialog that was successfully concluded with the German employee representatives at the beginning of 2016 contributes to increased competitiveness and allows site guarantees to be given together with a commitment not to make any redundancies for operational reasons. The Division is also continuing to work on increased productivity at all sites.

The South African Manufacturing Strategy (SAMS) project is a means of increasing the earnings and productivity of the South African BENTELER Automotive plants by optimizing capacity utilization and overheads, reducing complexity, and focusing on key customers, core products, and core processes.

As in the case of EMS for Europe and SAM South Africa, the North American Manufacturing Strategy (NAMS) project was also launched, with slightly staggered timings. This focuses on increasing flexibility and optimizing capacities in line with the market situation and reducing complexity in the plants.

To increase operating efficiency and improve the project and process management for customer projects, the Global Process & System Landscape (GProS) project started in 2015 was also continued.

The process maps were redesigned, for example, to provide a clear description of the business processes, in line with responsibilities, adapt the product development process to the customers' current market and platform strategies and redesign the product life cycle management.

Another key theme of 2016 was electromobility, the growth of which received a substantial boost from numerous government initiatives and allocations of business capital. eMobility is now emerging for the first time as a long-term trend that is leading to changes in our customers' product portfolios. BENTELER Automotive has responded to this by establishing a project center at an early stage to identify a possible range of solutions. As a full systems suppliers, the aim is to offer in particular our new customers a complete "rolling chassis". In this regard BENTELER was able to assert its position as a leading global supplier of battery trays and the Group is represented in numerous tenders for eMobility vehicle concepts.

In terms of sales and investment planning, our goals of focusing on our target customers, strengthening core competencies and technologies as well as achieving a balanced product portfolio were taken into consideration. The planned above-average growth in the Asia-Pacific region, as well as investment in new presses, are examples of this. The Division is also working to increase productivity

at all sites and to eliminate site-specific operating problems.

Internationalization of the Steel/Tube Division

Despite the difficult market environment in 2016, the hot rolling mill in the USA invoiced its first production volumes. The trends in oil prices across global markets affect sales for tubes used in oil and gas extraction. Most forecasts assume a medium-term recovery in the oil and gas market. The European market is still plagued by overcapacity and pricing pressures. In addition to rigorous cost management, additional markets are increasingly being targeted outside the established core markets of Europe.

Distribution Division intensifies activities for differentiation

As well as a challenging market for Distribution, customer demands are also growing. Today, customers are demanding more and more products that are tailored to their individual requirements. The focus is shifting to complete solutions which cover the entire value chain. In addition to high quality, tube distributors must offer customers a wide product range, fast and flexible delivery, and customized first-stage processing solutions.

Despite the expected continued difficult market conditions in 2017, the Distribution Division is aiming for an improvement in earnings with moderate growth in sales volumes and stable prices, particularly through margin improvements and efficiency increases. The focus is on expanding the offering of higher-value processing, expanding the automotive supplier business and making better use of our own network.

BENTELER-Group continues consolidation in challenging markets in 2017

Automotive and Distribution are expecting a further improvement in earnings in 2017. In the Steel/Tube Division cost savings will be more than offset by the preliminary work for the start-up of the hot rolling mill in Shreveport in the USA, with the result that earnings are expected to be down on the previous year. In addition to these developments and the one-off gain in 2016 from the disposal of BENTELER Engineering Services, we expect the BENTELER-Group to post a decline in earnings in 2017 compared to the previous year. Over the medium term we expect a marked increase in earnings due to implementation of the defined improvement measures across all Divisions and the continued start-up of the new hot rolling mill.

Long-term outlook

Boosting profitability and increasing competitiveness form the basis for the five-year planning of all the BENTELER-Group's Divisions.

Revenue is expected to increase to almost €11 billion by 2021. All business areas will contribute to this growth. The Divisional strategies developed under the guidance of the strategic holding company in Salzburg, Austria, remain valid. Thanks to its sound financing structure, the BENTELER-Group will continue to be able to take advantage of market opportunities as they arise. With all the imponderables of economic developments, the same conservative financing principles will apply as in the past: capital expenditure will be financed from cash flow, the equity ratio is to return to 30%, and as a rule gearing is not to exceed 50%. Moreover, non-current assets are to be financed with long-term funds. The dynamic gearing, calculated as net financial debt/ EBITDA, will always remain below 3 and will stabilize at 1.5 in the long term.

Supplementary Report

As explained in note 34 "Events after the end of the reporting period", no significant events occurred that caused a change in the reporting or measurement of individual asset or liability items as of December 31, 2016.

Disclaimer

This management report contains forward-looking statements concerning expected developments. These statements are based on current assessments and inherently entail risks and uncertainties. Actual events may differ from the statements formulated here.

Salzburg, February 10, 2017

The Board of Directors

Hubertus Benteler Guido Huppertz Isabel Diaz Rohr

CONSOLIDATED FINANCIAL STATEMENTS

Index

Consolidated Income Statement	44	— Property, plant and equipment	62
Consolidated Statement of Comprehensive Income	45	— Impairment	63
Consolidated Statement of Financial Position	46	— Investments in associates	64
Consolidated Statement of Cash Flows	48	— Borrowing costs	64
Consolidated Statement of Changes in Equity	50	— Inventories	64
Consolidated Financial Statements	52	— Deferred taxes	65
General Information	52	— Financial instruments	65
Information on the Company	52	— Cash and cash equivalents	66
Basis of preparation	52	— Employee benefits	66
New accounting standards	53	— Provisions	67
Consolidation	56	— Leasing	67
— Principles of consolidation	56	— Assumptions and estimates	68
— Companies included in the consolidated financial statements	57	Notes to the Consolidated Income Statement	69
Accounting policies	60	Revenue	69
— Foreign currency translation	60	Cost of sales	69
— Recognition of income and expenses	61	Other operating income	69
— Government grants	61	Other operating expenses	69
— Intangible assets	62	Net finance result	70
		Income taxes	71

Notes to the Consolidated Statement of Financial Position	72	Additional Information	89
Intangible assets	72	Financial risk management	89
Property, plant and equipment	75	— Foreign exchange risk	89
Investments in associates	78	— Interest rate risk	90
Deferred tax assets and liabilities	79	— Commodity price risk	90
Other non-current receivables and assets	80	— Default risk	92
Inventories	80	— Liquidity risk	92
Receivables	80	— Capital management	95
— Trade receivables	80	Derivative financial instruments and hedge accounting	95
— Receivables from construction contracts	82	Additional information concerning financial instruments	96
— Other current receivables and assets	82	Consolidated Statement of Cash Flows	105
Cash and cash equivalents	82	Contingent liabilities and contingent assets	106
Equity	82	Number of employees	106
Provisions	83	Governing bodies	106
— Provisions	84	Related party transactions	107
Provisions for pensions and similar obligations	85	Events after the reporting period	108
Financial liabilities	88	Auditor's fees and services	108
Income tax liabilities	88	Proposed appropriation of profit	108
Other short-term liabilities	88		

Consolidated Income Statement (IFRS)

for the financial year from January 1, 2016 to December 31, 2016

CONSOLIDATED INCOME STATEMENT (IFRS)

— 3.1

€ THOUSAND	NOTE	2016	2015
Sales	6)	7,423,354	7,597,651
Cost of sales	7)	– 6,688,564	– 6,891,339
Gross profit		734,790	706,312
Selling expenses		– 202,440	– 196,534
Administration expenses		– 336,745	– 337,423
Research and development expenses		– 94,245	– 94,082
Other operating income	8)	125,693	132,484
Other operating expenses	9)	– 35,875	– 74,555
EBIT		191,177	136,201
Financial result	10)	– 49,101	– 44,853
Income from associates	14)	481	146
Result before tax		142,557	91,494
Income taxes	11)	– 31,612	– 24,394
Result for the period		110,945	67,100
of which:			
Attributable to owners of parent company		103,541	58,507
Non-controlling interests		7,404	8,593

Consolidated Statement of Comprehensive Income (IFRS)

for the financial year from January 1, 2016 to December 31, 2016

CONSOLIDATED INCOME STATEMENT (IFRS)		— 3.2	
€ THOUSAND	NOTE	2016	2015
Result for the period	20)	110,945	67,100
Items that will not be reclassified to the consolidated income statement in future periods:			
Actuarial gains (losses)		- 22,682	- 4,499
Income taxes on these components of other comprehensive income		6,286	1,787
		- 16,396	- 2,712
Items which can be reclassified to the consolidated income statement in future periods:			
Gains (losses) on exchange differences on translation for foreign operations		15,651	30,585
Reclassification of exchange differences on translation of divested foreign operations recognized in the income statement		139	- 40
Gains (losses) on the measurement of cash flow hedges		- 4,420	- 7,643
Reclassification of amounts of cash flow hedges recognized in the income statement		11,750	23,362
Income taxes on these components of other comprehensive income		- 1,434	- 4,000
		21,686	42,264
Total comprehensive income		116,235	106,652
of which:			
Attributable to owners of parent company		110,627	95,756
Non-controlling interests		5,608	10,896

Consolidated Statement of Financial Position (IFRS) for the period ended December 31, 2016

Assets

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 (IFRS)

— 3.3

€ THOUSAND	NOTE	December 31, 2016	December 31, 2015
Intangible assets	12)	45,251	48,410
Goodwill	12)	6,442	6,442
Property, plant and equipment	13)	2,350,811	2,127,082
Investments in associates	14)	40,581	12,065
Deferred tax assets	15)	144,066	124,035
Non-current income tax receivables		260	584
Other non-current receivables and assets	16)	30,348	25,546
Non-current assets		2,617,760	2,344,164
Inventories	17)	803,487	748,228
Trade receivables	18.1)	623,127	642,706
Receivables from contract production	18.2)	8,095	6,768
Current income tax receivables		40,372	40,241
Other current receivables and assets	18.3)	315,414	213,300
Cash and cash equivalents	19)	357,618	319,557
Current assets		2,148,114	1,970,800
Total assets		4,765,874	4,314,964

Consolidated Statement of Financial Position (IFRS)

for the period ended December 31, 2016

Equity and liabilities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 (IFRS)

— 3.3

€ THOUSAND	NOTE	December 31, 2016	December 31, 2015
Issued capital		200	200
Retained earnings		175,275	175,275
Other reserves		857,898	762,325
Equity attributable to owners of parent company		1,033,373	937,800
Non-controlling interests		58,219	57,827
Total shareholders' equity	20)	1,091,592	995,627
Non-current financial liabilities	23)	1,332,802	1,202,579
Deferred tax liabilities	15)	34,853	22,082
Other non-current liabilities		62,861	50,844
Pension provisions	22)	395,747	370,729
Other non-current provisions	21)	77,412	52,337
Non-current liabilities		1,903,675	1,698,572
Current financial liabilities	23)	209,230	228,783
Trade payables		1,044,280	883,289
Current income tax liabilities	24)	11,992	5,090
Other current liabilities	25)	365,247	361,768
Other current provisions	21)	139,857	141,834
Current liabilities		1,770,607	1,620,765
Liabilities		3,674,281	3,319,337
Total shareholders' equity and liabilities		4,765,874	4,314,964

Consolidated Statement of Cash Flows (IFRS)

for the financial year from January 1, 2016 to December 31, 2016

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)		— 3.4
€ THOUSAND	2016	2015
Cash flow from operating activities		
EBIT	191,177	136,201
Interest paid	– 75,550	– 73,196
Interest received	13,440	12,616
Dividends received	45	0
Income taxes paid / received (net)	– 26,587	– 27,770
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	226,162	230,311
Changes in non-current provisions	20,333	– 1,572
Other non-cash transactions	– 11,347	604
Cash flow from profit	337,673	277,193
Changes in inventories	– 49,912	22,495
Changes in trade receivables	– 76,063	1,393
Changes in trade payables	206,437	64,198
Changes in working capital	80,462	88,086
Changes in current provisions	– 491	– 7,542
Changes in other receivables	– 5,723	– 25,094
Changes in other liabilities	16,104	– 48,804
Changes in other assets and liabilities	5,117	2,934
Cash flow from operating activities	433,142	286,774

See Note 29.

Consolidated Statement of Cash Flows (IFRS) [continued]

for the financial year from January 1, 2016 to December 31, 2016

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

— 3.4

€ THOUSAND	2016	2015
Cash flow from investing activities		
Cash payments for investments in property, plant and equipment and intangible assets	- 443,698	- 431,002
Cash receipts from the disposal of property, plant and equipment and intangible assets	2,277	8,160
Government grants received for investments	221	15,558
Cash payments for investments in financial assets	- 47,266	- 2,465
Cash receipts from the disposal of financial assets	3,776	5,872
Net cash payments for acquisitions of subsidiaries	0	- 4,000
Net cash payments from the disposal of subsidiaries	- 470	0
Cash flow from investing activities	- 485,160	- 407,878
Free cash flow	- 52,018	- 121,104
Cash flow from financing activities		
Repayment of borrower's note loans	- 172,939	- 35,000
Cash receipts from the raising of borrower's note loans	168,000	0
Repayment of bank loans	- 118,676	- 63,742
Cash receipts from the raising of bank loans	221,410	334,568
Repayment of profit participation certificates	0	- 100,000
Dividends paid	- 34,748	- 30,660
Cash payments for the acquisition of non-controlling interests	0	- 7,700
Cash receipts from non-controlling interests	14,289	0
Other cash receipts/cash payments from financing activities	8,495	9,621
Cash flow from financing activities	85,831	107,086
Change in cash and cash equivalents	33,814	- 14,018
Effect of exchange rate changes on cash and cash equivalents	4,247	- 516
Cash and cash equivalents at January 1	319,557	334,091
Cash and cash equivalents at December 31	357,618	319,557

Consolidated Statement of Changes in Equity (IFRS)

for the financial year from January 1, 2016 to December 31, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

— 3.5

€ THOUSAND	Issued capital	Retained earnings	Other reserves		
			Foreign currency translation reserve	Cash flow hedge reserve	Reserve for actuarial gains/losses
Balance as at January 1, 2015	200	175,275	-48,007	-33,043	-128,480
Result for the period					
Other income (after tax)			28,066	11,717	-2,534
Acquisition of non-controlling interests					-1,730
Other changes					1,932
Dividends paid					
Balance at December 31, 2015 = Balance at January 1, 2016	200	175,275	-19,941	-21,325	-130,812
Result for the period					
Other income (after tax)			17,319	5,894	-16,126
Company formation					
Other changes					819
Dividends paid					
Balance at December 31, 2016	200	175,275	-2,622	-15,431	-146,119

See Note 20.

Consolidated Statement of Changes in Equity (IFRS) [continued]

for the financial year from January 1, 2016 to December 31, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

— 3.5

€ THOUSAND	Other reserves		Equity attributable to owners of parent company	Non-controlling interests	Total shareholders' equity
	Other	Total			
Balance as at January 1, 2015	902,099	692,569	868,044	68,626	936,670
Result for the period	58,507	58,507	58,507	8,593	67,100
Other income (after tax)		37,249	37,249	2,302	39,552
Acquisition of non-controlling interests	409	-1,321	-1,321	-6,379	-7,700
Other changes	-1,612	320	320	-9,655	-9,335
Dividends paid	-25,000	-25,000	-25,000	-5,660	-30,660
Balance at December 31, 2015 = Balance at January 1, 2016	934,403	762,325	937,800	57,827	995,627
Result for the period	103,541	103,541	103,541	7,404	110,945
Other income (after tax)		7,086	7,086	-1,797	5,290
Company formation		0	0	14,289	14,289
Other changes	-873	-54	-54	243	189
Dividends paid	-15,000	-15,000	-15,000	-19,748	-34,748
Balance at December 31, 2016	1,022,071	857,898	1,033,373	58,219	1,091,592

See Note 20.

General Information

1 INFORMATION ON THE COMPANY

BENTELER International Aktiengesellschaft ("BIAG" or the "Company"; registered in the Austrian Companies Register of Salzburg Regional Court under FN 319670d, and having its registered office and principal place of business at Schillerstrasse 25, 5020 Salzburg, Austria) is the ultimate parent holding company of the BENTELER-Group, an international corporation with a history of more than 140 years. The Group business activities take place in the following Divisions:

- Automotive (72 locations, around 21,561 full-time equivalents);
- Steel/Tube (19 locations, around 3,697 full-time equivalents);
- Distribution (48 locations, around 1,438 full-time equivalents);
- Other companies (13 locations, 1,221 full-time equivalents).

The BENTELER-Group's various Divisions engage in the following activities:

- Developing, producing and selling ready-to-install vehicle modules, components and systems made of metals and a wide range of other materials, together with producing and selling the associated tools;
- Developing, producing and selling machines, machine installations, tools, design engineering and similar products;
- Producing steel and developing, producing, machining and selling steel products, especially steel tubes;
- Trading in tubes, tube accessories, profiles, sheet metal and similar products.

The common stock (200,000 shares) of BENTELER International Aktiengesellschaft is not listed on a regulated market or in over-the-counter trading, and is held by the family, half through Hubertus Benteler Ges.m.b.H., of Salzburg, Austria, and half through Dr. Ing. E.h. Helmut BENTELER GmbH, of Paderborn, Germany.

2 BASIS OF PREPARATION

In accordance with Section 245a (2) of the Austrian Commercial Code, the consolidated financial statements of BENTELER International Aktiengesellschaft and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS), taking due account of publications by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed in the European Union under Regulation No. 1606 / 2002 of the European Parliament and of the Council on the application of international accounting standards, and also in compliance with the additional requirements of Section 245a of the Austrian Commercial Code. Figures for prior years were calculated on the basis of the same principles.

The separate financial statements of the included entities were prepared as at the same reporting date as the consolidated financial statements.

The consolidated financial statements were prepared on the basis of historical cost. The exceptions were derivative financial instruments and financial instruments available for sale, which are measured at market value, and defined benefit plan assets, which are measured at fair value. There are also minor PoC (percentage of completion) receivables which are capitalized according to the degree of completion.

The consolidated income statement is prepared using the cost of sales method. The consolidated financial statements were prepared in euros. Unless indicated otherwise, all amounts are in thousands of euros. System-based effects may cause amounts to differ from the unrounded amounts.

On February 10, 2017, the Executive Board approved the consolidated financial statements and the Group management report for the period ended December 31, 2016, and released them for presentation to the Supervisory Board. The Supervisory Board is expected to approve the consolidated financial statements and the Group management report at its ordinary meeting on March 24, 2017.

3 NEW ACCOUNTING STANDARDS

This section lists all standards and interpretations published by the IASB (International Accounting Standards Board) and the IFRIC that were applied for the first time in the current reporting period, or that must be applied in future periods.

In the 2016 financial year, the application of the following new standards and amendments of existing standards became mandatory:

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD

— 3.6

Standard/Interpretation		Application obligatory in EU for financial years beginning on or after	Adopted by EU as of December 31, 2016	Effects on BENTELER-Group
IFRS 11	Acquisitions of Interests in Joint Operations	January 1, 2016	Yes	None
IAS 1	Presentation of Financial Statements	January 1, 2016	Yes	Insignificant
IAS 16, IAS 38	Clarification of acceptable depreciation and amortization methods	January 1, 2016	Yes	None
IAS 16, IAS 41	Agriculture: Bearer Plants	January 1, 2016	Yes	None
IAS 27	Separate Financial Statements (Equity Method)	January 1, 2016	Yes	None
Miscellaneous	Improvements to International Financial Reporting Standards, 2010–2012 cycle	February 1, 2015	Yes	Insignificant
Miscellaneous	Improvements to International Financial Reporting Standards, 2012–2014 cycle	January 1, 2016	Yes	Insignificant

The amendments to IAS 1 result from the initiative by the standard setter aimed at improving the quality of financial statements as a whole. They are intended in particular to give greater recognition to the decision-making value of the supplied information including with regard to the materiality of disclosures for the recipient of the report. The key aspects are transparency of presentation and disclosure of tailored information for the group concerned. The other new or amended provisions have no effect, or no significant effect, on the consolidated financial statements of the BENTELER-Group.

The following standards, interpretations and amendments to existing standards have already been published by the IASB, but their application was not yet obligatory for the current reporting period. The Company has decided against voluntary, early application.

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD

— 3.7

Standard / Interpretation		Publication by IASB	Application obligatory in EU for financial years beginning on or after	Adopted by EU as of December 31, 2016	Effects on BENTELER-Group
New standards					
IFRS 9	Financial Instruments	July 24, 2014	January 1, 2018	Yes	Under review
IFRS 15	Revenue from Contracts with Customers	May 28, 2016	January 1, 2018	Yes	Under review
IFRS 16	Leases	January 13, 2016	January 1, 2019	No	Under review

Continued on p. 55

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD

— 3.7

Standard / Interpretation		Publication by IASB	Application obligatory in EU for financial years beginning on or after	Adopted by EU as of December 31, 2016	Effects on BENTELER-Group
Amendments to existing standards					
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 19, 2016	January 1, 2017	No	Under review
IAS 7	Disclosure Initiative	January 29, 2016	January 1, 2017	No	Additions to disclosures
IFRS 2	Clarifications of classification and measurement of share based payment transactions	June 20, 2016	January 1, 2018	No	None
IFRS 4	Applying IFRS 9 with IFRS 4	September 12, 2016	January 1, 2018	No	Under review
Miscellaneous	Improvements to International Financial Reporting Standards, 2014–2016 cycle	December 8, 2016	January 1, 2018	No	Under review
IAS 40	Transfers of investment property	December 8, 2016	January 1, 2018	No	None
IFRS 10, IFRS 12, IAS 28	Investment Entities: Applying the Consolidation Exception	June 11, 2014	January 1, 2016	No	None

The new IFRS 9 introduces extensive changes in the categorization and measurement of financial instruments, impairment of financial assets and rules on hedge accounting.

With the publication of the new IFRS 15, the regulations on revenue recognition are combined into a single standard. IFRS 15 covers all contracts with customers within the meaning of the standard, in regard of the sale of goods and providing services. The standard provides a five-step model which should be used to determine the level of revenue and the time or period of recognition. There are various transition options. The method with the cumulative effect at the commencement of application (January 1, 2018) was chosen, requiring disclosure of the income figure which would have

applied under the previous rules. The effects of IFRS 15 have been analyzed in detail, but no final statement on them can yet be given. An analysis is being made particularly of any effects of the recognition of discounts, savings, tools and customer-specific series production.

The amendments to IAS 19 clarify the accounting of employee or third-party contributions in the context of defined benefit plans at the reporting entity. The new rules include a requirement that risk-sharing be taken into account when determining the benefit obligation. Under the previous standard, employee contributions are deducted from the service cost during the period in which the corresponding service

was performed. This procedure can then be maintained if the contributions are independent of the number of years of service. In all other cases, the benefits resulting from the contributions of employees or third parties are to be distributed over the period of service. The amended standard has no effect on the consolidated financial statements, as risk-sharing has never been applied in the BENTELER-Group.

The new IFRS 16 standard recognizes almost all leases in the balance sheet, except for minor leased assets and short-term leases. This leads to the additional recognition of assets and lease liabilities, particularly in the case of leases which have previously been classified as operating leases. The assets are subject to scheduled depreciation and the lease liability accrues interest. Payments are recognized outside profit or loss. In the income statement the operating profit is increased by the effects of the interest accrual on the lease liability reflected in the net finance result. The BENTELER-Group is currently analyzing the extent of consequent changes – including with regard to specific contractual arrangements.

There are a number of further standards and amendments that either are not relevant to the Group, or have no effect on the Group's income, assets or liabilities. These provisions will be applied once their application is obligatory in the EU (after their endorsement).

4 CONSOLIDATION

4.1 Principles of consolidation

The consolidated financial statements include BIAG and all significant subsidiaries in which BIAG has the power to exercise a controlling influence on the basis of a contractual agreement (control relationship). Control is deemed to exist within the meaning of IFRS 10 if BENTELER has power over the investee, is exposed to risk from variable returns and there is a connection between power and variable returns. Subsidiaries are fully consolidated in the consolidated financial statements from the date on which control is obtained. Entities are deconsolidated as at the date on which the Group ceases to have control.

Business combinations are recognized using the acquisition method under IFRS 3. In the initial consolidation, identifiable assets and liabilities are measured at fair value. A positive difference between the consideration transferred and the Group's share of the net fair value of the acquired assets and liabilities is recognized as goodwill. The option of applying the full goodwill method, according to which goodwill resulting in the context of an acquisition is also calculated pro rata to the minority shares, was not exercised. Any negative difference is recognized in profit or loss as at the acquisition date, if a review indicates that all assets acquired and liabilities assumed have been correctly identified and measured.

Non-controlling interests represent the share of income and net assets that is not attributable to the Group. Any profit or loss attributable to these interests is presented separately in the statement of comprehensive income from the share of profit or loss attributable to the owners of the parent company. In the balance sheet, non-controlling interests are presented within equity, separately from the equity attributable to the owners of the parent company. Transactions (acquisitions and disposals) entered into with non-controlling interests that do not result in a loss of control are accounted for as equity transactions.

Associates are entities over which the Company can exercise a significant influence on financial and operating policy decisions but which it cannot control. Associates are accounted for using the equity method. A significant influence is deemed to exist when the Group directly or indirectly holds 20% or more of the voting rights.

Joint ventures are entities that are controlled jointly on the basis of a contractual agreement between two or more parties, and to which the parties have rights to the net assets. Under IFRS 11, they are reported using the equity method.

With regard to interests held in a joint operation (in which there is no separate jointly managed entity and there are no joint assets), the Group recognizes only the assets it controls, the liabilities and expenses it incurs and the share of the income that it earns from the sale of goods or services by the joint operation.

Investments in entities whose impact on the Group's financial position and profit or loss is of minor significance, as well as other investments over which the BENTELER-Group does not exercise significant influence, are accounted for as financial instruments in accordance with IAS 39.

Goodwill that results from the acquisition of a subsidiary is recognized separately in the balance sheet. Goodwill resulting from the acquisition of an associate or joint venture is included in the amortized carrying amount of the investment in the associate or joint venture. In the event of the sale of a subsidiary, associate or joint venture, the attributable portion of goodwill is taken into account in measuring the net gain or loss on disposal.

Goodwill is tested annually and whenever there is an indication of impairment. For the purposes of the impairment test, goodwill acquired in a business combination is attributed to cash-generating units that are expected to benefit from the synergies of the combination (see Note 5.6 – Impairment).

4.2 Companies included in the consolidated financial statements

Overview

In the 2016 financial year, the movements in the number of fully consolidated companies were as follows:

DEVELOPMENT OF THE CONSOLIDATED GROUP			3.8
	Austria	Other countries	Total
Included in consolidation as at December 31, 2015	4	136	140
Addition through new formation	–	2	2
Included for the first time	–	1	1
Disposals as a result of mergers / liquidation	–	– 11	– 11
Disposals as a result of sale / loss of control	–	– 7	– 7
Included in consolidation as at December 31, 2016	4	121	125

BENTELER Automotive Klášterec s.r.o. of Chrastava, Czech Republic, and BENTELER Engineering Romania S.R.L. of Brasov, Romania, were incorporated during the financial year and consequently included in the consolidation for the first time.

BENTELER JianAn Automotive (Chongqing) Co. Ltd of Chongqing, China, with its operating facilities in Harbin und Shenzhen was included for the first time. This is a company with 50% non-controlling interests which is fully consolidated by BENTELER. The control results from industrial leadership (comprising technology, production and financial system) and from a voting majority on the Supervisory Board to which, in the event of a tie in a vote by the Management Board, all material decisions with regard to the adoption of resolutions are submitted.

As a result of the first-time inclusion of BENTELER JianAn Automotive (Chongqing) Co. Ltd on January 1, 2016 on a fair value basis, the assets and liabilities changed as follows:

FIRST-TIME CONSOLIDATION OF NET ASSETS

— 3.9

	€ THOUSAND
Non-current assets	2,982
Inventories	2,654
Trade receivables	9
Other receivables	5,934
Cash and cash equivalents	4,519
Trade payables	6,292
Other liabilities	174

The profit includes €– 2,649 thousand and revenue includes €2,928 thousand additionally generated by the inclusion.

To simplify the Group structure, BENTELER Automotive Alabama, Inc., of Opelika, USA, was merged on June 30, 2016 and BENTELER Goshen, Inc., of Goshen, USA, was merged on December 31, 2016 into BENTELER Automotive Corporation, of Auburn Hills, USA, as the acquiring entity. On December 31, 2016 BENTELER JIT Martorell S.A., of Abrera (Barcelona), Spain, BENTELER JIT Pamplona S.L., of Orcoyen, Navarra, Spain, and BENTELER JIT Vitoria S.L. of Zaragoza, Spain, were merged into BENTELER Palencia S.L., of Palencia, Spain, as the acquiring entity and subsequently renamed BENTELER MPPV Automotive Manufacturing España, S.L., of Palencia, Spain. In addition, on August 10, 2016 BENTELER JIT Düsseldorf Verwaltungs-GmbH, of Paderborn, Germany, was merged into BENTELER JIT Düsseldorf GmbH of Düsseldorf, Germany, as the acquiring entity. On November 18, 2016 BENTELER France SAS, of Asnières-sur-Seine, France, was merged into BENTELER Distribution France S.à.r.l., of La Madeleine de Nonancourt, France, as the acquiring entity. On November 2, 2016 BENTELER Tubos y Maquinaria S.A., of Barcelona, Spain, was merged into BENTELER Distribución Ibérica, S.L., Spain as the acquiring entity and subsequently renamed BENTELER Steel/Tube Ibérica S.L., of Barcelona, Spain. On August 26, 2016 Deutsches Zentrallager (DZL) Beteiligungsgesellschaft mbH, of Duisburg, Germany, and Deutsches Zentrallager (DZL) Objektgesellschaft GmbH & Co. KG, of Duisburg, Germany, were merged into BENTELER Distribution Deutschland GmbH & Co. KG, of Duisburg, Germany, as the acquiring entity.

BENTELER Bohemia s.r.o., of Liberec, Czech Republic, was liquidated on November 24, 2016.

Disposals during the 2016 financial year

BENTELER Trading International GmbH was sold on May 31, 2016 to Casper BENTELER GmbH. Casper BENTELER GmbH is not part of the BENTELER-Group.

The following net asset values were deconsolidated due to loss of control:

DECONSOLIDATED NET ASSETS		— 3.10
	€ THOUSAND	
Non-current assets	61	
Inventories	2,975	
Trade receivables	38,061	
Other receivables	10,741	
Cash and cash equivalents	39	
Provisions	567	
Trade payables	51,094	
Other liabilities	131	
Deconsolidated net assets	85	

The consideration for the divested net assets amounts to €500 thousand. Account has also been taken of a cash flow hedge amounting to €82 thousand and elimination of intragroup profit amounting to €130 thousand previously included in equity. The resultant deconsolidation gain amounts to €627 thousand, which has been stated in other operating income. All the conditions precedent of the sale agreement have been fulfilled.

On October 17, 2016 BENTELER Engineering Services AB, of Västra Frölunda, Sweden, BENTELER Engineering Romania S.R.L., of Brasov, Romania, BENTELER Engineering Services B.V., of Helmond, Netherlands, BENTELER Testing Services B.V., of Helmond, Netherlands, and BENTELER Engineering Services GmbH, of Paderborn, Germany were sold with legal effect from January 2017.

In December 2016, as a result of the provisions of the sale agreement, a joint management was established within the meaning of IFRS 11, leading to a loss of control and deconsolidation. The provisional book profit generated in this connection, amounting to €29,733 thousand, is stated in other operating income. The interests held up to January 2017 are stated as associates in the Group financial statements at their market value.

Due to its insignificance Swissauto Technology AG, of Etagnières, Switzerland, was deconsolidated on December 31, 2016. A foreign exchange loss of €348 thousand was recognized in other operating expenses.

5 ACCOUNTING POLICIES

The significant accounting policies applied in preparing the Group's consolidated financial statements are described below. The accounting methods described were applied uniformly throughout the Group for all presented reporting periods.

5.1 Foreign currency translation

Translation to the functional currency (transaction difference)

In the separate financial statements of the consolidated companies that are prepared in local currency, monetary items such as receivables, cash in foreign currencies and liabilities owed in foreign currencies are translated at the rate prevailing at the end of the reporting period. The resulting foreign currency translation gains and losses are recognized as other operating expenses and income. Foreign currency gains and losses of BIAG as the ultimate holding company result largely from financing and are recognized in the net finance result. Gains and losses which result from a group of similar transactions, such as foreign currency gains and losses within the same currency, are netted.

Translation to the reporting currency (translation difference)

The annual financial statements of foreign Group companies whose functional currency is not the euro are translated to the Group's reporting currency, the euro, applying the concept of a functional currency. In general, the functional currency of foreign Group countries is the local national currency. Exceptions are BENTELER Distribution Hungary Kft., of Budapest, Hungary, and BENTELER Gebze Tasit Sanayi ve Ticaret Limited Sirketi, of Cayirova, Kocaeli, Turkey, which report in euros as their functional currency. Assets and liabilities of foreign consolidated companies are translated at the closing rate at the end of the reporting period. Equity is recognized at historical rates. Positions of the expenses and income are translated to euros at the weighted average exchange rate for the period concerned. The translation differences are recognized as

net gains or losses in equity. Any exchange rate differences are recorded as other comprehensive income only when the relevant unit is deconsolidated.

For the most important non-euro currencies of the BENTELER-Group, the following exchange rates have been used:

FOREIGN CURRENCY EXCHANGE RATES

— 3.11

	Average rate		Closing rate	
	2016	2015	December 31, 2016	December 31, 2015
BRL	3.82	3.74	3.43	4.31
CHF	1.09	1.06	1.07	1.08
CNY	7.34	6.89	7.32	7.07
CZK	27.04	27.27	27.02	27.02
GBP	0.82	0.72	0.86	0.74
MXN	20.68	17.67	21.76	18.92
NOK	9.27	8.99	9.09	9.61
RUB	73.35	68.80	64.46	80.54
SEK	9.47	9.33	9.55	9.18
USD	1.10	1.10	1.05	1.09
ZAR	16.15	14.28	14.44	16.99

5.2 Recognition of income and expenses

Revenue from the sale of goods and the rendering of services is recognized when the goods or services have been provided, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and it is probable that the amount will be paid. Moreover, the BENTELER-Group may retain neither any residual right of disposal, such as is commonly associated with ownership, nor any effective right of disposal over the sold assets. Revenue is recognized under consideration of price reductions such as trade discounts, customer loyalty bonuses and rebates.

Series production contracts fulfilled within BENTELER Automotive are contracts that cover multiple elements (known as "multiple element arrangements"). Revenue for these contracts is recognized as soon as series production begins.

The associated expenses for a transaction are recognized simultaneously in profit or loss in the period in which the significant risks of ownership for the goods are transferred or the service is rendered to the customer.

For construction contracts, revenue is recognized using the PoC (Percentage of Completion) method. The PoC method is only applied to BENTELER Mechanical Engineering companies.

The stage of completion of a contract is determined by the ratio of contract costs incurred up to the reporting date in relation to the estimated total contract costs. Construction contracts are measured with contract costs incurred up to the end of the reporting period, plus the proportion of profit according to the achieved stage of completion. Those revenues, less any prepayments received, are presented in the statement of financial position as receivables from contract production. Variations in contract work, claims and incentive payments are considered to the extent it is probable that they will result in revenue, the amount of which can be reliably

measured. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of incurred contract costs likely to be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the total contract revenue, the expected loss is recognized immediately as an expense.

Interest is recognized as an expense or income on an accrual basis, using the effective interest method. Dividend income from capital investments is recognized when the right to receive payment is established.

5.3 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to capital expenditure (asset-related grants) are deducted from the carrying amount of the asset and recognized at a reduced depreciation level over the periods and in the proportions in which depreciation expenses on these assets are recognized.

Grants not related to capital expenditure (expense-related grants) are recognized in profit or loss in the same period in which the relevant expenses they are intended to compensate are incurred.

5.4 Intangible assets

Externally acquired intangible assets are measured at their acquisition costs. Intangible assets are amortized over their economic useful life.

Internally generated intangible assets are capitalized at their manufacturing cost if both the technical feasibility of completing the asset and the ability to use or sell so that probable future economic benefits will be generated can be demonstrated. The BENTELER-Group distinguishes between customer-related and non-customer-related development projects. Internally developed intangible assets, which can be used for multiple customers, are capitalized whereas expenses for customer-specific developments ("customer applications") do not represent a material asset.

Future economic benefits of internally generated assets are derived from business plans. Capitalized costs comprise directly attributable employee costs, material costs and overhead expenditure if it can be directly attributed to preparing the asset for use.

Research and development expenses are recognized in profit or loss when incurred, unless they are to be capitalized under IAS 38.

Amortization of intangible assets is based on the following ranges of useful lives (figures refer to the useful lives of the current and prior reporting period). The amortization is applied on a straight-line basis:

USEFUL LIVES OF INTANGIBLE ASSETS

— 3.12

	Useful lives in years
Concessions, intellectual property rights	3 – 15
Capitalized development costs	3 – 7
Software	3 – 5
Other intangible assets	3 – 5

Intangible assets (except for goodwill) are derecognized at their gross value in the period in which they are fully amortized.

5.5 Property, plant and equipment

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

The acquisition cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended. Rebates, bonuses and discounts are deducted from the purchase price. The cost of internally generated equipment includes all costs that are directly attributable to the production process, together with a reasonable share of production-related overheads and depreciation. Repair and maintenance costs which generate no additional economic benefit are not included in the production cost. Borrowing costs directly attributable to the acquisition or production of a qualifying asset are capitalized as part of its cost. A qualifying asset is an asset that requires a period of more than one year to prepare for its intended use or sale. If an asset consists of multiple

components with different useful lives, each part of the asset having a significant acquisition value is depreciated separately over its useful life.

Depreciation of property, plant and equipment is based on the following ranges of useful lives, and is applied on a straight-line basis. Land is not depreciated.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT — 3.13	
	Useful lives in years
Business and production buildings	13 – 50
Outdoor facilities	5 – 50
Technical equipment and machinery	4 – 21
Office and other equipment	3 – 15

5.6 Impairment

Intangible assets and property, plant and equipment with an identifiable useful life are reviewed at the end of each reporting period, in accordance with IAS 36, to determine whether there are indications of possible impairment – for example, if exceptional events or market developments indicate a possible loss of value. If any such indications are present, the assets are tested for a possible impairment. An impairment loss is recognized if the recoverable amount falls below the carrying amount. The recoverable amount is defined as the higher of the value in use and the fair value less costs to sell.

In the BENTELER-Group the value in use is the basis for the determination of the recoverable amount. To calculate the value in use, future expected cash flows are discounted at a risk-adjusted after-tax interest rate. Current and expected future

income levels are taken into account, together with technological, economic and general development trends, on the basis of approved financial plans.

If the carrying amount exceeds the recoverable amount of the asset, the exceeding amount is recognized as an impairment loss in profit or loss. If the impairment loss exceeds the carrying amount of any goodwill allocated to a cash generating unit (CGU), the impairment loss is allocated to the other assets of the unit. For the impairment test, assets are combined at the lowest level for which separate cash flows can be identified. If the cash flows for an asset cannot be identified separately, the impairment test is performed on the basis of the CGU to which the asset belongs.

Impairment losses are reversed if there are indications of an increase in value and the recoverable amount is greater than the carrying amount. The upper limit for reversals of impairment losses is the amortized cost that would have resulted if no impairment had been recognized in previous years. Irrespective of whether there are indications of potential impairment, intangible assets with an indefinite life, as well as goodwill, are tested annually for impairment. Impairment exists if the carrying amount is greater than the recoverable amount.

For the purposes of impairment testing, goodwill has been allocated to the CGUs (Divisions) as follows:

IMPAIRMENT TEST — 3.14		
€ THOUSAND	2016	2015
Steel/Tube	5,679	5,679
Distribution	764	764
Total	6,442	6,442

The recoverable amount of the CGUs is based on the value in use, which is calculated using discounted cash flow forecasts. Cash flow forecasts are calculated based on the business planning for the next five years and extrapolated to perpetuity. The planning assumptions are based on historical experience and expectations for market development.

The key assumptions used to calculate the recoverable amount for the Steel/Tube Division, to which goodwill is primarily attributable, concern the discount rate of 6.9% (prior year: 6.3%).

Future cash flows are discounted at a rate based on the average cost of debt and the expected cost of interest on capital employed (weighted average cost of capital, "WACC"). This discount factor reflects current market estimates and the specific risks of the CGU.

The annual goodwill impairment test did not indicate an impairment loss, because the recoverable amount exceeded the carrying amount of the CGU by approximately 1%.

5.7 Investments in associates

At the time of acquisition, investments in associates are recorded at cost. If the cost is below the investor's share of the fair values of the net identifiable assets of the associate at the time of acquisition, any negative difference is recognized in profit or loss.

In subsequent periods, the investment in the associate is stated at the investor's share of the equity, unless there is an impairment loss. The book value is adjusted for the investor's share of the net profit or loss of the associate, the changes recognized directly in the associate's other comprehensive income as well as distributions received from the investee.

If the recoverable amount is less than the carrying amount of the investment in an associate, the difference in values is recognized as an impairment loss. The recoverable amount is defined as the higher of the value in use and the fair value less costs to sell. The impairment is recognized in the consolidated income statement under from associates.

5.8 Borrowing costs

If an intangible asset or an item of property, plant or equipment requires a substantial period of time to prepare for its intended use or sale ("qualifying asset"), the borrowing costs directly attributable to the acquisition, production or construction of the qualifying asset are capitalized as part of the asset in accordance with IAS 23. Borrowing costs are capitalized until the assets are ready for their intended use, and are amortized over the economic useful life of the asset. All remaining borrowing costs are recognized in profit or loss as finance expense in the period in which they are incurred.

5.9 Inventories

Inventories are normally stated at the lower of cost or net realizable value. The net realizable value represents the estimated selling price of the end product on normal market terms, less all estimated costs of completion and the estimated costs necessary to effect the sale. Recognizable inventory risks are accounted for with appropriate write-downs based on coverage analyses.

The cost of inventories is determined using the moving average method, and includes the cost of acquisition and the costs incurred to bring the inventories to their current location and current condition. Production costs include cost of materials, individual production costs, other individual costs and attributable production-related overheads. Overheads are distributed on the basis of normal capacity utilization.

5.10 Deferred taxes

Deferred tax assets and liabilities are recognized, using the asset and liability method, on all temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and those in the balance sheet that provides the tax base as well as on consolidation measures that affect profit or loss at Group level. In addition, deferred tax assets for unused tax loss carryforwards are recognized if it is probable that taxable profits will be available against which the assets can be utilized, and it appears sufficiently certain that the unused tax loss carryforwards can in fact be utilized.

Deferred income tax assets and liabilities are measured at the tax rates and using the tax rules that are expected to apply in the period in which the liability is settled or the asset realized, based on the current legal position.

5.11 Financial instruments

In accordance with IAS 39, and depending on their classification, financial instruments are recognized either at (amortized) cost or at fair value.

Interests in unconsolidated entities, as well as securities, belong to the category "Financial assets available for sale". They are measured at fair value at their initial recognition. If the fair values can be determined reliably, they are applied. Fluctuations in the value of financial assets in the "available for sale" category are recognized outside profit or loss in other comprehensive income, taking deferred taxes into account. Amounts recognized outside profit or loss are not included in the profit or loss for the period until either the time of their disposal or in the event of an impairment of the financial assets concerned.

Trade receivables, loans granted and other receivables and assets are categorized as "Loans and receivables" and are recognized at amortized cost, using the effective interest method where applicable. If collection is in doubt, the receivables are recognized at the lower realizable amount.

The BENTELER-Group currently makes no use of the "Financial investments held to maturity" category.

Liabilities to banks, other loan liabilities, trade payables, liabilities for puttable equity instruments and other liabilities are recognized in the "Financial liabilities stated at amortized cost" category, at their amortized cost, using the effective interest method where applicable. Liabilities for puttable equity instruments include non-controlling interests in the equity of partnerships (limited partners' shares). These interests are to be recognized as a liability of the BENTELER-Group because they can be returned to the issuer in exchange for cash. Liabilities for puttable equity instruments are recognized at their redemption value and any changes are recognized in the net finance result.

All financial assets and liabilities are measured at their settlement date. Financial assets and liabilities are derecognized when the rights to payment under the investment are extinguished or transferred, and the Group has transferred substantially all the risks and rewards of ownership.

The BENTELER-Group normally uses derivative financial instruments only for risk reduction, especially for reducing interest rate risks, foreign exchange risks and commodity price risks. Derivatives are recognized as at the trade date. All derivative financial instruments are recognized at fair value, in accordance with IAS 39.

The BENTELER-Group uses hedge accounting if the conditions specified in IAS 39 for the formation of hedging relationships are met. Gains or losses on derivative financial instruments for which cash flow hedges were possible are recognized outside profit

or loss, in other comprehensive income, as at the date of realization of the underlying transaction. Any changes in profits resulting from the ineffectiveness of these derivative financial instruments are recognized in profit or loss in the income statement.

For further information see Note 27 – “Derivative financial instruments and hedge accounting” and Note 28 – “Additional information concerning financial instruments”.

5.12 Cash and cash equivalents

Cash and cash equivalents include cash, sight deposits and other short-term, highly liquid financial assets that are exposed only insignificantly to the risk of fluctuations in value, and have an original maturity of not more than three months.

5.13 Employee benefits

The BENTELER-Group makes pension commitments in various forms to employees in Germany. In all other countries, the BENTELER-Group pays into social security pension funds as required by law (government plans) for some of its employees. Alternatively, company retirement benefits are ensured by way of a Group foundation funded by the employees of member companies.

Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on their economic content, which derives from the underlying terms and requirements for the plan's benefits. For defined benefit retirement plans, the pension expense is calculated using the actuarial projected unit credit method provided under IAS 19. For this purpose, the pension payments to be made at the time benefits become payable, taking dynamic parameters into account, are distributed over the employees' service time, also

allowing for future adjustments in income and pensions. The pension obligations are calculated as the present value of the benefit obligation to employees, minus the fair value of plan assets, taking into account any asset ceiling, and are presented entirely under non-current liabilities.

Actuarial gains and losses are recognized outside profit or loss, in other comprehensive income, and are shown in the consolidated statement of comprehensive income. Payments for defined contribution plans, however, are recognized as expenses as they become payable.

If a fund asset set up to refinance pension obligations and similar liabilities exceeds those liabilities, the surplus is capitalized only to a limited degree. If payment obligations in connection with fund assets exist under minimum endowment rules for benefits already earned, an additional provision may be recognized if the economic benefit to the Company from a funding surplus, after allowing for minimum endowments still to be paid in, is limited. The limitation is determined by the present value of future refunds from the plan or by reductions in future contributions.

The service cost for pensions and similar obligations is recognized as a personnel expense. The interest expense included in the net pension expense and the return on plan assets are included within the net finance expense in the consolidated income statement.

Severance is paid if an employee is dismissed before regular retirement age, or voluntarily leaves employment in return for a severance payment. Severance payments are recognized when the Group has entered into an obligation. Benefits payable more than twelve months after the end of the reporting period are discounted to their present value.

5.14 Provisions

Other provisions are recognized when there is a present legal or constructive obligation to third parties as a result of past events that will probably result in a future cash outflow whose amount can be estimated reliably. Provisions are measured at the best estimate of the amount of the obligation at the end of the reporting period.

Provisions with a residual term of more than one year are measured at their discounted settlement amount. Increases in provisions as a result of accruing interest are recognized as part of the net finance result. Expected future cash flows are discounted using a pretax interest rate that reflects current market expectations regarding the effect of interest rates. The employed interest rates are determined specifically for each maturity. For the current reporting period, they ranged from 0.0% to 1.15% (prior year: 1.0% – 2.1%).

Provisions for impending losses from onerous contracts are recognized if the benefits expected to be received under the contract or contract bundles (economic/content connection) are less than the unavoidable costs of meeting the obligations under the contract.

Warranty and guarantee obligations may arise by virtue of law or contract, or as a gesture of goodwill. Performance on these obligations may in particular be expected if the warranty period has not expired, if warranty expenses have been incurred in the past or if a specific case is currently emerging. The provision is recognized at the time at which the underlying products are sold or the service is provided. Initial recognition is based on individual estimates and values from past experience.

5.15 Leasing

Leases that transfer substantially all the risks and rewards of ownership of the leased property to the BENTELER-Group, as the lessee, are classified as finance leases. In this case, the leased property is capitalized at the present value of the minimum lease payments, or the lower fair value at the commencement of the lease, and a financial debt is recognized at the same time.

If a transfer of ownership after the expiration of the lease is not sufficiently certain, the asset is depreciated on a straight-line basis over the lease term, if that term is shorter than the expected useful life. Otherwise, the asset is depreciated on a straight-line basis over its expected useful life.

Assets leased under operating leases are not recognized in the consolidated statement of financial position. The payments made in this regard are recognized as an expense on a straight-line basis over the term of the lease.

5.16 Assumptions and estimates

In preparing the consolidated financial statements, certain assumptions and estimates must be made that affect the amount and recognition of assets and liabilities, income and expenses, and contingent liabilities.

The assumptions and estimates refer primarily to the uniform determination within the Group of the economic useful lives of intangible assets and property, plant and equipment, estimates of percentages of completion for construction contracts, the circumstances under which development expenses can be capitalized, the realization of receivables, measurement of inventory, the recognition and measurement of pension provisions and other provisions, and the possibility of utilizing unused tax loss carryforwards. The assumptions and estimates are based on the knowledge available as at the preparation date of the separate or consolidated financial statements.

Unforeseeable developments outside management's control may cause actual amounts to differ from the original estimates. In that case, the underlying assumptions, and if necessary the carrying amounts of the pertinent assets and liabilities, will be adjusted accordingly. Changes are recognized in the period in which they occur, and also in later periods if the changes affect both the current reporting period and subsequent periods.

The following entries in these notes provide further explanations about balance sheet items for which estimates and / or discretionary decisions have a significant effect on the amounts recognized in the consolidated financial statements:

- Impairment testing (Note 5.4 – Intangible assets, Note 5.5 – Property, plant and equipment and Note 5.6 – Impairment)
- Recognition and measurement of deferred taxes (Note 15 – Deferred tax assets and liabilities)
- Recognition and measurement of provisions (especially provisions for onerous contracts) (Note 21 – Provisions)
- Measurement of defined benefit obligations (Note 22 – Provisions for pensions and similar commitments)

Notes to the Consolidated Income Statement

6 REVENUE

Revenues of the BENTELER-Group are made up as follows:

REVENUE	— 3.15	
€ THOUSAND	2016	2015
Sales of goods	7,311,413	7,489,625
Construction contracts	59,199	57,892
Other	52,742	50,134
Total	7,423,354	7,597,651

7 COST OF SALES

The costs of sales are composed as follows:

COST OF SALES	— 3.16	
€ THOUSAND	2016	2015
Material expenses	4,879,573	5,117,943
Other	1,808,991	1,773,396
Total	6,688,564	6,891,339

8 OTHER OPERATING INCOME

OTHER OPERATING INCOME

— 3.17

€ THOUSAND	2016	2015
Insurance claims	1,177	6,135
Foreign currency exchange gains	15,261	37,507
Gain from deconsolidation	30,360	0
Income from the reversal of provisions	25,031	20,495
Income from the disposal of property, plant and equipment	19,034	1,873
Government grants	1,534	22,387
Income from the reversal of bad debt allowances	686	430
Compensation benefits	5,057	6,701
Others	27,554	36,956
Total	125,693	132,484

9 OTHER OPERATING EXPENSES

Other operating expenses mainly consist of foreign currency translation losses.

10 NET FINANCE RESULT

NET FINANCE RESULT			— 3.18
€ THOUSAND	2016	2015	
Income from derivative financial instruments	47,696	29,916	
Interest income from loans and other financial assets	2,831	2,097	
Foreign currency exchange income	15,516	23,039	
Interest income from bank accounts	3,637	4,572	
Accrued interest on provisions	121	19	
Other finance income	5,202	5,082	
Finance income	75,004	64,724	

In the 2016 financial year, other finance income for the first time includes the profit attributable to puttable equity instruments which are held by non-controlling shareholders and recognized under other financial liabilities.

NET FINANCE RESULT			— 3.19
€ THOUSAND	2016	2015	
Interest expense for financial liabilities	43,281	45,226	
Expenses from derivative financial instruments	65,185	46,183	
Interest expense for pension obligations	7,644	8,577	
Profit participation certificate expenses	0	2,909	
Foreign currency translation losses	7,306	6,129	
Accrued interest on provisions	689	554	
Finance expenses	124,104	109,577	

11 INCOME TAXES

INCOME TAXES

— 3.20

€ THOUSAND	2016	2015
Current tax expense	30,875	26,316
of which for the current reporting period	32,220	22,629
of which for previous periods	– 1,345	3,687
Deferred tax expense / tax income	738	– 1,922
Total tax expense / tax income	31,612	24,394

The following table shows the reconciliation of the expected tax expense and the actual tax expense. To calculate the expected tax expense, the profit before tax is multiplied by a weighted average tax rate of 30% (prior year: 30%).

RECONCILIATION BETWEEN EXPECTED AND DISCLOSED INCOME TAX EXPENSE

— 3.21

€ THOUSAND	2016	2015
Profit for the period before tax under IFRS	142,557	91,494
Group income tax rate (%)	30%	30%
Expected tax expense / tax income for year	42,767	27,448
Effect of changes in tax rates	– 2,384	1,070
Effect of differences in tax rates	– 4,449	– 2,898
Effect of income that is exempt from taxation and other deductions	– 9,318	– 3,223
Effect of non-tax-deductible operating expenses and other additions	6,409	6,221
Effect of taxes from previous years recognized during the year	– 3,626	– 9,499
Effect of income taxes not creditable toward income tax (withholding taxes and foreign taxes)	5,972	2,347
Effect of impairments / adjustments	– 1,979	4,239
Other effects	– 1,780	– 1,311
Total tax expense (+) / tax income (–)	31,612	24,394

Notes to the Consolidated Statement of Financial Position

12 INTANGIBLE ASSETS

Research expenses, amortization of capitalized development costs and non-capitalized development costs are recognized as expenses.

TOTAL RESEARCH AND DEVELOPMENT COST		— 3.22
€ THOUSAND	2016	2015
Research and development expenses (total)	87,936	84,053
Capitalized development costs	– 63	– 79
Amortization and impairment of capitalized development costs	6,372	10,108
Research and development expenses recognized in the consolidated income statement	94,245	94,082
Capitalization ratio (%) *	0.1%	0.1%

* Capitalized development costs as a percentage of total research and development costs (before capitalization).

Research and development costs consist primarily of personnel expenses and cost of materials. The BENTELER-Group has around 1,200 employees engaged in research and development across 32 locations in 18 countries. Research and development activities focus particularly on lightweight construction through the development, design and production of composite structural parts and aluminum components. In the Automotive Division, the research and development is focused on lightweight construction technology as well as safety and efficiency in the context of product and process development. In the Steel/Tube Division, the focus is on the development of behavior and properties of materials.

Concessions, industrial property rights, similar rights and licenses primarily relate to expenses payable to third parties in connection with the purchase of user software.

The intangible assets do not include any limited property rights. No intangible assets have been pledged as collateral.

As in previous years, capitalized development costs do not include any borrowing costs. At the reporting date, there were contractual obligations to acquire intangible assets in an amount of €3,319 thousand (prior year: €3,246 thousand).

Movements in intangible assets were as follows:

DEVELOPMENT OF INTANGIBLE ASSETS

— 3.23

€ THOUSAND	Acquired intangible assets (without goodwill)	Acquired goodwill	Prepayments	Internally generated intangible assets	Total
Cost of acquisition or production					
Balance at January 1, 2016	132,287	7,892	6,094	165,027	311,300
Additions	8,815	0	3,344	63	12,221
Changes in the scope of consolidation	- 2,433	0	0	0	- 2,433
Reclassifications	4,369	0	- 4,369	0	0
Disposals	- 3,116	0	- 23	- 8	- 3,146
Foreign currency exchange differences	1,407	0	- 14	2,002	3,395
Balance at December 31, 2016	141,329	7,892	5,032	167,084	321,336
Amortization					
Balance as at January 1, 2016	111,160	1,450	0	143,838	256,448
Current amortization	9,710	0	0	6,372	16,082
Changes in the scope of consolidation	- 2,008	0	0	0	- 2,008
Disposals	- 3,100	0	0	0	- 3,100
Foreign currency exchange differences	1,092	0	0	1,129	2,221
Balance at December 31, 2016	116,854	1,450	0	151,339	269,643
Carrying amount					
Balance at January 1, 2016	21,127	6,442	6,094	21,189	54,852
Balance at December 31, 2016	24,475	6,442	5,032	15,745	51,694

DEVELOPMENT OF INTANGIBLE ASSETS

— 3.24

€ THOUSAND	Acquired intangible assets (without goodwill)	Acquired goodwill	Prepayments	Internally generated intangible assets	Total
Cost of acquisition or production					
Balance at January 1, 2015	125,347	7,892	3,264	167,578	304,081
Additions	5,131	0	3,227	79	8,437
Changes in the scope of consolidation	2,600	0	0	0	2,600
Reclassifications	799	0	– 572	– 227	0
Disposals	– 557	0	– 13	– 504	– 1,073
Foreign currency exchange differences	– 1,033	0	188	– 1,900	– 2,746
Balance at December 31, 2015	132,287	7,892	6,094	165,027	311,300
Amortization					
Balance at January 1, 2015	102,962	1,450	0	133,769	238,181
Current amortization	10,714	0	0	10,108	20,822
Impairments	0	0	0	882	882
Disposals	– 1,579	0	0	– 209	– 1,788
Foreign currency exchange differences	– 936	0	0	– 713	– 1,649
Balance at December 31, 2015	111,160	1,450	0	143,838	256,448
Carrying amount					
Balance at January 1, 2015	22,384	6,442	3,264	33,809	65,899
Balance at December 31, 2015	21,127	6,442	6,094	21,189	54,852

13 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

— 3.25

€ THOUSAND	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments and construction in progress	Total
Cost of acquisition or production					
Balance as at January 1, 2016	825,879	2,763,868	461,715	692,307	4,743,769
Additions	39,182	92,877	33,784	262,146	427,988
Changes in the scope of consolidation	-1,098	-4,082	-3,605	1	-8,784
Reclassifications	16,103	32,859	58,998	-107,960	0
Disposals	-24,907	-92,860	-20,569	-1,497	-139,833
Foreign currency exchange differences	5,569	8,724	4,179	20,689	39,161
Balance at December 31, 2016	860,728	2,801,385	534,503	865,685	5,062,301
Depreciation					
Balance as at January 1, 2016	391,403	1,882,313	342,972	0	2,616,688
Current depreciation	22,575	153,373	34,123	0	210,072
Changes in the scope of consolidation	-324	-2,825	-2,464	0	-5,613
Reclassifications	1,210	-39,052	37,843	0	0
Disposals	-10,559	-85,798	-19,825	0	-116,182
Foreign currency exchange differences	90	3,630	2,806	0	6,526
Balance at December 31, 2016	404,395	1,911,641	395,455	0	2,711,490
Carrying amount					
Balance as at January 1, 2016	434,476	881,555	118,743	692,307	2,127,082
Balance at December 31, 2016	456,334	889,744	139,048	865,685	2,350,811
of which from finance lease	14,235	4,593	1,461	0	20,289

PROPERTY, PLANT AND EQUIPMENT

— 3.26

€ THOUSAND

	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments and construction in progress	Total
Cost of acquisition or production					
Balance at January 1, 2015	767,998	2,631,483	442,502	471,149	4,313,132
Additions	38,580	74,499	22,313	305,800	441,192
Changes in the scope of consolidation	0	2,350	0	0	2,350
Reclassifications	11,748	101,507	10,253	- 123,509	0
Disposals	- 12,351	- 70,958	- 14,589	- 315	- 98,213
Foreign currency exchange differences	19,903	24,987	1,237	39,181	85,309
Balance at December 31, 2015	825,879	2,763,868	461,715	692,307	4,743,769
Depreciation					
Balance at January 1, 2015	370,512	1,769,669	323,240	0	2,463,422
Current depreciation	21,022	155,956	31,377	0	208,355
Impairments	0	252	0	0	252
Recoveries	- 262	- 496	- 7	0	- 764
Reclassifications	8	56	- 64	0	0
Disposals	- 9,935	- 66,380	- 12,316	0	- 88,632
Foreign currency exchange differences	10,058	23,256	741	0	34,055
Balance at December 31, 2015	391,403	1,882,313	342,972	0	2,616,688
Carrying amount					
Balance as at January 1, 2015	397,486	861,814	119,261	471,149	1,849,710
Balance at December 31, 2015	434,476	881,555	118,743	692,307	2,127,082
of which from finance lease	14,310	4,001	1,653	0	19,963

In connection with the hot rolling mill in Shreveport, USA, borrowing costs of €17,770 thousand (after deduction of investment income) were capitalized during the reporting year (prior year: €16,047 thousand). Interest rates between 1.1% and 5.7% (prior year: between 3.5% and 4.7%) were applied for this purpose. As at the reporting date, the plant's readiness for use was still being tested, with the result that it is not yet being depreciated. Having regard to the market situation, an impairment test was conducted, which resulted in no impairment charge. The principal assumptions made relate to demand for tubes in correlation with the oil price.

In the 2016 financial year, the BENTELER-Group received investment grants amounting to €221 thousand (prior year: €15,558 thousand), which amount was deducted from the acquisition cost of the property, plant and equipment.

The property, plant and equipment includes items with restricted ownership rights at a carrying amount of €4,448 thousand (prior year: €6,530 thousand). As in the previous year, none of the assets within property, plant and equipment were pledged as collateral in 2016.

At the reporting date, there were contractual obligations to acquire property, plant and equipment in an amount of €84,491 thousand (prior year: €75,714 thousand).

Leases

The BENTELER-Group is a lessee under various leases. The leases comprise rented buildings as well as technical equipment and machines.

Future minimum lease payments under non-cancellable operating leases are as follows for each of the periods:

OUTSTANDING MINIMUM LEASE PAYMENTS FROM OPERATING LEASES		— 3.27
€ THOUSAND	December 31, 2016	December 31, 2015
Future minimum lease payments		
due within one year	25,423	30,612
due within one to five years	53,511	69,772
due after 5 years	32,189	28,536
Total	111,123	128,920

Future minimum lease payments under non-cancellable finance leases are as follows for each of the periods:

OUTSTANDING MINIMUM LEASE PAYMENTS FROM FINANCE LEASES — 3.28		
€ THOUSAND	December 31, 2016	December 31, 2015
Future minimum lease payments		
due within one year	3,137	2,514
due within one to five years	7,325	8,020
due after 5 years	20,081	19,763
Nominal value	30,543	30,298
Interest component	14,518	14,663
Present value of minimum lease payments	16,025	15,635

Payments of €36,126 thousand under rental and lease agreements were recognized as expenses for 2016 (prior year: €33,716 thousand).

14 INVESTMENTS IN ASSOCIATES

The following overview shows in aggregated form the carrying amount of the investment in associates and the pro rata income from associates:

FINANCIAL INFORMATION ON INVESTMENTS IN ASSOCIATES — 3.29		
€ THOUSAND	December 31, 2016 or 2016	December 31, 2015 or 2015
Carrying amount of investments in associates	40,581	12,065
Pro rata result from continuing Divisions	481	146

The increase in the carrying amount of investments in associates is essentially due to the loss of control of the BES entities, the holdings in which were stated up to January 2017 at their market value as associates.

15 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities result from temporary differences and unused tax loss carryforwards and are composed as follows:

ALLOCATION OF DEFERRED TAX ASSETS AND LIABILITIES TO ITEMS IN THE STATEMENT OF FINANCIAL POSITION

— 3.30

€ THOUSAND	December 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	2,931	-4,397	3,103	-6,742
Property, plant and equipment	6,420	-185,679	19,637	-57,437
Current and non-current financial assets	1,872	-17,623	3,428	-19,091
Inventories	41,607	-2,695	20,050	-10,427
Current and non-current receivables and other assets	5,889	-25,585	5,787	-15,505
Provisions for pensions	63,120	-3,531	52,860	-8,681
Other provisions	34,533	-13,383	24,422	-6,836
Liabilities	36,462	-3,112	42,523	-4,730
Tax loss carryforwards	167,736	0	56,898	0
Tax credits	4,647	0	2,693	0
Gross value	365,217	-256,005	231,401	-129,449
Netting	221,151	-221,151	107,366	-107,366
Recognized in statement of financial position	144,066	-34,853	124,035	-22,083

Deferred tax assets and liabilities are offset if they concern the same tax authority and they are the subject of an enforceable right.

A possible immediate bonus depreciation of 50% was applied in respect of all material components of an investment in the USA for tax purposes. This led to an increase in deferred tax liabilities in respect of property, plant and equipment amounting to €125,694 thousand and to a corresponding increase in deferred tax assets in respect of unused tax loss carryforwards.

No deferred tax was recognized for unused tax loss carryforwards of €228,190 thousand (prior year: €217,405 thousand).

The unused tax losses can be carried forward as follows:

UNUSED TAX LOSS CARRYFORWARDS

— 3.31

€ THOUSAND	December 31, 2016	December 31, 2015
Expiring in the next ten years	51,579	30,176
Expiring in more than ten years	3,254	3,986
Unused tax losses not subject to expiration	173,357	183,243
Total	228,190	217,405

As at December 31, 2016, the Group recognized deferred tax assets for companies that had shown a loss in the previous period. These assets exceeded the deferred tax liabilities. The basis for recognizing deferred taxes was management's belief that these companies will earn taxable income against which the unused tax losses and deductible temporary differences can be utilized.

As the conditions of IAS 12.39 were fulfilled, no deferred tax liabilities were recognized for temporary differences associated with investments in subsidiaries.

Potential dividend distributions to shareholders of BENTELER International Aktiengesellschaft have no tax implications for the Group. In connection with foreseeable future intra-Group dividend distributions, deferred tax liabilities were recognized for the resulting increase in the tax base for German recipients of dividends by 5% of the gross dividend (notional non-deductible operating expenses).

16 OTHER NON-CURRENT RECEIVABLES AND ASSETS

OTHER NON-CURRENT RECEIVABLES AND ASSETS

— 3.32

€ THOUSAND	December 31, 2016	December 31, 2015
Investments in unconsolidated entities	0	2,367
Securities	0	1,253
Financial receivables	7,011	6,782
Other tax assets	4,887	1,373
Prepaid expenses	9,307	10,321
Other assets	9,144	3,451
Total	30,348	25,546

The financial receivables consist entirely of derivatives.

17 INVENTORIES

INVENTORIES

— 3.33

€ THOUSAND	December 31, 2016	December 31, 2015
Raw material and manufacturing supplies	348,233	283,616
Work in progress	157,212	177,807
Finished products and goods	284,050	273,741
Prepayments	13,992	13,065
Total	803,487	748,228

18 RECEIVABLES

18.1 Trade receivables

TRADE RECEIVABLES

— 3.34

€ THOUSAND	December 31, 2016	December 31, 2015
Trade receivables, gross	634,629	651,003
Doubtful debt allowances on trade receivables	– 11,502	– 8,297
Fair value	623,127	642,706

Trade receivables consist primarily of receivables from third parties and, to a limited extent, receivables from affiliated, unconsolidated entities or associates. Trade receivables in an amount of €311,290 thousand (prior year: €375,478 thousand) were sold under an accounts receivable facility agreement. The BENTELER-Group has a normal residual default risk with regard to the sale of receivables.

Doubtful debt allowances on trade receivables developed as follows:

DEVELOPMENT OF DOUBTFUL DEBT ALLOWANCES ON TRADE RECEIVABLES			— 3.35
€ THOUSAND	2016	2015	
Balance as at January 1	8,297	10,161	
Additions	6,552	3,896	
Reversals	– 686	– 430	
Utilization	– 2,653	– 5,313	
Effects of exchange rates and other changes	– 8	– 18	
Balance as at December 31	11,502	8,297	

In the event of indications of irrecoverability, the carrying amounts of trade receivables are impaired individually as well as for general credit risks on the basis of a portfolio approach. Allowances for general credit risks were distributed on a percentage basis over the maturity structure of the receivables, based on experience from previous years.

The maturity structure of unimpaired receivables is as follows:

MATURITY STRUCTURE OF UNADJUSTED RECEIVABLES			— 3.36
€ THOUSAND	December 31, 2016	December 31, 2015	
Receivables that are neither past due nor impaired	552,048	572,978	
Receivables that are past due but not impaired	70,443	64,672	
less than 30 days past due	58,798	54,033	
30 to 60 days past due	8,741	5,454	
61 to 90 days past due	1,900	1,744	
more than 90 days past due	1,004	3,441	
Receivables with specific doubtful debt allowances	635	5,057	
Carrying amount as at December 31	623,127	642,706	

At the end of the period on December 31, 2016, as in previous years, no trade receivables had been pledged.

18.2 Receivables from construction contracts

Receivables for long-term construction contracts recognized using the percentage of completion method are calculated as follows:

RECEIVABLES FROM CONSTRUCTION CONTRACTS — 3.37		
€ THOUSAND	December 31, 2016	December 31, 2015
Incurred contract costs	31,758	20,187
Recognized gains less recognized losses	4,454	2,939
Production orders with outstanding balances receivable from customers	36,212	23,126
Prepayments and partial invoices	– 28,117	– 16,358
Receivables from construction contracts	8,095	6,768

18.3 Other current receivables and assets

OTHER CURRENT RECEIVABLES AND ASSETS — 3.38		
€ THOUSAND	December 31, 2016	December 31, 2015
Prepaid expenses	11,993	7,776
Other financial assets	162,752	84,336
Other non-financial assets	140,669	121,188
Total	315,414	213,300

The other financial assets essentially comprise bills receivable, reserves under accounts receivable facilities and a short-term loan to Casper Benteler GmbH amounting to €35,062 thousand. Casper Benteler GmbH is a related party within the meaning of IAS 24. The financial assets also include derivatives amounting to €7,027 thousand (prior year: €12,682 thousand). Other non-financial assets primarily include other tax receivables (particularly for value added tax and energy tax) and refund claims.

19 CASH AND CASH EQUIVALENTS

The cash and cash equivalents are available at all times and are not subject to any restrictions.

20 EQUITY

The movements in consolidated equity are shown in the statement of changes in equity, which is presented as a separate part of the financial statements. In particular, it shows the appropriation of profits.

A reverse acquisition took place in 2010. As a result of the continuation of the financial statements of the economic acquirer, the recognized issued capital and reserves are those of the legal subsidiary, BENTELER Business Services GmbH (formerly BENTELER Deutschland GmbH).

The subscribed capital as at December 31, 2016, was €200 thousand, divided into 200,000 registered no-par shares with restricted transferability. Under the Company's articles of incorporation, two share certificates (global shares) were issued, each for one half of the shares in the same category.

The non-controlling interests (both for the profit and the equity) are primarily related to two Chinese companies. The proportion of revenue and total assets are each below 1.5% of the Group's consolidated value and are therefore not considered material.

The **other components of equity** changed as follows (includes the amount related to non-controlling interests):

**DEVELOPMENT OF OTHER COMPONENTS OF EQUITY
IN THE CURRENT REPORTING PERIOD** — 3.39

€ THOUSAND	Financial year 2016		
	Before tax	Tax effect	After tax
Foreign currency translation effects	15,790	0	15,790
Effects of cash flow hedging	7,330	- 1,434	5,895
Actuarial gains and losses	- 22,682	6,286	- 16,396
Total	438	4,852	5,289

**DEVELOPMENT OF OTHER COMPONENTS OF EQUITY
IN THE PRIOR REPORTING PERIOD** — 3.40

€ THOUSAND	Financial year 2015		
	Before tax	Tax effect	After tax
Foreign currency translation effects	30,546	0	30,546
Effects of cash flow hedging	15,719	- 4,000	11,719
Actuarial gains and losses	- 4,499	1,787	- 2,712
Total	41,766	- 2,213	39,552

21 PROVISIONS

Provisions in accordance with IAS 37 and obligations for employee benefits under IAS 19 can be summarized as follows:

PROVISIONS		— 3.41	
€ THOUSAND	Note	December 31, 2016	December 31, 2015
Pension provisions – non-current	22)	395,747	370,729
Other provisions for employee benefits		25,550	27,121
Provisions for onerous contracts		9,672	9,504
Provisions for guarantees and warranties		13,459	12,507
Other provisions		28,732	3,206
Other non-current provisions	21)	77,412	52,337
Other provisions for employee benefits		14,789	16,362
Provisions for onerous contracts		22,961	12,377
Provisions for guarantees and warranties		38,107	49,839
Other provisions		64,001	63,256
Other current provisions	21)	139,857	141,834

Provisions

Current and non-current provisions changed as follows during the period:

STATEMENT OF CHANGES IN PROVISIONS					
€ THOUSAND	Guarantees and warranties	Employee	Onerous contracts	Other provisions	Total
Balance as at January 1, 2016	62,345	43,483	21,881	66,462	194,172
Changes in the scope of consolidation	0	– 308	0	– 194	– 503
Additions	9,490	14,959	12,901	55,017	92,367
Utilization	– 17,033	– 11,466	– 1,828	– 18,022	– 48,350
Reversals	– 6,156	– 5,051	– 749	– 13,075	– 25,031
Reclassifications	2,505	– 1,840	0	819	1,484
Accrued interest	61	575	0	53	689
Discounting	0	– 121	0	0	– 121
Foreign currency translation	353	108	428	1,674	2,562
Balance at December 31, 2016	51,566	40,338	32,632	92,733	217,270
of which current	38,107	14,789	22,961	64,001	139,857
of which non-current	13,459	25,550	9,672	28,732	77,412

The provisions for warranty risks primarily cover deferred risks from customer complaints. They are determined on the basis of revenue generated from outside customers during the year, taking historical experience into account.

The employee benefits primarily comprise anniversaries as well as obligations under partial retirement agreements and severance. Provisions for partial retirement arrangements mainly have terms of five years or less. Collateral has been placed in a trust account to secure credit balances under the Partial Retirement Block Model under Section 8a of the German Partial Retirement Act. The funds transferred to the trustee are to be managed for the preservation of capital, and may be used in the future solely and irrevocably to meet the associated obligations. The trust assets left after performance of the partial retirement obligations represent plan assets under IAS 19.131. The obligations are shown netted against the fair value of the plan assets.

The other provisions relate primarily to sales deductions, and to a lesser extent to litigation risks and other taxes.

Non-current provisions are expected to be used within five years at the latest.

22 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Some employees within the BENTELER-Group are currently granted different forms of retirement benefits. Accordingly, the BENTELER-Group maintains different defined benefit and defined contribution retirement plans. Defined benefit plans are appraised annually by independent experts.

The actuarial calculation of the amount of the obligation as at each measurement date is based on the following assumptions:

PARAMETERS FOR ACTUARIAL CALCULATIONS

— 3.43

PERCENTAGES AS WEIGHTED AVERAGE	2016	2015
Interest rate	1.7	2.0
Rate of increase in pensionable salaries	2.1	2.1
Inflation	1.4	1.6

RECONCILIATION OF THE LIABILITY UNDER DEFINED BENEFIT PLANS WITH PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

— 3.44

€ THOUSAND	December 31, 2016	December 31, 2015
Present value of the liability	523,564	497,334
Fair value of plan assets	-128,258	-127,607
Net balance	395,306	369,727
Assets not included as per IAS 19.57(b)	441	1,001
Provision for pensions and other similar commitments as at December 31	395,747	370,729

EXPENSES FROM RETROACTIVE PLAN AMENDMENTS		— 3.45
€ THOUSAND	2016	2015
Present value of defined benefit obligation as at January 1	497,334	485,664
Current service cost	14,004	14,310
Interest expense	9,608	11,288
Actuarial gains (losses) on defined-benefit plans (net)	20,769	7,243
of which due to change in demographic assumptions	– 1,159	– 163
of which due to change in financial assumptions	24,982	12,376
of which due to experience-based assumptions	– 3,054	– 4,970
Past service costs	– 118	0
Settlements	6	– 7,679
Gains / losses arising from changes in foreign exchange rates	324	6,499
Employee contributions	1,729	1,852
Payments made	– 16,940	– 21,825
Net change from company acquisitions and disposals	– 3,153	– 19
Present value of defined benefit obligation as at December 31	523,564	497,334

CHANGES IN PLAN ASSETS		— 3.46
€ THOUSAND	2016	2015
Fair value of plan assets as at January 1	127,607	128,115
Interest income	1,962	2,671
Revaluation of plan assets	– 2,683	– 548
Settlements	0	– 5,758
Gains / losses arising from changes in foreign exchange rates	1,219	5,169
Contributions to the pension plan	17,567	18,446
of which employers	15,838	16,593
of which employees	1,729	1,853
Paid out of plan assets	– 16,954	– 21,840
Net change from company acquisitions and disposals	– 460	0
Other changes	0	1,352
Fair value of plan assets as at December 31	128,258	127,607

CHANGES IN ASSET CEILING			— 3.47
€ THOUSAND	2016	2015	
Unrecognized assets as at January 1	1,001	1,476	
Interest on unrecognized assets recognized in profit or loss	40	57	
Other changes in unrecognized assets	– 600	– 531	
Unrecognized assets as at December 31	441	1,001	

The average duration of the obligation as at December 31, 2016 is 18 years (prior year: 17 years).

As at the measurement date, the plan assets comprised the following:

COMPONENTS OF PLAN ASSETS			— 3.48
€ THOUSAND	December 31, 2016	December 31, 2015	
Equity instruments (active market)	29,643	29,434	
Debt instruments (active market)	10,706	13,829	
Insurance contracts	70,701	70,236	
Property	11,338	8,510	
Other assets	5,870	5,597	
Total	128,258	127,607	

The expected contributions to the plan for 2017 amount to €15,817 thousand (prior year: € 15,819 thousand).

Changes in actuarial assumptions (ceteris paribus) affect the present value of the defined benefit obligation as shown in the table below:

IMPACT OF CHANGES IN ACTUARIAL PARAMETERS ON THE DEFINED BENEFIT OBLIGATION				— 3.49
€ THOUSAND	Change in assumptions	2016 financial year		
		Change in obligation on decrease of parameter	Change in obligation on increase of parameter	
Interest rate	0.5%	50,877	– 44,226	
Rate of pension increase	0.5%	– 24,394	31,092	
Rate of salary increase	0.5%	– 3,499	3,883	

IMPACT OF CHANGES IN ACTUARIAL PARAMETERS ON THE DEFINED BENEFIT OBLIGATION				— 3.50
€ THOUSAND	Change in assumptions	2015 financial year		
		Change in obligation on decrease of parameter	Change in obligation on increase of parameter	
Interest rate	0.5%	44,883	– 38,808	
Rate of pension increase	0.5%	– 23,014	28,327	
Rate of salary increase	0.5%	– 4,480	4,676	

The basis for the determination of the change in assumptions was an analysis of recent months.

23 FINANCIAL LIABILITIES**FINANCIAL LIABILITIES** — 3.51

€ THOUSAND	December 31, 2016		December 31, 2015	
	current	non-current	current	non-current
Borrower's note loans	89,892	378,638	84,934	385,826
Liabilities to banks	105,975	932,839	132,603	795,673
Lease liabilities	2,399	13,626	2,514	13,121
Miscellaneous	10,964	7,699	8,732	7,959
Total	209,230	1,332,802	228,783	1,202,579

As in previous years, liabilities to banks are not secured with either land liens or security interests.

24 INCOME TAX LIABILITIES

The non-current and current income tax liabilities comprise corporate income tax, including the German reunification surtax ("solidarity surcharge") and local business income tax ("trade tax"), for the Group's companies in Germany, as well as comparable income tax liabilities for companies in other countries.

25 OTHER SHORT-TERM LIABILITIES**OTHER SHORT-TERM LIABILITIES** — 3.52

€ THOUSAND	December 31, 2016	December 31, 2015
Other tax liabilities	49,637	47,380
Pending invoices payable	36,808	43,664
Liabilities to employees	97,764	87,141
Advance payments received	42,179	42,284
Social security liabilities	19,328	23,171
Miscellaneous other financial liabilities	21,453	26,976
Miscellaneous other non-financial liabilities	98,078	91,152
Total	365,247	361,768

Other tax liabilities that are not related to income tax primarily concern payroll taxes and value added taxes.

Other non-financial liabilities include general deferred expenses and sales allowances.

Additional Information

26 FINANCIAL RISK MANAGEMENT

The BENTELER-Group is exposed to various financial risks through its business operations and financing transactions. The most significant of these risks are foreign exchange risks, interest rate risks, commodity price risks, default risks and liquidity risks.

The BENTELER-Group additionally applies well-established controlling and management instruments to monitor financial risks. The Group's reporting system makes it possible to detect, analyze, assess and manage financial risks on a regular basis, by way of the central Group Treasury unit. This system also includes all relevant companies in which the Group holds ownership interests.

26.1 Foreign exchange risk

Foreign exchange risks particularly arise where receivables, liabilities and planned transactions are not denominated in an entity's functional currency. The risk of fluctuations in future cash flow is mainly due to operating activities, but there is also some risk from financing and investing activities. The most significant foreign exchange risk for the BENTELER-Group concerns the volatility of the euro and the US dollar.

The amount of hedging required is evaluated each quarter. Currency derivatives are used to hedge foreign exchange risks. These transactions hedge against changes in exchange rates for cash flows in foreign currencies. The functional currency is hedged, not the Group currency. The hedging horizon is typically between one and three years.

In addition to transaction-related foreign exchange risks, the Group is also exposed to translation risks for the assets and liabilities of subsidiaries outside the eurozone.

These long-term effects are calculated and analyzed continuously, but in general they are not hedged because the line items are of a lasting nature.

For foreign exchange risk, sensitivity analyses were performed to determine the effects of hypothetical changes in exchange rates on the Group's result (after tax) and equity. As a basis for sensitivity to foreign exchange fluctuations, the analysis used those primary financial instruments recognized as at the end of the reporting period that were not denominated in the functional currencies of the BENTELER-Group's individual companies, together with the derivative financial instruments held in the portfolio. It was assumed that the risk at the reporting date substantially represents the risk for the financial year as a whole. The effects of the translation of foreign subsidiaries' financial statements from foreign currencies into the Group's reporting currency (the euro) were not included. The Group's tax rate of 30% (prior year: 30%) was applied as the tax rate.

An increase or decrease in the euro would have the following effects on earnings after tax and equity:

SENSITIVITY ANALYSIS FOR EUR FOREIGN EXCHANGE RISK — 3.53				
€ THOUSAND	2016		2015	
	Decrease by 10%	Increase by 10%	Decrease by 10%	Increase by 10%
Effect on:				
Earnings after tax	– 589	454	– 151	115
Cash flow hedge reserve	16,246	– 17,009	6,172	– 6,509
Total equity	15,658	– 16,555	6,021	– 6,394

An increase or decrease in the US dollar would have the following effects on earnings after tax and equity:

SENSITIVITY ANALYSIS FOR USD FOREIGN EXCHANGE RISK

— 3.54

€ THOUSAND	2016		2015	
	Decrease by 10%	Increase by 10%	Decrease by 10%	Increase by 10%
Effect on:				
Earnings after tax	0	0	0	0
Cash flow hedge reserve	11,979	–16,129	5,830	–5,392
Total equity	11,979	–16,129	5,830	–5,392

The sensitivity results mainly from derivatives used to hedge future cash flows in foreign currency as well as derivatives not designated as hedging instruments.

26.2 Interest rate risk

Interest rate risks for the BENTELER-Group arise primarily from its liabilities from borrowings. In addition, risks arise from deposits held with banks.

The BENTELER-Group counters interest rate risk by continuously monitoring the money market and capital market, and by using derivative interest rate hedges. The focus is on hedging the Group's financing requirements against increases in market interest rates. To cover this risk (cash flow risk), interest rate swaps were used.

For interest rate risk, sensitivity analyses were performed to show the effects arising from hypothetical changes in market interest rates on the Group's profit (after tax) and equity. The analysis is based on variable interest rate holdings of primary financial

instruments and derivative financial instruments as at the reporting date. It was assumed that the risk at the reporting date substantially represents the risk for the financial year as a whole. A Group tax rate of 30% (prior year: 30%) was applied as the tax rate. It was also assumed that all other variables, especially foreign exchange rates, would remain constant.

An increase or decrease in the market interest rates by 100 bps (= 1%) would have the following effects on earnings after tax and equity:

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK

— 3.55

€ THOUSAND	2016		2015	
	Increase by 100 bps = 1%	Decrease by 100 bps = 1%	Increase by 100 bps = 1%	Decrease by 100 bps = 1%
Effect on:				
Earnings after tax	2,178	–2,178	1,699	–1,699
Cash flow hedge reserve	6,794	–7,181	9,042	–8,410
Total equity	8,971	–9,359	10,741	–10,109

26.3 Commodity price risk

The BENTELER-Group is exposed to the risk of changes in commodity prices – especially the risk of changes in the price of aluminum and steel – in its procurement of intermediate goods and services.

26.3.1 Steel price risk

Unlike other industrial metals, the risks and opportunities arising from the volatility of steel prices are mainly passed on to customers on the basis of supply contracts.

26.3.2 Aluminum price risk

The hedging strategy for aluminum price risk has to consider, in addition to the physical security, the complexity of the risk incurred. This obligation represents the various contract specifications with the automotive manufacturers, including:

- The temporal divergence between the purchase of commodities and semi-finished products, and the sale of components to automotive manufacturers
- A wide variety of fixed prices, formula-based pricing mechanisms and price validities out of a price setting process based on different calculation methods.

On the basis of customers' planned purchased quantities and the requisition notes of the decentralized units, the production site decides on the production schedule and the required aluminum. At the monthly management meeting, a list of all concluded contracts is drawn up and the aluminum price fixing on the selling or buying side begins the following month. On that basis, BENTELER Treasury enters into commodity swaps with a bank to change the variable prices on the buy and sell side to fixed prices. Different swaps are negotiated for each month, depending on the individual customers' pricing formulas and the planned and reported volumes.

Sensitivity analyses were conducted for commodity price risk, showing the impact of hypothetical changes in commodity prices on equity. The derivative financial instruments recognized as at the reporting date are the basis for commodity price

sensitivity. It was assumed that the risk at the reporting date substantially represents the risk for the financial year as a whole.

26.3.3 Other commodity price risks

The propane gas used for casting processes is subject to price risk, which is hedged over the medium term by means of fixed price swaps.

The fair value of aluminum and propane gas commodity forwards are based on official market quotations (on the LME – London Metal Exchange and Platts price indices for energy and commodity markets).

An increase or decrease in aluminum and propane gas commodity prices by 10% would have the following effects on earnings after tax and equity:

SENSITIVITY ANALYSIS FOR ALUMINUM PRICE RISK

— 3.56

€ THOUSAND	2016		2015	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Effect on:				
Earnings after tax	0	0	0	0
Cash flow hedge reserve	645	– 645	596	– 596
Total equity	645	– 645	596	– 596

26.4 Default risk

Default risk describes the risk resulting from the failure of individual business partners to fulfill their contractual obligations. The BENTELER-Group's default risk results primarily from receivables from customers. In addition, default risks arise in connection with financial transactions, such as the investment of liquid funds or the acquisition of securities.

The BENTELER-Group counters the risk of default on receivables in operating activities by means of professional accounts receivable management. Before signing a contract, in particular with key customers, a careful evaluation is made of the customer's economic condition and business competence. All relevant customer data are recorded and analyzed centrally, and assessed in an individualized credit rating. In addition, the Group has credit insurance, from which selected customers with good credit ratings are excepted. In ongoing business operations, payment performance is regularly evaluated and monitored, also with reference to dynamic leading indicators. Bad debt provisions recognized for this purpose take account of the default risk on receivables.

Due to its customer structure on the original equipment manufacturer (OEM) side, the Group is not exposed to any significant concentration of default risk. The maximum default risk arising from financial assets involves the risk of default to the carrying amount of the receivable from the respective customer.

26.5 Liquidity risk

Liquidity risk is the risk that the BENTELER-Group might not have sufficient financial resources to meet payment obligations. Payment obligations arise particularly in connection with the procurement of raw materials and goods for operating activities.

Liquidity risk is monitored by systematic, day-by-day liquidity management whose absolute fundamental requirement is maintaining the Company's ability to meet its payment obligations at all times. Aligned on a fixed planning horizon, liquidity forecast and available committed credit lines in the Group ensure the supply of liquidity in accordance with the planned development. The aim is convenient and cost-effective liquidity, which enables an adequate response to a dynamic market environment and allows opportunity-oriented action. The financial planning process includes a rolling three-month forecast (direct method) and a one- to five-year plan (indirect method). At the end of the period on December 31, 2016, a strategic liquidity reserve of unutilized written confirmed short- and long-term credit lines of a total €400,000 thousand (prior year: €387,705 thousand) was available.

The following table shows the undiscounted contractual maturities for financial liabilities (including contractual interest payments):

MATURITIES OF FINANCIAL LIABILITIES

— 3.57

€ THOUSAND	Carrying amounts December 31, 2016	Maturity of financial liabilities					
		in 1 year		in 2 to 5 years		after 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial debts (non-current and current)	1,542,032	38,111	209,230	89,681	922,773	16,184	410,028
Borrower's note loans	468,530	11,289	89,892	19,719	378,638	0	0
Liabilities to banks	1,038,813	26,642	105,975	69,399	539,650	15,798	393,189
Liabilities from finance lease	16,025	181	2,399	563	4,136	386	9,490
Other financial debts	18,663	0	10,964	0	350	0	7,349
Trade payables	1,044,280	0	1,044,280	0	0	0	0
Other liabilities (non-current and current)	119,437	6,650	56,441	7,528	53,564	0	0
Negative market values of derivatives without on-balance-sheet hedging relationship	52,650	683	7,757	2,093	43,177	0	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	29,979	5,967	11,877	5,436	10,387	0	0
Other financial liabilities	36,808	0	36,808	0	0	0	0
Total	2,705,749	44,761	1,309,951	97,210	976,337	16,184	410,028

MATURITIES OF FINANCIAL LIABILITIES

— 3.58

€ THOUSAND	Carrying amounts December 31, 2015	Maturity of financial liabilities					
		in 1 year		in 2 to 5 years		after 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial debts (non-current and current)	1,431,363	34,948	228,783	64,243	883,444	8,553	319,136
Borrower's note loans	470,760	12,264	84,934	14,168	375,826	140	10,000
Liabilities to banks	928,276	22,479	132,603	49,450	502,432	7,907	293,241
Liabilities from finance lease	15,635	205	2,514	625	4,801	506	8,320
Other financial debts	16,692	0	8,732	0	384	0	7,575
Trade payables	883,289	0	883,289	0	0	0	0
Other liabilities (non-current and current)	120,100	6,640	70,095	11,226	36,459	126	0
Negative market values of derivatives without on-balance-sheet hedging relationship	45,558	0	13,080	0	32,478	0	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	30,868	6,640	13,340	11,226	3,981	126	0
Other financial liabilities	43,674	0	43,674	0	0	0	0
Total	2,434,753	41,588	1,182,167	75,469	919,903	8,678	319,136

The table above includes all financial liabilities having contractually agreed payments as at the reporting date. Planned figures for future new liabilities are not included. Amounts in foreign currencies are translated at the exchange rate prevailing on 31 December. Variable interest payments on financial liabilities were calculated on the basis of the most recently determined interest rates.

26.6 Capital management

The objective of capital management is to ensure a sound financial profile. In particular, the aim is to ensure reasonable dividend payments for shareholders and to generate benefits for other interest groups. Additionally, the BENTELER-Group intends to keep sufficient financial resources available to maintain its growth strategy.

The capital management strategy ensures that Group companies have a solid equity base appropriate to local requirements. The goal is to provide the necessary financial and liquidity headroom. The requirement communicated to all Group companies is to secure financing with matching maturities.

The financial profile is actively managed and monitored. Therefore, the main key figure is the equity ratio. The equity ratio is calculated as the ratio of equity shown in the consolidated statement of financial position to total assets. On the reporting date it amounted to 22.9% (prior year: 23.1%).

27 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

At the end of the reporting period, the BENTELER-Group held derivative financial instruments to hedge foreign exchange risks, interest rate risks and commodity price risks.

The BENTELER-Group uses various derivative financial instruments to hedge the above-mentioned risks: currency forwards, currency options, interest swaps, interest/currency swaps and commodity forwards. Foreign currency derivatives are held primarily in USD, NOK, MXN, CHF, CNY, BRL, LTL, CZK, HUF, DKK, ZAR, RUB, JPY, CAD, PLN, SEK, AUD and GBP, interest rate swaps in EUR and ZAR. The counterparties are all German or international banks with good credit ratings.

The majority of the derivative financial instruments were recognized in the reporting year as cash flow hedges within hedge accounting relationships. Hedging involves both variable future cash flows from non-current liabilities with terms until 2021, and future operating cash flows in foreign currencies with terms of generally up to 24 months, but not more than 36 months. The employed commodity derivatives hedge variable cash flows until 2017 and primarily relate to aluminum and propane gas price hedges.

The prospective effectiveness of hedging relationships is determined using the critical terms match method under IAS 39. Retrospective effectiveness is measured using the dollar offset method.

The following table shows the types and amounts of foreign currency and interest rate hedges held, including the recognized fair values at the reporting date:

TYPES, AMOUNTS AND FAIR VALUES OF FOREIGN CURRENCY HEDGES AND INTEREST RATE HEDGES HELD IN THE CURRENT REPORTING PERIOD — 3.59

€ THOUSAND	December 31, 2016		
	Nominal volume	Positive market values	Negative market values
Derivatives without on-balance-sheet hedging relationship	752,780	2,763	52,650
Interest rate and interest/currency hedges	130,000	0	1,716
Foreign currency hedges	618,735	2,763	50,743
Commodity hedges	4,045	0	191
Derivatives with on-balance sheet hedging relationship (hedge accounting)	1,067,016	11,274	29,979
Interest rate and interest/currency hedges	349,824	2,765	7,715
Foreign currency hedges	675,628	6,703	21,440
Commodity hedges	41,564	1,807	824

TYPES, AMOUNTS AND FAIR VALUES OF FOREIGN CURRENCY HEDGES AND INTEREST RATE HEDGES HELD IN THE PRIOR REPORTING PERIOD — 3.60

€ THOUSAND	December 31, 2015		
	Nominal volume	Positive market values	Negative market values
Derivatives without on-balance-sheet hedging relationship	660,544	9,609	45,558
Interest rate and interest/currency hedges	660,544	9,609	45,558
Derivatives with on-balance sheet hedging relationship (hedge accounting)	996,042	9,697	30,868
Interest rate and interest/currency hedges	507,719	5,192	13,547
Foreign currency hedges	448,523	3,555	15,277
Commodity hedges	39,800	950	2,045

The foreign currency hedges without on-balance-sheet hedging relationships are primarily hedging instruments used to hedge internal loans extended in foreign currency to subsidiaries.

28 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

The following tables show the carrying amounts of financial assets and liabilities for each individual category of financial instrument and reconcile them with the related items on the statement of financial position for the end of the reporting period as at December 31, 2016, and the prior year.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.61

€ THOUSAND	Measurement category pursuant to IFRS 13	Carrying amount December 31, 2016	Measurement pursuant to IAS 39			Valuation pursuant to IAS 17	Non-financial items
			(Amortized) acquisition cost	Fair value outside profit or loss	Fair value through profit or loss		
Trade receivables	1)	623,127	623,127	0	0	0	0
Receivables from contract production	1)	8,095	8,095	0	0	0	0
Other receivables and assets (non-current and current)		345,762	155,723	11,277	2,763	0	175,999
Securities	2)	3	0	3	0	0	0
Investments in unconsolidated entities	2)	0	0	0	0	0	0
Financial receivables	1)	155,723	155,723	0	0	0	0
Positive market values of derivatives without on-balance-sheet hedging relationship	3)	2,763	0	0	2,763	0	0
Positive market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	n/a	11,274	0	11,274	0	0	0
Other financial receivables	2)	0	0	0	0	0	0
Other non-financial receivables	n/a	175,999	0	0	0	0	175,999
Cash and cash equivalents	1)	357,618	357,618	0	0	0	0
Total		1,334,603	1,144,563	11,277	2,763	0	175,999
of which by measurement category under IAS 39:							
1) Loans and receivables		1,144,563	1,144,563	0	0	0	0
2) Financial assets available for sale		3	0	3	0	0	0
3) Financial assets held for trading		2,763	0	0	2,763	0	0

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.62

€ THOUSAND	Measurement category pursuant to IFRS 13	Carrying amount December 31, 2016	Measurement pursuant to IAS 39			Valuation pursuant to IAS 17	Non-financial items
			(Amortized) acquisition cost	Fair value outside profit or loss	Fair value through profit or loss		
Financial debts (non-current and current)		1,542,032	1,526,007	0	0	16,025	0
Borrower's note loans	1)	468,530	468,530	0	0	0	0
Liabilities to banks	1)	1,038,813	1,038,813	0	0	0	0
Liabilities from finance lease	n/a	16,025	0	0	0	16,025	0
Other financial debts	1)	18,663	18,663	0	0	0	0
Trade payables	1)	1,044,280	1,044,280	0	0	0	0
Other liabilities (non-current and current)		428,107	36,808	29,979	52,650	0	308,671
Negative market values of derivatives without on-balance sheet hedging relationship	2)	52,650	0	0	52,650	0	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	n/a	29,979	0	29,979	0	0	0
Other financial liabilities	1)	36,808	36,808	0	0	0	0
Other non-financial liabilities	n/a	308,671	0	0	0	0	308,671
Total		3,014,419	2,607,095	29,979	52,650	16,025	308,671
of which by measurement category under IAS 39:							
1) Financial liabilities measured at amortized cost		2,607,095	2,607,095	0	0	0	0
2) Financial liabilities held for trading		52,650	0	0	52,650	0	0

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.63

€ THOUSAND	Measurement category pursuant to IFRS 13	Carrying amount December 31, 2015	Measurement pursuant to IAS 39			Valuation pursuant to IAS 17	Non-financial items
			(Amortized) acquisition cost	Fair value outside profit or loss	Fair value through profit or loss		
Trade receivables	1)	642,706	642,706	0	0	0	0
Receivables from contract production	1)	6,768	6,768	0	0	0	0
Other receivables and assets (non-current and current)		238,846	74,177	10,951	9,609	0	144,110
Securities	2)	1,254	0	1,254	0	0	0
Investments in unconsolidated entities	2)	2,367	2,367	0	0	0	0
Financial receivables	1)	71,809	71,809	0	0	0	0
Positive market values of derivatives without on-balance-sheet hedging relationship	3)	9,609	0	0	9,609	0	0
Positive market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	n/a	9,697	0	9,697	0	0	0
Other financial receivables	2)	0	0	0	0	0	0
Other non-financial receivables	n/a	144,110	0	0	0	0	144,110
Cash and cash equivalents	1)	319,557	319,557	0	0	0	0
Total		1,207,877	1,043,208	10,951	9,609	0	144,110
of which by measurement category under IAS 39:							
1) Loans and receivables		1,040,841	1,040,841	0	0	0	0
2) Financial assets available for sale		3,621	2,367	1,254	0	0	0
3) Financial assets held for trading		9,609	0	0	9,609	0	0

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.64

€ THOUSAND	Measurement category pursuant to IFRS 13	Carrying amount December 31, 2015	Measurement pursuant to IAS 39			Valuation pursuant to IAS 17	Non-financial items
			(Amortized) acquisition cost	Fair value outside profit or loss	Fair value through profit or loss		
Financial debts (non-current and current)		1,431,363	1,415,728	0	0	15,635	0
Borrower's note loans	1)	470,760	470,760	0	0	0	0
Liabilities to banks	1)	928,276	928,276	0	0	0	0
Liabilities from finance lease	n/a	15,635	0	0	0	15,635	0
Other financial debts	1)	16,692	16,692	0	0	0	0
Trade payables	1)	883,289	883,289	0	0	0	0
Other liabilities (non-current and current)		412,612	43,674	30,868	45,558	0	292,512
Negative market values of derivatives without on-balance sheet hedging relationship	2)	45,558	0		45,558	0	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	n/a	30,868	0	30,868	0	0	0
Other financial liabilities	1)	43,674	43,674	0	0	0	0
Other non-financial liabilities	n/a	292,512	0	0	0	0	292,512
TOTAL		2,727,264	2,342,691	30,868	45,558	15,635	292,512
of which by measurement category under IAS 39:							
1) Financial liabilities measured at amortized cost		2,342,691	2,342,691	0	0	0	0
2) Financial liabilities held for trading		45,558	0	0	45,558	0	0

No reclassifications between categories of financial instruments were performed during the financial year or in the previous year. Reclassifications are taken into account at the end of the reporting period.

Fair values and fair value hierarchy

The carrying amount for current primary financial instruments, especially trade receivables and trade payables as well as other current receivables and liabilities, is equal to the fair value. The fair value of fixed-interest loans and liabilities is the present value of expected future cash flows. They are discounted at interest rates effective at the end of the reporting period. For variable interest liabilities, the carrying amounts equal their fair values.

The fair value of currency forwards is calculated as the present value based on the middle spot exchange rate as at December 31, 2016 taking into account any forward premiums or discounts for the residual term of the respective contract compared with the contracted forward rate. For currency options, generally accepted models were used for calculating option prices. The fair value of an option is affected not only by the remaining term of the option, but also by other factors such as the current level and volatility of the underlying exchange rate, or the underlying base interest rate.

Interest rate swaps and interest/currency swaps are measured at fair value by discounting expected future cash flows. The market interest rates, which are equivalent to the residual term of the contracts, are used as a basis. In addition, for interest/currency swaps, the exchange rates of those foreign currencies in which the respective payments take place are taken into account.

The fair value of aluminum and propane gas commodity forwards is based on official market quotations (LME – London Metal Exchange).

Measurements are performed both internally and by external financial partners at the end of the period. The measurement of derivatives also incorporates the counterparty risk. Determination is carried out in accordance with IFRS 13 and is based on a unilateral approach without taking into account any offsetting agreements. The calculation is based on a constant estimation of future exposures and a historical

default probability according to the rating of the counterparty and/or a rating estimation of the BENTELER-Group.

The fair values of financial assets and liabilities are based on the following input data and are categorized according to IFRS 13 in three fair value hierarchies:

- Level 1 Measured on the basis of quoted prices on active markets for similar instruments.
- Level 2 Measured on the basis of directly or indirectly observable market inputs other than level 1 quoted prices.
- Level 3 Measured on the basis of models not based on observable market inputs.

The fair value hierarchy reflects the significance of the input parameters that were used for the determination of the fair values.

The following tables show the fair values and carrying amounts of financial assets and liabilities measured at their fair values, classified by fair value hierarchy:

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY — 3.65

€ THOUSAND	December 31, 2016				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Other receivables und assets (non-current and current)	14,040	14,040	0	14,040	0
Securities	3	3		3	
Positive market values of derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	2,763	2,763	0	2,763	0
Positive market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	11,274	11,274	0	11,274	0
Other liabilities (non-current and current)	82,629	82,629	0	82,629	0
Negative market values of derivatives without on-balance sheet hedging relationship (financial assets held for trading)	52,650	52,650	0	52,650	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	29,979	29,979	0	29,979	0

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY — 3.66

€ THOUSAND	December 31, 2015				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Other receivables und assets (non-current and current)	20,559	20,559	0	20,559	0
Securities	1,254	1,254	0	1,254	0
Positive market values of derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	9,609	9,609	0	9,609	0
Positive market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	9,697	9,697	0	9,697	0
Other liabilities (non-current and current)	76,426	76,426	0	76,426	0
Negative market values of derivatives without on-balance sheet hedging relationship (financial assets held for trading)	45,558	45,558	0	45,558	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	30,868	30,868	0	30,868	0

The following table shows the carrying amount and fair value of financial liabilities measured at amortized cost, classified by fair value hierarchy:

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY — 3.67

€ THOUSAND	December 31, 2016				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial liabilities (non-current and current)	1,523,368	1,541,493	0	0	1,541,493
Borrower's note loans	468,530	477,082	0	0	477,082
Liabilities to banks	1,038,813	1,048,206	0	0	1,048,206
Liabilities from finance lease	16,025	16,205	0	0	16,205

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY — 3.68

€ THOUSAND	December 31, 2015				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial liabilities (non-current and current)	1,414,671	1,412,919	0	0	1,412,919
Borrower's note loans	470,760	477,658	0	0	477,658
Liabilities to banks	928,276	920,312	0	0	920,312
Liabilities from finance lease	15,635	14,950	0	0	14,950

Offsetting financial instruments

The BENTELER-Group enters into framework agreements for financial derivative transactions. These contractually agree that upon termination of a contract the final value of all transactions is determined and only a single net amount is settled in cash. The requirements for offsetting in the statement of financial position are not met, as normally no net payments are made.

OTHER FINANCIAL ASSETS – — 3.69
DERIVATIVES WITH POSITIVE MARKET VALUE

€ THOUSAND	Values as at December 31, 2016				
	Financial assets (gross)	Recognized amounts (gross)	Recognized financial assets (net)	Effect of enforceable netting agreements	Net amounts
Foreign currency hedges	9,466	0	9,466	– 8,610	856
Commodity hedges	1,807	0	1,807	– 521	1,286
Interest rate swaps	2,765	0	2,765	0	2,765
Total	14,038	0	14,038	– 9,131	4,907

Values as at December 31, 2015					
Foreign currency hedges	13,164	0	13,164	– 9,452	3,712
Commodity hedges	950	0	950	– 950	0
Interest rate swaps	5,192	0	5,192	0	5,192
Total	19,306	0	19,306	– 10,402	8,904

OTHER FINANCIAL LIABILITIES – — 3.70
DERIVATIVES WITH NEGATIVE MARKET VALUE

€ THOUSAND	Values as at December 31, 2016				
	Financial assets (gross)	Recognized amounts (gross)	Recognized financial assets (net)	Effect of enforceable netting agreements	Net amounts
Foreign currency hedges	72,183	0	72,183	– 8,610	63,573
Commodity hedges	1,015	0	1,015	– 521	494
Interest rate swaps	9,432	0	9,432	0	9,432
Total	82,629	0	82,629	– 9,131	73,498

Values as at December 31, 2015					
Foreign currency hedges	60,835	0	60,835	– 9,452	51,383
Commodity hedges	2,045	0	2,045	– 950	1,095
Interest rate swaps	13,547	0	13,547	0	13,547
Total	76,426	0	76,426	– 10,402	66,024

Net result

The following table shows the net gains/losses (before tax) on financial instruments recognized in the consolidated income statement or in other comprehensive income, broken down by measurement category. The figures do not include effects of finance leases on profit or loss, or those of derivatives used for hedge accounting, since they do not belong to a measurement category under IAS 39.

DETERMINATION OF THE NET AMOUNT OF OTHER FINANCIAL LIABILITIES RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION			— 3.71
€ THOUSAND	2016	2015	
Loans and receivables	602	3,202	
Financial assets available for sale	0	0	
Derivatives without on-balance sheet hedging relationship (financial assets and liabilities held for trading)	-17,154	-16,086	
Financial liabilities measured at amortized cost	-60,662	-63,862	
Total net gains or losses	-77,214	-76,746	
of which: net interest expense for financial assets and liabilities not measured at fair value through profit or loss	-54,194	-57,194	
of which: impairment expense for trade receivables	-5,867	-3,467	
of which: gains/losses on financial assets availa- ble for sale recognized outside profit or loss	0	0	

The net gain in the category "loans and receivables" results primarily from interest income on financial receivables and adjustments to trade receivables.

The net figure in the category "financial assets available for sale" results from the securities and bonds held by the BENTELER-Group, and from unconsolidated ownership interests in associates.

The gains and losses on derivatives that do not meet the hedge accounting requirements under IAS 39 are included in the "derivatives without on-balance-sheet hedging relationships" category. The contrary foreign currency effects from underlying transactions hedged using these derivatives are not shown.

The "financial liabilities measured at amortized cost" category includes interest expenses for financial liabilities and income from the capitalization of borrowing costs.

29 CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated cash flow statement is prepared in accordance with IAS 7 and presents cash flows from operating, investing and financing activities. The effects of changes in the scope of consolidation are included in the variations of the various balance sheet items; their impact on cash and cash equivalents, as well as the impact of changes in foreign exchange rates, are disclosed separately.

An amount of €2,004 thousand of total investments in property, plant and equipment is related to finance leases and therefore was not cash-effective (prior year: €6,146 thousand).

30 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The BENTELER-Group granted no additional collateral in the reporting period for its borrowings, above and beyond the joint liability of individual Group members to other Group members and the collateral indicated in Note 23 – Financial liabilities.

For the contingent liabilities listed below, the principal debtor is not a consolidated company. As at the end of the period on December 31, 2016, the Group had granted guarantees to third parties for a total of €297 thousand (prior year: €357 thousand). At the reporting date there were €661 thousand of liabilities to third parties under warranty agreements (through contract performance bonds or supply bonds) (prior year: €374 thousand).

Other off-balance-sheet obligations – particularly towards employees, tax authorities and customs authorities – amount to €233 thousand as at December 31, 2016 (prior year: €427 thousand).

31 NUMBER OF EMPLOYEES

The BENTELER-Group employed an average number of 27,917 full-time equivalents worldwide (prior year: 27,764). Personnel expenses amount to €1,431,129 thousand (prior year: €1,419,289 thousand). These include expenses for defined contribution pension plans amounting to €21,416 thousand (prior year: €22,179 thousand).

32 GOVERNING BODIES

Members of the Executive Board

- Hubertus Benteler, Salzburg, Austria (Chairman of the Executive Board, areas of responsibility: Corporate Compliance and Committees, Distribution Division, Engineering Services and Glass Processing Equipment areas [the Engineering area was sold on January 1, 2017])
- Boris Gleißner, Seekirchen, Austria to January 31, 2017 (areas of responsibility: Corporate Finances and Controlling, Corporate Legal & Insurance, Corporate Strategy and Corporate Development, Corporate Tax, Internal Audit, Purchasing)
- Guido Huppertz, Paderborn, Germany from February 1, 2017 (areas of responsibility: Corporate Finances and Controlling, Corporate Legal & Insurance, Corporate Tax, Internal Audit)
- Isabel Diaz Rohr, Schöna am Königssee, Germany (areas of responsibility: Corporate Human Resources, Corporate Communication/Marketing, IT)

Members of the Supervisory Board

- Dr. Ralf Bethke, Deidesheim, Germany, Chairman (Chairman of the Supervisory Board of K+S AG, Kassel, Germany)
- Dr. Ulrich Dohle, Stuttgart, Germany, Vice Chairman since June 20, 2016 (up to December 31, 2016 Chairman of the Executive Board of Rolls-Royce Power Systems AG, Friedrichshafen, Germany)

- Axel Prym, Roetgen, Germany (former CEO of William Prym GmbH & Co. KG, Stolberg, Germany)
- Frederik Vaubel, Düsseldorf, Germany (CEO of Vaubel Entwicklungs- und Beteiligungs GmbH & Co. KG, Düsseldorf, Germany)
- Boudewijn Beerkens, Amsterdam, Netherlands (CSOO of COFRA Holding AG, Zug, Switzerland)
- Christian A. Caspar, Zürich, Switzerland (Director Emeritus at McKinsey & Company, Inc., Zürich, Switzerland)

33 RELATED PARTY TRANSACTIONS

The Group's related parties according to IAS 24 are fundamentally the members of the Supervisory Board and Shareholders' Committee, the members of the Benteler family, members of Group management and, as entities, the associates of the BENTELER-Group and entities controlled or significantly influenced by related parties. Note 32 "Governing bodies" contains further information.

The entities included in the consolidated financial statements of the BENTELER-Group have been engaged and/or continue to engage in corporate transactions with related parties.

Except as stated in Note 18.3, no significant transactions have been conducted with related parties that extend beyond their capacity as shareholders or members of governing bodies.

Total remuneration of management in key positions

In the 2016 financial year, BENTELER International Aktiengesellschaft paid total compensation to members of management in key positions (14 persons; prior year 15 – comprising members of the Executive Board of BENTELER International Aktiengesellschaft and the managing directors of the principal subsidiaries) as follows:

TOTAL REMUNERATION OF MANAGEMENT IN KEY POSITIONS — 3.72		
€ THOUSAND	2016	2015
Short-term payments – fixed	6,527	6,649
Short-term payments – variable	8,915	3,599
Post-employment benefits	2,452	2,313
Severance benefits	4,236	1,526
Total	22,130	14,088

No share-based compensation was granted.

The members of the Supervisory Board of BENTELER International Aktiengesellschaft received remuneration of €375 thousand in the 2016 financial year (prior year: €375 thousand).

34 EVENTS AFTER THE REPORTING PERIOD

There were no events or developments of significance subsequent to the end of the reporting period that might have caused a material change in the financial position as at December 31, 2016, or that would require disclosure.

35 AUDITOR'S FEES AND SERVICES

The information required under Section 266(11) of the Austrian Commercial Code regarding the fees paid to the Group's independent auditor (KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft) is provided below by category of service:

AUDITOR'S FEES — 3.73		
€ THOUSAND	2016	2015
Audit of separate and consolidated financial statements	244	259
Audit-related services	0	0
Other services	0	11
Total fees	244	270

The figures represent the fees recognized as expense in the financial year. Services provided by the independent auditor's network are not included.

36 PROPOSED APPROPRIATION OF PROFIT

Under the terms of the Austrian Stock Corporation Act, the appropriation of profit is to be based on the separate financial statements of BENTELER International Aktiengesellschaft as at December 31, 2016.

The Executive Board will propose to the Shareholders' Meeting that a dividend of €26,000,000.00 be distributed from the profit of €232,806,800.63 and that the remaining amount of €206,806,800.63 be carried forward. The dividend will be distributed on Monday, March 27, 2017.

Salzburg, February 10, 2017

The Executive Board

Hubertus Benteler

Guido Huppertz

Isabel Diaz Rohr

Appendix to the Notes: list of shareholdings as at December 31, 2016

— 3.74

LIST OF SHAREHOLDINGS AS AT DECEMBER 31, 2016		Investment	
		2016	2015
1.	BENTELER International Aktiengesellschaft, Salzburg, Austria	—	—
	Subsidiaries		
	Automotive Division		
2.	BENTELER Aluminium Systems France SNC, Louviers, France	100.0	100.0
3.	BENTELER Aluminium Systems Korea Ltd., Seoul, South Korea	100.0	100.0
4.	BENTELER Aluminium Systems Sweden AB, Skultuna, Sweden	100.0	100.0
5.	BENTELER Automobiltechnik Eisenach GmbH, Eisenach, Germany	100.0	100.0
6.	BENTELER Automobiltechnik GmbH, Paderborn, Germany	100.0	100.0
7.	BENTELER Automotive (Changshu) Company Limited, Changshu, China	100.0	100.0
8.	BENTELER Automotive (China) Investment Co. Ltd., Shanghai, China	100.0	100.0
9.	BENTELER Automotive (Chongqing) Co. Ltd., Chongqing, China	100.0	100.0
10.	BENTELER Automotive (Fuzhou) Co., Ltd., Fuzhou, China	100.0	100.0
11.	BENTELER Automotive (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
12.	BENTELER Automotive (Shenyang) Co., Ltd., Shenyang, China	100.0	100.0
13.	BENTELER Automotive (Thailand) Ltd., Bangkok, Thailand	100.0	100.0
14.	BENTELER Automotive Belgium N.V., Ghent, Belgium	100.0	100.0

15.	BENTELER Automotive Canada Corporation, Windsor (Ontario), Canada	100.0	100.0
16.	BENTELER Automotive Component (Shanghai) Ltd., Shanghai, China	100.0	100.0
17.	BENTELER Automotive Corporation, Auburn Hills, USA	100.0	100.0
18.	BENTELER Automotive Farsund AS, Farsund, Norway	100.0	100.0
19.	BENTELER Automotive Holland Inc., Holland (Michigan), USA	100.0	100.0
20.	BENTELER Automotive India Private Limited, Pune, India	100.0	100.0
21.	BENTELER Automotive International GmbH, Paderborn, Germany	100.0	100.0
22.	BENTELER Automotive K.K., Tokyo, Japan	100.0	100.0
23.	BENTELER Automotive Klášterec s.r.o., Chrastava, Czech Republic	100.0	—
24.	BENTELER Automotive Netherlands B.V., Helmond, Netherlands	100.0	100.0
25.	BENTELER Automotive Poland spolka z o.o., Warsaw, Poland	100.0	100.0
26.	BENTELER Automotive Raufoss AS, Raufoss, Norway (previously: BENTELER Aluminium Systems Norway AS)	100.0	100.0
27.	BENTELER Automotive Rumburk s.r.o., Rumburk, Czech Republic	100.0	100.0
28.	BENTELER Automotive SAS, Migennes, France	100.0	100.0
29.	BENTELER Automotive SK s.r.o., Malacky (Bratislava), Slovakia	100.0	100.0
30.	BENTELER Automotive Tonder A/S, Tønder, Denmark (previously: BENTELER Aluminium Systems Denmark AS)	100.0	100.0
31.	BENTELER Automotive UK Ltd., Corby, United Kingdom	100.0	100.0
32.	BENTELER Automotive USA GmbH, Paderborn, Germany	100.0	100.0
33.	BENTELER Automotive Vigo SL, Valladares – Vigo, Spain	100.0	100.0

34.	BENTELER Autótechnika Kft, Mór, Hungary	100.0	100.0	54.	BENTELER Management Consulting (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
35.	BENTELER Canada, Inc., Auburn Hills, USA	100.0	100.0	55.	BENTELER Maschinenbau CZ s.r.o., Liberec, Czech Republic	100.0	100.0
36.	BENTELER CAPP Automotive System (Changchun) Co., Ltd., Changchun, China	60.0	60.0	56.	BENTELER Maschinenbau GmbH, Bielefeld, Germany	100.0	100.0
37.	BENTELER Carbon Composites Beteiligungs GmbH, Paderborn, Germany	100.0	100.0	57.	BENTELER MPPV Automotive Manufacturing España, S.L., Palencia, Spain (previously: BENTELER Palencia S.L.)	100.0	100.0
38.	BENTELER Componentes Automotivos Ltda., Campinas (São Paulo), Brazil	100.0	100.0	58.	BENTELER Participation SA, Migennes, France	100.0	100.0
39.	BENTELER CR Holding GmbH, Paderborn, Germany	100.0	100.0	59.	BENTELER SGL Composite Technology GmbH, Ried im Innkreis, Austria	50.0	50.0
40.	BENTELER CR s.r.o., Chrastava, Czech Republic	100.0	100.0	60.	BENTELER SGL GmbH & Co. KG, Paderborn, Germany	50.0	50.0
41.	BENTELER de México S.A. de C.V., Puebla, Mexico	100.0	100.0	61.	BENTELER SGL Verwaltungs GmbH, Paderborn, Germany	50.0	50.0
42.	BENTELER Defense GmbH & Co. KG, Bielefeld, Germany ¹	100.0	100.0	62.	BENTELER Sistemas Automotivos Ltda., São José dos Pinhais, Parana, Brazil	100.0	100.0
43.	BENTELER Defense GmbH, Paderborn, Germany	100.0	100.0	63.	BENTELER South Africa (Pty.) Ltd., Alberton (Johannesburg), South Africa	100.0	100.0
44.	BENTELER Defense Verwaltungs GmbH, Paderborn, Germany	100.0	100.0	64.	BENTELER Spanien International GmbH, Paderborn, Germany	100.0	100.0
45.	BENTELER Engineering Chennai Private Limited, Chennai, India	100.0	100.0	65.	BENTELER-Indústria de Componentes para Automóveis Lda., Palmela, Portugal	100.0	100.0
46.	BENTELER España S.A., Burgos, Spain	100.0	100.0	66.	EUPAL Beteiligungs GmbH & Co. Vermietungs-KG, Pullach i. Isartal, Germany ¹	100.0	100.0
47.	BENTELER Gebze Tasit Sanayi ve Ticaret Limited Sirketi, Cayirova/Kocaeli, Turkey	100.0	100.0	67.	OOO BENTELER Automotive, Kaluga, Russia	100.0	100.0
48.	BENTELER Ibérica Holding SL, Barcelona, Spain	100.0	100.0	68.	OOO BENTELER Autotechnika Nowgorod, Velikij Nowgorod, Russia	100.0	100.0
49.	BENTELER JianAn Automotive (Chongqing) Co., Ltd., Chongqing, China	50.0	50.0	69.	RABET GmbH & Co. KG, Pullach i. Isartal, Germany ¹	100.0	100.0
50.	BENTELER JIT Douai SAS, Migennes, France	100.0	100.0	70.	Shanghai BENTELER Huizhong Automotive Co., Ltd., Shanghai, China	60.0	60.0
51.	BENTELER JIT Düsseldorf GmbH, Düsseldorf, Germany	100.0	100.0	71.	Wuhu BENTELER-POSCO Automotive Co. Ltd., Anhui, China	95.0	95.0
52.	BENTELER JIT Valencia S.A., Almussafes (Valencia), Spain	100.0	100.0				
53.	BENTELER Laser Application GmbH, Munich, Germany	100.0	100.0				

Steel/Tube Division			
72.	BENTELER (U.K.) Ltd., Wolverhampton, United Kingdom	100.0	100.0
73.	BENTELER Benelux B.V., Breda, Netherlands	100.0	100.0
74.	BENTELER North America Corporation, Wilmington (Delaware), USA	100.0	100.0
75.	BENTELER Rothrist AG, Rothrist, Switzerland	100.0	100.0
76.	BENTELER Steel & Tube Corporation, Houston (Texas), USA	100.0	100.0
77.	BENTELER Steel Tube GmbH, Paderborn, Germany	100.0	100.0
78.	BENTELER Steel/Tube (Nantong) Co. Ltd., Nantong, China	100.0	100.0
79.	BENTELER Steel/Tube Ibérica S.L., Barcelona, Spain (previously: BENTELER Distribución Ibérica, S.L.)	100.0	100.0
80.	BENTELER Steel/Tube Manufacturing Corporation, Wilmington (Delaware), USA	100.0	100.0
81.	Noord-Nederlandse Schrootverwerking B.V., Franeker, Netherlands	62.5	62.5
82.	Rohstoff-Handels-gesellschaft Günther Voth GmbH, Paderborn, Germany	62.5	62.5
83.	TF-Tec GmbH, Paderborn, Germany	100.0	100.0
Distribution Division			
84.	A/S Thos. Sonne Junr., Middelfart, Denmark	75.0	75.0
85.	BENTELER Comercial Ltda., Cotia (São Paulo), Brazil	100.0	100.0
86.	BENTELER Distribution (Thailand) Co., Ltd., Bangkok, Thailand	100.0	100.0
87.	BENTELER Distribution Austria GmbH, Biedermannsdorf, Austria	100.0	100.0
88.	BENTELER Distribution Boru Sanayi ve Ticaret Limited, Cayirova/Kocaeli, Turkey	100.0	100.0

89.	BENTELER Distribution Czech Republic spol. s.r.o., Dobříš (Prague), Czech Republic	100.0	100.0
90.	BENTELER Distribution Deutschland Beteiligungs GmbH, Duisburg, Germany	100.0	100.0
91.	BENTELER Distribution Deutschland GmbH & Co. KG, Duisburg, Germany ¹	100.0	100.0
92.	BENTELER Distribution EOOD, Stara Zagora, Bulgaria	100.0	100.0
93.	BENTELER Distribution Estonia OÜ, Saue, Estonia	75.0	75.0
94.	BENTELER Distribution France S.à r.l., La Madeleine de Nonancourt, France	100.0	100.0
95.	BENTELER Distribution Hungary Kft., Budapest, Hungary	100.0	100.0
96.	BENTELER Distribution India Private Limited, Pune, India	100.0	100.0
97.	BENTELER Distribution International GmbH, Düsseldorf, Germany	100.0	100.0
98.	BENTELER Distribution Limited, Bolton (Lancashire), United Kingdom	100.0	100.0
99.	BENTELER Distribution Poland Sp. z o.o., Dabrowa Gornicza, Poland	100.0	100.0
100.	BENTELER Distribution Singapore Pte Ltd, Singapore	100.0	100.0
101.	BENTELER Distribution Slovakia, s.r.o., Pusté Úľany, Slovakia	100.0	100.0
102.	BENTELER Distribution Ukraine LLC, Lwiw, Ukraine	100.0	100.0
103.	BENTELER Distribuzione Italia S.p.A., Trezzano sul Naviglio, Italy	100.0	100.0
104.	BENTELER Holdings Limited, Bolton (Lancashire), United Kingdom	100.0	100.0
105.	BENTELER Trading (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
106.	BENTELER Trgovina d.o.o., Sentjanz, Slovenia	100.0	100.0
107.	BMB Ocel s.r.o., Ostrava-Marianske Hory, Czech Republic	100.0	100.0

108.	Heléns Rör A/B, Halmstad, Sweden	75.0	75.0
109.	Heléns Rör A/S, Lilleström, Norway	75.0	75.0
110.	Heléns Rör A/S, Middelfart, Denmark	75.0	75.0
111.	Kindlimann AG, Will, Switzerland	100.0	100.0
112.	PT BENTELER Distribution Indonesia, Jakarta, Indonesia	100.0	100.0
113.	SC BENTELER Distribution Romania S.R.L., Slatina City, Olt County, Romania	100.0	100.0
114.	UAB BENTELER Distribution Lithuania, Vilnius, Lithuania	75.0	75.0
	Other		
115.	BENTELER Capital Corporation, Auburn Hills (Michigan), USA	100.0	100.0
116.	BENTELER Business Services GmbH, Paderborn, Germany	100.0	100.0
117.	BENTELER Engineering Services Shanghai Company Limited, Shanghai, China	100.0	100.0
118.	BENTELER International Beteiligungs GmbH, Salzburg, Austria	100.0	100.0
119.	BENTELER Netherlands Holding B.V., Helmond, Netherlands	100.0	100.0
120.	BENTELER Reinsurance Company Ltd., Dublin, Ireland	100.0	100.0
121.	BENTELER RV GmbH, Paderborn, Germany	100.0	100.0
122.	BENTELER Services LLC, Auburn Hills (Michigan), USA	100.0	100.0
123.	BENTELER VV GmbH, Paderborn, Germany	100.0	100.0
124.	BLV Versicherungsmanagement GmbH, Dortmund, Germany	55.0	55.0
125.	NAPOL GmbH & Co. KG, Objekt Schloss Neuhaus KG, Pullach i. Isartal, Germany ¹	100.0	100.0

	Associated Companies		
126.	BENTELER Engineering Romania S.R.L., Brasov, Romania	100.0	–
127.	BENTELER Engineering Services AB, Västra Frölunda, Sweden	100.0	100.0
128.	BENTELER Engineering Services B.V., Helmond, Netherlands	100.0	100.0
129.	BENTELER Engineering Services GmbH, Paderborn, Germany	100.0	100.0
130.	BENTELER Testing Services B.V., Helmond, Netherlands	100.0	100.0
131.	Polarputki Oy, Helsinki, Finland	37.5	37.5
132.	Profilanlegg ANS, Raufoss, Norway	26.0	26.0
	Companies not included in the consolidated financial statements		
133.	BENTELER Automotive (Tianjin) Co., Ltd., China	100.0	–
134.	BENTELER Trgovina d.o.o., Zlatar Bistrica, Croatia	100.0	100.0
135.	Swissauto Technology AG, Etagnières, Switzerland	100.0	100.0

¹ For these companies section 264b of the German Commercial Code applies.

Auditor's report

Report on the consolidated financial statements

We have audited the consolidated financial statements of Benteler International Aktiengesellschaft, Salzburg, and its subsidiaries (the Group), comprising the Consolidated Statement of Financial Position as at December 31, 2016, the Consolidated Income Statement, the Consolidated Statement of Cash Flows and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity for the year then ended together with the Notes.

In our opinion the consolidated financial statements comply with the legal requirements and present a true and fair view of the assets and the financial position of the Group as at December 31, 2016 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of section 245a of the Austrian Commercial Code.

Basis for our opinion

We conducted our audit in accordance with Austrian auditing standards. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities in accordance with those requirements and standards are detailed in the section entitled "Responsibilities of the auditor for the audit of the consolidated financial statements" in our auditor's report. We are independent of the Group in accordance with Austrian company and professional law and we have fulfilled our other professional duties in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion.

Responsibility of the management and the Audit Committee for the consolidated financial statements

The Company's management is responsible for preparing these consolidated financial statements in accordance with IFRS as adopted by the EU and the additional requirements pursuant to section 245a of the Austrian Commercial Code and for ensuring that they present a true and fair view of the assets, financial position and results of the Group. The management is also responsible for performing the internal controls it deems necessary for the preparation of consolidated financial statements that are free of material misstatement – whether intentional or otherwise.

In preparing the consolidated financial statements the management is responsible for assessing the Group's ability to remain a going concern, declaring any relevant facts connected to the continuation of the business activity and applying the going concern accounting policy, unless the management intends either to liquidate the Group or to discontinue its business activity, or has no realistic alternative to doing so.

The Audit Committee is responsible for monitoring the Group's accounting process.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our objective is to obtain sufficient assurance that the consolidated financial statements as a whole are free of material misstatement – whether intentional or otherwise – and to issue an auditor's report containing our opinion. Sufficient assurance is a high degree of assurance, but no guarantee that an audit conducted in accordance with Austrian auditing standards which require the application of ISA will in all cases detect material misstatement, if such exists. Misstatements can result from malicious acts or errors and are considered material if they may be

reasonably expected, individually or collectively, to influence economic decisions taken by users on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian auditing standards which require the application of ISA we exercise professional judgment throughout the audit and maintain a critical approach.

In addition:

- We identify and assess the risks of material misstatement – whether intentional or otherwise – in the financial statements, plan auditing procedures in response to such risks, implement those procedures and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinion. The risk that material misstatement resulting from malicious acts may not be detected is greater than in the case of misstatement resulting from errors, since malicious acts may involve fraudulent collaboration, forgery, intentional omissions, misleading representations or the bypassing of internal controls.
- We gain an understanding of the internal control system relevant to the audit in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system.
- We assess the appropriateness of the accounting policies used by the management and the tenability of the values estimated by the management in the accounts and associated disclosures.
- We draw conclusions about the appropriateness of the use of the going concern accounting policy by the management and, on the basis of the audit evidence obtained, whether there is material uncertainty in relation to events or circumstances which may cast significant doubt on the Group's ability to continue its

business activity. If we conclude that there is material uncertainty, we are obliged to draw attention in our auditor's report to the associated disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. Future events or circumstances may, however, lead to the Group abandoning the continuation of business activity.

- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements reflect the underlying transactions and events in a manner which presents a true and fair view.
- We obtain sufficient appropriate audit evidence concerning the financial information of the units or business activities within the Group in order to issue an opinion on the consolidated financial statements. We are responsible for guiding, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.
- We exchange information with the Audit Committee among other things on the planned scope and planned time distribution of the audit and with regard to significant audit findings, including any significant deficiencies in the internal control system which we identify during our audit.
- We also declare to the audit committee that we have adhered to the relevant professional conduct requirements with regard to independence and exchange information with it on all relationships and other matters which may be reasonably assumed to affect our independence and – where relevant – associated safeguards.

Report on the Group management report

The Group management report must be examined pursuant to Austrian company law to ascertain whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

The management is responsible for preparing the Group management report in accordance with Austrian company law and special legal provisions.

We have conducted our examination in accordance with the professional principles for the examination of the Group management report.

Opinion

In our opinion the Group management report has been prepared in accordance with the applicable legal requirements and is consistent with the consolidated financial statements.

Declaration

In the light of the knowledge obtained during the audit of the consolidated financial statements and the understanding obtained concerning the Group and its environment, no evidence was found of material misstatement in the Group management report.

Other information

The management is responsible for the other information. The other information includes all information in the annual report, with the exception of the consolidated financial statements, the Group management report and the auditor's report thereon. The annual report is expected to be available to us after the date of the auditor's report.

Our audit opinion concerning the consolidated financial statements does not cover this other information and we shall not provide any assurance on it.

In connection with our audit of the consolidated financial statements our responsibility is to read such other information as soon as it is available and to assess whether, in the light of the understanding obtained in the audit, it materially contradicts the consolidated financial statements or otherwise appears materially incorrect.

Salzburg, February 10, 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Gerold Stelzmüller
Auditor

Report of the Supervisory Board

of BENTELER International AG on the 2016 financial year

Meetings and committees

The Supervisory Board actively monitored and supported the development of BENTELER International AG within the framework of its responsibility. The Supervisory Board exercised its powers and fulfilled the duties incumbent upon it under the law and articles of association by means of four regular meetings and two circular resolutions during the 2016 financial year. The Executive Board reported regularly, promptly and comprehensively, both in writing and orally, on the course of business, the position of the Company as well as the risk situation and risk management of the Company and its Group companies. In addition, the Chairman of the Executive Board maintained regular contact with the Chairman of the Supervisory Board and kept him informed about the strategy, business development and position of the Company including its Group companies. In addition, the Supervisory Board was informed about the key data in the Consolidated Financial Statements, approved them and adopted further corporate planning.

The Personnel Committee met three times in the 2016 financial year, dealing mainly with the bonus system and employment contracts.

The Audit Committee met on three occasions in the 2016 financial year, including its inaugural session. Predominantly, it dealt with the separate and consolidated financial statements, the financial reporting process, the risk management system and the audit strategy, as well as monitoring the audit. Mr. Axel Prym was appointed as Chairman and Dr. Ralf Bethke as a member of the Audit Committee.

In 2016 Dr. Ulrich Dohle was elected as Vice Chairman of the Supervisory Board.

At its final meeting of the year, the Supervisory Board appointed Mr. Ralf Göttel as a member and Chairman of the Executive Board with effect from April 1, 2017.

Annual and consolidated financial statements

The annual financial statements and the management report as well as the consolidated financial statements and the Group management report of Benteler International AG for the 2016 financial year were examined by the auditor selected by the Annual General Meeting and appointed by the Chairman of the Supervisory Board, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kudlichstraße 41-43, 4020 Linz. According to the closing statement, the results of the audit raised no cause for objections. The auditor confirmed that the Company's accounting, financial statements and management report, as well as the consolidated financial statements and the Group management report, comply with the legal requirements and give a true and fair view of the assets, financial position and results of the Company in compliance with proper accounting procedures. The auditor further confirmed that the management report and the Group management report are consistent with the annual financial statements and consolidated financial statements. The annual financial statements and the management report as well as the consolidated financial statements and the Group management report of the Company have therefore been issued with an unqualified audit opinion. A separate report was supplied to the Chairman of the Supervisory Board by management letter.

The auditor has supplied sufficient explanations to the Supervisory Board with regard to the annual and consolidated financial statements.

The final result of the examination conducted by the Audit Committee of the management report of the Executive Board, the annual financial statements as well as the consolidated financial statements and Group management report and the management audit undertaken by the Supervisory Board raised no cause for objections. The Supervisory Board has approved the annual financial statements and the consolidated financial statements. The annual financial statements have thus been adopted in accordance with section 96 paragraph 4 of the Stock Corporation Act. The Supervisory Board endorses the Executive Board's proposal for appropriation of profit.

The Supervisory Board proposes to appoint KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kudlichstraße 41-43, 4020 Linz as auditors and as the Group's independent auditors for the 2017 financial year.

Salzburg, March 24, 2017

Chairman of the Supervisory Board

List of Tables and Figures

No.	Description	Page
	THE BENTELER-GROUP	
1.1	Key Performance Indicators	02
1.2	Revenue by segment	02
1.3	Revenue by region	02
1.4	BENTELER Locations	07
	GROUP MANAGEMENT REPORT	
2.1	Revenue performance since 2012	19
2.2	Revenue by Divisions	19
2.3	Division shares of Group revenue	20
2.4	Investments	22
2.5	Statement of cash flows	22
2.6	Group balance sheet ratios	24
2.7	Key financial ratios	25
2.8	Total investments, depreciation and amortization, and cash flow	26
	CONSOLIDATED FINANCIAL STATEMENTS	
3.1	Consolidated Income Statement (IFRSs)	44
3.2	Consolidated Statement of Comprehensive Income (IFRSs)	45
3.3	Consolidated Statement of Financial Position (IFRSs)	46
3.4	Consolidated Statement of Cash Flows (IFRSs)	48
3.5	Consolidated Statement of Changes in Equity (IFRSs)	50
3.6	New accounting standards – current reporting period	53
3.7	New accounting standards – current reporting period	54
3.8	Development of the consolidated group	57
3.9	First-time consolidation of net assets	58
3.10	Deconsolidated net assets	59
3.11	Foreign currency exchange rates	60
3.12	Useful lives of intangible assets	62
3.13	Useful lives of property, plant and equipment	63
3.14	Impairment test	64
3.15	Revenue	69
3.16	Cost of sales	69
3.17	Other operating income	69
3.18	Financial result	70
3.19	Financial result	70
3.20	Income taxes	71
3.21	Reconciliation between expected and disclosed income tax expense	71
3.22	Total research and development cost	72
3.23	Development of intangible assets	73
3.24	Development of intangible assets	74
3.25	Property, plant and equipment	75
3.26	Property, plant and equipment	76
3.27	Outstanding minimum lease payments from operating leases	77
3.28	Outstanding minimum lease payments from finance leases	78
3.29	Financial information on investments in associates	78
3.30	Allocation of deferred tax assets and liabilities to items in the statement of financial position	79
3.31	Unused tax loss carryforwards	79
3.32	Other non-current receivables and assets	80
3.33	Inventories	80

3.34	Trade receivables	80	3.55	Sensitivity analysis for interest rate risk	90
3.35	Development of doubtful debt allowances on trade receivables	81	3.56	Sensitivity analysis for aluminum price risk	91
3.36	Maturity structure of unadjusted receivables	81	3.57	Maturities of financial liabilities	93
3.37	Receivables from construction contracts	82	3.58	Maturities of financial liabilities	94
3.38	Other current receivables and assets	82	3.59	Types, amounts and fair values of foreign currency hedges and interest rate hedges held in the current reporting period	96
3.39	Development of other components of equity in the current reporting period	83	3.60	Types, amounts and fair values of foreign currency hedges and interest rate hedges held in the prior reporting period	96
3.40	Development of other components of equity in the prior reporting period	83	3.61	Carrying amounts of financial assets and liabilities by category	97
3.41	Provisions	83	3.62	Carrying amounts of financial assets and liabilities by category	98
3.42	Statement of changes in provisions	84	3.63	Carrying amounts of financial assets and liabilities by category	99
3.43	Parameters for actuarial calculations	85	3.64	Carrying amounts of financial assets and liabilities by category	100
3.44	Reconciliation of the obligation under defined benefit plans with provisions for pensions and similar obligations	85	3.65	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	102
3.45	Expenses from retroactive plan amendments	86	3.66	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	102
3.46	Changes in plan assets	86	3.67	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	103
3.47	Changes in asset ceiling	87	3.68	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	103
3.48	Components of plan assets	87	3.69	Other financial assets – derivatives with positive market value	104
3.49	Impact of changes in actuarial parameters on the defined benefit obligation	87	3.70	Other financial liabilities – derivatives with negative market value	104
3.50	Impact of changes in actuarial parameters on the defined benefit obligation	87	3.71	Determination of the net amount of other financial liabilities recognized in the statement of financial position	105
3.51	Financial debts	88	3.72	Total remuneration of management in key positions	107
3.52	Other short-term liabilities	88	3.73	Auditor's fees	108
3.53	Sensitivity analysis for EUR foreign exchange risk	89	3.74	Appendix to the Notes: List of Shareholdings as at December 31, 2016	109
3.54	Sensitivity analysis for USD foreign exchange risk	90			

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