

ANNUAL REPORT 2018

Key performance indicators

FINANCIAL YEAR JANUARY 1 – DECEMBER 31

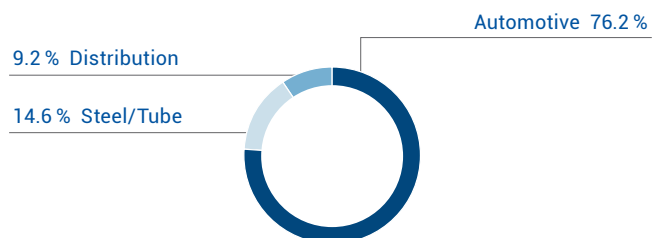
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		2018	2017
External revenue	€ MILLION	8,072	7,856
Employees including trainees*	FTE	28,578	27,955
Personnel expenses	€ MILLION	1,455	1,445
Investments	€ MILLION	429	429
Depreciation and amortization	€ MILLION	257	279
Cash flow from profit	€ MILLION	281	403
Shareholders' equity	€ MILLION	1,146	1,102
Equity ratio	%	21.5	21.4
Total assets	€ MILLION	5,332	5,138
EBIT	€ MILLION	119.3	206.8
Consolidated profit	€ MILLION	31.2	100.8

*annual average; measured in full-time equivalents; excluding contract workers

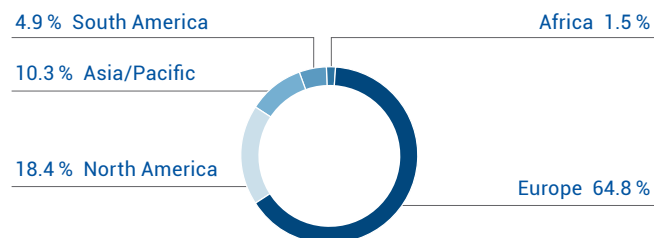
REVENUE BY SEGMENT

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REVENUE BY REGION

— 1.3



Short profile of the BENTELER Group

BENTELER is a global, family-owned company serving customers in automotive technology, the energy sector and mechanical engineering. As a strategically innovative partner, we design, produce and distribute safety-relevant products, systems and services.

Our portfolio encompasses components and modules for the automotive industry, in the areas of chassis, body, engine and exhaust systems, as well as system solu-

tions for electric vehicles. We develop technical equipment and plant for leading automotive suppliers and for the glass-processing industry. Also, based on more than 140 years of experience in steel, we develop seamless and welded quality steel tubes – from material development to tube applications, global distribution of tubes and the associated services.

Under the management of the strategic holding BENTELER International AG,

headquartered in Salzburg, Austria, our around 30,000 employees at 141 locations in 38 countries offer first-class manufacturing and distribution competence. With technological excellence and effective implementation we develop solutions that make the difference – for customers, employees and society.

BENTELER. The family of driven professionals. Since 1876.

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(l. to r.): Isabel Diaz Rohr, Guido Huppertz, Ralf Göttel,
Executive Board of BENTELER International AG



Ladies and Gentlemen,

It is no exaggeration to describe last year as eventful, or even turbulent. In the very first weeks of the year the US administration decided to impose anti-dumping tariffs. A few months later these were extended to include steel and aluminum imports. Apart from this there is the still ongoing trade conflict between the US and China which started with punitive tariffs. In Europe discussion was dominated by the possible exit of the United Kingdom from the EU, and, in the automotive area, by the new global harmonized testing procedure for exhaust emissions, WLTP.

In this challenging situation, we were helped by our broad-based portfolio of customers, markets and products. Our business partners know and appreciate this: Thanks to an excellent order-book situation, our business expanded again in 2018, for example as a result of new plants in the markets relevant for us and our customers. The BENTELER Group achieved revenues 2.7% higher than the previous year; growth outpaced the market. This was in parallel with the challenge of increasing production in the shape of new launches and ramp-ups – which incurred costs above plan. In combination with the economic turbulence this led to a lower EBIT.

That applies above all to the **Automotive Division**: Revenues matched those of the previous year – despite the market declining in the second half of the year – but the result was not in line with our expectations.

The first half-year was positive – above all because of the successful start-up of the module plant in the Polish town of Września and the growth in China, from which our plants in Shenyang and Changshu benefited. The second half-year saw a market-related change in trend: The external factors mentioned above led to a regional slowing in sales; together

with the higher costs for the many new product starts, this resulted in a lower EBIT. The markets themselves, however, are intact, which is why we are expecting catch-up effects.

The **Steel/Tube Division** achieved record revenues. EBIT also rose. In particular capacity utilization of the German plants, due also to high demand in the US for OCTG tubes, had a positive effect; we were able in part to pass on some of the hiked tariffs to our customers. In the second half of the year we made significant progress in the ramp-up of the hot rolling mill in Shreveport, USA: Supported by experienced colleagues from Germany, the US team made good progress in continuing a successful ramp-up. The trend and relevance of the US market makes it very clear that our major investment in the USA was strategically the right step towards a flourishing and diversified future.

The **Distribution Division** increased both revenues and result (adjusted for a land sale in Switzerland) – and it did this with the same sales volume as in the previous year. This pleasing trend is based on now higher market prices, consistent operational improvements and rigorous adjustment of the product portfolio.

Outlook

In 2018 we adjusted our strategic orientation. After years of growth, we are now a leading supplier to the automotive, energy and mechanical engineering sectors. We have over 140 locations in around 40 countries – in other words, everywhere where our customers need us. For this reason we are now placing our focus on balanced growth and increased profitability. In future we will be concentrating even more closely on our core business: As a process specialist we will offer our customers excellent products, processes and services. In addition, we will invest in a targeted

way in selected areas that fit with our core competence – for example in the field of electromobility. Or in the themes of the future, such as automation and Industry 4.0, which further increase our efficiency.

What do we expect from 2019? Economic developments around the world show no signs of entering a calmer period; at the same time, again this year we are expecting a significant increase in volumes, thanks to the very good order-book situation. Then, from 2020, we will be moving towards balanced growth. All in all this new year is set to be another challenging one. Nevertheless we are confident that, with the initiatives already started and the measures still in the pipeline, we are well equipped to continue to be successful in the competitive environment. But more than that – we are looking forward, this year also, to developing solutions that make the difference for our customers.

All this would not be possible without the tireless efforts of our employees. On behalf of the Executive Board of BENTELER International AG, and in the name of the Management Boards of the Divisions, we would like to express our sincere thanks to you, the employees. And to our customers for, in some cases, decades of business partnership. We are also grateful to our shareholders for their valuable support. Together we make it happen.

Salzburg, March 2019

Ralf Göttel, Chief Executive Officer
Guido Huppertz, Chief Financial Officer
Isabel Diaz Rohr, Member of the Executive Board

BENTELER International AG

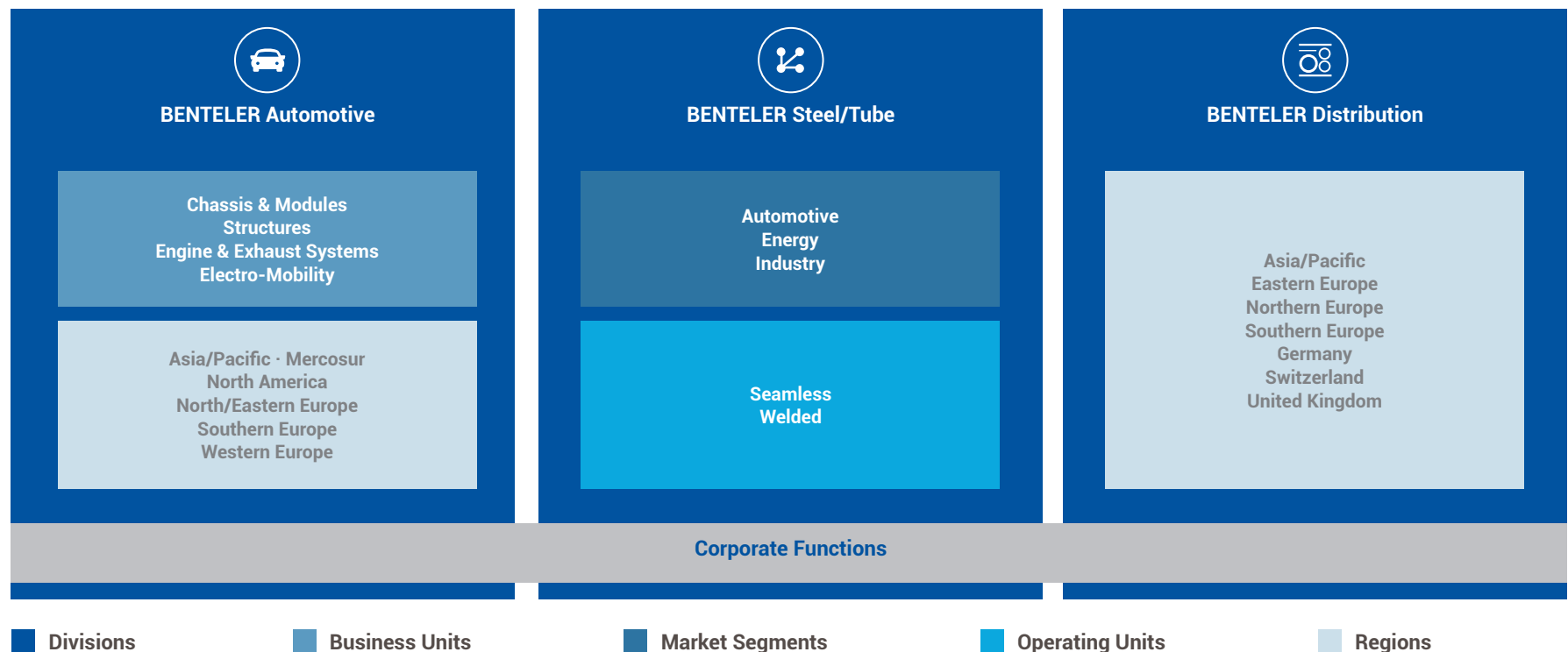
Group Structure

The BENTELER Group is organized into the three Divisions of BENTELER Automotive, BENTELER Steel/Tube and BENTELER Distribution. We leverage the expertise from these Divisions to strengthen the Group as a whole. And we utilize our size and international reach to ensure our customers successfully achieve their goals.

The holding company BENTELER International AG, based in Salzburg, Austria, is responsible for the strategic management of the Group. As well as BENTELER International AG, BENTELER Business Services GmbH, based in Paderborn, Germany, also carries out additional holding functions.

BENTELER Group

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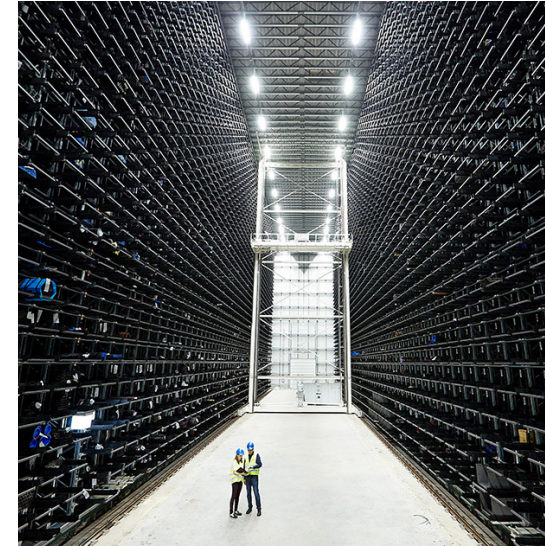
Business Areas



BENTELER Automotive is the development partner for the world's leading automobile manufacturers. We design and develop solutions where quality, safety and efficiency are decisive. Our products comprise components and modules for chassis, body, engine and exhaust systems. As a process specialist with strong innovations capability we partner our customers along the entire value chain – from development and production to assembly. The Automotive Division also offers its customers system solutions for electric vehicles.



BENTELER Steel/Tube develops and produces steel as well as seamless and welded quality steel tubes. As one of the leading manufacturers, we deliver solutions to customers around the world along the entire value chain – from material development to tube applications. We also offer environmentally friendly surface coatings, and complex solutions in forming technology, for example airbag tubes. In this way we create customized tube products for the automotive, energy and industry market segments.



BENTELER Distribution is the leading international trading partner for high-quality steel tubes and associated services. Our customers are in the mechanical engineering, automotive, energy, construction and ship-building industries. We offer them custom tube solutions, comprehensive first-stage processing and additional customer-specific services. We ensure fast and reliable delivery of steel tubes in different sizes and grades – with over 310,000 m² of warehouse space in Europe's biggest high-rack facility, 50 locations in almost 30 countries and more than 100,000 tons of steel in stock.

Personnel Matters

THE EXECUTIVE BOARD OF BENTELER INTERNATIONAL AG

Ralf Göttel, Schöna am Königssee, Germany
(Chairman of the Executive Board, responsibilities:
Strategy & M&A, Compliance & Board Affairs, Divisions)

Guido Huppertz, Bergheim bei Salzburg, Austria
(responsibilities: Finance & Controlling, Legal &
Insurance, Tax, Internal Audit)

Isabel Diaz Rohr, Schöna am Königssee, Germany
(responsibilities: Human Resources, IT,
Communication/Marketing)

THE SUPERVISORY BOARD OF BENTELER INTERNATIONAL AG

Dr. Ulrich Dohle, Nonnenhorn, Germany
Chairman
(from March 17, 2018; former Chairman of the
Board of Directors of Rolls-Royce Power Systems AG,
Friedrichshafen, Germany)

Dr. Ralf Bethke, Deidesheim, Germany
(member and Chairman of the Supervisory Board until
March 16, 2018; former Chairman of the Supervisory
Board of K+S AG, Kassel, Germany)

Reiner Winkler, Riemerling, Germany
Vice-Chairman
(from September 12, 2018, member of the Supervisory
Board since March 17, 2018; Chairman of the Board of
Directors of MTU Aero Engines AG, Munich, Germany)

Hubertus Benteler, Salzburg, Austria
(former Chairman of the Executive Board of BENTELER
International AG, Salzburg, Austria)

Christian Caspar, Zürich, Schweiz
(Director Emeritus at McKinsey & Company, Inc., Zürich,
Switzerland)

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, Düsseldorf, Germany)

THE MANAGEMENT BOARDS OF THE DIVISIONS

BENTELER AUTOMOTIVE

Ralf Göttel (since August 1, 2018)
Oliver Lang
Dr. Jürgen Stahl (since September 1, 2018)
Laurent Favre (until July 31, 2018)

BENTELER STEEL/TUBE

Christian Wiethüchter
Dr. Tobias Braun (since October 1, 2018)
André Sombecki (until September 30, 2018)
Dr. Andreas Hauger (until March 20, 2018)

BENTELER DISTRIBUTION

Dr. Arthur Jaunich
Torsten O. Beer
Heike E. Weishaupt

BENTELER Locations

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— PLANTS

CLOSE TO THE CUSTOMER – WORLDWIDE

With 141 locations worldwide, BENTELER is always by your side, wherever you operate. But we believe customer proximity is about more than just geography: BENTELER supports its partners strategically – from product idea through to series production. With many years of expertise, cross-sector know-how and the ambition to develop the ideal solution.

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— SUBSIDIARIES AND
TRADING COMPANIES

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— COUNTRIES

GROUP MANAGEMENT REPORT

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Business and General Conditions

After a restrained start to the year, the global economy regained strong momentum in 2018 according to the Institute for the World Economy (IfW) in Kiel¹, although the economic picture was clouded by growing trade policy disputes in the second half of the year. Global economic growth consequently stood at 3.7%, 0.2 percentage points lower than had been assumed in the previous year's forecast, and thus remained at the 2017 level. Economic momentum picked up particularly towards the end of the year with growth spreading across the individual countries.

Against a backdrop of tax reforms and associated cuts in charges payable by corporations and private individuals, the United States economy gained significant impetus. Gross domestic product benefited particularly from a marked boost to private consumption and corporate expenditure and recorded growth of 2.9%, exceeding the previous year's level. The investment trend weakened notably, however, towards the year-end.

By contrast, growth in the emerging markets cooled, sometimes markedly so, due to a deterioration in financial and trade policy conditions. The anti-dumping tariffs adopted by the US Government in January and the additional punitive tariffs imposed on steel and aluminum imports from the EU, Canada and Mexico from June had a negative impact on the economy. China in particular, the

main driver of growth in the global economy, saw growth decrease to 6.6%. The growing concerns about an escalation of the existing trade sanctions between the United States and China fueled uncertainty and constrained both private consumption and corporate investment.

The eurozone economy also lost momentum, recording growth of 1.9%. This was due in part to temporary, country-specific factors.

The current uncertainty concerning economic trends is thus primarily driven by the political decisions surrounding Brexit and the trade dispute between the United States and China. An orderly resolution of these issues will be crucially important for the continued positive development of the economy.

Slight downturn in global vehicle production

Global automotive production decreased by 1.0% in 2018 to 94.2 million vehicles. The combined production share of world's three largest automobile manufacturers, Volkswagen, Toyota and Renault-Nissan-Mitsubishi, rose to 34%. Volkswagen remained the global industry leader, with the number of units manufactured growing by 1.2% to 10.9 million in 2018. Renault-Nissan-Mitsubishi was again the second-largest automotive manufac-

turer in 2018, with 10.5 million vehicles produced. Toyota remained in third place, with production almost unchanged at 10.4 million vehicles.

As in the previous year, the picture across Europe differed depending on the region. Whereas Western Europe saw a sharp 6.0% decline in automotive production, Eastern Europe recorded a marked increase of 7.6%, while Southern Europe posted a moderate decline of 1.9%. The reduction in Western Europe was mainly the result of volume declines in Germany (-9.5%) and the United Kingdom (-9.3%). This was due to a range of factors, including the introduction of new emission testing procedures (WLTP), but also to uncertainty surrounding the ongoing Brexit process. The rise in Eastern Europe was significantly affected by strong growth of 12.7% and 9.8% in Russia and Slovakia respectively. The initially positive forecast for Turkey in the first half of 2018 was adjusted for the full year to a production decline of 8.1%.

Automotive production in North America remained almost unchanged on the previous year at 17.0 million vehicles in 2018. With a 65% share and production remaining at 11.0 million vehicles, the United States was once again the largest individual market in North America. In particular the growing trade tensions had a negative impact. Automotive production in Mexico was again comparable to the previous year's level at 3.9 million vehicles.

¹) Source: Kiel Institute Economic Outlook No. 49 (2018/Q4), Institute for the World Economy, Kiel

South America recorded 2.9% growth in automobile production compared to the previous year. The upturn was driven particularly by the recovery in the Brazilian market, which recorded clear year-on-year growth of 4.0%. Around 2.7 million vehicles were produced in Brazil. At almost 70%, Brazil accounts for the bulk of production in South America.

The market in the Asia-Pacific region accounted for more than half of global automotive production despite a 1.2% downturn in 2018 to around 49.4 million vehicles. With production of around 26.7 million cars and the first decline since the 1990s, of 3.7%, China was again the world's largest individual market. The intensified trade disputes with the United States impacted negatively on vehicle demand. Sustained strong growth of 6.7% was achieved in India. This positive development was underpinned not only by positive economic development but also by the introduction of further reforms. Japan, by contrast, posted unchanged figures compared to the previous year, while South Korea saw a decline of 2.0%.

Stabilization in the steel tube market

One of the key factors affecting the development of the global tube market is activity in oil and gas exploration, which continued to stabilize in 2018.

The oil price rose during 2018, although a decline set in towards the end of the year. The price of West Texas Intermediate (WTI) was still \$55-\$58/bbl at the end of 2017 before rising to almost US\$75/bbl at the beginning of October, buoyed by the global economy and the situation in the Middle East (including Iran). Politically driven economic uncertainties and strong US production caused the oil price to fall below \$50/bbl at the end of the year. By contrast, the rig count, a sales-relevant metric that measures the number of active wells in the United States, stood at 1,083 at the end of 2018, some 17% higher than at the beginning of the year. The increase in drilling activity had a correspondingly positive impact on tube demand in the United States. The growth of drilling activity was reflected by the high volume of

supplies of OCTG (Oil Country Tubular Goods) tubes into the United States compared to the previous year.

Competition in the steel tube industry in Europe remained fierce and was intensified by a surge in protectionism. The investment trend in the sectors of importance to BENTELER nevertheless showed a predominantly positive picture during the reporting year. The market for heat exchangers, for example, saw a continuous rise in sales. The energy sector also showed steady demand, particularly in the areas of oil and gas and power generation. The market for European agricultural technology, which recorded much higher-than-expected growth of 7% from 2017, has stabilized at this high level since then. The automotive sales markets of relevance to the Steel/Tube Division also developed positively during the first half of the year, although the pace of growth slowed markedly in the second half. In mechanical engineering too the trend weakened during the second half of the year. A positive trend is expected to continue in 2019 due to healthy order books.

Result of Operations

Revenue growth in the BENTELER Group

As a strategically innovative partner, BENTELER develops, distributes, and produces solutions world-wide for the automotive, energy, and mechanical engineering sectors in close collaboration with customers and partners. The portfolio encompasses products, systems, and services that are offered in all significant markets worldwide. BENTELER takes customer proximity literally and is thus expanding the production capacity of the Automotive Division in the growth markets where customers need solutions on the ground.

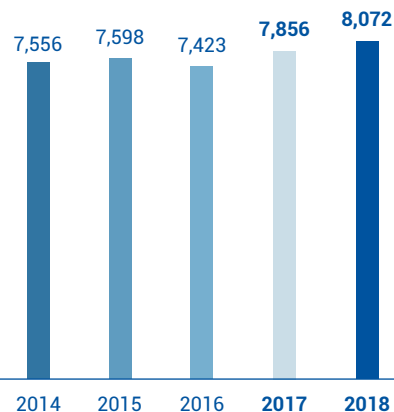
In 2018 the BENTELER Group generated revenues of €8,072 million, representing a rise of €216 million compared to the previous year. At €6,304 million, the revenues of the Automotive Division remained at the previous year's level and amounted to 76.2% of Group revenues. The Steel/Tube Division increased its revenues by 18.0% to €1,206 million with a share of Group revenues of 14.6%. The Distribution Division recorded a largely price-driven rise in revenues of 6.3% to €761 million, taking its share of Group revenues to 9.2%.

Rise in operating revenues in the Automotive Division

BENTELER Automotive develops and manufactures components and modules for bodies, chassis, and engines. The Division also offers its customers system solutions for electric vehicles. As a highly innovative partner the Automotive Division also supports its customers throughout the value chain – from development and production through to assembly.

REVENUE PERFORMANCE SINCE 2014

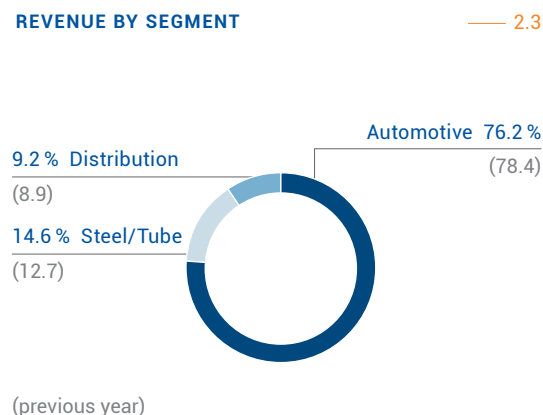
IN € MILLION



REVENUE BY DIVISION

	2018	2017	Change	
IN € MILLION				%
Automotive	6,304	6,296	8	0.1
Steel/Tube	1,206	1,023	184	18.0
Distribution	761	716	45	6.3
Division revenues	8,272	8,035	237	3.0
Internal revenues, other	-200	-179	-22	
External revenue	8,072	7,856	216	2.7

REVENUE BY SEGMENT



The Division generated revenue of €6,304 million in 2018, matching the previous year's level. After adjustment for foreign currency translation effects, operating revenue grew by 2.7% during the reporting period. Following growth in the first half, a market-driven trend reversal midway through the year led to a year-on-year decline in the second half.

The key drivers of the rise in operating revenue were demand in the first half of the year and the launch and start-up of new products and plants. These included a wide range of new start-ups and model changeovers at the plants at Września (Poland) and Palmela (Portugal), as well as in the Chinese module plants in Shenyang und Changshu. The further ramp-up of production at the new component plant

at Klášterec nad Ohří in the Czech Republic also contributed to the revenue growth. Whereas in the first half of the year the volume of call-offs by our customers largely met expectations, in the second half they fell short of our expectations, particularly at a number of plants in Europe, the United States and China. In Europe the volume decline was due particularly to the challenges faced by a number of customers resulting from the new WLTP emission test procedure. In China we recorded a decline in call-offs for the first time in a long while at the existing plants due to weaker automobile demand. This was caused in part by the trade dispute with the United States and weaker consumption.

The Chassis & Modules Business Unit focuses on developing and manufacturing chassis cross-members, subframes and control arms and on assembling complete front and rear axles. The revenue generated by this Unit in 2018 amounted to €3,423 million, representing a decrease of 3.0% compared to the previous year. The decline in revenue was due in particular to lower volume in Belgium resulting from discontinued production, weaker call-offs at plants in the United States and Brazil and postponement of the start-up of a large module project by our customer.

The Structures Business Unit manufactures safety components such as bumpers, roof frames, A and B pillars, door beams, and instrument panel supports,

as well as press parts for external and internal use. This Unit increased its revenues by 4.9% compared to 2017 to €2,011 million. The biggest rise was recorded in the Southern Europe region, in France and Spain, due to product start-ups.

The Engine & Exhaust Systems Unit develops and produces components and systems to optimize fuel consumption and reduce exhaust gas emissions. The revenue of the Business Unit rose by 7.0% year on year to €766 million. The growth was generated particularly in Brazil, Germany, and the United States.

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. The BENTELER Lightweight Protection area provides appropriate vehicle protection solutions for a variety of customer and market segments.

Marked rise in revenues in the Steel/Tube Division

BENTELER Steel/Tube develops and produces seamless and welded quality steel tubes for the automotive, energy, and industry market segments. As one of the leading manufacturers, the Division provides solutions for customers around the world in every part of the value chain – from material

development through to tube applications. That guarantees not only high-quality products, but also high dependability, flexibility, and delivery reliability.

The Steel/Tube division generated record revenues of €1,206 million in 2018, a rise of 18.0% compared to the previous year's level of €1,023 million.

The Seamless Operating Unit produces seamless tubes for the automotive, oil and gas exploration, energy, construction, and mechanical engineering market segments. In 2018 revenues rose by 27.8% compared to the previous year to a record level of €932 million. The high growth was driven essentially by the continued ramp-up of operations at the hot rolling mill in the United States and market-driven capability utilization of the plants in Germany.

The Welded Operating Unit produces welded tubes for the automotive sector and other industries, and for mechanical and plant engineering. Revenues decreased by 6.5% in 2018 compared to the previous year to €275 million. The main reason was lower volume in a segment of the Paderborn plant in Germany.

Price-driven rise in revenues in the Distribution Division

BENTELER Distribution is the leading international distribution partner for high-quality steel tubes and

associated services. The Division offers tailor-made tube solutions for customers in the mechanical engineering, automotive, energy, construction, and shipbuilding industries, comprehensive first-stage processing and additional customer-specific services – from project support through to completion.

In the reporting year BENTELER Distribution generated revenue of €761 million. With volume sales remaining at the previous year's level, this represents a rise of 6.3% compared to the previous year due to increased prices.

Decrease in earnings before interest and tax

The BENTELER Group's consolidated earnings before interest and tax (EBIT) decreased to €119.3 million in 2018, €87.4 million below the 2017 level. After adjustment for a non-recurring effect of a land sale in the Distribution Division in Switzerland in 2017, the decline compared to the previous year amounted to €66.0 million.

The EBIT of BENTELER Automotive fell significantly short of the previous year's level. The factors behind the earnings decrease were on the one hand much weaker call-offs by customers in Europe, particularly due to the new WLTP emission test procedure. The lower volumes in North America and the marked decline in automotive demand in China in the second half of the year also impacted earnings. On the other hand the strong

growth resulting from the high order intake, with many new launches of products and plants, means we have to contend with operational challenges and correspondingly negative impacts on earnings. Some of these challenges also result from the tight labor market, shortages of qualified personnel, and wider fluctuations in the supply of specialists trained by BENTELER. In order to address the operational challenges, comprehensive improvement measures and a supportive cost reduction initiative have been devised and introduced.

The EBIT of the Steel/Tube Division improved compared to the previous year despite negative impacts from new tariffs on steel and aluminum products in the United States. Earnings increased in the Operating Unit Seamless in Germany, due to the healthy order book and increased efficiency compared to the previous year, as well as in the United States, where there was better coverage of fixed costs due to improved capacity utilization and sales volumes. In the Operating Unit Welded earnings fell slightly short of the previous year's level due to a portfolio adjustment, but exceeded our expectations.

BENTELER Distribution achieved a marked increase in the operating result before interest and tax. Even after the deduction of income from a land sale in Switzerland, a clear rise was recorded in EBIT due to sustained business activity compared to the previous year. The earnings performance

here was positively impacted by the measures taken to control prices and consistently improve operations as well as the higher price level.

The BENTELER Group generated a consolidated net profit of €31.2 million in the 2018 financial year, €69.5 million below the level of the previous year.

Assets and Financial Position

Investments still exceed depreciation and amortization

The BENTELER Group invested €429 million in 2018. Due to growth, investments during the reporting year significantly exceeded depreciation and amortization of €257 million. The BENTELER Group is thus investing strongly in its future growth.

Total investments by the Automotive Division amounted to €370 million in 2018. Of this, €223 million, or 60%, was devoted to project-specific investments, production facilities, and equipment. The larg-

est investment projects were the expansion at the Schwandorf site in Germany, infrastructure investments at the new plant at Klášterec nad Ohří in the Czech Republic, and a plant expansion to incorporate a new production hall at Vigo in Spain. Additional larger project-specific investments were undertaken at Spartanburg (United States), Puebla (Mexico), Shenyang, Chongqing (both in China), and Kleinenberg (Germany).

Investments in the Steel/Tube Division amounted to €41 million. The Distribution Division invested €11 million during the past financial year.

Continued high level of cash and cash equivalents

Cash flow from profit in the 2018 financial year amounted to €281.4 million. This was €121.4 million below the previous year's level of €402.8 million. At €128 million, working capital was €144 million lower in December 2018 than at the end of 2017. Cash flow from investing activities rose by €60.2 million year on year to €374.3 million.

INVESTMENTS

	2018	2017	Change	
IN € MILLION				%
Automotive	370	386	-16	-4
Steel/Tube	41	27	14	54
Distribution	11	10	1	11
Other companies	7	6	1	14
Total investments*	429	429	0	0

* Additions of intangible assets and property, plant, and equipment, including subsidies received for capital assets amounting to €3.6 million in 2018 (previous year €0.8 million)

STATEMENT OF CASH FLOWS

	2018	2017
IN € MILLION		
Cash flow from operating activities	338.2	347.3
(of which: cash flow from profit)	281.4	402.8
Cash flow from investing activities	-374.3	-314.1
Cash flow from financing activities	25.6	300.3
Effect of exchange rate changes on cash and cash equivalents	-3.6	-8.9
Cash and cash equivalents at beginning of period	682.3	357.6
Cash and cash equivalents at end of period	668.1	682.3

Cash flow from financing activities amounted to €25.6 million in the reporting year. The net cash flow from the drawing of loans, the placement of bond loans, and other financing activities of €351.4 million exceeded the net outflow of funds from scheduled repayments of €296.5 million and is being used for the early refinancing of future scheduled repayments. Dividend payments to shareholders led to a further cash outflow of €29.3 million.

At €668.1 million, the cash and cash equivalents during the reporting year were €14.1 million lower than in the previous year. Cash and cash equivalents represented 12.5% of total assets, compared to 13.3% in the previous year.

Rise in total assets

Total assets amounted to €5,332 million as at December 31, 2018, representing a rise of 3.8% on the previous year. Non-current assets increased by €234 million to €2,782 million, essentially due to the rise in the carrying values of property, plant, and equipment of €140 million due to investments. Current assets (excluding cash) decreased by €27 million to €1,882 million in 2018. The changes compared to the previous year resulted mainly from lower trade receivables.

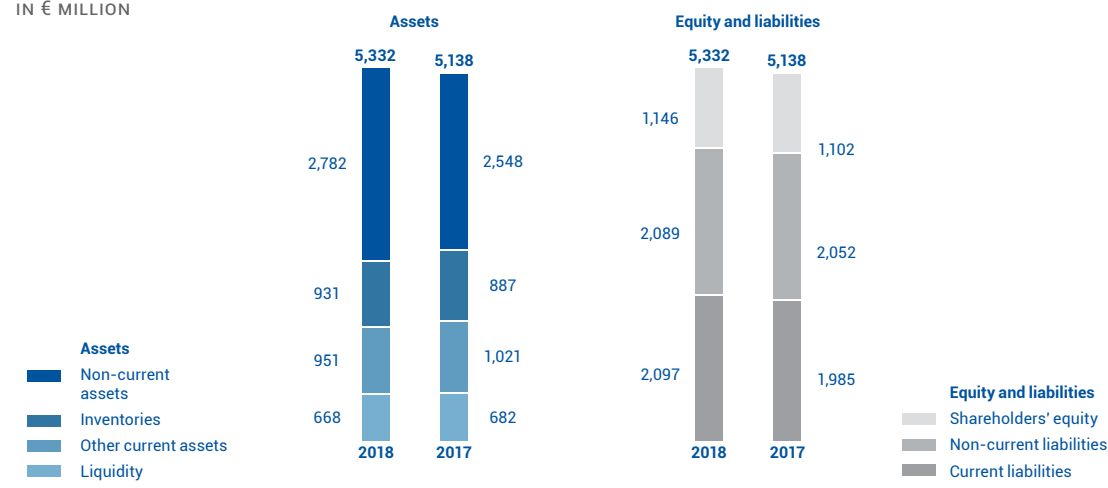
The Group's liquid assets as at December 31, 2018 were €14 million lower than in the previous year but remained at a high level of €668 million. As a result of central cash pool liquidity management, most of these funds are deposited at BENTELER International Aktiengesellschaft and are available on a daily basis.

Sound financing structure

Equity amounted to €1,146 million as at December 31, 2018, €44 million higher than in the previous year. The increase was primarily due to the consolidated net profit of €31 million in 2018 and adjustments of €45 million due to the initial adoption of IFRS 15. The dividend payment for 2017 in the amount of €23 million and dividends paid to non-controlling interests totaling €6 million, resolved by the Annual General Meeting in March 2018, and other changes totaling €3 million, resulted in a decrease in equity.

GROUP BALANCE SHEET STRUCTURE

IN € MILLION



Non-current liabilities amounted to €2,089 million at the end of 2018, representing a rise of €37 million compared to the previous year. The growth resulted mainly from a €39 million rise in non-current financial liabilities. Other non-current liabilities decreased by €6 million.

Current liabilities increased by €113 million to €2,097 million. The growth resulted mainly from a rise in trade payables, which were €109 million higher. The other current liabilities, by contrast, were €24 million below the previous year's level.

Working capital decreased by €144 million to €128 million at the year-end and amounted to 1.6% of revenue, compared to 3.5% in the previous year. The decrease compared to 2017 was largely due to the increase in trade payables.

Non-current capital (equity and non-current liabilities) amounted to €3,235 million. As in the previous year, it amounted to 61% of total assets. It covered non-current assets by 116%, ensuring financing with matching maturities.

The equity ratio, at 21.5%, was slightly above the previous year's level.

Net financial liabilities, at €1,173 million, increased by €85 million compared to the previous year's level of €1,088 million. The gearing rate, calculated as the ratio of net financial liabilities to equity, remained at the previous year's level of 1.0. The dynamic gearing, calculated as the ratio of net financial liabilities to EBITDA, increased to 3.1 in 2018 compared to 2.2 in the previous year, particularly due to the weaker EBITDA.

KEY FINANCIAL RATIOS

— 2.7

		2018	2017
Equity ratio (%)	1)	21.5	21.4
Internal financing ratio	2)	0.66	0.94
Gearing rate	3), 5)	1.02	0.99
Net financial debt to cash flow from profit	4), 5)	4.17	2.70
Net financial debt to EBITDA	5), 6)	3.12	2.24
Return on equity (%)	7)	10.4	18.8
ROCE (%)	8)	4.6	7.7
Working capital (€ million)	9)	128.3	272.5
EBIT (€ million)	10)	119.3	206.8
EBITDA (€ million)	11)	376.1	485.7

1) Equity: Total assets

2) Cash flow from profit: Investments

3) Net financial debt ⁵⁾ : Equity

4) Net financial debt ⁵⁾ : Cash flow from profit

5) Net financial debt = non-current and current financial debt less current receivables and other current financial assets (excluding derivatives) and less cash and cash equivalents. A current financial receivable from the accounts receivable facility reserve amounting to €115,956 thousand has not been deducted.

6) Net financial debt ⁵⁾ : EBITDA ¹¹⁾

7) EBIT: Equity

8) EBIT: Intangible assets + property, plant, and equipment + working capital ⁹⁾ (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) EBIT = Result of operating activities

11) EBITDA = EBIT ¹⁰⁾ + Depreciation and amortization

Central cash 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 facilities. 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 mainly 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.

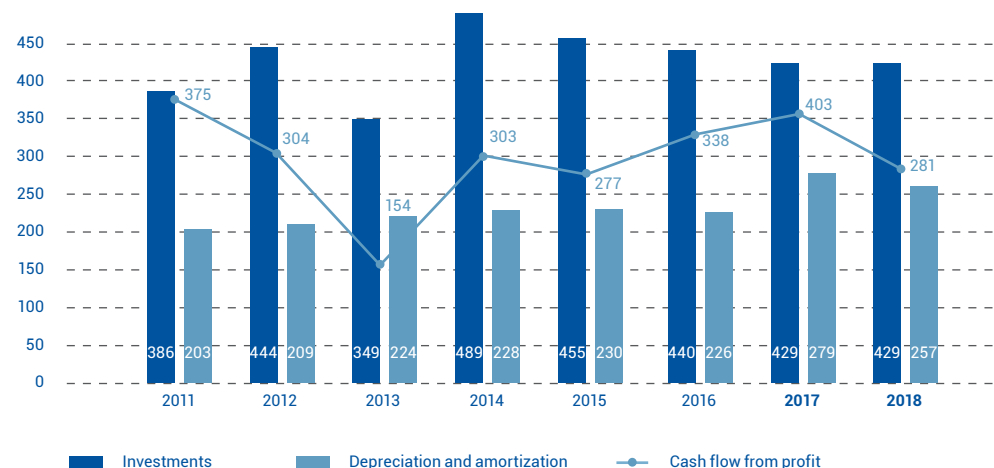
At the end of the period on December 31, 2018, the company had cash resources of €668 million and a strategic liquidity reserve of unutilized written confirmed medium- and long-term credit lines totaling €400 million (previous year: €400 million). All credit commitments are free from collateral and financial covenants.

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.

TOTAL INVESTMENTS, DEPRECIATION AND AMORTIZATION, AND CASH FLOW FROM PROFIT

— 2.8

IN € MILLION



Branches

There are no branches.

Risk Report

Comprehensive risk management

As an international company BENTELER is exposed to numerous risks. These are inevitable consequences of business activity, because the Group can only exploit opportunities if it is prepared to incur risks. Successful management of existing and new risks is crucial for the sustained economic success of the company and the achievement of the strategic goals. The risk management thus constitutes an essential component of good, responsible, corporate governance. It was therefore further improved in the 2018 financial year. Our risk management concept is described below.

Responsibility for risk management in the BENTELER Group is borne by the Executive Board, which reports regularly on the Group's overall risk situation to the Audit Committee and the Supervisory Board. As a key means of achieving this, the Divisions are controlled on the basis of targets set by BENTELER International Aktiengesellschaft as the strategic holding company. Achievement of the targets is monitored by a comprehensive management information system that tracks all relevant key performance indicators in terms of actual, forecasted, and planned figures. If there is an identifiable negative deviation from plans, the Divisions initiate appropriate countermeasures at an early stage. All Divisions report monthly on their financial performance and highlight opportunities and risks that may affect planned results as well as 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 could 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 measures to prevent, avoid, or reduce the risks. To the extent necessary and proportionate having regard to current events, risks can also be reported outside this process to the Executive Board at any time.

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 it examines include compliance with guidelines, the regularity and efficiency of business processes and reporting, and the proper functioning of risk management.

Some particularly significant risks are transferred to insurance companies by an internal 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 covered to a limited extent are reinsured for third-party insurance companies by BENTELER Reinsurance.

Risks arising from the influence of economic demand

The business success of the BENTELER Group also depends on cyclical influences. 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 the different cost structures in the various Divisions to demand and to manage those structures within narrow bounds. The Group furthermore aims to safeguard its liquidity position in the long term and to build up reserves for growth projects through efficient working capital management. In addition, country-specific conditions are continuously monitored to allow appropriate countermeasures to be taken at an early stage.

Specific customer and supplier risks

Adverse economic performances 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 much as possible, and by constantly monitoring key market metrics and other early warning indicators.

The BENTELER Group could incur losses if the credit ratings of individual customers deteriorated, triggering payment delays and defaults or failure to achieve planned sales volumes. The company operates intensive debtor management to counteract this risk. The Divisions' sales and financing officers regularly track customers' financial positions, their payment performance, and the possibility of protection against risks, for example by insuring a portion of receivables.

Existing suppliers could have difficulty in supplying BENTELER, or suitable new suppliers might have to be found at short notice, thus hampering the company's own business. This applies in particular to the Automotive Division which has an especially large number of specialized suppliers. The BENTELER Group purchasing department assesses suppliers and their financial position before orders are placed with them. Our suppliers' financial positions are also monitored continuously and globally, in order to avoid

supply bottlenecks and take targeted measures at an early stage.

Changes in supply markets

Fluctuations in the purchase prices of steel, aluminum, scrap, and alloys can have both a positive and a negative effect on profit. In order to minimize these effects, particularly in the case of steel, of which the BENTELER Group purchases substantial volumes, changes are passed on to customers as far as possible. Fixed-price adjustment clauses are agreed with customers and suppliers for aluminum purchasing. Any temporary differences that may arise in the price adjustment are also minimized through external hedging transactions with banks.

Project risks

The Automotive Division in particular is involved in extensive development and manufacturing projects. The inherent risks of these projects include unexpected technical difficulties arising in the Division or among project partners. These can sometimes lead to higher series start-up costs or higher investments than were originally planned. To avoid or reduce these risks, the Division applies extensive project control standards. Regular project reviews also take place to permit early countermeasures

when needed. Suppliers are normally involved in this process.

Major investments by the Steel/Tube Division

The ramp-up of the Shreveport plant in the US state of Louisiana is playing a crucial part in the success of the Steel/Tube Division. Key factors include the utilization of future capacities and the smooth, fault-free operation of the plant. The focus on the OCTG segment means that the business model is heavily dependent on the oil price. Despite the sustained positive market environment, this entails significant risks. Factors such as the recently introduced tariffs on cold-drawn precision tubes and the hike in tariffs on steel imports represent a margin risk. Special steering committees have consequently been set up to limit potential risks. An experienced team has also been sent from Germany to Shreveport to ensure a successful ramp-up and promote the transfer of knowledge at the plant.

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 proce-

dures governing process reliability, quality management, and process audits at its own plants and for its suppliers. The BENTELER Group has taken out insurance to limit residual risks to the company as a result of any liability or claims.

Foreign exchange and interest rate risks

The BENTELER Group's international business operations, especially in purchasing and sales, expose it to currency 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 appropriate hedging transactions. The BENTELER Group controls risks arising from changing interest rates 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.

Compliance risks

The BENTELER Group conducts its business responsibly and in compliance with the laws of the countries in which it operates. Potential risks include in particular violations of antitrust and competition law and export control provisions, as well

as corruption and discrimination. These risks are contained by means of appropriate guidelines and continuous training of our employees.

IT risks

The Group-wide IT deployment is of constantly growing importance for the BENTELER Group as a global company. The risks here primarily concern the maintenance of confidentiality, integrity, and availability. The growing number and sophistication of external attacks also increases the potential risk of outages of critical IT systems. The measures already taken, including a global, uniform, state-of-the-art IT security platform, redundant design of critical systems, and outsourcing, have considerably reduced this risk. Outages can thus be prevented or eliminated in the short term. The guaranteeing of data security and appropriate data integrity also constitutes a risk. This is safeguarded through employee awareness training, identity management systems, and the introduction of an ISO 27001-certified information security management system.

Our Corporate IT (CIT) thus ensures not only error-free and failure-proof operation, but also the continued development of measures to increase the level of IT security.

Risks from property damage and business interruption

The system for operational risk prevention reviews and classifies the operational risks at the Group's plants, the development of damage prevention measures, the production of emergency plans for business processes, and the introduction of an annual operational safety report.

Report on Research and Development Activities

Progress has been firmly anchored through solution-focused developments in the 140-plus years of the BENTELER Group. That creates sustainable value for our customers. BENTELER invests extensively in research and development in order to deliver solutions for products and systems, tools, and processes for customers. In 2018 81 patents were filed and research and development expenditure amounted to €96 million (previous year €87 million).

International cooperation with internal development departments and suppliers and customers is a basic precondition for the solution of global issues. Only in this way is it possible to guarantee that existing resources and know-how will lead to the development of optimum solutions. This internationalization, which is set to be expanded even further in the forthcoming years, has been driven forward by the Research & Development area, including by means of an in-house innovation team in Barcelona (Spain). The work is being carried out not as usual on premises at a BENTELER site but at Pier 1, a project of Barcelona Tech City. This technology hub provides workspace for around 1,000 employees from more than a hundred companies.

The evolving context of electric vehicles

Most electric vehicles are still only selling in low numbers. The emerging platform solutions and increasing regulatory frameworks are nevertheless driving volume growth. At the same time automotive manufacturers are having to contend with

higher costs for fully or partly automated vehicles. Battery technologies are also developing at lightning speed and creating a new context, for example in terms of thermomanagement. There are also differences in terms of crash management in electric vehicles, as new crash paths and on-board components require a necessary adjustment to the overall system. The Research & Development area therefore analyses specific impacts in full and partial vehicle simulations in order to generate innovative solutions on a targeted basis. A focus on the material mix is also an important component, since the vehicle usage phase within the life-cycle assessment is set to change markedly.

These components – crash safety, costs, and optimal thermal conditions – are therefore one of the current focal points of BENTELER Automotive's research. Since these aspects cannot be considered and developed in isolation, overall system development is of crucial importance.

Lighter and more complex components

The production of tubular components that are curved predominantly in a single plane and made from sheet steel has already been the standard at BENTELER for many years. The technology is mostly used in lateral arms of axles, allowing cost-efficient production with transverse flexibility. In the Research & Development area, work is already taking place in close cooperation with other departments to expand this solution to include components that are curved on multiple planes.

The first complex demonstrators are already being successfully produced. This opens up new potential uses made possible by the geometric forms. Existing solutions based on closed profiles can consequently be replaced.

In the case of aluminum too the trend towards the use of increasingly higher-strength alloys is continuing. As well as high-strength extrusion press solutions in innovative designs, the Research & Development area is also actively working on high-strength aluminum sheet solutions that open up new possibilities through an innovative process path.

Looking outwards

For many years the Research & Development area has been jointly organizing the annual internal "Innovation and Networking Day" with other departments and thereby promoting active exchanges among the various areas within BENTELER. A new feature in 2018 was the R&D Video News format, in which topical themes and features from the "Innovation and Networking Day" are made accessible to our international colleagues in short video messages.

In order to incorporate the latest knowledge from the research field in its own work, BENTELER Automotive is working intensively with the Institute for Lightweight Design with Hybrid Systems (ILH) of the University of Paderborn. We also participate actively in numerous project committees in publicly supported projects. There are also research projects –

mostly being conducted in university institutes – working on themes that are connected with more remote research areas and initiated by BENTELER on a targeted basis. The associated research road-map sets out the schedule including the necessary application phases, so that internal follow-up at BENTELER is guaranteed once the publicly supported research project has been concluded. This allows the use of externally available know-how and thus provides an additional perspective on a specific task.

In this context BENTELER Automotive is also active in the Research & Development area on an international level – in China, for example, in the field of vehicle structure and electromobility, where collaboration is taking place with universities and other institutions. In America and Spain too we also set great store by keeping our research and development close to the local market – in this case in the field of motor and exhaust systems as well as production technology.

BENTELER Automotive also collaborates with numerous companies in the market. For example, working with a partner we have identified start-ups with appropriate, innovative solutions that we develop further with them. Eight pilot projects are currently being developed focused on increased efficiency. These include the collaboration with the “STARTUP AUTOBAHN” innovation platform, which brings together start-ups with specific technical know-how and large corporations with comprehensive hardware capabilities.

Development of new materials

The identification of innovation potential and its successful implementation in the market are the key focal points of the development at BENTELER Steel/Tube. A central building block for the development of innovative steel and tube solutions for tomorrow's markets is our customer-oriented innovation management. By identifying and assessing relevant trends we are able to focus our development on future changes at an early stage. The intensive cooperation with external partners such as universities and incubators, including “garage33”, enables us to expand our innovative capacity further.

Our Predevelopment Department lays the foundation for the successful development of innovative products with a focus on new materials. It targets the development of new steel materials and functional surfaces and the modelling and numerical optimization of our core processes. In the field of materials the particular focus in 2018 was on the development of steels combining ultra-high strength and excellent formability. The combination of these two material characteristics meets the needs of many of our customers, particularly in the automotive area, but also in the oil and gas segment.

A further focal point of the predevelopment activities involved the expansion of the numerical simulation of our current and future manufacturing processes. This enables us on the one hand to guarantee product quality earlier on in the develop-

ment phase and on the other hand to achieve a substantial reduction in the development time. An example is the forming of tube ends for the first-stage processing of safety components.

Lightweight construction, safety, and solutions for mobility

The trend towards the replacement of solid rods with tubular solutions for stabilizers continued in 2018. This allows weight savings of up to 30% per component. Numerous new product launches were successfully implemented among European and Asian customers in 2018. There was also a consolidation of the trend towards using prehardened tubes made of manganese-boron steels. This obviates the need for expensive, time-consuming individual tempering by the customer and saves a substantial amount of costs. BENTELER Steel/Tube is unique among its competitors in being able to supply the prehardened tubes from a single source through its network of production plants.

In the airbag area the intensive development activities aimed at increasing vertical integration produced their first successes. BENTELER Steel/Tube was nominated for the first time for series production of processed airbag tubes with additional added-value steps, such as formed tube ends. Enquiries have been received from a number of customers for further series projects, for which the concept development and acquisition phase has been started.

Due to increasing structural changes in cars, such as the elimination of the B pillar in a number of vehicle models, the seats will have to assume increasing crash functions in the future. Ultra-high-strength hardened steels in the form of welded tubes are increasingly being used. After the first successful prototype trials, the transition to series supply is now imminent. The current development of autonomous vehicles will further strengthen this trend, since the additional degree of freedom in terms of seat rotation, e.g. with occupants facing each other, will further increase the demands made on the seats in terms of crash performance.

In the electromobility field the focus was on lightweight solutions for future axle concepts and on tube-based rotor shafts for electric engines. A number of series projects were successfully acquired in 2018 and prototypes of electric vehicle platforms were successfully produced and tested by customers.

Customer-oriented product portfolio for industry and energy

At "Tube", the world's largest tube trade fair held in Düsseldorf in April 2018, our innovative surfaces and materials were presented as development solutions for changing requirements in hydraulic applications. The latest generation of materials for higher-strength HPL500 line pipes and the innovative

materials for BAH900® and BAH120plus® cylinder tubes for the first time opened up the possibility for our hydraulics customers to implement higher system pressures and larger volume flows to increase the efficiency of their machines. There is also a growing trend towards electrification in the field of hydraulic cylinders, with customers particularly attracted by the cylinders' zero maintenance requirement. Working with the leading manufacturer of electric cylinders, we designed and built a prototype made from a newly developed material.

With our new, innovative BAH120plus® material we are supporting a large German utility vehicle manufacturer in the field of crash management. Due to the combination of the two material characteristics of weldability and strength, our material enables the customer to considerably reduce the weight of the roll cage and at the same time improve the crash performance.

In the energy market segment a key focal point was the targeted development of our supply portfolio for the oil and gas market in North America. The focus was on improved corrosion resistance for so-called "mild-sour" applications, i.e. uses in areas with low proportions of hydrogen sulfide. The presentation of specific, demanding strength requirements (restricted or controlled yield – RY, CY) and increased external pressure loads (high and ultra-high collapse – HC and UHC) was also a focal point.

In 2018 we also succeeded in expanding our portfolio to include seamless tubes as an input material for OCTG couplings, with an external diameter of 6.3 inches or 160 mm. This represents an important milestone with regard to the deepening of our value chain for OCTG tubes.

Report on Environmental and Energy Management

As a company with international operations, the BENTELER Group is aware of its responsibility to preserve resources – especially as the production of safety-relevant products and systems requires particularly valuable resources. As a corporate goal, environmental protection ranks equally with high product quality and employee safety, because efficient production processes and environmentally friendly technologies protect not only the environment but also our business. We also play an active social role in the locations in which we manufacture. Developing solutions that make a difference also includes protecting society and our environment.

We consequently meet the high demands of modern environmental and energy management, while focusing our production processes on the international standards ISO 14001 (environmental management) and ISO 50001 (energy management).

Furthermore, we have special expertise on environmental themes, which are of particular importance in metal processing and high-temperature processes. These include not only conventional aspects of environmental protection, such as sensitive handling of groundwater and surface water resources, but also the offsetting of greenhouse gases to take part in emissions trading.

We see all these areas of activity as offering potential for the further development of our processes and hence as an opportunity both for the environment and for BENTELER.

Automotive Division

Numerous energy efficiency projects and resource-saving measures were identified and implemented once again in 2018. As part of the “FM Journey” project, exchanges within the global teams and the continued development of the knowledge repository within the BENTELER Automotive Division were successfully continued. It was consequently possible to introduce new projects to further increase energy efficiency in the company. Among other things output regulation was installed in the extraction system in the German plant at Schwandorf. The additional integration of shut-off valves enables parts of the plant to be deactivated when not required and introduces frequency control for the extraction energy requirement. At the Spanish plant in Burgos the existing refrigeration plant was replaced by a highly efficient refrigeration pool. As a result of the additional use of free coolers, the conventional refrigerating equipment is now switched off once the exterior temperature falls

below 11°C and the required ambient temperature is achieved solely means of the free coolers.

BENTELER Automotive's existing certifications in accordance with the ISO 14001 and ISO 50001 standards were also successfully renewed in 2018 and further sites were certified for the first time. The switch of the environmental management system to the new ISO 14001:2015 standard, which was initiated in 2017, was continued in 2018 and concluded successfully at all BENTELER Automotive plants. A positive point is that no non-conformities were identified in the recertification. A new “audit widget” was integrated as part of the refocusing of the environmental management system to optimize the planning, implementation, and follow-up of audits.

In this context, numerous projects aimed at improving energy efficiency and the responsible use of resources were again initiated and implemented. All these measures are having a positive impact on energy consumption and improving the CO₂ balance. At the beginning of 2018 the “Windpark Connection” project was launched for the German plant at Kleinenberg: after appropriate modification, the plant has met part of its energy requirement from wind power since the beginning of 2019 and thereby improved its CO₂ balance. This has also had a positive impact on the CDP (Carbon Disclosure Project) rating demanded by customers.

Steel/Tube Division

The main base material for our production network is steel. Our high demands in terms of quality and environmental sustainability can best be fulfilled if we produce the steel ourselves. Our German electro-steel plant at Lingen, which uses 100% scrap steel, therefore stands at the start of our process chain. That means 100% recycling – a closed loop of the kind not fully achieved in many other industries. An inextricable part of the steel manufacturing process is the production of slag, a valuable secondary product that enables us to make a further important contribution to resource protection: the use of high-quality road construction materials such as chippings from electric furnace slag eases pressure on the environment by avoiding the extraction and transportation of natural stone.

As in past years, further energy-saving potential was identified and corresponding measures implemented in 2018. In addition to process-optimization measures at all BENTELER Steel/Tube sites delivering continuous improvements in energy efficiency, Germany's central site at Schloß Neuhaus is making a particular contribution to climate protection. From April 2019 process heat from tube production is being made available to the city of Paderborn. With schools, sports halls, administrative buildings,

and the swimming pool at Schloß Neuhaus being connected to the new waste heat network, these facilities can jointly cover 50% of their heat requirement. A further climate protection project involves the heating of the new education building at the Dinslaken site, also using waste heat from our thermal processes. But the energy input is also being constantly optimized: the modification of furnace burners at the Bottrop site delivered efficiency potential of more than 15%.

We use various complementary assessment procedures to ensure that all our activities are constantly monitored in terms of their environmental impacts. That enables us to pursue continual, systematic improvement with regard to emission reduction, waste prevention, and water protection. That shows what we understand by sustainability: relentless questioning of the status quo in favor of better solutions; the constant search for potential and the continued development of our processes.

Detailed information on the BENTELER Group's sustainability activities can be found in the Sustainability Report.

HR Report

The continuous development of the corporate culture towards a high-performance organization is a central building block of the BENTELER Group's success. That is because to achieve long-term success BENTELER needs a strong, efficient workforce with employees who take an entrepreneurial approach, assume individual responsibility, and respond flexibly to changes. On the basis of our corporate values of courage, ambition, and respect, our employees develop solutions every day that make a difference. Their expertise and motivation are the keys to business success. We therefore constantly optimize our organization and continually develop our management and staff.

That also demands professionalism and excellence on the part of the HR management, because attracting and developing our workforce lays the foundation for our future. In a fast-changing world this basis is crucial in order to meet future challenges flexibly and hence successfully. Finally, the positive attitude and performance, skills, and commitment of each individual contribute to the success of the company as a whole.

Number of employees

On average over 2018, BENTELER had 28,578 FTEs (full-time equivalents) worldwide, 623 more than in the previous year. In the Automotive Division, the average number of employees rose by 543 to 22,734 FTEs. In the Steel/Tube Division the average number

of employees increased by 109 to 3,810 FTEs, and in the Distribution Division by 43 FTE to 1,501 FTEs. The other companies (including holding companies) had 533 FTEs in 2018, 72 fewer than in 2017.

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 2018 BENTELER provided training for 738 young people worldwide (previous year 688).

BENTELER employed an average of 72 FTEs in Austria during the reporting year. The Group had 8,954 FTEs in Germany and 19,551 FTEs in other countries.

Employee recruitment, loyalty, and development

As in the previous year, we again worked intensively to enhance our appeal in the job market by targeting content at specific groups through a wide range of channels in 2018. By overhauling the BENTELER career website and further developing and expanding our presence on social media we are continuing to position ourselves as an employer that offers international career prospects and a wide range of development potential. Our campaigns show the breadth of our offering for both new entrants and professionals. In order to guide students, graduates, and professionals as fast and efficiently as possible through our application and selection process, we harmonized and professionalized our overall recruitment process in 2018, in terms of both con-

tent and the implementation of a new software solution. Our objective is to make the best candidates aware of us across various media, to arouse their interest in us, and to make it as easy as possible for them to apply for a job with us.

Of course, we also remained focused on our existing employees. The internal qualification and promotion of individual career paths were among our focal points in 2018. This included an overhaul of the entire training catalogue, the launch of various academies, and preparation for the rollout of a professional learning management IT system.

In the talent management area we remain committed to early identification and professional supervision and development of our talents. To this end we use various processes and programs which we make available from HR and optimize and expand as required. The ultimate key to successful talent management, however, are our managers. Once again during the year we raised their awareness of this important task and offered them appropriate preparation through a wide range of events and formats, because our objective remains to fill as many posts as possible internally.

We also continued the rollout of our new corporate values of courage, ambition, and respect in 2018. The results of the process launched in 2017 were assessed in numerous follow-up sessions, new targets were devised and further work took place on the agreed way forward.

Outlook

The development of our workforce will remain a key activity in 2019. To that end we will further professionalize and optimize our processes and tools. We will focus particularly on the theme of digitization of HR and we will continue to advance our digitization strategy for 2019. Data quality will have a particularly important part to play, since only on the basis of standardized data can we make comprehensive use of modern IT solutions and thereby further optimize our HR administration.

We are confident that with a corporate culture characterized by ambition, courage, and respect, as well as our highly trained workforce, we are well prepared for the future challenges posed by demographic change and the consequent shortage of specialist personnel.

We regard all these measures as a crucial investment in the future of our company. Our employees are and will remain the basis of 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. Across its three Divisions, BENTELER Automotive, BENTELER Steel/Tube and BENTELER Distribution, the company offers a well-designed product portfolio and proven competence along the entire value chain. With our broad geographic presence, that is constantly being expanded, we are also active around the world where our customers need us. Furthermore, the BENTELER Group offers excellence in production and distribution coupled with the advantages of a slim and efficient family enterprise. The company is therefore well positioned to take advantage of market opportunities and meet new challenges.

Global economy losing momentum

The upturn in the global economy is set to slow further over the next two years². Accordingly, a growth rate of 3.4% is forecast for global production volume in the 2019 and 2020 forecast period.

A key driver for the slowing of the economy is the United States, due to its less expansive monetary policy and decreasing stimulus from finance policy. On this basis the experts estimate the economic

growth of the United States in the next two years at 2.5% and 1.9% respectively.

In the eurozone too the pace of expansion is set to ease gradually over the forecast period. While some countries, including Germany, are reaching their capacity limits, economic growth in countries such as France and Italy will be constrained by structural problems. By 2020 this will cause growth in economic output to level off at 1.5%.

The cyclical expansion in most emerging markets is also slowing. In China in particular, economic growth is expected to fall to 5.8% by 2020. This is linked to punitive US tariffs and the government's aim of pursuing more sustainable economic development in its social and environmental policies. The recent return to a more expansive economic policy nevertheless shows that the Chinese government will oppose any undesirable sharp economic slowdown.

The overall moderate pace of global economic growth may also be negatively impacted by economic policy factors over the next two years. For example, there is a threat of an intensification of the trade conflicts between the United States and the European Union and China, which would have a marked dampening effect on the global economy. Uncertainties surrounding the cyclical trends in

China and the consequences of Brexit may further constrain global output growth.

Automotive Division with focused growth and increased profitability

BENTELER Automotive's focus in 2019 is on overcoming the operating challenges and focusing results on our targets. To that end various cost-cutting measures were launched and prioritized in 2018. Overhead structures and costs were optimized, allowing increases in efficiency. Through intensive standardization and global harmonization of all processes and systems across the plants – with a focus on automation and digitization in the core areas of production and logistics – the objectives include a sustained improvement in the start-up performance. To that end the project entitled "Manufacturing Process and Systems Landscape" was prioritized in 2018.

In 2019 attention will be devoted not only to margin improvement but also to profitable growth. A rise in profitability should be achieved through selective tendering and restraint in long-term growth. This objective is supported by the positive forecasts for vehicle production for 2019, which assume growth in the global market. Increases in vehicle production are expected particularly in the regions of Asia, Eastern Europe and South America. Nevertheless,

²) Source: Kiel Institute Economic Outlook No. 49 (2018/Q4), Institute for the World Economy, Kiel

the aforementioned economic policy developments mean there is greater uncertainty with regard to growth assumptions than in previous years.

The Automotive Division sites are well focused and positioned for the expected growth. In the short and medium term the increasing demands of the automobile manufacturers will be supported particularly by the plants in Eastern Europe (e.g. the new plant at Klášterec nad Ohří in the Czech Republic) and Asia. In 2019, for example, we will expand production at our plant at Shenyang in China. Regular analysis of our sites ensures a focus on our core competences and optimum customer and technology alignment.

In 2019 too we will develop customized electromobility solutions for our customers. To that end we are working with strategic partners in an agile, collaborative network, enabling us to respond individually to customer requirements. In this regard the BENTELER Electric Drive System serves as a concept model and showcases our comprehensive technological expertise – from components through to system solutions.

Internationalization remains the focus of the Steel/Tube Division

The oil price trended positively throughout 2018, although a decline set in towards the end of the year. On the basis of a fall in the oil price since the end of 2018, we are expecting a period of consolidation in the oil market in early 2019. The outlook remains positive, however, for the rest of 2019. Investment banks are forecasting a target range of \$60 to \$70/bbl for 2019. It will also become clear whether OPEC's decision to cut production will have a positive effect on the oil price in the near term.

For the full year we assume a stable market environment for all seamless tube applications. As in the reporting year, the Shreveport plant will remain a key success factor for the Steel/Tube Division in 2019.

In the automotive segment we are expecting the continued production of tubular components in 2019 coupled with accelerated internationalization and hence the servicing of additional sales markets outside the established core markets.

The pace of growth in mechanical engineering is set to continue next year thanks to healthy order books.

Distribution Division steps up differentiation drive

The market backdrop for the Distribution Division shows moderate growth in sales volumes and constant prices in 2019. The focus therefore remains on improving results particularly through margin optimization and efficiency gains. The aim is to increase value-added through customer-specific logistics solutions, an expanded offering of higher-value first-stage processing and an expansion of the automotive supply business.

In addition to the continued streamlining of structures, the focus will be particularly on further optimization of the in-house logistics and production network. This will notably include the stabilization of the central production site in Slovakia and the development of a new warehouse and production site in Switzerland to replace the old site and increase efficiency.

BENTELER Group set to deliver continued revenue growth in 2019

For 2019 the BENTELER Group expects to increase revenues by around 12%. Key drivers of growth in the Automotive Division are the Asia-Pacific and North America regions and in the Steel/Tube Division the continued ramp-up of production at the new hot rolling mill at Shreveport in the United States. An improvement in operating results is also expected across all three divisions in 2019. In the medium term, based on implementation of the identified improvement measures and the ramp-up of production at Shreveport, we expect to achieve a significant increase in profitability.

The solid financing structure will enable the BENTELER Group to take full advantage of future market opportunities. With regard to all the risks associated with economic development, the conservative financing principles thus remain as valid as ever: investments should be financed from cash flow and the equity ratio should return to the 30% level. Capital assets should be financed by long-term resources. The dynamic gearing, calculated as net financial debt/EBITDA, will fall below 3 in the medium term and level out below 1.5 in the long term.

Longer-term outlook

The increases in profitability and competitiveness across all Divisions form the basis for the BENTELER Group's five-year plan. Revenue is expected to grow to more than €10.7 billion by 2023. The focus on profitable growth, including selective tendering based on strategic criteria and restraint in long-term growth, should ensure a viable financial basis and the independence of the company.

Disclaimer

This management report contains forward-looking statements about 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 8, 2019

The Executive Board

Ralf Göttel Guido Huppertz Isabel Diaz Rohr

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement (IFRS)

for the financial year from January 1 to December 31, 2018

CONSOLIDATED INCOME STATEMENT (IFRS)

— 3.1

€ THOUSAND	NOTE	2018	2017
Revenue	6)	8,071,617	7,856,114
Cost of sales	7)	-7,383,193	-7,115,918
Gross profit		688,424	740,196
Selling expenses		-230,664	-215,085
Administration expenses		-304,973	-319,012
Research and development expenses		-96,079	-87,404
Other operating income	8)	78,481	138,329
Other operating expenses	9)	-15,852	-50,272
EBIT		119,337	206,752
Financial result	10)	-74,422	-66,383
Income from associates	14)	-1,115	1,396
Result before tax		43,800	141,765
Income taxes	11)	-12,577	-41,005
Result for the period		31,223	100,760
of which:			
Attributable to owners of parent company		25,927	90,413
Non-controlling interests		5,297	10,347

Consolidated Statement of Comprehensive Income (IFRS)

for the financial year from January 1 to December 31, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)			— 3.2
€ THOUSAND	NOTE	2018	2017
Result for the period	20)	31,223	100,760
Items that will not be reclassified to the consolidated income statement in future periods:			
Actuarial gains (losses)		10,345	-5,440
Income taxes on these components of other comprehensive income		-2,715	2,805
		7,630	-2,635
Items which can be reclassified to the consolidated income statement in future periods:			
Gains (losses) on exchange differences on translation for foreign operations		-2,097	-73,286
Gains (losses) on the measurement of cash flow hedges, of which:		-9,608	6,913
Interest rate and interest/currency hedges		1,526	77
Foreign currency hedges		-10,366	6,169
Commodity hedges		-769	667
Reclassification of amounts of cash flow hedges recognized in the income statement, of which:		729	11,977
Interest rate and interest/currency hedges		-1,344	5,989
Foreign currency hedges		2,740	6,601
Commodity hedges		-667	-613
Gains (losses) on the measurement of hedging costs, of which:		-3,101	0
Foreign currency hedges		-3,101	0
Reclassification of amounts from the reserve for hedging costs, of which:		999	0
Foreign currency hedges		999	0
Income taxes on these components of other comprehensive income		2,385	-5,496
		-10,693	-59,892
Other income after tax		-3,063	-62,527
Comprehensive income		28,161	38,233
of which:			
Attributable to owners of parent company		23,520	30,848
Non-controlling interests		4,641	7,385

Consolidated Statement of Financial Position as at December 31, 2018 (IFRS)

Assets

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (IFRS)

— 3.3

€ THOUSAND	NOTE	DECEMBER 31, 2018	December 31, 2017
Intangible assets	12)	34,938	34,167
Goodwill	12)	6,442	6,442
Property, plant, and equipment	13)	2,449,365	2,308,879
Investments in associates	14)	13,531	11,223
Deferred tax assets	15)	164,574	130,619
Non-current income tax receivables		408	596
Other non-current receivables and assets	16)	112,858	55,922
Non-current assets		2,782,117	2,547,847
Inventories	17)	931,137	887,282
Trade receivables	18.1)	617,984	700,147
Contract assets from customer contracts (previously: Receivables from construction contracts)	18.2)	15,394	11,663
Current income tax receivables		35,114	54,258
Other current receivables and assets	18.3)	282,162	254,959
Cash and cash equivalents	19)	668,143	682,259
Current assets		2,549,933	2,590,567
Total assets		5,332,050	5,138,415

Consolidated Statement of Financial Position as at December 31, 2018 (IFRS)

Liabilities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (IFRS)

— 3.3

€ THOUSAND	NOTE	DECEMBER 31, 2018	December 31, 2017
Issued capital		200	200
Retained earnings		175,275	175,275
Other reserves		906,928	861,635
Equity attributable to owners of parent company		1,082,403	1,037,110
Non-controlling interests		63,129	64,851
Total shareholders' equity	20)	1,145,533	1,101,961
Non-current financial liabilities	23)	1,576,462	1,537,439
Deferred tax liabilities	15)	57,448	36,302
Other non-current liabilities		19,154	24,750
Pension provisions	22)	389,954	401,496
Other non-current provisions	21)	46,007	51,729
Non-current liabilities		2,089,025	2,051,716
Current financial liabilities	23)	285,407	258,128
Trade payables		1,367,243	1,258,322
Current income tax liabilities	24)	22,822	15,555
Other current liabilities	25)	337,569	361,329
Other current provisions	21)	84,451	91,403
Current liabilities		2,097,493	1,984,738
Liabilities		4,186,517	4,036,453
Total shareholders' equity and liabilities		5,332,050	5,138,415

Consolidated Statement of Cash Flows (IFRS)

for the financial year from January 1 to December 31, 2018

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

— 3.4

€ THOUSAND	2018	2017
Cash flow from operating activities:		
EBIT	119,337	206,752
Interest paid	-65,671	-68,949
Interest received	8,282	10,216
Dividends received	318	2,473
Income taxes paid / received (net)	-19,011	-39,214
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	256,796	278,987
Changes in non-current provisions	-13,084	-22,564
Other non-cash transactions	-4,507	35,075
Cash flow from profit	282,460	402,777
Changes in inventories	-44,671	-126,925
Changes in trade receivables	26,312	-121,146
Changes in trade payables and advance payments received	113,963	298,402
Changes in working capital	95,604	50,331
Changes in current provisions	-2,808	-43,967
Changes in other receivables	-8,724	-4,332
Changes in other liabilities	-33,160	-15,899
Changes in other assets and liabilities	4,852	-41,589
Cash flow from operating activities	338,224	347,321

See Note 29.

Consolidated Statement of Cash Flows (IFRS) [continued]

for the financial year from January 1 to December 31, 2018

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

— 3.4

€ THOUSAND	2018	2017
Cash flow from investing activities		
Cash payments for investments in property, plant, and equipment and intangible assets	-432,433	-428,808
Cash receipts from the disposal of property, plant, and equipment and intangible assets	45,879	41,077
Government grants received for investments	3,568	842
Cash payments for investments in financial assets	-2,054	-11,899
Cash receipts from the disposal of financial assets	8,021	47,440
Net cash payments for acquisitions of subsidiaries	0	683
Net cash payments from the disposal of associates and subsidiaries	2,700	36,548
Cash flow from investing activities	-374,319	-314,117
Free cash flow	-36,095	33,204
Cash flow from financing activities:		
Repayment of borrower's note loans	-108,445	-90,158
Cash receipts from the raising of borrower's note loans	45,000	331,000
Repayment of bank loans	-188,076	-62,614
Cash receipts from the raising of bank loans	295,400	159,620
Dividends paid	-29,285	-34,103
Cash receipts from non-controlling interests	2	7,676
Other cash receipts / cash payments from financing activities	11,015	-11,093
Cash flow from financing activities	25,612	300,329
Change in cash and cash equivalents	-10,483	333,533
Effect of exchange rate changes on cash and cash equivalents	-3,632	-8,893
Cash and cash equivalents at January 1	682,259	357,618
Cash and cash equivalents at December 31	668,143	682,259

Consolidated Statement of Changes in Equity (IFRS)

for the financial year from January 1 to December 31, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

— 3.5

€ THOUSAND	Issued capital	Retained earnings	Other reserves		
			Foreign currency translation reserve	Cash flow hedge reserve and hedging costs	Reserve for actuarial gains/losses
Balance at January 1, 2017	200	175,275	-2,622	-15,431	-146,119
Comprehensive income					
Result for the period					
Other income (after tax)			-70,173	13,397	-2,789
Other changes in shareholders' equity					
Other changes					
Transactions with owners					
Capital increases					
Dividends paid					
Balance at December 31, 2017 = Balance at January 1, 2018	200	175,275	-72,795	-2,035	-148,908
Adjustments from initial application of IFRS 9, after tax					
Adjustments from initial application of IFRS 15, after tax					
Adjusted balance at January 1, 2018	200	175,275	-72,795	-2,035	-148,908
Comprehensive income					
Result for the period					
Other income (after tax)			-1,418	-8,631	7,643
Other changes in shareholders' equity					
Other changes					
Transactions with owners					
Capital increase					
Dividends paid					
Balance at December 31, 2018	200	175,275	-74,213	-10,666	-141,266

See Note 20.

Consolidated Statement of Changes in Equity [continued]

for the financial year from January 1 to December 31, 2018

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 at January 1, 2017	1,022,071	857,898	1,033,373	58,219	1,091,592
Comprehensive income					
Result for the period	90,413	90,413	90,413	10,347	100,760
Other income (after tax)		-59,565	-59,565	-2,962	-62,527
Other changes in shareholders' equity					
Other changes	-1,111	-1,111	-1,111	-327	-1,438
Transactions with owners					
Capital increases		0	0	7,676	7,676
Dividends paid	-26,000	-26,000	-26,000	-8,103	-34,103
Balance at December 31, 2017 = Balance at January 1, 2018	1,085,373	861,635	1,037,110	64,851	1,101,961
Adjustments from initial application of IFRS 9, after tax	749	749	749		749
Adjustments from initial application of IFRS 15, after tax	45,000	45,000	45,000		45,000
Adjusted balance at January 1, 2018	1,131,122	907,384	1,082,859	64,851	1,147,710
Comprehensive income					
Result for the period	25,927	25,927	25,927	5,297	31,223
Other income (after tax)		-2,407	-2,407	-656	-3,063
Other changes in shareholders' equity					
Other changes	-976	-976	-976	-80	-1,056
Transactions with owners					
Capital increase		0	0	2	2
Dividends paid	-23,000	-23,000	-23,000	-6,285	-29,285
Balance at December 31, 2018	1,133,073	906,928	1,082,403	63,129	1,145,533

See Note 20.

General Information

1 INFORMATION ABOUT THE COMPANY

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

- Automotive (74 locations, around 22,734 full-time equivalents)
- Steel/Tube (14 locations, around 3,810 full-time equivalents)
- Distribution (45 locations, around 1,501 full-time equivalents)
- Other companies (8 locations, 533 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 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 under 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 previous years were calculated using 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 which are measured at market value, and defined benefit plan assets, which are measured at fair value. There are also minor contract assets from customer contracts which are measured 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 8, 2019, the Executive Board approved the consolidated financial statements and the Group management report for the period ended December 31, 2018, 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 15, 2019.

3 NEW ACCOUNTING STANDARDS

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

The application of the following new standards and amendments of existing standards became mandatory in the 2018 financial year:

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD

— 3.6

		Publication by IASB	Application obligatory in EU for financial years beginning on or after	Endorsed by the EU as of December 31, 2018	Effects on BENTELER Group
New standards and interpretations					
IFRS 9	Financial Instruments	July 24, 2014	January 1, 2018	Yes	See separate presentation
IFRS 15	Revenue from Contracts with Customers	May 28, 2016	January 1, 2018	Yes	See separate presentation
IFRIC 22	Foreign Currency Transactions and Advance Consideration	December 8, 2016	January 1, 2018	Yes	Insignificant
Amendments to existing standards and interpretations					
IFRS 15	Revenue from Contracts with Customers (amendments: date of entry into force)	September 12, 2015	January 1, 2018	Yes	See separate presentation
IFRS 15	Revenue from Contracts with Customers (clarifications)	April 12, 2016	January 1, 2018	Yes	See separate presentation
IFRS 4	Insurance Contracts (amendments: applying IFRS 9 with IFRS 4)	September 12, 2016	January 1, 2018	Yes	None
IFRS 2	Share-based Payment (amendments: clarifications of classification and measurement of share-based payment transactions)	June 20, 2016	January 1, 2018	Yes	None
Miscellaneous	Improvements to International Financial Reporting Standards, 2014–2016 cycle	December 8, 2016	January 1, 2018 / January 1, 2017	Yes	None
IAS 40	Investment Property (amendments: transfers of investment property)	December 8, 2016	January 1, 2018	Yes	None

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 not to apply them early on a voluntary basis.

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD

— 3.7

		Publication by IASB	Application obligatory in EU for financial years beginning on or after	Endorsed by the EU as of December 31, 2018	Effects on BENTELER Group
New standards and interpretations					
IFRS 16	Leases	January 13, 2016	January 1, 2019	Yes	See separate presentation
IFRS 17	Insurance Contracts	May 18, 2017	January 1, 2021	No	None
IFRIC 23	Uncertainty over Income Tax Treatments	June 7, 2017	January 1, 2019	Yes	Under review
Amendments to existing standards and interpretations					
IFRS 9	Financial Instruments (amendments: prepayment features with negative compensation)	October 12, 2017	January 1, 2019	Yes	See separate presentation
IAS 28	Investments in Associates and Joint Ventures (amendments: long-term investments)	October 12, 2017	January 1, 2019	No	Under review
Miscellaneous	Improvements to International Financial Reporting Standards, 2015 – 2017 cycle	December 12, 2017	January 1, 2019	Yes	Under review
IAS 19	Employee Benefits (amendments: plan amendment, curtailment, or settlement)	February 7, 2018	January 1, 2019	No	Under review
CF	Conceptual Framework (amendments: References)	March 29, 2018	January 1, 2020	No	None
IFRS 3	Business Combinations (amendments: definition of a business)	October 22, 2018	January 1, 2020	No	Under review
IAS 1 IAS 8	Presentation of Financial Statements, Accounting Methods (Changes: concept of materiality)	October 31, 2018	January 1, 2020	No	Under review

IFRS 15

The new standard covers revenue from contracts with customers and was applied by BENTELER for the first time on January 1, 2018 using the modified retrospective method. IFRS 15 introduces a principles-based five-step model for revenue recognition and replaces standards IAS 11 and IAS 18 as well as interpretations IFRIC 13, IFRIC 15, IFRIC 18, and SIC-31. BENTELER began analyzing the potential impacts of the new standard in 2016 and completed the implementation of the changes in 2018.

Revenues in the Automotive Division are generated from the development, production, and sale of ready-to-install vehicle modules, components and systems made of metals and a wide range of other materials, together with the production and sale of the associated tools. Revenues are also generated from the development, production and sale of machines, machine installations, tools, design engineering and similar products. The Steel/Tube Division generates revenues from steel production and the development, production, machining and sale of steel products, especially steel tubes, while the Distribution Division generates its revenues from trading in tubes, tube accessories, profiles, sheet metal and similar products.

The application of IFRS 15 has no material effects on revenue recognition. Changes have only occurred in settlements of contractual costs with contract-related development costs and payments to customers (including in the form of partial price reductions). The balance sheet items concerned are listed below:

CHANGES RESULTING FROM THE APPLICATION OF IFRS 15

— 3.8

€ THOUSAND	Assets	Liabilities
Other non-current receivables and assets	56,709	
Other current receivables and assets	7,577	
Retained earnings (before deferred tax)		64,286

The adjustments set out above lead to a deferred tax liability of €19,286 thousand.

The movements in these assets from the beginning to the end of the period are set out in Note 6. The effect of the application of IFRS 15 during the financial year can be derived from the development account. At the beginning of the period there was an amount of €15 million of costs already capitalized in previous years, which in turn led to a write-down of €2.1 million in the 2018 financial year.

The note disclosures also increase on the basis of the detailed requirements of IFRS 15. These increased disclosures concern particularly Note 5 – "Accounting policies" and Note 6 – "Revenue".

IFRS 9

IFRS 9 Financial Instruments was applied by the BENTELER Group for the first time on January 1, 2018. The new standard covers the classification and measurement of financial instruments, impairment and hedge accounting. With the exception of the provisions on hedge accounting, the new standard has been applied retrospectively. The provisions on hedge accounting have been applied as far as possible prospectively. No comparative information has been adjusted. The effect of the initial application has been stated outside profit or loss in the opening balance sheet value of retained earnings.

BENTELER began analyzing the likely effects of the new standard on classification and measurement, impairment and hedge accounting in 2017 and completed its analysis in 2018. With the exception of impairments, the initial application of IFRS 9 had no material effects on the consolidated financial statements. A decrease in impairments occurred due to the introduction of the expected credit loss model, which in turn had a positive effect on equity.

Classification and measurement

The application of the new classification and measurement requirements of IFRS 9 led to no material reclassifications or measurement effects. The financial instruments hitherto recognized in profit or loss at fair value continue to be carried at fair value. Financial instruments in the loans and receivables category are – with the exception of receivables dedicated to the factoring program – held to collect cash flows and serve exclusively for the collection of interest and repayments. They are therefore measured at amortized cost.

Impairments

As a result of the introduction of IFRS 9 adjustments must now equal the credit losses expected over the term of the financial asset and no longer only the credit losses that have already occurred. On the basis of the analysis, the impairments have changed as follows:

CHANGES RESULTING FROM THE APPLICATION OF IFRS 9

— 3.9

€ THOUSAND	Assets	Liabilities
Other current receivables and assets	1,070	
Retained earnings		1,070

The above adjustments lead to a deferred tax liability of €321 thousand.

For trade receivables and contract assets from customer contracts (previously: Receivables from contract production) BENTELER uses the simplified approach, according to which adjustments always equal the amount of the credit loss expected over the term of the financial asset.

Hedge accounting

All hedging relationships for which hedge accounting was used in accordance with IAS 39 also fulfil the application conditions required in accordance with IFRS 9, so the new hedge accounting provisions have no material effects on the consolidated financial statements.

IFRS 16

IFRS 16 Leases was published by the IASB in January 2016 and replaces the previous standards IAS 17, IFRIC 4, SIC-15, and SIC-27. The new standard covers the recognition, measurement and presentation of leases and provides for lessees to recognize most leases – as in the case of the recognition provisions for finance leases under IAS 17. Exceptions apply for short-term leases and leases of low-value assets. In future a lease asset (right of use) and a lease liability will be recognized at the inception of a lease. Lease payments will be divided into interest and principal as is already the case under IAS 17. In addition the lease liability and the right of use must be remeasured if certain events occur (e.g. change of estimated lease term). The recognition rules for lessors are broadly the same as the provisions of IAS 17.

The standard applies to annual reporting periods beginning on or after January 1, 2019. Early application is permitted provided there is simultaneous or earlier application of IFRS 15. The new standard can be applied on a full retrospective or modified retrospective basis. BENTELER intends to apply IFRS 16 for the first time on January 1, 2019 using the modified retrospective method. The analysis of the potential effects of the new standard was initiated in 2017. Since the analysis was conducted on the basis of the information currently available, amendments may be made in the future based on new information.

From the current perspective the use of IFRS 16 from January 1, 2019 is expected to lead to an increase in non-current assets (usage rights) and an increase in financial liabilities (leasing liabilities) in connection with leases previously classified as operating leases amounting to approximately €197 million. The stated usage rights are written down on a straight-line basis over the shorter of the usual period of use and the term of the lease. The lease expense previously recorded on a straight line basis is also replaced by a write-down of the usage right and interest expense in respect of the lease liability. Improvements are also expected in EBITDA, EBIT and cash flow from operating activities.

For the initial application, the following options and practical simplifications will be used: short-term leases and low-value assets are not recognized in the balance sheet but are apportioned as an expense over the term. Leases whose term ends no later than 12 months after the time of initial application are recognized as if they were short-term leases. Leases for intangible assets are not capitalized. Usage rights are measured as the amount of the leasing liability less lease payments made in advance. Initial direct costs are not taken into account in the assessment of the usage right at the time of initial application. Finance leases previously classified under IAS 17 and IFRIC 4 continue to be classified as leases.

Other information

In addition, there are a number of further standards and amendments that either are not relevant to the Group, or have no influence on the Group's earnings, assets or liabilities. These will be applied once their application is obligatory in the EU (after 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 the power of 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, is 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 valued.

Non-controlling interests represent the share of earnings 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 sales) 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. In line with 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 a significant influence, are accounted for in accordance with IAS 39 as financial instruments.

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 2018 financial year, the movements in the number of fully consolidated companies were as follows:

DEVELOPMENT OF THE CONSOLIDATED GROUP			— 3.10
	Austria	Other countries	Total
Fully consolidated companies as at December 31, 2017	3	115	118
Disposals as a result of mergers/liquidation	0	-5	-5
Disposals as a result of deconsolidation	0	-1	-1
Fully consolidated companies as at December 31, 2018	3	109	112

Additions during the 2018 financial year

There were no additions during the 2018 financial year.

Disposals during the 2018 financial year

In order to simplify the group structure, A/S Thos. Sonne Junr of Middelfart, Denmark, was merged with Heléns Rör A/S of Middelfart, Denmark, on January 1, 2018.

BENTELER Steel/Tube (Nantong) Co., Ltd. of Nantong, China, was liquidated on September 11, 2018, BENTELER Management Consulting (Shanghai) Co., Ltd. of Shanghai, China, was liquidated on October 10, 2018, BENTELER Distribution EOOD of Stara Zagora, Bulgaria, was liquidated on December 13, 2018 and BENTELER Automotive Canada Corporation of Windsor (Ontario), Canada, was liquidated on December 31, 2018.

The interest in BENTELER Distribution India Private Limited of Pune, India, was also deconsolidated on July 31, 2018.

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 as 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 financial 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 companies is the local national currency. Exceptions are the following companies which have the euro as their functional currency:

- BENTELER Distribution Hungary Kft., Budapest, Hungary
- BENTELER Distribution Boru Sanayi ve Ticaret Limited, Cayirova/Kocaeli, Turkey
- BENTELER Gebze Tasit Sanayi ve Ticaret Limited Sirketi, Cayirova/Kocaeli, Turkey

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	
	2018	2017	December 31, 2018	December 31, 2017
BRL	4.33	3.65	4.45	3.97
CHF	1.15	1.12	1.12	1.17
CNY	7.81	7.66	7.88	7.81
CZK	25.68	26.30	25.78	25.54
GBP	0.89	0.88	0.90	0.89
MXN	22.62	21.44	22.57	23.67
NOK	9.63	9.37	9.98	9.84
RUB	74.14	66.19	79.54	69.37
SEK	10.30	9.65	10.28	9.84
USD	1.18	1.14	1.15	1.20
ZAR	15.61	15.07	16.45	14.81

5.2 Recognition of income

Revenue from the sale of goods and the rendering of services is recognized when the individually identifiable contractual obligation has been fulfilled. The contractual obligation is deemed to be fulfilled when the promised supply or performance has been transferred, the customer has obtained power of disposal and thus can determine the use of the acquired asset and derive benefit from that asset.

Revenue recognition is based either on a point in time or a period. The point in time is the usual basis, with such time being deemed to be the time of transfer of power of disposal. Period-based revenue recognition is of significance particularly for customer contracts of BENTELER Maschinenbau. To measure the progress of performance and the associated revenue recognition both input- and output-based methods are used. Output-based methods in particular involve measuring the progress of performance based on the achievement of contractually predefined milestones, whereas input-based methods take particular account of the progress of performance based on costs incurred. At BENTELER the progress of performance is measured using input-based methods (cost-to-cost). It is ascertained on the basis of the ratio of the contract costs incurred as at the reporting date and the total estimated contract costs. When the result of a customer contract cannot be estimated reliably, revenue is recognized only to the extent of incurred contract costs likely to be recoverable.

Customer contracts are measured in accordance with the contract costs incurred up to the reporting date, 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 assets from customer contracts. Contract changes, additional demands and incentive payments are considered to the extent it is probable that they will result in revenue and they are capable of being reliably measured. When the result of a customer 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.

The amount of the revenue to be recognized is based on the allocation of the identifiable transaction price to the individual performance obligations under a contract. This allocation takes place regularly on the basis of the observable individual sale price. In cases in which the individual sale price is not directly observable, it is derived from comparable transactions (adjusted-market-assessment approach).

Revenue is recognized taking into account sales reductions such as trade discounts, customer loyalty bonuses and rebates. Variable purchase price components are estimated on the basis of reasonable assumptions derived both from information available at the time of the estimate and empirical values from comparable transactions. The allocation for variable purchase price components and sales reductions is the same as the allocation of the transaction price, unless a different allocation proves more expedient.

Contract costs are costs incurred to initiate or fulfil a contract. They are capitalized and written down on a straight-line basis over the term of the underlying contract.

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 (grants related to assets) 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 (grants related to expenses) are recognized in profit or loss in the same period in which the relevant expenses the grants intend 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 takes a period of more than one year to get ready 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	10–50
Outdoor facilities	5–50
Technical equipment and machinery	4–50
Factory and office equipment	3–15

5.6 Impairments

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 as follows:

IMPAIRMENT TESTS		— 3.14
€ THOUSAND	2018	2017
Steel/Tube (excluding Shreveport)	5,679	5,679
Distribution	764	764
Total	6,443	6,443

The recoverable amount of the CGUs is based on the value in use, which is calculated using discounted cash flow projections. 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 experiences and expectations for market development.

The key assumptions used to calculate the recoverable amount for the Steel/Tube Division (excluding Shreveport), to which goodwill is primarily attributable, concern the discount rate of 7.6% (previous year: 6.7%).

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 6%.

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 carrying amount 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 expenses 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 make the sale. Recognizable inventory risks are accounted for with appropriate write-downs based on coverage analyses. In the 2018 financial year the reassessment of the appropriate depreciation rates for long ranges had a positive effect on profit of €22 million.

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 status of the law.

5.11 Financial instruments

Recognition and measurement of financial instruments in accordance with IFRS 9

Under IFRS 9, depending on their classification, financial instruments are recognized either at (amortized) cost or at fair value through profit or loss.

There are currently no financial assets in the category "at fair value outside profit or loss".

IFRS 9 introduces a new classification system for financial assets, while the accounting rules for financial liabilities have been incorporated from IAS 39 largely without amendment.

Under IFRS 9, the following valuation categories apply to financial assets:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI with recycling)
- Debt instruments measured at fair value through profit or loss (FVTPL)
- Derivatives
- Equity instruments measured at fair value through profit or loss (FVTPL)
- Equity instruments classified as measured at fair value through other comprehensive income (FVOCI without recycling).

The classification is based on the one hand on cash flow associated with the asset (cash flow condition) and on the other hand using the business model to administer financial assets (business model).

The cash flow condition is fulfilled when the financial asset value exclusively generates cash flows in the form of interest and repayments.

The business model reflects the procedures of the company, the way in which it administers the financial assets in order to generate cash flow, i.e. by holding, selling or both holding and selling financial assets. Holdings in non-consolidated companies and other equity instruments (securities) must be valued at fair value. 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 measured at amortized cost using the effective interest method. If collection is in doubt, the receivables are recognized at the lower realizable amount.

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 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 classified in accordance with IFRS 9 in the category "at fair value through profit or loss".

The BENTELER Group uses hedge accounting if the conditions specified in IFRS 9 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 the consolidated profit or loss in the income statement.

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

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

The following table shows the changes associated with the initial application of IFRS 9 in the classes of financial assets and liabilities as at January 1, 2018:

FINANCIAL AND OTHER ASSETS

— 3.15

€ THOUSAND	Original treatment under IAS 39		New treatment under IFRS 9	
	Category	Carrying amount	Category	Carrying amount
Trade receivables	Loans and receivables	658,047	Amortized cost	658,047
Trade receivables	Loans and receivables	42,100	Fair value through profit or loss	42,100
Contract assets from customer contracts (previously: Receivables from construction contracts)	n/a	11,663	n/a	11,663
Securities	Financial assets available for sale	10,618	Fair value through profit or loss	10,618
Investments in unconsolidated entities	Financial assets available for sale	83	Fair value through profit or loss (without recycling)	83
Financial receivables	Loans and receivables	101,396	Amortized cost	101,396
Positive market values: derivatives without on-balance-sheet hedging relationship	Financial assets held for trading	9,827	Fair value through profit or loss (FVTPL) – mandatory	9,827
Positive market values: derivatives with on-balance-sheet hedging relationship (hedge accounting)	Fair value through profit or loss – hedging instrument	24,142	Fair value through profit or loss – hedging instrument FVTPL under IFRS 9	24,142
Other non-financial receivables	n/a	164,814	n/a	164,814
Cash and cash equivalents	Loans and receivables	682,259	Amortized cost	682,259
TOTAL		1,704,950		1,704,950

All financial instruments in the category “fair value through profit or loss” must be measured at fair value through profit or loss under the criteria of IFRS 9 (business model and SPPI test). The fair value option was not used.

FINANCIAL AND OTHER LIABILITIES

— 3.16

€ THOUSAND	Original treatment under IAS 39		New treatment under IFRS 9	
	Category	Carrying amount	Category	Carrying amount
Financial debts (non-current and current)		1,795,567		1,795,567
Borrower's note loans	Financial liabilities measured at amortized cost	712,081	Amortized cost	712,081
Liabilities to banks	Financial liabilities measured at amortized cost	1,064,161	Amortized cost	1,064,161
Liabilities from finance lease	Financial liabilities measured at amortized cost	12,607	Amortized cost	12,607
Other financial debts	Financial liabilities measured at amortized cost	6,718	Amortized cost	6,718
Trade payables	Financial liabilities measured at amortized cost	1,258,322	Amortized cost	1,258,322
Other liabilities (non-current and current)		386,080		386,080
Negative market values: derivatives without on-balance-sheet hedging relationship	Financial liabilities held for trading	32,423	Fair value through profit or loss FVTPL under IFRS 9	32,423
Negative market values: derivatives with on-balance-sheet hedging relationship (hedge accounting)	Fair value through profit or loss – hedging instrument	12,659	Fair value through profit or loss – hedging instrument	12,659
Other financial liabilities	Financial liabilities measured at amortized cost	0	Amortized cost	0
Other non-financial liabilities	n/a	340,998	n/a	340,998
TOTAL		3,439,969		3,439,969

Trade and other receivables classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase in the adjustments to these receivables of €1,070 thousand was recorded as at January 1, 2018 with the transition to IFRS 9 in retained earnings.

The securities categorized as available for sale under IAS 39 are solely equity instruments. These must therefore be carried at fair value through profit or loss under IFRS 9.

Investments in unconsolidated entities represent investments that the group wishes to hold for the long term for strategic reasons. These must be carried at fair value through profit or loss under IFRS 9.

Recognition and measurement of financial instruments in accordance with IAS 39

Under IAS 39, 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. 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. 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 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 the consolidated profit or loss in the income statement.

The main causes of ineffectiveness in interest rate hedges are:

- The effect of the credit risk of the counterparty and the Group on the fair value of interest rate derivatives not reflected in the change in the fair value of the hedged cash flows due to changes in interest rates.
- Differences in the repricing dates between the derivatives and the hedged underlying transactions.

The main causes of ineffectiveness in currency hedges are:

- The effects of the credit risk of the counterparties and the Group on the fair value of currency futures contracts not reflected in the change in the fair value of the hedged cash flows due to changes in exchange rates.
- Changes in the time of the hedged transactions.

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 the 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 provisions.

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 3.11% (previous year: 0.0%–2.63%).

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 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", 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 inventories (Note 5.9 – "Inventories")
- 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 obligations").

Notes to the Consolidated Income Statement

6 REVENUE

The revenues of the BENTELER Group are made up as follows:

REVENUE — 3.17		
€ THOUSAND	2018	2017
Sales of goods	7,988,877	7,791,260
Revenue realized over a period (previously: Construction contracts)	82,740	64,853
Total	8,071,617	7,856,114

The contract assets and liabilities of the BENTELER Group are as follows:

CONTRACT ASSETS AND LIABILITIES — 3.18		
€ THOUSAND	2018	
Receivables from contracts with customers	633,378	
Contract assets	88,543	
Contract liabilities	69,011	
Revenues recognized during the year which were included in the balance of contract liabilities at the beginning of the financial year	44,227	

Capitalized contract costs and the associated movements are as follows:

MOVEMENTS IN CAPITALIZED CONTRACT COSTS — 3.19		
€ THOUSAND	2018	
Carrying amount – as at January 1	79,286	
Additions	27,400	
Current depreciation	-18,143	
Carrying amount – as at December 31	88,543	

As a result of the usual contracting arrangements in the sector there are only minor, long-term, unfulfilled performance obligations. These have a total amount transaction price of €15,036 thousand. The exemption for the disclosure of short-term performance obligations under IFRS 15.121 was used.

7 COST OF SALES

The costs of sales are composed as follows:

COST OF SALES — 3.20		
€ THOUSAND	2018	2017
Material expenses	5,463,653	5,264,304
Other	1,919,540	1,851,613
Total	7,383,193	7,115,918

8 OTHER OPERATING INCOME

OTHER OPERATING INCOME		— 3.21
€ THOUSAND	2018	2017
Insurance claims	742	1,812
Foreign currency exchange gains	12,574	8,547
Gain from deconsolidation	939	2,002
Income from the reversal of provisions	26,584	53,771
Income from the disposal of property, plant and equipment	979	22,999
Government grants	3,031	2,652
Income from the reversal of bad debt allowances	1,675	2,150
Compensation benefits	10,688	17,667
Miscellaneous	21,269	26,728
Total	78,481	138,329

9 OTHER OPERATING EXPENSES

Other operating expenses mainly consist of foreign currency translation losses amounting to €11,960 thousand (previous year: €17,066 thousand). The previous year's figure included one-off expenses associated with the former subsidiary BENTELER Automotive Farsund AS, Farsund, Norway, amounting to €23,355 thousand.

10 NET FINANCE RESULT

FINANCE INCOME		— 3.22
€ THOUSAND	2018	2017
Income from derivative financial instruments	30,638	54,826
Interest income from loans and other financial assets	1,503	2,251
Foreign currency exchange income	3,090	8,955
Interest income from bank accounts	5,529	5,145
Other finance income	23	1,854
Finance income	40,782	73,030
FINANCE EXPENSES		— 3.23
€ THOUSAND	2018	2017
Interest expense for financial liabilities	65,963	66,319
Expenses from derivative financial instruments	24,660	35,007
Interest expense for pension obligations	6,878	6,303
Foreign currency translation losses	7,533	31,557
Accrued interest on provisions	169	228
Other finance expenses	10,001	0
Finance expenses	115,204	139,413

11 INCOME TAXES

INCOME TAXES

— 3.24

€ THOUSAND	2018	2017
Current tax expense	47,619	31,640
of which for the current reporting period	51,956	36,975
of which for previous periods	-4,337	-5,335
Deferred tax expense / tax income	-35,041	9,365
Total tax expense / tax income	12,577	41,005

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% (previous year: 30%).

RECONCILIATION OF EXPECTED TAX EXPENSE AND ACTUAL TAX EXPENSE

— 3.25

€ THOUSAND	2018	2017
Profit for the period before tax under IFRS	43,800	141,765
Group income tax rate (%)	30 %	30 %
Expected tax expense / tax income for year	13,140	42,529
Effect of changes in tax rates	-988	1,224
Effect of differences in tax rates	-9,916	-9,642
Effect of income that is exempt from taxation and other deductions	-1,748	-3,329
Effect of non-tax-deductible operating expenses and other additions	8,657	7,376
Effect of taxes from previous years recognized during the year	-2,403	-5,667
Effect of income taxes not creditable toward income tax (withholding taxes and foreign taxes)	2,542	4,806
Effect of impairments / adjustments	4,047	4,111
Other effects	-754	-403
Total tax expense (+) / tax income (-)	12,577	41,005

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.

RESEARCH AND DEVELOPMENT EXPENSES (TOTAL)		— 3.26
€ THOUSAND	2018	2017
Research and development expenses (total)	95,646	76,191
Amortization and impairment of capitalized development costs	433	11,213
Research and development expenses recognized in the consolidated income statement	96,079	87,404

Research and development costs consist primarily of personnel expenses and costs 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 material characteristics and properties.

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.

At the reporting date, there were contractual obligations to acquire intangible assets in an amount of €3,857 thousand (previous year: €2,294 thousand).

Movements in intangible assets were as follows:

DEVELOPMENT OF INTANGIBLE ASSETS

— 3.27

€ THOUSAND	Acquired intangible assets (excluding goodwill)	Acquired goodwill	Prepayments made	Internally generated intangible assets	Total
Cost of acquisition or production					
Balance at January 1, 2018	152,803	7,892	3,289	155,357	319,342
Additions	6,269	0	4,561	0	10,829
Changes in the scope of consolidation	-1	0	0	0	-1
Reclassifications	2,234	0	-2,234	0	0
Disposals	-1,189	0	-41	0	-1,230
Foreign currency exchange differences	-425	0	16	-680	-1,088
Balance at December 31, 2018	159,692	7,892	5,590	154,678	327,852
Amortization					
Balance at January 1, 2018	122,833	1,450	0	154,450	278,733
Current amortization	9,721	0	0	433	10,153
Changes in the scope of consolidation	-1	0	0	0	-1
Disposals	-1,271	0	0	0	-1,271
Foreign currency exchange differences	-510	0	0	-633	-1,142
Balance at December 31, 2018	130,772	1,450	0	154,251	286,472
Carrying amount					
Balance at January 1, 2018	29,971	6,442	3,289	907	40,609
Balance at December 31, 2018	28,920	6,442	5,590	427	41,380
of which from finance lease	0	0	0	0	0

DEVELOPMENT OF INTANGIBLE ASSETS

— 3.28

€ THOUSAND	Acquired intangible current assets (excluding goodwill)	Acquired goodwill	Prepayments	Internally generated intangible assets	Total
Cost of acquisition or production					
Balance at January 1, 2017	141,329	7,892	5,032	167,084	321,336
Additions	13,034	0	2,618	0	15,653
Changes in the scope of consolidation	-795	0	0	-5,305	-6,100
Reclassifications	4,277	0	-4,277	0	0
Disposals	-3,849	0	0	-4,365	-8,214
Foreign currency exchange differences	-1,192	0	-85	-2,057	-3,333
Balance at December 31, 2017	152,803	7,892	3,289	155,357	319,342
Amortization					
Balance at January 1, 2017	116,854	1,450	0	151,339	269,643
Current amortization	11,884	0	0	2,804	14,688
Impairments	365	0	0	8,408	8,773
Changes in the scope of consolidation	-555	0	0	-3,953	-4,508
Disposals	-3,843	0	0	-2,913	-6,756
Foreign currency exchange differences	-1,872	0	0	-1,236	-3,107
Balance at December 31, 2017	122,833	1,450	0	154,450	278,733
Carrying amount					
Balance at January 1, 2017	24,475	6,442	5,032	15,745	51,694
Balance at December 31, 2017	29,971	6,442	3,289	907	40,609
of which from finance lease	0	0	0	0	0

13 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT, AND EQUIPMENT

— 3.29

€ 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, 2018	978,979	3,176,527	542,505	366,297	5,064,308
Additions	30,932	148,034	43,964	195,179	418,109
Changes in the scope of consolidation	0	-63	-24	0	-88
Reclassifications	31,799	201,340	14,475	-247,615	0
Disposals	-4,051	-109,939	-29,769	0	-143,758
Foreign currency exchange differences	13,028	16,732	402	1,350	31,512
Balance at December 31, 2018	1,050,688	3,432,631	571,553	315,211	5,370,084
Depreciation					
Balance at January 1, 2018	408,226	1,964,029	383,174	0	2,755,429
Current depreciation	27,783	178,781	40,078	0	246,642
Changes in the scope of consolidation	0	-63	-24	0	-88
Reclassifications	-4	-111	115	0	0
Disposals	-3,245	-64,069	-23,443	0	-90,757
Foreign currency exchange differences	3,602	5,494	396	0	9,492
Balance at December 31, 2018	436,362	2,084,061	400,296	0	2,920,719
Carrying amount					
Balance at January 1, 2018	570,754	1,212,498	159,331	366,297	2,308,879
Balance at December 31, 2018	614,326	1,348,570	171,257	315,211	2,449,365
of which from finance lease	7,605	1,785	579	0	9,970

PROPERTY, PLANT, AND EQUIPMENT

— 3.30

€ 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, 2017	860,728	2,801,385	534,503	865,685	5,062,301
Additions	22,438	179,826	34,518	176,430	413,213
Changes in the scope of consolidation	-20,512	-38,104	-3,500	-701	-62,817
Reclassifications	155,715	407,714	31,167	-594,597	0
Disposals	-12,117	-91,431	-37,681	-298	-141,527
Foreign currency exchange differences	-27,273	-82,864	-16,503	-80,222	-206,861
Balance at December 31, 2017	978,979	3,176,527	542,505	366,297	5,064,308
Depreciation and amortization					
Balance at January 1, 2017	404,395	1,911,641	395,455	0	2,711,490
Current depreciation	26,203	169,689	37,454	0	233,346
Impairments	0	22,180	0	0	22,180
Changes in the scope of consolidation	-5,250	-15,365	-1,835	0	-22,450
Disposals	-6,303	-66,488	-35,482	0	-108,273
Foreign currency exchange differences	-10,819	-57,628	-12,418	0	-80,864
Balance at December 31, 2017	408,226	1,964,029	383,174	0	2,755,429
Carrying amount					
Balance at January 1, 2017	456,334	889,744	139,048	865,685	2,350,811
Balance at December 31, 2017	570,754	1,212,498	159,331	366,297	2,308,879
of which from finance lease	7,876	2,919	815	0	11,610

As in 2017, no borrowing costs were capitalized in 2018.

In the 2018 financial year the BENTELER Group received investment grants amounting to €3,568 thousand (previous year: €842 thousand), which amount was deducted from the acquisition cost of the property, plant and equipment.

Property, plant and equipment include items with restricted ownership rights at a carrying amount of €1,745 thousand (previous year: €2,341 thousand). As in the previous year, none of the assets within property, plant and equipment are pledged as collateral in 2018.

At the reporting date, there were contractual obligations to acquire property, plant and equipment in an amount of €97,094 thousand (previous year: €114,228 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 various periods:

FUTURE MINIMUM LEASE PAYMENTS UNDER OPERATING LEASES

— 3.31

€ THOUSAND	December 31, 2018	December 31, 2017
Future minimum lease payments		
due within 1 year	50,331	43,097
due in 1-5 years	134,298	102,057
due after 5 years	73,845	49,493
Total	258,474	194,647

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

FUTURE MINIMUM LEASE PAYMENTS UNDER FINANCE LEASES

— 3.32

€ THOUSAND	December 31, 2018	December 31, 2017
Future minimum lease payments		
due within 1 year	2,318	2,327
due in 1-5 years	5,185	6,822
due after 5 years	16,771	16,432
Nominal value	24,273	25,581
Interest component	12,543	12,974
Present value of minimum lease payments	11,731	12,607

Payments of €61,020 thousand under rental and lease agreements were recognized as expenses for 2018 (previous year: €54,731 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 — 3.33

€ THOUSAND	2018	2017
Carrying amount of investments in associates	13,531	11,223
Pro rata result from continuing Divisions	-1,115	1,396

On April 26, 2018 the company FAWAY BENTELER Automotive Components (Tianjin) Co., Ltd of Tianjin, China, was formed. The BENTELER Group has a 25% holding.

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 — 3.34

€ THOUSAND	December 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	92	-420	58	-399
Property, plant and equipment	9,861	-128,802	7,102	-123,163
Current and non-current financial assets	2,393	-15,074	1,526	-13,963
Inventories	11,783	-3,528	18,967	-3,351
Current and non-current receivables and other assets	14,904	-39,139	11,845	-21,069
Provisions for pensions	69,055	-6,735	69,315	-8,849
Other provisions	16,746	-11,397	23,053	-16,713
Liabilities	37,583	-4,512	36,025	-5,057
Tax loss carryforwards	133,284	0	111,848	0
Tax credits	22,242	0	11,842	0
Other deferred taxes	0	-1,210	0	-4,700
Gross value	317,943	-210,817	291,581	-197,264
Netting	153,369	-153,369	160,962	-160,962
Recognized in statement of financial position	164,574	-57,448	130,619	-36,302

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

A significant part of the deferred tax liabilities in property, plant and equipment concerns investments in the USA, with bonus depreciation being recognized for tax purposes. The resulting deferred tax liabilities in respect of property, plant and equipment amounting to €79,971 thousand (previous year: €72,246 thousand) is matched by unused tax loss carryforwards of equal amount.

The deferred tax assets include an amount of €2,183 thousand (previous year: €0 thousand), relating to outstanding one-seventh write-downs.

No deferred tax was recognized for unused tax loss carryforwards amounting to €223,785 thousand (previous year: €161,892 thousand).

The unused tax losses can be carried forward as follows:

UNUSED TAX LOSS CARRYFORWARDS		— 3.35
€ THOUSAND	December 31, 2018	December 31, 2017
Expiring in the next 10 years	34,512	32,707
Expiring in more than 10 years	15,859	0
Unused tax losses not subject to expiration	173,414	129,185
Total	223,785	161,892

As at December 31, 2018, 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 are likely to 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) and for the resulting source taxes.

16 OTHER NON-CURRENT RECEIVABLES AND ASSETS

OTHER NON-CURRENT RECEIVABLES AND ASSETS — 3.36

€ THOUSAND	December 31, 2018	December 31, 2017
Investments in unconsolidated entities	82	83
Securities	615	10,615
Financial receivables	12,848	15,333
Other tax assets	3,682	9,083
Contract cost and prepaid expenses	80,342	18,336
Other assets	15,289	2,471
Total	112,858	55,922

The financial receivables consist essentially of derivatives. The increase in prepaid expenses in 2018 results essentially from IFRS 15.

17 INVENTORIES

INVENTORIES — 3.37

€ THOUSAND	December 31, 2018	December 31, 2017
Raw material and manufacturing supplies	390,715	360,108
Work in progress	196,801	199,683
Finished products and goods	330,028	310,242
Prepayments	13,592	17,249
Total	931,137	887,282

18 RECEIVABLES

18.1 Trade receivables

TRADE RECEIVABLES — 3.38

€ THOUSAND	December 31, 2018	December 31, 2017
Trade receivables, gross	626,258	709,627
Doubtful debt allowances on trade receivables	-8,274	-9,480
Carrying amount	617,984	700,147

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 €433,987 thousand (previous year: €330,693 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. 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 unadjusted receivables is as follows:

MATURITY STRUCTURE OF TRADE RECEIVABLES

— 3.39

€ THOUSAND	December 31, 2018		
	Gross carrying amount	Adjustment	Default
Receivables that are neither past due nor impaired	525,842	0	No
Less than 10 days past due	27,262	0	No
11 to 30 days past due	21,590	0	No
31 to 60 days past due	9,849	0	No
61 to 90 days past due	2,739	102	No
More than 90 days past due	8,138	260	No
Receivables with specific doubtful debt allowances	30,838	7,912	Yes
TOTAL	626,258	8,274	

MATURITY STRUCTURE OF UNADJUSTED RECEIVABLES

— 3.40

€ THOUSAND	December 31, 2017
Receivables that are neither past due nor impaired	657,089
Receivables that are past due but not impaired	41,948
less than 30 days past due	33,913
30 to 60 days past due	649
61 to 90 days past due	3,059
more than 90 days past due	4,326
Receivables with specific doubtful debt allowances	1,110
Carrying amount as at December 31	700,147

Movements in doubtful debt allowances on trade receivables were as follows:

**MOVEMENTS IN DOUBTFUL DEBT ALLOWANCES
ON TRADE RECEIVABLES**

— 3.41

€ THOUSAND	2018	2017
Doubtful debt allowances on January 1, according to IAS 39	9,480	11,502
Adjustment under IFRS 9	-1,070	
Doubtful debt allowances on January 1, according to IFRS 9	8,410	
Additions	1,670	2,478
Reversals	-1,675	-2,150
Utilization	-547	-2,431
Effects of exchange rates and other changes	416	81
Doubtful debt allowances on December 31	8,274	9,480

For the new impairment model under IFRS 9 the expected credit loss model for financial assets is used. The calculation of the loss rate based on actual default rates observed in the past taking into account the latest developments and expected economic conditions over the term of the receivables is determined for portfolios with similar default risk characteristics. The initial application of IFRS 9 led to no significant change in the amount of the impairment, particularly since it also covers historical default rates.

The adjusted trade receivables with a contract value of €30,838 thousand, which were written off in 2018, are still the subject of enforcement measures.

Part of the decrease in impairments is due to the reduction in gross receivables.

At the end of the period on December 31, 2018, as in previous years, no trade receivables had been pledged.

**18.2 Contract assets from customer contracts
(previously: Receivables from construction contracts)**

CONTRACT ASSETS FROM CUSTOMER CONTRACTS

— 3.42

€ THOUSAND	2018
Balance at January 1	11,663
Revenue	13,811
Payment or payment claim	-10,080
Balance at December 31	15,394

18.3 Other current receivables and assets

OTHER CURRENT RECEIVABLES AND ASSETS

— 3.43

€ THOUSAND	December 31, 2018	December 31, 2017
Prepaid expenses	32,904	23,021
Other financial assets	148,702	120,036
Other non-financial assets	100,556	111,892
Total	282,162	254,959

The other financial assets essentially comprise bills receivable and reserves under accounts receivable facilities amounting to €115,956 thousand (previous year: €75,277 thousand). The financial assets also include derivatives amounting to €12,085 thousand (previous year: €19,112 thousand). Other non-financial assets primarily include other tax receivables (particularly for value added tax and energy tax) and refund claims. In view of the good credit rating of the main business partners BENTELER assumes that the need for a bad debt provision is negligible.

19 CASH AND CASH EQUIVALENTS

The cash and cash equivalents are available at all times and are not subject to any restrictions. In view of the good credit rating of the banks, BENTELER assumes that the need for a bad debt provision is negligible.

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, 2018, 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 four Chinese companies. The proportion of revenue is below 1.3% of the Group's consolidated revenue and the total assets are below 1.8% of the Group's total assets and are therefore not considered material.

The movements in the **other components of equity** were as follows (including the amount related to non-controlling interests):

MOVEMENTS IN THE OTHER COMPONENTS OF EQUITY IN THE CURRENT REPORTING PERIOD

— 3.44

€ THOUSAND	2018 financial year		
	Before tax	Tax effect	After tax
Foreign currency translation effects	-2,097	0	-2,097
Effects of cash flow hedging	-8,879	1,777	-7,102
Effects of hedging cost	-2,102	608	-1,494
Actuarial gains and losses	10,345	-2,715	7,630
Total	-2,733	-330	-3,063

MOVEMENTS IN THE OTHER COMPONENTS OF EQUITY IN THE PREVIOUS REPORTING PERIOD

— 3.45

€ THOUSAND	2017 financial year		
	Before tax	Tax effect	After tax
Foreign currency translation effects	-73,286	0	-73,286
Effects of cash flow hedging	18,890	-5,496	13,394
Actuarial gains and losses	-5,440	2,805	-2,635
Total	-59,836	-2,691	-62,527

21 PROVISIONS

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

PROVISIONS

— 3.46

€ THOUSAND	Note	2018	2017
Pension provisions – non-current	22)	389,954	401,496
Other provisions for employee benefits		28,644	25,521
Provisions for impending losses		785	3,985
Provisions for guarantees and warranties		5,570	5,186
Other provisions		11,008	17,037
Other non-current provisions	21)	46,007	51,729
Other provisions for employee benefits		21,576	17,970
Provisions for impending losses		4,978	4,423
Provisions for guarantees and warranties		23,877	20,988
Other provisions		34,019	48,023
Current provisions	21)	84,451	91,403

Statement of changes in provisions

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

STATEMENT OF CHANGES IN PROVISIONS — 3.47					
€ THOUSAND	Guarantees and warranties	Employee	Impending losses	Other provisions	Total
Balance at January 1, 2018	26,174	43,491	8,407	65,059	143,132
Changes in the scope of consolidation	0	0	0	-81	-81
Additions	8,148	28,784	1,417	18,441	56,790
Utilization	-2,052	-20,123	-778	-14,649	-37,602
Reversals	-2,776	-2,205	-3,069	-18,533	-26,584
Reclassifications	0	18	-324	821	516
Accrued interest	0	169	0	0	169
Foreign currency translation	-48	86	110	-6,031	-5,882
Balance at December 31, 2018	29,448	50,220	5,763	45,027	130,458
of which current	23,878	21,576	4,978	34,019	84,451
of which non-current	5,570	28,644	785	11,008	46,007

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 provisions for 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

— 3.48

PERCENTAGES AS WEIGHTED AVERAGE	2018	2017
Interest rate	1.8	1.6
Rate of increase in pensionable salaries	2.3	2.1
Inflation	1.5	1.5

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

— 3.49

€ THOUSAND	December 31, 2018	December 31, 2017
Present value of the liability	519,027	525,103
Fair value of plan assets	-129,819	-124,313
Net balance	389,208	400,790
Assets not included as per IAS 19.57(b)	746	706
Provisions for pensions and other similar commitments as at December 31	389,954	401,496

EXPENSES FROM RETROACTIVE PLAN AMENDMENTS

— 3.50

€ THOUSAND	2018	2017
Present value of defined benefit obligation as at January 1	525,103	523,564
Current service cost	12,595	14,560
Interest expense	8,376	7,497
Actuarial gains (losses)	-10,502	5,977
of which due to change in demographic assumptions	983	-178
of which due to change in financial assumptions	-11,557	9,859
of which due to experience-based adjustments	72	-3,704
Past service costs	-4,836	-372
Settlements	432	-629
Gains / losses arising from changes in foreign exchange rates	2,808	-9,225
Employee contributions	1,625	1,655
Payments made	-16,552	-17,412
Net change from company acquisitions and disposals	-22	-511
Present value of defined benefit obligation as at December 31	519,027	525,103

The change in the conversion rate in Switzerland, which turns the retirement savings capital into an annuity results in non-recurring income of €4,836 thousand from retroactive plan amendments in the 2018 financial year.

CHANGES IN PLAN ASSETS

— 3.51

€ THOUSAND	2018	2017
Fair value of plan assets as at January 1	124,313	128,258
Interest income	1,524	1,215
Revaluation of plan assets	743	817
Settlements	0	-553
Gains / losses arising from changes in foreign exchange rates	2,175	-5,653
Contributions to the pension plan	17,671	17,653
of which employers	16,046	15,998
of which employees	1,625	1,655
Paid out of plan assets	-16,607	-17,424
Fair value of plan assets as at December 31	129,819	124,313

CHANGES IN ASSET CEILING

— 3.52

€ THOUSAND	2018	2017
Unrecognized assets as at January 1	706	441
Interest on unrecognized assets recognized in profit or loss	26	18
Other changes in unrecognized assets	15	247
Unrecognized assets as at December 31	746	706

The average duration of the obligation as at December 31, 2018 is 17 years (previous year: 18 years).

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

COMPONENTS OF PLAN ASSETS

— 3.53

€ THOUSAND	December 31, 2018	December 31, 2017
Equity instruments (active market)	30,159	27,417
Debt instruments (active market)	5,219	7,390
Insurance contracts	71,822	70,764
Property	18,559	14,458
Other assets	4,060	4,284
Total	129,819	124,313

The expected contributions to the plan for 2018 amount to €16,728 thousand (previous year: €15,802 thousand).

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

EFFECTS OF CHANGES IN ACTUARIAL PARAMETERS ON THE DEFINED BENEFIT OBLIGATION

— 3.54

	2018 financial year		
€ THOUSAND	Change in assumptions	Change in obligation on decrease of parameter	Change in obligation on increase of parameter
Interest rate	0.50 %	47,399	-41,500
Rate of pension increase	0.50 %	-23,777	29,008
Rate of salary increase	0.50 %	-2,989	3,296

**EFFECTS OF CHANGES IN ACTUARIAL PARAMETERS
ON THE DEFINED BENEFIT OBLIGATION**

— 3.55

€ THOUSAND	2017 financial year		
	Change in assumptions	Change in obligation on decrease of parameter	Change in obligation on increase of parameter
Interest rate	0.50 %	49,553	-43,272
Rate of pension increase	0.50 %	-24,695	30,227
Rate of salary increase	0.50 %	-3,212	3,568

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

23 FINANCIAL LIABILITIES**FINANCIAL LIABILITIES**

— 3.56

€ THOUSAND	December 31, 2018		December 31, 2017	
	current	non-current	current	non-current
Borrower's note loans	73,136	575,500	113,581	598,500
Liabilities to banks	190,306	990,410	136,283	927,878
Lease liabilities	1,551	10,180	1,910	10,697
Miscellaneous	20,414	372	6,354	364
Total	285,407	1,576,462	258,128	1,537,439

Liabilities to banks are only secured to a limited extent with 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 CURRENT LIABILITIES**OTHER CURRENT LIABILITIES**

— 3.57

€ THOUSAND	December 31, 2018	December 31, 2017
Other tax liabilities	54,803	70,232
Liabilities to employees	67,903	105,195
Contract liabilities (previously: Advance payments received)	69,011	68,293
Social security liabilities	20,421	19,737
Other financial liabilities	34,551	20,503
Other non-financial liabilities	90,880	77,369
Total	337,569	361,329

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.

Movements in contract liabilities were as follows in 2018:

MOVEMENTS IN CONTRACT LIABILITIES		3.58
€ THOUSAND		2018
Contract liabilities – as at January 1		68,293
Payment or payment claim		44,187
Revenue		-44,227
Foreign currency exchange differences		758
Contract liabilities – as at December 31		69,011

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 local 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. The currency derivatives used are standard instruments such as foreign currency forward transactions, currency swaps, purchased standard currency options and non-deliverable forward transactions. These transactions concern rate hedging of cash flows in foreign currencies. The functional currency is hedged, not the Group currency. The hedging horizon is typically between one and three years. The Group only recognizes the change in the internal value of currency option transactions as a hedging instrument for cash flow hedges. The

change in the fair value of the option is recognized separately as hedging cost and placed into a reserve for the hedging costs in equity.

Foreign currency risks can arise both from foreign currency cash flows from transactions already contracted and from planned future foreign currency cash flows. Risks can arise, inter alia, from export revenues, capital expenditure payments and operational procurement costs as well as financing instruments in foreign currencies. Due to the uncertainty of the future exchange rate trends they may continue to exist from the time at which they arise through to settlement.

Due to the conclusion of foreign currency futures (e.g. currency swaps) the foreign exchange risk of future highly likely transactions is hedged. The parameters of the hedging transaction correspond essentially to the underlying transaction (currency pair, due date, nominal values). Since value changes in the underlying transaction and the hedging transaction are precisely contrary, the risk is financially neutralized.

The hedging rate can be up to 100%.

On the basis of the hedging strategy related to the underlying transaction, a hedge only becomes ineffective if the underlying transaction lapses early. The resulting excess hedge is liquidated.

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% (previous year: 30%) was applied as the tax rate.

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

SENSITIVITY ANALYSIS FOR EUR FOREIGN EXCHANGE RISK

— 3.59

€ THOUSAND	2018		2017	
	Decrease by 10 %	Increase by 10 %	Decrease by 10 %	Increase by 10 %
Effect on:				
Profit and loss	-1,308	1,070	279	-228
Cash flow hedges	-11,308	10,206	6,016	-4,110
Total equity	-12,616	11,276	6,295	-4,338

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

— 3.60

€ THOUSAND	2018		2017	
	Decrease by 10 %	Increase by 10 %	Decrease by 10 %	Increase by 10 %
Effect on:				
Income statement	0	0	0	0
Cash flow hedges	7,189	-5,652	5,605	-4,585
Equity Total	7,189	-5,652	5,605	-4,585

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 determine the effects of hypothetical changes in market interest rates on the Group's result (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% (previous 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 market interest rates of 100 bps (= 1%) would have the following effects on earnings after tax and equity:

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK — 3.61				
€ THOUSAND	2018		2017	
	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	16	-5,697	5,643	-10,518
Cash flow hedges	7,236	-7,622	6,534	-6,916
Total equity	7,252	-13,320	12,177	-17,434

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 – through its procurement of intermediate goods and services.

26.3.1 Steel price risk

The opportunities and risks 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 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 based on a price-setting process using different exchanges and underlyings.

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.

Through the conclusion of interest rate swaps (for aluminum), variable cash flows from the underlying transaction are swapped for fixed cash flows, thereby reducing the risk from variable factors. The economic connection between the underlying transaction in the hedging transaction results from the selection of the same variable factors for both transactions.

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

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.

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

SENSITIVITY ANALYSIS FOR ALUMINUM PRICE RISK

— 3.62

€ THOUSAND	2018		2017	
	Decrease by 10 %	Increase by 10 %	Decrease by 10 %	Increase by 10 %
Effect on:				
Earnings after tax	0	0	0	0
Cash flow hedges	325	-325	653	-653
Total equity	325	-325	653	-653

26.3.3 Other commodity price risks

The opportunities and risks from the volatility of other commodity prices are mainly passed on to customers.

26.4 Default risk

Default risk describes the risk resulting from the failure of individual business partners to fulfill their contractual payment 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 of the customer's economic condition and business competence is performed. 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 diversified customer structure on the original equipment manufacturer (OEM) side, comprising the world's leading automobile manufacturers, 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.

The company considers the default probability at the time of initial recognition of the asset and the existence of a significant increase in the default risk during the reporting period. In order to assess whether the default risk has been significantly increased, the company compares the default risk with regard to the asset on the reporting date with the default risk at the time of initial recognition. Reasonable and reliable forward-looking information available at the time is taken into account. In particular the following indicators are included:

- Internal credit assessments
- External credit assessments
- Changes in the borrower's profit position.

Regardless of the above analyses, a significant increase in the default risk is assumed if a debtor is in arrears of contractual payment by more than 60 days. Default with regard to a financial asset is deemed to exist if the contractual party defaults on contractual payments within 180 days after the due date.

In order to measure the expected credit losses, summaries of trade receivables and contract assets are produced on the basis of common credit risk characteristics and days past due. The contract assets relate to current not-yet-invoiced items and essentially show the same risk characteristics as trade receivables for the same contract types. The Group has therefore concluded that the expected loss rates for trade receivables represent an appropriate approximation value for the loss rates for contract assets.

The credit rating of a financial asset is impaired if an outcome has detrimental impacts on the expected future cash flows of the financial asset.

- Significant financial difficulty for the issuer or the borrower
- Breach of contract, such as default or a payment more than a 180 days past due
- Restructuring of a loan or credit by the Group which it would not normally need to contemplate
- Likelihood that the borrower will go into insolvency or in another restructuring procedure.

Trade receivables and contract assets are derecognized when they are reasonably assumed to be unrealizable.

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. Liquidity forecasts based on a fixed planning horizon 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 appropriate 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, 2018, a strategic liquidity reserve of unutilized written confirmed short- and long-term credit lines of a total €400,000 thousand (previous year: €400,000 thousand) was available.

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

MATURITIES OF FINANCIAL LIABILITIES

— 3.63

€ THOUSAND	Carrying amounts December 31, 2018	Maturity of financial debts					
		in 1 year		in 2 to 5 years		after 5 years	
Item		Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial debts (non-current and current)	1,861,870	40,819	285,407	105,366	1,384,252	14,960	192,211
Borrower's note loans	648,636	11,478	73,136	28,932	470,500	2,197	105,000
Liabilities to banks	1,180,716	29,210	190,306	76,105	910,762	12,677	79,648
Liabilities from finance lease	11,731	131	1,551	329	2,617	87	7,563
Other financial debts	20,786	0	20,414	0	372	0	0
Trade payables	1,367,243	0	1,367,243	0	0	0	0
Other liabilities (non-current and current)	49,716	3,679	33,380	2,228	12,812	60	0
Negative market values of derivatives without on-balance-sheet hedging relationship	25,371	0	24,259	0	1,112	0	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	24,345	3,679	9,121	2,228	11,701	60	0
Total	3,278,829	44,498	1,686,031	107,594	1,397,064	15,020	192,211

MATURITIES OF FINANCIAL LIABILITIES

— 3.64

€ THOUSAND	Carrying amounts December 31, 2017	Maturity of financial debts					
		in 1 year		in 2 to 5 years		after 5 years	
Item		Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial debts (non-current and current)	1,795,567	42,019	258,128	69,214	1,148,310	10,685	389,129
Borrower's note loans	712,081	14,770	113,581	20,445	508,500	2,089	90,000
Liabilities to banks	1,064,161	27,095	136,283	48,365	635,914	8,454	291,964
Liabilities from finance lease	12,607	153	1,910	404	3,532	143	7,165
Other financial debts	6,718	0	6,354	0	364	0	0
Trade payables	1,258,322	0	1,258,322	0	0	0	0
Other liabilities (non-current and current)	45,082	3,660	19,878	4,418	21,113	0	0
Negative market values of derivatives without on-balance-sheet hedging relationship	32,423	2,983	13,054	4,418	15,739	0	0
Negative market values of derivatives with on-balance sheet hedging relationship (hedge accounting)	12,659	676	6,824	0	5,373	0	0
Total	3,098,971	45,678	1,536,328	73,632	1,169,423	10,685	389,129

The table above includes all financial liabilities having contractually agreed payments as at the reporting date. Budget figures for future new liabilities are not included. Amounts in foreign currencies are translated at the exchange rate prevailing on December 31. 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. For this, 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 21.5% (previous year: 21.4%).

26.7 Risks from financial instruments

The following material risks arise from the use of financial instruments:

Foreign exchange risk, interest rate risk, commodity price risks

Derivative financial instruments themselves are subject to market risks which in principle run contrary to the hedged underlying transaction. If this underlying transaction lapses, however, a market risk can arise from the financial instrument. In these cases the hedging transaction is liquidated.

Default risk

The default risk from derivative financial instruments concluded for hedging purposes is regularly calculated and monitored. To minimize the default risk financial trades are only entered into with external counterparties having at least an investment-grade rating. Furthermore, limits are set for the total transaction volume per counterparty.

Liquidity risk

Liquidity risks may arise in the settlement of financial instruments entered into for hedging purposes if the underlying transaction lapses or does not occur as planned. The liquidity risk is countered 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.

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 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, CZK, HUF, DKK, ZAR, RUB, JPY, CAD, PLN, SEK, AUD, GBP, BGN, RON, IDR, and INR, interest rate swaps in EUR, USD, and ZAR. Business partners are either 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 2024 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 2019 and primarily relate to aluminum price hedges.

The prospective effectiveness of hedging relationships is determined using the critical terms match method under IFRS 9.

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

TYPES, AMOUNTS, AND FAIR VALUES OF HEDGES HELD IN THE CURRENT REPORTING PERIOD — 3.65

€ THOUSAND	December 31, 2018		
	Nominal volume	Positive market values	Negative market values
Derivatives without on-balance-sheet hedging relationship	650,327	5,098	25,371
Interest rate and interest/currency hedges	0	0	0
Foreign currency hedges	650,327	5,098	25,371
Commodity hedges	0	0	0
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	1,593,056	19,463	24,344
Interest rate and interest/currency hedges	535,152	4,778	3,521
Foreign currency hedges	1,007,114	13,467	18,804
Commodity hedges	50,790	1,218	2,019

TYPES, AMOUNTS, AND FAIR VALUES OF HEDGES HELD IN THE PREVIOUS REPORTING PERIOD

— 3.66

€ THOUSAND	December 31, 2017		
	Nominal volume	Positive market values	Negative market values
Derivatives without on-balance-sheet hedging relationship	1,085,740	9,827	32,423
Interest rate and interest/currency hedges	305,000	0	3,630
Foreign currency hedges	769,292	9,268	27,966
Commodity hedges	11,448	559	827
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	1,173,383	24,142	12,659
Interest rate and interest/currency hedges	325,851	2,943	472
Foreign currency hedges	801,652	19,213	11,185
Commodity hedges	45,880	1,987	1,002

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.

The hedging instruments which the BENTELER Group has designated in its hedging relationships have the following effects as at December 31, 2018:

EFFECTS OF HEDGING INSTRUMENTS – CURRENT REPORTING PERIOD

— 3.67

€ THOUSAND	December 31, 2018					
	Nominal value	Positive market values Carrying amount	Negative market values Carrying amount	In the balance sheet in items	Fair value changes from cash flow hedges recognized during the reporting period	Reclassifications of amounts from cash flow hedges recognized in the income statement
Hedging instrument						
Interest rate and interest/currency hedges	535,152	4,778	3,521	other non-current receivables and assets, other current receivables and assets, other non-current liabilities, other current liabilities	1,526	-1,304
Foreign currency hedges	1,007,114	13,467	18,804	other non-current receivables and assets, other current receivables and assets, other non-current liabilities, other current liabilities	-10,366	2,740
Commodity hedges	50,790	1,218	2,019	other non-current receivables and assets, other current receivables and assets, other non-current liabilities, other current liabilities	-769	-667

EFFECTS OF HEDGING INSTRUMENTS – CURRENT REPORTING PERIOD (CONTINUED)

€ THOUSAND	December 31, 2018				
	Profit and loss items in which the reclassifications of amounts from cash flow hedges were recognized in the income statement	Reclassification of amounts from cash flow hedges recognized in inventories	Fair value changes from hedging costs recognized during the reporting period	Reclassification of amounts from the reserve for hedging costs	Profit and loss items in which the reclassification of amounts from the reserve for hedging costs were recognized
Hedging instrument					
Interest rate and interest/currency hedges	other operating income, other operating expenses, financial result	0	0	0	0
Foreign currency hedges	other operating income other operating expenses	0	-3,101	999	other operating income, other operating expenses, financial result
Commodity hedges		-667	0	0	0

The hedging instruments which the BENTELER Group has designated in its hedging relationships have the following effects as at December 31, 2017:

EFFECTS OF HEDGING INSTRUMENTS – PREVIOUS REPORTING PERIOD

— 3.68

€ THOUSAND	December 31, 2017					
	Nominal value	Positive market values Carrying amount	Negative market values Carrying amount	In the balance sheet in items	Fair value changes from cash flow hedges recognized during the reporting period	Reclassifications of amounts from cash flow hedges recognized in the income statement
Hedging instrument						
Interest rate and interest/currency hedges	325,851	2,943	472	other non-current receivables and assets, other current receivables and assets, other non-current liabilities, other current liabilities	77	5,989
Foreign currency hedges	801,652	19,213	11,185	other non-current receivables and assets, other current receivables and assets, other non-current liabilities, other current liabilities	6,169	6,601
Commodity hedges	45,880	1,987	1,002	other non-current receivables and assets, other current receivables and assets, other non-current liabilities, other current liabilities	667	-613

The underlying transactions have the following effects as at December 31, 2018:

**EFFECTS OF UNDERLYING TRANSACTIONS –
CURRENT REPORTING PERIOD** — 3.69

€ THOUSAND	December 31, 2018		
	Change in value for calculation of effectiveness	Cash flow hedge reserve	Cost of hedging
Underlying transaction			
Interest rate and interest/currency hedges	1,526	-1,685	0
Foreign currency hedges	-10,366	-9,332	-2,102
Commodity hedges	-769	-769	0

The underlying transactions have the following effects as at December 31, 2017:

**EFFECTS OF UNDERLYING TRANSACTIONS –
PREVIOUS REPORTING PERIOD** — 3.70

€ THOUSAND	December 31, 2017		
	Change in value for calculation of effectiveness	Cash flow hedge reserve	Cost of hedging
Underlying transaction			
Interest rate and interest/currency hedges	77	-1,867	0
Foreign currency hedges	6,169	-1,661	0
Commodity hedges	667	667	0

As at December 31, 2018 the Group held the following instruments in order to hedge against changes in exchange rates and interest rates:

**EXCHANGE RATE RISKS FROM CURRENCY FORWARD TRANSACTIONS –
CURRENT REPORTING PERIOD** — 3.71

€ THOUSAND	Due		
	1–6 months	7–12 months	more than 1 year
Net risk	-43,937	-29,481	7,788
Average EUR USD forward rate	1.20	1.23	1.24
Average EUR CZK forward rate	25.92	26.09	26.24
Average EUR CNY forward rate	8.03	8.31	8.36

As at December 31, 2017 the Group held the following instruments in order to hedge against changes in exchange rates and interest rates.

**EXCHANGE RATE RISKS FROM CURRENCY FORWARD TRANSACTIONS –
PREVIOUS REPORTING PERIOD** — 3.72

€ THOUSAND	Due		
	1–6 months	7–12 months	more than 1 year
Net risk	1,978	-21,230	-12,562
Average EUR USD forward rate	1.15	1.17	1.22
Average EUR CZK forward rate	26.18	26.1	26.14
Average EUR CNY forward rate	7.86	7.98	8.31

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 in accordance with IFRS 9 and

reconcile them with the related items on the statement of financial position for the end of the reporting period as at December 31, 2018 and the previous year.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.73

€ THOUSAND	Measurement hierarchy according to IFRS 13	Carrying amount December 31, 2018	Measurement pursuant to IFRS 9			Value pursuant to IAS 17	Non-financial items
			(Amortized) cost	Fair value outside profit or loss	Fair value through profit or loss		
Trade receivables	1)	617,984	617,984	0	0	0	0
Contract assets from customer contracts (previously: Receivables from contract production)	1)	15,394	15,394	0	0	0	0
Other receivables and assets (non-current and current)		395,019	137,069	20,081	5,098	0	232,773
Securities	2)	618	0	618	0	0	0
Investments in unconsolidated entities	2)	82	82	0	0	0	0
Financial receivables	1)	136,987	136,987	0	0	0	0
Positive market values of derivatives without on-balance-sheet hedging relationship	3)	5,098	0	0	5,098	0	0
Positive market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	n/a	19,463	0	19,463	0	0	0
Other non-financial receivables	n/a	232,773	0	0	0	0	232,773
Cash and cash equivalents	1)	668,143	668,143	0	0	0	0
Total		1,696,541	1,438,590	20,081	5,098	0	232,773
of which by measurement category under IAS 39:							
1) Loans and receivables		1,438,508	1,438,508	0	0	0	0
2) Financial assets available for sale		700	82	618	0	0	0
3) Financial assets held for trading		5,098	0	0	5,098	0	0

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.74

€ THOUSAND	Measurement hierarchy according to IFRS 13	Carrying amount December 31, 2018	Measurement pursuant to IFRS 9			Value pursuant to IAS 17	Non-financial items
			(Amortized) cost	Fair value outside profit or loss	Fair value through profit or loss		
Financial debts (non-current and current)		1,861,870	1,850,139	0	0	11,731	0
Borrower's note loans	1)	648,636	648,636	0	0	0	0
Liabilities to banks	1)	1,180,716	1,180,716	0	0	0	0
Liabilities from finance lease	n/a	11,731	0	0	0	11,731	0
Other financial debts	1)	20,786	20,786	0	0	0	0
Trade payables	1)	1,367,243	1,367,243	0	0	0	0
Other liabilities (non-current and current)		356,724	0	24,345	25,371	0	307,008
Negative market values of derivatives without on-balance-sheet hedging relationship	2)	25,371	0	0	25,371	0	0
Negative market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	n/a	24,345	0	24,345	0	0	0
Other financial liabilities	1)	0	0	0	0	0	0
Other non-financial liabilities	n/a	307,008	0	0	0	0	307,008
Total		3,585,838	3,217,383	24,345	25,371	11,731	307,008
of which by measurement category under IAS 39:							
1) Financial liabilities measured at amortized cost		3,217,383	3,217,383	0	0	0	0
2) Financial liabilities held for trading		25,371	0	0	25,371	0	0

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.75

€ THOUSAND	Measurement hierarchy according to IFRS 13	Carrying amount December 31, 2017	Measurement pursuant to IAS 39			Value pursuant to IAS 17	Non-financial items
			(Amortized) cost	Fair value outside profit or loss	Fair value through profit or loss		
Trade receivables	1)	700,147	700,147	0	0	0	0
Receivables from contract production	1)	11,663	11,663	0	0	0	0
Other receivables and assets (non-current and current)		310,881	101,479	34,760	9,827	0	164,814
Securities	2)	10,618	0	10,618	0	0	0
Investments in unconsolidated entities	2)	83	83	0	0	0	0
Financial receivables	1)	101,396	101,396	0	0	0	0
Positive market values of derivatives without on-balance-sheet hedging relationship	3)	9,827	0	0	9,827	0	0
Positive market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	n/a	24,142	0	24,142	0	0	0
Other financial receivables	2)	0	0	0	0	0	0
Other non-financial receivables	n/a	164,814	0	0	0	0	164,814
Cash and cash equivalents	1)	682,259	682,259	0	0	0	0
Total		1,704,950	1,495,548	34,760	9,827	0	164,814
of which by measurement category under IAS 39:							
1) Loans and receivables		1,495,465	1,495,465	0	0	0	0
2) Financial assets available for sale		10,701	83	10,618	0	0	0
3) Financial assets held for trading		9,827	0	0	9,827	0	0

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.76

€ THOUSAND	Measurement hierarchy according to IFRS 13	Carrying amount December 31, 2017	Measurement pursuant to IAS 39			Value pursuant to IAS 17	Non-financial items
			(Amortized) cost	Fair value outside profit or loss	Fair value through profit or loss		
Financial debts (non-current and current)		1,795,567	1,782,960	0	0	12,607	0
Borrower's note loans	1)	712,081	712,081	0	0	0	0
Liabilities to banks	1)	1,064,161	1,064,161	0	0	0	0
Liabilities from finance lease	n/a	12,607	0	0	0	12,607	0
Other financial debts	1)	6,718	6,718	0	0	0	0
Trade payables	1)	1,258,322	1,258,322	0	0	0	0
Other liabilities (non-current and current)		386,080	0	12,659	32,423	0	340,998
Negative market values of derivatives without on-balance-sheet hedging relationship	2)	32,423	0	0	32,423	0	0
Negative market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	n/a	12,659	0	12,659	0	0	0
Other financial liabilities	1)	0	0	0	0	0	0
Other non-financial liabilities	n/a	340,998	0	0	0	0	340,998
Total		3,439,969	3,041,282	12,659	32,423	12,607	340,998
of which by measurement category under IAS 39:							
1) Financial liabilities measured at amortized cost		3,041,282	3,041,282	0	0	0	0
2) Financial liabilities held for trading		32,423	0	0	32,423	0	0

No reclassifications between the fair value hierarchies 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, equals 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 foreign exchange transactions is calculated as the present value based on the middle spot exchange rate as at the end of the reporting period 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 are 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 corresponding 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 cash flows occur are taken into account.

The fair value of aluminum 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 — 3.77

€ THOUSAND	December 31, 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other receivables and assets (non-current and current)	25,178	25,178	0	25,178	0
Securities	618	618	0	618	0
Positive market values of derivatives without on-balance-sheet hedging relationship (assets held for trading)	5,098	5,098	0	5,098	0
Positive market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	19,463	19,463	0	19,463	0
Other liabilities (non-current and current)	49,715	49,715	0	49,715	0
Negative market values of derivatives without on-balance-sheet hedging relationship (assets held for trading)	25,371	25,371	0	25,371	0
Negative market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	24,344	24,344	0	24,344	0

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY — 3.78

€ THOUSAND	December 31, 2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other receivables and assets (non-current and current)	44,588	44,588	0	44,588	0
Securities	10,618	10,618	0	10,618	0
Positive market values of derivatives without on-balance-sheet hedging relationship (assets held for trading)	9,827	9,827	0	9,827	0
Positive market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	24,142	24,142	0	24,142	0
Other liabilities (non-current and current)	45,082	45,082	0	45,082	0
Negative market values of derivatives without on-balance-sheet hedging relationship (assets held for trading)	32,423	32,423	0	32,423	0
Negative market values of derivatives with on-balance-sheet hedging relationship (hedge accounting)	12,659	12,659	0	12,659	0

The following table shows the fair values and carrying amounts 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 — 3.79

€ THOUSAND	December 31, 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities (non-current and current)	1,841,084	1,849,831	0	0	1,849,831
Borrower's note loans	648,636	650,026	0	0	650,026
Liabilities to banks	1,180,716	1,187,951	0	0	1,187,951
Liabilities from finance lease	11,731	11,855	0	0	11,855

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY — 3.80

€ THOUSAND	December 31, 2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities (non-current and current)	1,788,849	1,812,195	0	0	1,812,195
Borrower's note loans	712,081	719,606	0	0	719,606
Liabilities to banks	1,064,161	1,079,720	0	0	1,079,720
Liabilities from finance lease	12,607	12,869	0	0	12,869

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.

The tables below show the effect or possible effect of offsetting on the financial position of the BENTELER Group.

OTHER FINANCIAL ASSETS – DERIVATIVES WITH POSITIVE MARKET VALUE — 3.81

€ THOUSAND	December 31, 2018				
	Financial assets (gross)	Recognized amounts (gross)	Recognized financial assets (net)	Effect of enforceable netting agreements	Net amounts
Foreign currency hedges	18,565	0	18,565	-17,567	998
Aluminum hedges	1,218	0	1,218	-1,065	153
Interest rate swaps	4,778	0	4,778	-448	4,330
Total	24,560	0	24,560	-19,080	5,481

€ THOUSAND	December 31, 2017				
	Financial assets (gross)	Recognized amounts (gross)	Recognized financial assets (net)	Effect of enforceable netting agreements	Net amounts
Foreign currency hedges	28,481	0	28,481	-16,861	11,620
Aluminum hedges	2,546	0	2,546	-1,771	775
Interest rate swaps	2,943	0	2,943	-846	2,097
Total	33,970	0	33,970	-19,478	14,492

OTHER FINANCIAL LIABILITIES – DERIVATIVES WITH NEGATIVE MARKET VALUE — 3.82

€ THOUSAND	December 31, 2018				
	Financial liabilities (gross)	Recognized amounts (gross)	Recognized financial liabilities (net)	Effect of enforceable netting agreements	Net amounts
Foreign currency hedges	44,174	0	44,174	-17,567	26,607
Aluminum hedges	2,019	0	2,019	-1,065	954
Interest rate swaps	3,521	0	3,521	-448	3,073
Total	49,715	0	49,715	-19,080	30,635

€ THOUSAND	December 31, 2017				
	Financial liabilities (gross)	Recognized amounts (gross)	Recognized financial liabilities (net)	Effect of enforceable netting agreements	Net amounts
Foreign currency hedges	39,151	0	39,151	-16,861	22,290
Aluminum hedges	1,829	0	1,829	-1,771	58
Interest rate swaps	4,102	0	4,102	-846	3,256
Total	45,082	0	45,082	-19,478	25,604

Net result

Table 3.83 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.

Table 3.84 shows information on the earnings, expenses, profit and loss items of the comprehensive income statement for the reporting date of December 31, 2018.

**NET RESULT OF FINANCIAL INSTRUMENTS –
CURRENT REPORTING PERIOD** — 3.83

€ THOUSAND	December 31, 2018			Net result (total)
	from interest	from subse- quent fair value meas- urement	from bad debt allowances	
Financial assets at amortized cost	7,032	0	0	7,032
Fair value through other comprehensive income (FVOCI), equity instruments	0	0	-9,978	-9,978
Fair value through profit or loss (FVTPL)	0	6,213	0	6,213
Other financial liabilities at cost	-64,209	0	0	-64,209
Total	-57,177	6,213	-9,978	-60,943

**NET RESULT OF FINANCIAL INSTRUMENTS –
PREVIOUS REPORTING PERIOD** — 3.84

€ THOUSAND	2017
Loans and receivables	7,068
Financial assets available for sale	0
Derivatives without on-balance-sheet hedging relationship (financial assets and liabilities held for trading)	21,513
Financial liabilities measured at amortized cost	-64,435
Total net gains or losses	-35,854
of which: Net interest result for financial assets and liabilities not measured at fair value through profit or loss	-57,039
of which: Impairment expense for trade receivables	-328
of which: Gains/losses on financial assets available for sale recognized outside profit or loss	0

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 effects on cash and cash equivalents – and the effects of changes in foreign exchange rates – are disclosed separately.

An amount of €77 thousand of total investments in property, plant and equipment is related to finance leases and therefore was not cash-effective (previous year: €788 thousand).

FINANCIAL DEBTS – CURRENT REPORTING PERIOD

— 3.85

€ THOUSAND

	Financial debts				Total
	Borrower's note loans	Liabilities to banks	Lease liabilities	Miscellaneous	
Balance at January 1, 2018	712,081	1,064,161	12,607	6,718	1,795,567
Total cash changes from financing activity	-63,445	107,324	-3,141	14,156	54,895
Effect of changes in exchange rates	0	9,231	434	-88	9,577
Total of other non-cash changes (loans)	0	0	1,831	0	1,831
Balance at December 31, 2018	648,636	1,180,716	11,731	20,786	1,861,870

FINANCIAL DEBTS – PREVIOUS REPORTING PERIOD

— 3.86

€ THOUSAND

	Financial debts				Total
	Borrower's note loans	Liabilities to banks	Lease liabilities	Miscellaneous	
Balance at January 1, 2017	468,530	1,038,813	16,025	18,663	1,542,032
Total cash changes from financing activity	240,842	97,006	-2,400	-8,692	326,755
Non-cash changes due to gain/loss of control of subsidiaries	0	-30,484	0	-5,747	-36,231
Effect of changes in exchange rates	0	-41,174	-3,689	2,307	-42,557
Total of other non-cash changes (loans)	2,709	0	2,672	187	5,568
Balance at December 31, 2017	712,081	1,064,161	12,607	6,718	1,795,567

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, 2018, the Group had granted guarantees to third parties for a total of €1,447 thousand (previous year: €491 thousand). At the reporting date there were €401 thousand of contingent liabilities to third parties under warranty agreements (through contract performance bonds or supply bonds) (previous year: €224 thousand).

Other off-balance-sheet obligations – particularly towards employees, tax authorities and customs authorities – amount to €65,531 thousand as at December 31, 2018 (previous year: €60,141 thousand).

31 NUMBER OF EMPLOYEES

The BENTELER Group employed an average number of 28,578 full-time equivalents worldwide (previous year: 27,955). Personnel expenses amount to €1,454,703 thousand (previous year: €1,445,434 thousand). These include expenses for defined contribution pension plans amounting to €8,963 thousand (previous year: €9,829 thousand).

32 GOVERNING BODIES

Members of the Executive Board

- Ralf Göttel, Schönau am Königssee, Germany (Chairman of the Executive Board, responsibilities: Strategy & M&A, Compliance & Board Affairs, Divisions)
- Guido Huppertz, Bergheim bei Salzburg, Austria (responsibilities: Finance & Controlling, Legal & Insurance, Tax, Internal Audit)
- Isabel Díaz Rohr, Schönau am Königssee, Germany (responsibilities: Human Resources, IT, Communication/Marketing)

Members of the Supervisory Board

- Dr. Ulrich Dohle, Nonnenhorn, Germany, Chairman (from March 17, 2018; former Chairman of the Board of Directors of Rolls-Royce Power Systems AG, Friedrichshafen, Germany)
- Dr. Ralf Bethke, Deidesheim, Germany (member and Chairman of the Supervisory Board until March 16, 2018; former Chairman of the Supervisory Board of K+S AG, Kassel, Germany)
- Reiner Winkler, Riemerling, Germany, Vice-Chairman (from September 12, 2018, member of the Supervisory Board since March 17, 2018; Chairman of the Board of Directors of MTU Aero Engines AG, Munich, Germany)
- Hubertus Benteler, Salzburg, Austria (former Chairman of the Executive Board of BENTELER International AG, Salzburg, Austria)
- Christian Caspar, Zürich, Switzerland (Director Emeritus at McKinsey & Company, Inc., Zürich, Switzerland)
- 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, Düsseldorf, Germany)

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 engaged and/or continue to engage in corporate transactions with related parties.

Apart from the remuneration of the management in key positions (see details below) no other 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 2018 financial year, BENTELER International Aktiengesellschaft paid total remuneration to members of management in key positions (16 persons; previous 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 — 3.87		
€ THOUSAND	2018	2017
Short-term payments – fixed	4,632	5,552
Short-term payments – variable	1,826	5,939
Post-employment benefits	1,497	2,304
Severance benefits	485	6,128
Total	8,440	19,923

No share-based compensation was granted.

The members of the Supervisory Board of BENTELER International Aktiengesellschaft received remuneration of €375 thousand in the 2018 financial year (previous 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, 2018, or that would require disclosure.

35 AUDITOR'S FEES AND SERVICES

The information required under Section 238 (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 — 3.88		
€ THOUSAND	2018	2017
Audit of separate and consolidated financial statements	289	252
Audit-related services	9	15
Other services	18	15
Total fees	316	282

The figures represent the fees recognized as expenses 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, 2018.

The Executive Board will propose to the Shareholders' Meeting that a dividend of €7,000,000.00 be distributed from the profit of €81,609,037.41 and that the remaining amount of €74,609,037.41 be carried forward. The dividend will be distributed on March 18, 2019.

Salzburg, February 8, 2019

The Executive Board

Ralf Göttel Guido Huppertz Isabel Diaz Rohr

Appendix to the Notes: List of shareholdings as at December 31, 2018

— 3.89

LIST OF SHAREHOLDINGS AS AT DECEMBER 31, 2018		Holding	
		2018	2017
1.	BENTELER International Aktiengesellschaft, Salzburg, Austria	—	—
Subsidiaries			
Automotive Division			
2.	BENTELER Aluminium Systems France SNC, Louviers, France	100.0	100.0
3.	BENTELER Automobiltechnik Eisenach GmbH, Eisenach, Germany	100.0	100.0
4.	BENTELER Automobiltechnik GmbH, Paderborn, Germany	100.0	100.0
5.	BENTELER Automotive (Changshu) Company Limited, Changshu, China	100.0	100.0
6.	BENTELER Automotive (China) Investment Co., Ltd., Shanghai, China	100.0	100.0
7.	BENTELER Automotive (Chongqing) Co., Ltd., Chongqing, China	100.0	100.0
8.	BENTELER Automotive (Fuzhou) Co., Ltd., Fuzhou, China	100.0	100.0
9.	BENTELER Automotive (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
10.	BENTELER Automotive (Shenyang) Co., Ltd., Shenyang, China	100.0	100.0
11.	BENTELER Automotive (Tianjin) Co., Ltd., Tianjin, China	100.0	100.0
12.	BENTELER Automotive (Thailand) Ltd., Bangkok, Thailand	100.0	100.0
13.	BENTELER Automotive Belgium N.V., Ghent, Belgium	100.0	100.0
14.	BENTELER Automotive Component (Shanghai) Ltd., Shanghai, China	100.0	100.0
15.	BENTELER Automotive Corporation, Auburn Hills, USA	100.0	100.0
16.	BENTELER Automotive Farsund AS, Farsund, Norway	100.0	100.0
17.	BENTELER Automotive Holland Inc., Holland (Michigan), USA	100.0	100.0
18.	BENTELER Automotive India Private Limited, Pune, India	100.0	100.0
19.	BENTELER Automotive International GmbH, Paderborn, Germany	100.0	100.0
20.	BENTELER Automotive K.K., Tokyo, Japan	100.0	100.0
21.	BENTELER Automotive Klášterec s.r.o., Chrastava, Czech Republic	100.0	100.0
22.	BENTELER Automotive Korea Ltd., Seoul, South Korea	100.0	100.0
23.	BENTELER Automotive Poland spolka z.o.o., Września, Poland	100.0	100.0
24.	BENTELER Automotive Raufoss AS, Raufoss, Norway	100.0	100.0
25.	BENTELER Automotive Rumburk s.r.o., Rumburk, Czech Republic	100.0	100.0
26.	BENTELER Automotive SAS, Migennes, France	100.0	100.0
27.	BENTELER Automotive SK s.r.o., Malacky (Bratislava), Slovakia	100.0	100.0
28.	BENTELER Automotive Skultuna AB, Skultuna, Sweden	100.0	100.0
29.	BENTELER Automotive Tonder A/S, Tønder, Denmark	100.0	100.0
30.	BENTELER Automotive UK Ltd., Corby, United Kingdom	100.0	100.0

31.	BENTELER Automotive USA GmbH, Paderborn, Germany	100.0	100.0	50.	BENTELER Lightweight Protection GmbH & Co. KG, Bielefeld, Germany ³	100.0	100.0
32.	BENTELER Automotive Vigo SL, Valladares – Vigo, Spain	100.0	100.0	51.	BENTELER Lightweight Protection GmbH, Paderborn, Germany	100.0	100.0
33.	BENTELER Autótechnika Kft, Mór, Hungary	100.0	100.0	52.	BENTELER Lightweight Protection Verwaltungs GmbH, Paderborn, Germany	100.0	100.0
34.	BENTELER Canada, Inc., Auburn Hills, USA	100.0	100.0	53.	BENTELER Machinery (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
35.	BENTELER CAPP Automotive System (Changchun) Co., Ltd., Changchun, China	60.0	60.0	54.	BENTELER Maschinenbau CZ s.r.o., Liberec, Czech Republic	100.0	100.0
36.	BENTELER Carbon Composites Beteiligungs GmbH, Paderborn, Germany	100.0	100.0	55.	BENTELER Maschinenbau GmbH, Bielefeld, Germany	100.0	100.0
37.	BENTELER Componentes Automotivos Ltda., Campinas (São Paulo), Brazil	100.0	100.0	56.	BENTELER MPPV Automotive Manufacturing España, S.L., Palencia, Spain	100.0	100.0
38.	BENTELER CR Holding GmbH, Paderborn, Germany	100.0	100.0	57.	BENTELER Participation SA, Migennes, France	100.0	100.0
39.	BENTELER CR s.r.o., Chrastava, Czech Republic	100.0	100.0	58.	BENTELER Sistemas Automotivos Ltda., São José dos Pinhais, Paraná, Brazil	100.0	100.0
40.	BENTELER de México S.A. de C.V., Puebla, Mexico	100.0	100.0	59.	BENTELER South Africa (Pty.) Ltd., Alberton (Johannesburg), South Africa	100.0	100.0
41.	BENTELER Engineering Chennai Private Limited, Chennai, India	100.0	100.0	60.	BENTELER Spanien International GmbH, Paderborn, Germany	100.0	100.0
42.	BENTELER España S.A., Burgos, Spain	100.0	100.0	61.	BENTELER-Indústria de Componentes para Automóveis Lda., Palmela, Portugal	100.0	100.0
43.	BENTELER Gebze Tasit Sanayi ve Ticaret Limited Sirketi, Cayirova/Kocaeli, Turkey	100.0	100.0	62.	EUPAL Beteiligungs GmbH & Co. Vermietungs-KG, Pullach i. Isartal, Germany ³	100.0	100.0
44.	BENTELER Ibérica Holding SL, Barcelona, Spain	100.0	100.0	63.	OOO BENTELER Automotive, Kaluga, Russia	100.0	100.0
45.	BENTELER JianAn Automotive (Chongqing) Co., Ltd., Chongqing, China	50.0	50.0	64.	OOO BENTELER Autotechnika Nowgorod, Welikij Nowgorod, Russia	100.0	100.0
46.	BENTELER JIT Douai SAS, Migennes, France	100.0	100.0	65.	RABET GmbH & Co. KG, Pullach i. Isartal, Germany ³	100.0	100.0
47.	BENTELER JIT Düsseldorf GmbH, Düsseldorf, Germany	100.0	100.0	66.	Shanghai BENTELER Huizhong Automotive Co., Ltd., Shanghai, China	60.0	60.0
48.	BENTELER JIT Valencia S.A., Almussafes, (Valencia), Spain	100.0	100.0	67.	Wuhu BENTELER-POSCO Automotive Co., Ltd., Anhui, China	95.0	95.0
49.	BENTELER Laser Application GmbH, Munich, Germany	100.0	100.0				

	Steel/Tube Division				
68.	BENTELER North America Corporation, Wilmington (Delaware), USA	100.0	100.0		
69.	BENTELER Rothrist AG, Rothrist, Switzerland	100.0	100.0		
70.	BENTELER Steel & Tube Corporation, Houston (Texas), USA	100.0	100.0		
71.	BENTELER Steel Tube GmbH, Paderborn, Germany	100.0	100.0		
72.	BENTELER Steel/Tube (UK) Ltd., Wolverhampton, United Kingdom	100.0	100.0		
73.	BENTELER Steel/Tube Ibérica S.L., Barcelona, Spain	100.0	100.0		
74.	BENTELER Steel/Tube Manufacturing Corporation, Wilmington (Delaware), USA	100.0	100.0		
75.	Rohstoff-Handelsgesellschaft Günther Voth GmbH, Paderborn, Germany	62.5	62.5		
	Division Distribution				
76.	BENTELER Comercial Ltda., Cotia (São Paulo), Brazil	100.0	100.0		
77.	BENTELER Distribution (Thailand) Co., Ltd., Bangkok, Thailand	100.0	100.0		
78.	BENTELER Distribution Austria GmbH, Biedermannsdorf, Austria	100.0	100.0		
79.	BENTELER Distribution Boru Sanayi ve Ticaret Limited, Cayirova/Kocaeli, Turkey	100.0	100.0		
80.	BENTELER Distribution Czech Republic spol. s.r.o., Dobříš (Prague), Czech Republic	100.0	100.0		
81.	BENTELER Distribution Deutschland Beteiligungs GmbH, Duisburg, Germany	100.0	100.0		
82.	BENTELER Distribution Deutschland GmbH & Co. KG, Duisburg, Germany ³	100.0	100.0		
83.	BENTELER Distribution Estonia OÜ, Saue, Estonia	75.0	75.0		
84.	BENTELER Distribution France S.à.r.l., La Madeleine de Nonancourt, France	100.0	100.0		
85.	BENTELER Distribution Hungary Kft., Budapest, Hungary	100.0	100.0		
86.	BENTELER Distribution International GmbH, Düsseldorf, Germany	100.0	100.0		
87.	BENTELER Distribution Limited, Bolton (Lancashire), United Kingdom	100.0	100.0		
88.	BENTELER Distribution Poland Sp. z o.o., Dabrowa Gornicza, Poland	100.0	100.0		
89.	BENTELER Distribution Singapore Pte Ltd., Singapore, Singapore	100.0	100.0		
90.	BENTELER Distribution Slovakia, s.r.o., Pusté Úľany, Slovakia	100.0	100.0		
91.	BENTELER Distribution Ukraine LLC, Lviv, Ukraine	100.0	100.0		
92.	BENTELER Distribuzione Italia S.p.A., Trezzano sul Naviglio, Italy	100.0	100.0		
93.	BENTELER Holdings Limited, Bolton (Lancashire), United Kingdom	100.0	100.0		
94.	BENTELER Trading (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0		
95.	BENTELER Trgovina d.o.o., Sentjanz, Slovenia	100.0	100.0		
96.	Heléns Rör A/B, Halmstad, Sweden	75.0	75.0		
97.	Heléns Rör A/S, Lilleström, Norway	75.0	75.0		

98.	Heléns Rör A/S, Middelfart, Denmark	75.0	75.0
99.	Kindlimann AG, Wil, Switzerland	100.0	100.0
100.	PT BENTELER Distribution Indonesia, Jarkata, Indonesia	100.0	100.0
101.	SC BENTELER Distribution Romania S.R.L., Slatina City, Olt County, Romania	100.0	100.0
102.	UAB BENTELER Distribution Lithuania, Vilnius, Lithuania	75.0	75.0
	Other		
103.	BENTELER Capital Corporation, Auburn Hills, USA	100.0	100.0
104.	BENTELER Business Services GmbH, Paderborn, Germany	100.0	100.0
105.	BENTELER International Beteiligungs GmbH, Salzburg, Austria	100.0	100.0
106.	BENTELER Netherlands Holding B.V., Helmond, Netherlands	100.0	100.0
107.	BENTELER Reinsurance Company DAC, Dublin, Ireland	100.0	100.0
108.	BENTELER RV GmbH, Paderborn, Germany	100.0	100.0
109.	BENTELER Services LLC, Auburn Hills, USA	100.0	100.0
110.	BENTELER VV GmbH, Paderborn, Germany	100.0	100.0
111.	BLV Versicherungsmanagement GmbH, Dortmund, Germany	55.0	55.0
112.	NAPOL GmbH & Co. Objekt Schloss Neuhaus KG, Pullach i. Isartal, Germany ³	100.0	100.0

	Associated Companies		
113.	FAWAY BENTELER Automotive Components (Tianjin) Co., LTD., Tianjin, China	25.0	—
114.	Polarputki Oy, Helsinki, Finland	37.5	37.5
115.	Profilanlegg ANS, Raufoss, Norway	26.0	26.0
	Companies not included in the consolidated financial statements		
116.	BENTELER Distribution India Private Limited, Pune, India	100.0	100.0
117.	Swissauto Technology AG, Wil, Switzerland	100.0	100.0

³ For these companies Section 264b of the German Commercial Code applies.

Auditor's report

Report on the consolidated financial statements

Opinion

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, 2018, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and 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, 2018 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.

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 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 provide 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 mali-

cious 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.

Report on the Group management report

The Group management report must be examined in accordance with Austrian company law to ascertain that it accords 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.

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, we found no evidence of material misstatement in the Group management report.

Salzburg, February 8, 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Căcilia Gruber
Auditor

Report of the Supervisory Board

of BENTELER International AG on the 2018 financial year

Meetings and committees

The Supervisory Board intensively 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 2018 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. The Supervisory Board was also informed about the key data in the Consolidated Financial Statements, approved them and adopted further corporate planning.

The Personnel Committee met on four occasions in the 2018 financial year, dealing mainly with the bonus system and other matters concerning remuneration.

The Audit Committee met twice in the 2018 financial year. It principally considered the separate and consolidated financial statements, the financial reporting process, the risk and compliance management system, and the audit strategy, as well as monitoring the audit.

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 Aktiengesellschaft for the 2018 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, Austria, as auditors and as the Group's independent auditors for the 2019 financial year.

Salzburg, March 15, 2019

Chairman of the Supervisory Board

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