

ANNUAL REPORT 2017

Key Performance Indicators

FINANCIAL YEAR 1 JANUARY – 31 DECEMBER

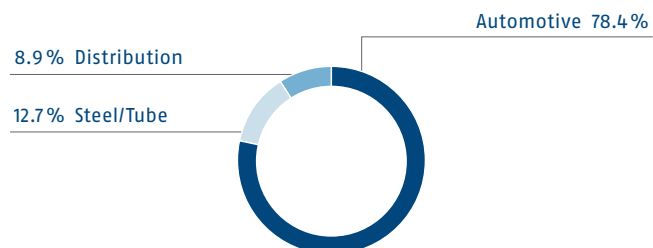
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		2017	2016
External revenue	€ MILLION	7,856	7,423
Employees including trainees*		27,955	27,917
Personnel expenses	€ MILLION	1,445	1,431
Investments	€ MILLION	429	440
Depreciation and amortization	€ MILLION	279	226
Cash flow from profit	€ MILLION	403	338
Shareholders' equity	€ MILLION	1,102	1,092
Equity ratio	%	21.4	22.9
Total assets	€ MILLION	5,138	4,766
EBIT	€ MILLION	206.8	191.2
Consolidated profit	€ MILLION	100.8	110.9

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

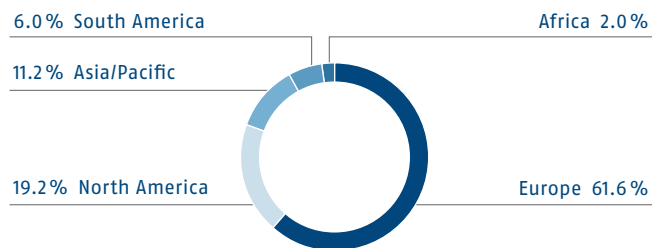
REVENUE BY SEGMENT

— 1.2



REVENUE BY REGION

— 1.3



Short profile of the BENTELER Group

BENTELER is a global company that develops, manufactures and sells products, systems and services for the automotive, energy and mechanical engineering sectors. Our 30,000 employees at 144 sites in 39 countries offer first-class manufacturing and sales expertise, with passion and customer focus. We leverage our size and international scope to serve the market responsively jointly with our business partners.

BENTELER is owned by the fourth generation of its founding family. Under the holding company BENTELER International AG, registered in Salzburg, Austria, business operations are organized in three Divisions: BENTELER Automotive, BENTELER Steel/Tube and BENTELER Distribution. With technological excellence and effective implementation we develop solutions that make a difference – for customers, employees and society.

BENTELER. The family of driven professionals. Since 1876.

Contents

Foreword by the Executive Board	4
Personnel matters	6
Locations	7
Group management report	8
Consolidated financial statements	33



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

Ladies and Gentlemen,

How long does it take to create a world first? From the first spark of inspiration to the finished prototype? In our case precisely 125 days: we developed the BENTELER Electric Drive System (BEDS) in barely 18 weeks in 2017. It is one of the ways we are responding to the megatrend of e-mobility. It is also an example of our innovative capability, focus on solutions and implementation strengths, which are precisely what our customers need. It shows that we are able to take advantage of our size and broad knowledge base to look ahead and serve the market jointly with our business partners.

In short, it proves that we can respond to changing markets and take on intense competition. That is demonstrated by the figures for the 2017 financial year: in all three Divisions BENTELER achieved significant revenue growth, outpacing the market. Our EBIT was also well above the 2016 level.

The **Automotive Division** increased its revenue – particularly in the growth markets of Asia, Eastern Europe and Brazil, where it was able to take advantage of market opportunities due to its proximity to customers. That is also reflected in the result, which improved for the fourth time in succession. Particularly noteworthy are the regions of Mercosur and North America, where the team managed to achieve a turnaround as a result of operational and commercial measures.

In the **Steel/Tube Division** we are seeing the effects of increased demand for OCTG tubes, which led to a significant increase in revenues compared to 2016, as well as the effects of the measures aimed at increasing efficiency in the Operating Unit Welded. That is reflected in the figures: despite the budgeted start-up costs for the hot rolling mill in Shreveport, USA, earnings remained at the previous year's level – hence above the expected level.

The **Distribution Division** is benefiting from the improved market situation and the rise in the level of prices: Revenues from

classic tube trading were substantially higher. The expansion of our sales expertise and the optimization of our logistics – for example with the new central warehouse in Duisburg – have also paid off.

These successes can be traced back to the 2022 strategy developed in the previous year. This is based on three pillars: continued consistent development of the core business, growth focused on future technologies and markets, as well as a corporate culture geared to performance.

— BENTELER has wide expertise in materials, which we deploy to meet individual customer requirements – from exclusive niche products to large-scale series production. As an international group we concentrate on the latter: BENTELER Automotive therefore mainly produces components made of hot-formed steel and aluminum. The entire interest in the fiber composite components manufacturer BENTELER-SGL was therefore sold at the end of 2017 to the former partner, SGL Group. For the same reason we recently signed the agreement to sell the foundry at Farsund in Norway.

— We target our investments where they hold most promise over the long term. For the Automotive Division e-mobility offers opportunities particularly in China: within a few years one electric vehicle in two around the world will have been manufactured in Asia. BENTELER is already one of the leading manufacturers of battery trays; with the BENTELER Electric Drive System referred to above we offer attractive system solutions for both established OEMs and new market participants. And we have operated in China since 2002. We will continue to deepen the many years of good collaboration with Chinese partners – and both open new plants and strengthen our development expertise in Asia. For the Steel/Tube Division the opportunities are to be found in oil and gas exploration in the USA, as can be seen from the rising volumes produced at the hot rolling mill at

Shreveport, which rose more than threefold within a year. The Distribution Division, with its central processing center in Slovakia, is benefiting from the strong growth in automotive production in Eastern Europe.

— BENTELER has always been successful when it has acted with courage, ambition and respect. Our corporate values – courage, ambition and respect – therefore make up the third pillar of the strategy. They enable BENTELER to be a reliable and at the same time responsive market participant – qualities that will also be important in the future.

We continue to operate in a competitive environment, but the market is sound and the global economy is growing. We are strategically well placed and our order book is promising. We are therefore confident of achieving our targets and will continue to pursue our 2022 strategy consistently in 2018.

Success – as was demonstrated again last year – is a shared endeavor. The Executive Board of BENTELER International AG, together with the Division managements, therefore wishes to express its gratitude to our employees for their commitment, to our customers for their continuing trust and to our shareholders for their valued support.

Salzburg, March 2018

Ralf Göttel, Chief Executive Officer

Guido Huppertz, Chief Financial Officer

Isabel Diaz Rohr, Member of the Executive Board

BENTELER International AG

Personnel Matters

THE EXECUTIVE BOARD OF BENTELER INTERNATIONAL AG

Ralf Göttel, Schönau am Königssee, Germany

from April 1, 2017

(Chairman of the Executive Board, responsibilities: Strategy & M&A, Compliance & Board Affairs, Procurement, Divisions)

Guido Huppertz, Bergheim bei Salzburg, Austria

from February 1, 2017

(responsibilities: Finance & Controlling, Legal & Insurance, Tax, Internal Audit)

Isabel Diaz Rohr, Schönau am Königssee, Germany

(responsibilities: Human Resources, IT, Communication/Marketing)

Hubertus Benteler, Salzburg, Austria,

until March 31, 2017

Boris Gleißner, Seekirchen, Austria

until January 31, 2017

THE SUPERVISORY BOARD OF BENTELER INTERNATIONAL AG

Dr. Ralf Bethke, Deidesheim, Germany

Chairman

(until May 2017, Chairman of the Supervisory Board of K+S AG, Kassel, Germany)

Dr. Ulrich Dohle, Stuttgart, Germany

Vice Chairman

(former Chairman of the Executive Board of Rolls-Royce Power Systems AG, Friedrichshafen, Germany)

Boudewijn Beerkens, Amsterdam, Netherlands

until March 31, 2017 (CSOO of COFRA Holding AG, Zug, Switzerland)

Hubertus Benteler, Salzburg, Austria

from April 1, 2017 (until March 31, 2017, Chairman of the Executive Board of BENTELER International AG)

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)

THE MANAGEMENT BOARDS OF THE DIVISIONS

BENTELER AUTOMOTIVE

Laurent Favre (CEO from April 1, 2017)

Oliver Lang (from April 1, 2017)

James T. Sheehan (until December 31, 2017)

Dr. Christian Terlinde (until August 31, 2017)

Ralf Göttel (until March 31, 2017)

BENTELER STEEL / TUBE

Dr. Andreas Hauger (CEO)

André Sombecki

Christian Wiethüchter (from November 1, 2017)

BENTELER DISTRIBUTION

Dr. Arthur Jaunich (CEO from October 1, 2017)

Torsten O. Beer

Heike E. Weishaupt (from October 1, 2017)

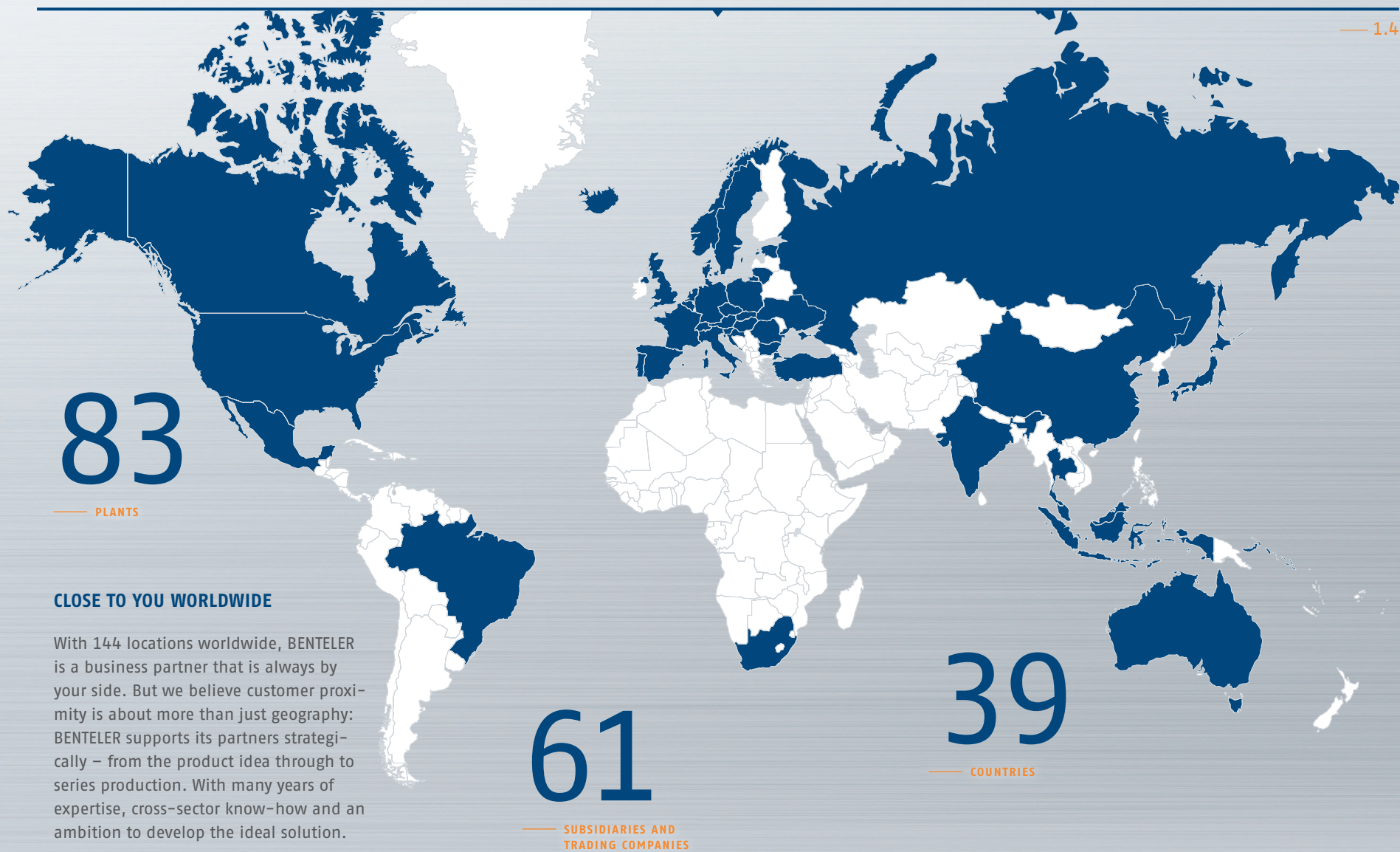
Dr. Jost A. Massenberg (until September 30, 2017)

MANAGEMENT BOARD OF BENTELER BUSINESS SERVICES GMBH

Dirk Ringelkamp

André Sombecki

BENTELER Locations



GROUP MANAGEMENT REPORT

Contents

Business and General Conditions	9	Report on Environmental and Energy Management	26
Result of Operations	11	HR Report	27
Assets and Financial Position	15	Forecast	29
Risk Report	19	Disclaimer	32
Report on Research and Development Activities	23		

Business and General Conditions

The global economy is currently experiencing a powerful upturn. According to the Institute for the World Economy (IfW) in Kiel, global production gathered pace markedly throughout 2017. The 3.8% growth in global production marks the strongest rise since 2011. Business activity is trending higher simultaneously in almost all major economies.

Towards the end of 2016 global trade picked up sharply and continued to expand appreciably in the course of 2017, taking growth in the summer of 2017 to 5% compared to the previous year. An important factor in the revival was the considerably stronger expansion of external trade in the Asia region, particularly China. The marked expansion of investments worldwide was also significant.

GDP grew by 6.8% in 2017 compared to the previous year in China, by 6.4% in India and by 5.2% in the emerging markets of East Asia. The economies of resource-rich countries in Latin America and Russia consolidated further in 2017, recording moderate growth of 1.4% and 1.7% respectively. This is due particularly to a revival of production in the commodity-exporting countries. The recession in Brazil came to an end and production in Russia is now clearly trending higher again.

Growth in the developed countries is robust at 2.4%, partly driven by strong demand growth in developing and emerging markets. Growth stands at 2.3% in the USA and 2.4% in the euro area.

Global vehicle production maintains growth trajectory in 2017

After automobile production grew strongly in 2016 by 4.8% to 93.1 million cars, 2017 saw growth of 2.3% to 95.3 million. The world's three largest automobile manufacturers, Volkswagen, Renault-Nissan and Toyota, have a combined share of 33%. General Motors, on the other hand, is no longer among the three largest automotive manufacturers in the world, as its production volumes have fallen with the sale of Opel. Volkswagen remains the sector leader with annual growth of 4.8% to 10.8 million units manufactured in 2017. Renault-Nissan is now the second-largest automobile manufacturer in the world, as a result of strong growth of 5.5% to 10.5 million vehicles manufactured in 2017. Toyota remains the third-largest automobile manufacturer with 10.3 million units produced.

Automobile production in Europe differs greatly across the regions. Whereas Western Europe achieved a slight rise of 1.4% in car production, vehicle production in Eastern Europe grew substantially by 8.6% compared to 2016. Russia is significantly impacting the positive trend in Eastern Europe with an increase of around 19.1% in 2017, but this only represents a recovery of production volumes to the 2014 level. The Czech and Turkish markets also continued to outpace global growth in the automotive industry in 2017. The UK, Spain and Germany saw falls in production due to their greater

dependence on the British market. Italy and France, by contrast, with their stronger focus on southern European markets, contributed to the growth in the Western European region.

Automobile production in North America, with the USA as the largest production market, fell to 17.1 million cars in 2017, representing a decline of 3.9% compared to the previous year. Despite exceptional demand due to storm damage, it was not possible to ramp up production in the USA and demand was met predominantly from inventory. Following the launch of new models and follow-up programs in Mexico in 2016, these contributed to a production rise of approximately 13.6% in 2017 as a whole, setting a new record of almost 4 million cars.

South America achieved a marked increase in automobile production in 2017, recording a total of around 3.3 million cars, equivalent to an increase of 20.3% compared to 2016. The upturn is buoyed particularly by a recovery in the Brazilian market, which saw a rise of 26.1% compared to 2016. Both exports and the domestic market contributed to the rise. Vehicle production in South America, however, remained well below the level in 2013, when 3.5 million vehicles were produced.

The Asia-Pacific region once again expanded its share of global car production in 2017, producing around 49.7 million vehicles, 2.5% more than in 2016. China, the world's largest vehicle producer,

produced around 27.6 million vehicles in 2017, approximately 2.0% more than in 2016. The limited size of the increase is due particularly to the very strong performance in 2016, when the government provided large subsidies for new vehicles. In the Japan/Korea region vehicle production rose sharply in 2017 to 13.4 million, representing a rise of 3.6% compared to the previous year. The main reasons for this were the favorable economic trends in Japan and lower oil prices.

Recovery in the steel tube market

The steel tube market benefited from an improved demand situation in 2017. The key factor affecting the development of the global tube market remains activity in oil and gas exploration. The positive trend in oil prices in 2017 is being driven on the one hand by the further tightening of OPEC output and by a sustained high level of demand worldwide. The oil price rose significantly by an annual average of 12% compared to 2016, with the benchmark WTI grade standing at around \$51/bbl in 2017. The trend continued at the end of 2017 with the price of WTI oil rising above \$60 a barrel.

As a consequence of the continued rise in the oil price the US rig count rose continuously from mid-2016 with a time lag of around four months. The US rig count measures the number of active oil wells in the USA. According to Baker Hughes the figure rose to

929 at the end of 2017, representing a marked increase of 41% compared to the end of 2016. This resulted in a run-down of customers' tube inventories and consequent restocking. After the previous years' slump the use of OCTG (Oil Country Tubular Goods) products in North America has now clearly recovered compared to 2016, as evidenced by growth of around 64% to 5.9 million tons in 2017.

The steel tube industry in the Europe region recorded a continued recovery in prices and volumes in 2017. Prices of seamless and welded tubes rose strongly above the previous year's level in 2017, particularly due to the rise in raw material prices. Competition remains intensive, however, leading to increasing market consolidation. With regard to steel-processing industries, Eurofer, the European steel association, emphasizes the positive trend in 2017, buoyed by strong growth in industrial output in the EU. Robust growth is expected in 2017 in the sectors of importance to BENTELER. The mechanical engineering and construction industry sectors are set to grow by 4.0%, whereas growth of 3% is expected in the automotive industry in 2017.

Result of Operations

BENTELER Group – Marked increase in revenue across all three Divisions

BENTELER develops solutions that make a difference – for customers, employees and society. With technological excellence and highly effective execution the company develops, produces and sells products, systems and services for the automotive, energy and mechanical engineering sectors. In 2017 the BENTELER Group generated revenues of €7,856 million, representing a rise of €433 million compared

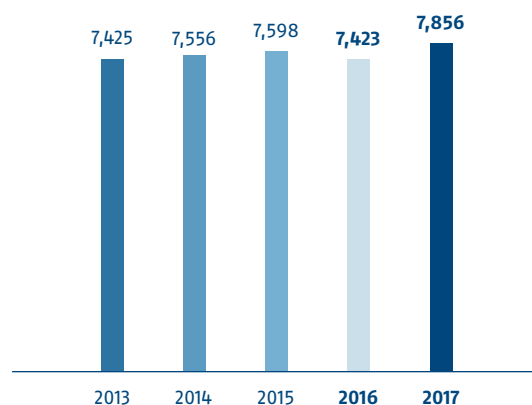
to the previous year. The prior-year revenues of €7,423 million still included €182 million in respect of the strip steel trading business, which was sold to Casper Benteler GmbH on May 31, 2016. Excluding this one-off effect, the revenues of the BENTELER Group rose sharply by €615 million, or 8.5%.

All three Divisions of the BENTELER Group contributed to the rise in revenues on a comparable basis: Revenues in the Automotive Division rose by 7.1%

compared to the previous year, to €6,296 million. Automotive accounts for 78.4% of Group revenue. Revenue in the Steel/Tube Division rose by 24.0%, taking its share of Group revenue to 12.7%. After adjustment for the sale of the strip steel trading business in 2016 and its revenue share of €182 million, the Distribution Division recorded a similar rise in revenues of 9.1%. Its share of Group revenues was 8.9%.

REVENUE PERFORMANCE SINCE 2013 — 2.1

IN € MILLION

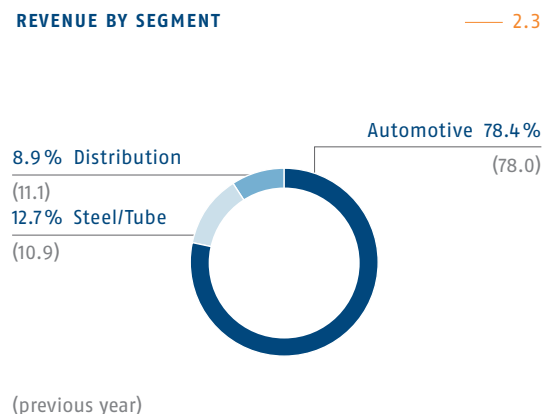


REVENUE BY DIVISION — 2.2

	2017	2016	Change	
IN € MILLION				%
Automotive	6,296	5,880	416	7.1
Steel/Tube	1,023	825	198	24.0
Distribution	716	838	-122	-14.6
Distribution comparable*	716	656	60	9.1
Division revenues	8,035	7,543	492	6.5
Internal revenues, other	-179	-119	-60	
External revenue	7,856	7,423	433	5.8
External revenue comparable*	7,856	7,241	615	8.5

* adjusted by €182 million revenue in 2016 in respect of the disposal of the strip steel business on May 31, 2016.

REVENUE BY SEGMENT



Automotive Division achieves significant rise in revenues

BENTELER operates as a strategic partner developing solutions globally in close collaboration with customers and partners. The company takes customer proximity literally and is expanding its production capacity in the growth markets where customers need solutions. It offers its entire product portfolio in all significant markets around the world. BENTELER Automotive develops and manufactures modules and components for bodies, chassis and engines. As a highly innovative partner BENTELER Automotive also offers its customers system solutions and supports them throughout the

value chain – from development and production through to assembly. The Division generated revenue of €6,296 million in 2017, representing a rise of €416 million or 7.1% compared to the previous year.

Key contributors to the revenue increase were the growth regions of Eastern Europe, particularly as a result of the new module plant at Września in Poland, and the Asia-Pacific region with the new module plant at Shenyang in China. The recovery of the Brazilian market and the rise in revenues from the new Itatiaia module plant for Land Rover is also contributing to the positive revenue trend. The Southern European region is benefiting from rising revenues from Volkswagen at the Palmela (Portugal) and Vigo (Spain) sites. Revenues in the Western European region remain fairly constant. The North America region has recorded a decline in revenue, but this is more than offset by the effects referred to above. In addition to the aforementioned volume rise, a smaller proportion of the revenue increase is due to higher raw material prices.

The Chassis and Modules Business Unit focuses on developing and manufacturing chassis cross-members, subframes and control arms, and on assembling complete front and rear axles. The revenue generated by this Unit in 2017 amounted to €3,527 million, representing a rise of 6.5% com-

pared to the previous year. The rise was due in particular to the new module plants at Września (Poland) and Shenyang (China).

The Structures Business Unit increased its revenue by 6.9% compared to 2016 to €1,895 million. The biggest rise in this Unit was in the Southern Europe region at the sites at Vigo and Migennes. This 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.

Revenue in the Engine and Exhaust Systems Business Unit rose by 3.5% year-on-year to €715 million. This Unit develops and produces components and systems to optimize fuel consumption and reduce exhaust gas emissions.

In addition to the three Business Units, there are smaller business areas with different focuses. BENTELER Mechanical Engineering produces machinery and tools for the Automotive industry. The BENTELER Defense area provides vehicle protection solutions for a variety of customer and market segments. The Group's entire interest in the fiber composite components manufacturer BENTELER-SGL was sold at the end of 2017 to the former partner, SGL Group. BENTELER Automotive is thus focusing on its core areas of hot-formed steel and aluminum components for volume vehicles produced by automobile manufacturers.

Increased sales volume and revenue in the difficult Steel/Tube market

BENTELER Steel/Tube develops and produces seamless and welded quality steel tubes. As one of the leading manufacturers, the Division offers its customers problem-solving expertise worldwide, ranging from material development to tube applications. The Steel/Tube Division's 2017 revenue amounted to €1,023 million, up 24.0% on the previous year's level of €825 million.

The Operating Unit Seamless produces and sells seamless tubes for the automotive, oil and gas exploration, energy technology, construction, and mechanical engineering market segments worldwide. Revenue increased by 36.6% year-on-year in 2017, primarily due to rising demand for OCTG tubes and the continued start-up of the new hot rolling mill in the USA.

The Operating Unit Welded produces welded tubes for various applications in the automotive industry as well as for other industries, such as mechanical and plant engineering. Revenue in 2017 increased by 10.2% compared to the previous year. This was mainly due to positive price effects of passing on higher steel prices to customers.

Price-driven rise in revenue in the tube trading unit of the Distribution Division

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

In the reporting year the Distribution Division generated revenue of €716 million. Revenue in the previous year still included €182 million in respect of the strip steel trading business, which was sold on May 31, 2016 to Casper Benteler GmbH. Revenue in the classic tube trading unit rose by 9.1% year-on-year in 2017, particularly due to higher prices.

Rise in earnings before interest and tax

The BENTELER Group's consolidated earnings before interest and tax (EBIT) rose to €206.8 million in 2017, representing an increase of €15.6 million or 8.2% compared to 2016.

BENTELER Automotive achieved a marked rise in EBIT compared to the previous year. The improvement in earnings was driven primarily by the North America and Mercosur regions. Both continued their upturn with significantly higher positive results compared to the previous year. In North America operational improvement measures are taking effect, while in Mercosur a cyclical recovery is under way after several years of deep recession and successfully implemented cost-reduction measures.

EBIT in the Steel/Tube Division remained constant at the previous year's level despite higher revenue. While the Operating Unit Seamless in Germany was able to improve its positive results due to an order-driven improvement in capacity utilization compared to the previous year, EBIT in the USA was, as budgeted, lower than in the previous year due to the start-up of the plant at Shreveport and the associated costs. In the Operating Unit Welded positive contributions to results came particularly from operational efficiency improvement measures and an improved margin due to the market and product mix.

Distribution achieved a slight increase in the operating result before tax and interest compared to the previous year. The earnings performance here was positively impacted by the measures taken to raise

prices and optimize logistics as well as the higher price level.

The BENTELER Group generated a consolidated net profit of €100.8 million in fiscal 2017, compared to €110.9 million in the previous year. The decline was due on the one hand to the higher tax rate of 29% compared to 22% in the previous year, and on the other hand to the higher net finance result of €66.4 million compared to €49.1 million in 2016.

Assets and Financial Position

Investments still exceed depreciation and amortization

The BENTELER Group invested €429 million in 2017. Investments were therefore considerably higher than the depreciation and amortization of €279 million. The BENTELER Group is thus investing strongly in its future growth. Of the total volume of investments, €413 million related to property, plant and equipment while intangible assets accounted for €16 million.

Total investment by the Automotive Division amounted to €386 million in 2017. €289 million or 73% of this went to project-specific investments, production facilities and equipment for the Division. The major investment projects in 2017 concerned hot-forming lines/presses at Klášterec (Czech Repub-

lic), Chongqing (China), Talle (Germany), Gebze (Turkey), Vigo (Spain) and project-specific investments at Raufoss (Norway), Spartanburg (USA), Puebla Assembly (Mexico), Chongqing, Tianjin and Shanghai Huizhong (all in China) as well as infrastructure for the new Klášterec site (Czech Republic).

Investments in the Steel/Tube Division amounted to €27 million. The previous year's figure included €60 million for the development of the hot rolling mill at Shreveport, Louisiana, USA. The Distribution Division invested €10 million during the past financial year.

Continued high level of cash and cash equivalents

Cash flow from profit in the 2017 financial year amounted to €402.8 million, exceeding the previous year's figure of €337.7 million by €65 million. At €272 million, working capital was €76 million lower in December 2017 than at the end of 2016. Cash flow from investing activities decreased by €171 million year-on-year to €314.1 million. This was therefore covered from the cash flow from profit.

INVESTMENTS

— 2.4

	2017	2016	Change	
IN € MILLION				%
Automotive	386	338	48	14
Steel/Tube	27	84	-57	-68
Distribution	10	12	-2	-17
Other companies	6	6	0	0
Total investments*	429	440	-11	-3

* additions to intangible assets and property, plant and equipment

STATEMENT OF CASH FLOWS

— 2.5

	2017	2016
IN € MILLION		
Cash flow from operating activities	347.3	433.1
(of which: cash flow from profit)	402.8	337.7
Cash flow from investing activities	-314.1	-485.2
Cash flow from financing activities	300.3	85.8
Effect of exchange rate changes on cash and cash equivalents	-8.9	4.2
Cash and cash equivalents at beginning of period	357.6	319.6
Cash and cash equivalents at end of period	682.3	357.6

Cash flow from financing activities amounted to €300.3 million in the reporting year. The net cash flow from the drawing of loans, the placement of bond loans and other financing activities of €487 million exceeded the net outflow of funds from scheduled repayments of €153 million and is being used for the early refinancing of future scheduled repayments. Dividend payments to shareholders led to a further cash outflow of €34 million.

At €682.3 million, the cash and cash equivalents during the reporting year were €325 million higher than in the previous year. Cash and cash equivalents represented 13.3% of total assets, compared to 7.5% in the previous year.

Rise in total assets

Total assets amounted to €5,138 million on December 31, 2017, representing a rise of 7.8% on the previous year. Non-current assets declined by €70 million to €2,548 million. This is mainly due to a decline in the carrying value of investments in associates of €29 million and property, plant and equipment of €42 million. Additions of €429 million to property, plant and equipment and intangible assets were offset by depreciation and amortization of €279 million and disposals at a residual carrying value of €75 million (including the sale of joint venture interests in BENTELER-SGL amounting to €42 million).

Compared to the previous year current assets (excluding cash and cash equivalents) increased by €118 million to €1,908 million. The changes in fiscal 2017 resulted mainly from higher inventories and trade receivables.

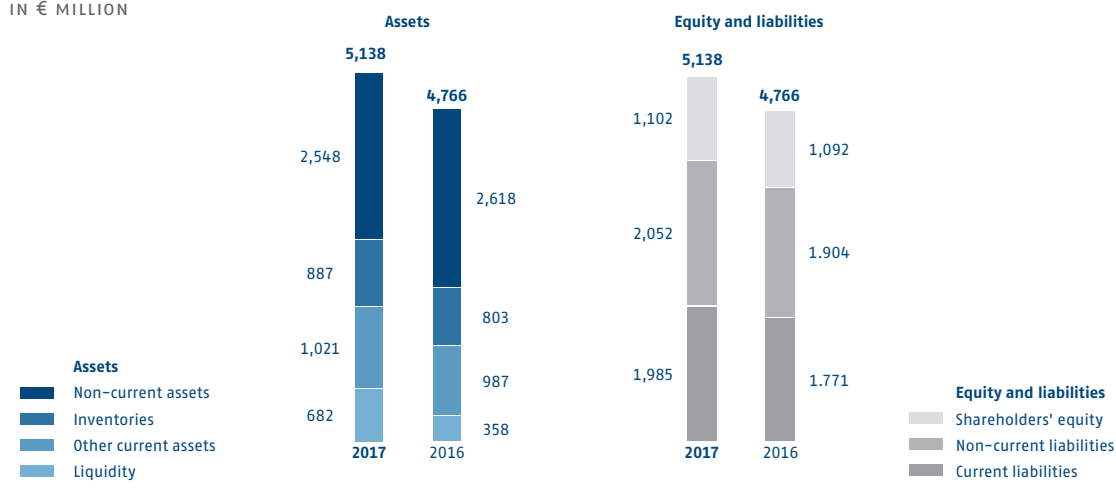
The Group had a high level of cash and cash equivalents at the end of 2017, increasing by €325 million to €682 million. As a result of central cash pool liquidity management, most of these funds are deposited at BENTELER International Aktiengesellschaft and are available on a daily basis.

Sound financing structure

Equity amounted to €1,102 million, €10 million higher than in the previous year. The equity increase results primarily from the consolidated net profit of €101 million in 2017. The change in the foreign currency translation reserve of €70 million, the dividend payment for 2016 in the amount of €26 million and dividends paid to non-controlling interests totaling €8 million, resolved by the Annual General Meeting in March 2017, resulted in a decrease in equity.

GROUP BALANCE SHEET STRUCTURE

IN € MILLION



2.6

Non-current liabilities amounted to €2,052 million at the end of 2017, representing a rise of €148 million compared to the previous year. The growth resulted mainly from a rise in non-current financial liabilities, while long-term provisions declined by €20 million. Other long-term liabilities decreased by €38 million.

Current liabilities increased by €214 million to €1,985 million, particularly due to higher trade payables. Current financial liabilities were €49 million higher and short-term provisions €48 million lower than the 2016 level.

Working capital decreased by €76 million to €272 million and amounted to 3.5% of revenue, compared to 4.7% in the previous year. The decrease compared to 2016 was due particularly to the increase in trade payables.

Non-current capital (equity and non-current liabilities) amounted to €3,154 million, equivalent to 61% of the increased total assets, slightly below the previous year's level. It covered non-current assets by 124%, ensuring financing with matching maturities.

The equity ratio of 21.4% was below the previous year's level of 22.9%. This was due to the significant increase in total assets despite slightly higher equity.

Net financial liabilities at €1,088 million remained €27 million below the previous year's level of €1,115 million. Although the level of investments clearly exceeded depreciation and amortization, the net gearing decreased. The gearing rate, calculated as the ratio of net financial liabilities to equity, remained at the previous year's level of 0.99. The dynamic gearing, calculated as the ratio of net financial liabilities

KEY FINANCIAL RATIOS

		2017	2016
Equity ratio (%)	1)	21.4	22.9
Internal financing ratio	2)	0.94	0.77
Gearing rate	3)	0.99	1.02
Net financial debt to cash flow from profit	4)	2.70	3.30
Net financial debt to EBITDA	6)	2.24	2.67
Return on equity (%)	7)	18.8	17.5
ROCE (%)	8)	7.7	7.1
Working capital	9)	272.5	348.2
EBIT (€ million)	10)	206.8	191.2
EBITDA (€ million)	11)	485.7	417.3

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 €75,277 thousand has not been deducted.

6) Net financial debt* ⁵⁾: EBITDA ¹¹⁾

7) EBIT : Equity

8) EBIT : Intangible assets + property, plant and equipment + working capital⁹⁾ (averaged between beginning and end of the year)

9) Working capital = (inventories + trade receivables from third parties, affiliated companies and equity investments) less (trade payables to third parties, affiliated companies and equity investments + advance payments received)

10) EBIT = Result of operating activities

11) EBITDA = EBIT ¹⁰⁾ + Depreciation and amortization

* The definition of net financial debt has been amended in the current annual report for 2017 and the previous year (limited to 'current' receivables/other financial assets)

to EBITDA, improved to 2.2 in 2017 compared to 2.7 in the previous year.

Central cash and foreign exchange management

The BENTELER Group manages its financing centrally. Liquidity surpluses or shortages are pooled by BENTELER International Aktiengesellschaft by way of internal investment and borrowing capabilities. This allows surpluses from individual Group companies to be used by other Group companies as required.

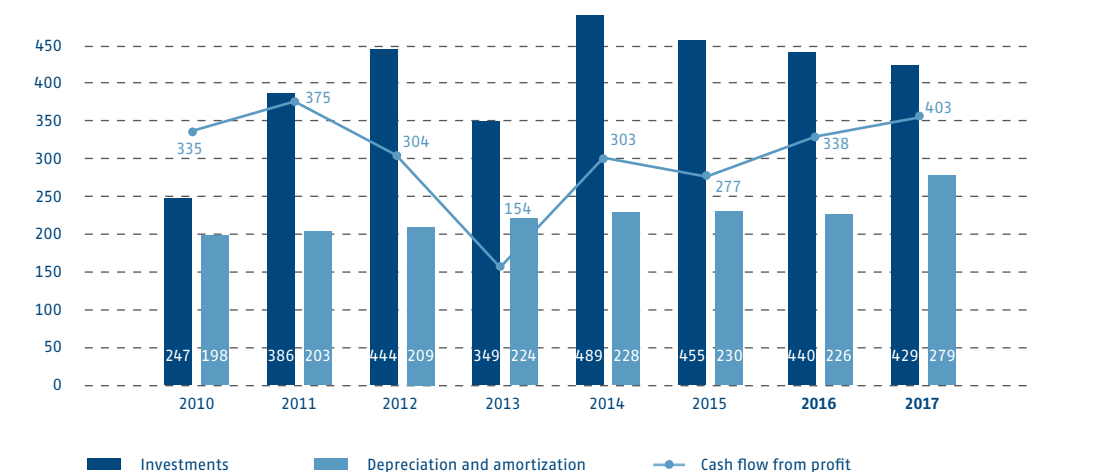
As a rule, capital expenditure is financed out of cash flow for the long term, and working capital is financed mainly by short-term funding. Non-current assets are continuously financed out of cash flow and by taking out appropriate long-term loans with matching maturities.

In order to finance working capital, the company had cash resources of €682 million available at December 31, 2017, plus a strategic liquidity reserve of unutilized written confirmed short- and long-term credit lines totaling €400 million (prior year: €400 million). All credit commitments are free of collateral and financial covenants.

A large proportion of the Group's internal goods and services transactions are cleared through BENTELER

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

IN € MILLION



International Aktiengesellschaft so that payment transactions can be regulated cost-effectively.

Branches

There are no branches.

Risk Report

Comprehensive risk management

The business activity of the BENTELER Group inevitably entails risks. Responsible management and close control of risks is a key element of the company's management. The primary aim is to take full advantage of all business opportunities while keeping risks constantly under control. Through our group-wide risk management system we limit all identifiable key risks by taking appropriate measures and precautions. The risk management system regularly undergoes a thorough review and its controlling effect within the Group is developed on a continual basis.

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

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

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

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

Some particularly important 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.

Particular attention is paid to risks resulting from changes in demand due to business cycles and from the financial sector, specific customer and supplier

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

Risks arising from the influence of economic demand

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

When there is a lack of positive stimulus from the global economy in the markets of relevance to BENTELER, the Group faces economic risks. The relevant country-specific conditions are monitored constantly.

In recent years, BENTELER has initiated numerous projects and turned them into standard procedures, to adapt cost structures to demand in the various Divisions and to manage those structures within narrow bounds. Planning of measures to increase revenue are an integral part of corporate management. A

further key focus was on the Group's cash flow management. The Group furthermore aims to safeguard its liquidity position in the long term and to build up reserves for growth projects, through efficient investment and working capital management.

Specific customer and supplier risks

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

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

To meet its obligations as a supplier, the BENTELER Group must rely on materials and services provided by numerous other companies. Existing suppliers

could have difficulties in supplying BENTELER, or suitable new suppliers might have to be found at short notice, thus hampering the company's own business. The Automotive Division has a particularly large number of specialized suppliers. Here the purchasing department applies an extensive range of successful tools for monitoring and mitigating risk. For example, suppliers' creditworthiness is continually monitored with the aid of external and internal information sources. Specialized purchasing teams make sure that, if a crisis arises, the Division's suppliers – and thus its ability to serve its end customers – are secure.

Changes in procurement markets

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

The BENTELER Group sources considerable quantities of steel. It passes on most changes in procurement prices to the customer. Fixed-price adjustment clauses exist with customers and suppliers with

regard to aluminum purchasing. Temporary differences that may arise in terms of price adjustment are also minimized by means of external hedging transactions with banks.

Project risks

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

Major investments by the Steel/Tube Division

BENTELER Steel/Tube has broadened its presence primarily in the North American market with the construction of a rolling mill in the US state of Louisiana. As this is the Steel/Tube Division's first large-scale project in the US, particularly extensive potential risks have been identified. These include in particular the start-up of the hot rolling mill, expansion of the sales network, and utilization of

future capacities, which are heavily dependent on oil prices due to the focus on the OCTG segment. Special steering committees have been set up to limit potential risks. The mill's current start-up phase is an opportunity to identify any weaknesses in the manufacturing process at an early stage and to implement any improvements in good time.

Quality risks

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

Risks from property damage and business interruption

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

Foreign exchange risks and interest rate risks

The BENTELER Group's international business operations, especially in purchasing and sales, exposes it to foreign exchange risks as a result of fluctuations in exchange rates. Its central financing and foreign exchange management restrict foreign exchange risks by applying an information system and coordinated 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.

IT risks

The use of modern information technologies plays a decisive role in the handling and guaranteeing of busi-

ness processes within the BENTELER Group. Failures of systems or networks also pose potential risks such as breaches of data integrity and confidentiality. Our central IT ensures error-free and failure-proof operation, as well as the continued development of measures.

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.

Report on Research and Development Activities

BENTELER makes it happen. Solution-focused development work creates sustainable values for our customers. In products and systems, materials and processes, our success and progress is anchored in our tradition stretching back over 140 years. BENTELER invests large sums in research and development to devise solutions for our customers. In 2017 BENTELER filed 81 patent applications and the research and development budget amounted to €87 million.

The challenges relating to digitization as well as products and systems in the innovative field of mobility are being addressed through intensive and efficient innovation management. Start-ups in the leading-edge fields of Industry 4.0 and electromobility are closely involved through partnerships with "garage33" and "STARTUP AUTOBAHN". BENTELER ensures that the latest technologies are always deployed in the company through international, cross-sector internal collaboration as well as cooperation with universities and scientific institutes.

Success through innovation at BENTELER Automotive

BENTELER sees innovation as encompassing not only the idea and the invention itself, but also the successful implementation of a new idea or a new business concept in the market. That means not only technological expertise but also rapid development and market introduction. High market volatility,

regional regulatory divergences in a globalized world and ever greater requirements in terms of system content and system knowledge are placing the highest demands on innovation management and development processes. For this reason BENTELER creates international cross-functional project teams for selected projects, which use agile project management methods such as "SCRUM" to deliver success in the shortest possible time. A prime example of this is the BENTELER Electric Drive System (BEDS). A prototype was developed for the Shanghai Autoshow in April 2017 in only 125 days from the initial idea through to presentation at the event. BEDS combines all BENTELER Automotive components and subsystems – such as structural parts, crash-management systems, chassis systems, battery trays and thermomanagement – and packages them as an overall system competence. This project demonstrated the agility of a cross-sector German-Chinese project team.

The mobility megatrend

Mobility is a very significant megatrend for BENTELER. This trend is being spurred in part by autonomous driving but particularly by electromobility. Following the successful completion of the e-mobility cross-sector project house and the creation of the BEDS prototype for the Shanghai Autoshow, innovative module and system solutions are being developed in this technological environment. Alongside numerous

customer projects for battery trays and electrified axles, the BEDS is also being implemented as a customer-focused total system approach. In the R&D field research is being conducted into a large number of innovative solutions relating to crash structures, battery trays, thermomanagement for batteries and electronics and for electrified axle systems. The focus remains on the development of functional integration and, for example, the integration of an inductive charger into the axle of an electrically driven vehicle. This creates a clear additional benefit for our customers, as they no longer have to bear the cost of integration. It is important to collaborate with competent partners, particularly in the field of electromobility. The focus is therefore on the development of an efficient partner network in complementary technology disciplines.

Sustainability through lightweight construction

Lightweight construction is becoming an increasingly significant technology. It is making a substantial contribution both in the field of mobility and in the megatrend of sustainability. In technological circles the term decarbonization is used, which encompasses all measures that are developed and applied to avoid CO₂. As well as avoiding fossil fuels such as coal and oil, it is also important to take advantage of physics as fully as possible. And that means keeping transported masses as light as possible. This is where lightweight construction comes in. Every kilogram of mass that

has to be transported requires energy. BENTELER specializes in the development of high-tensile steel solutions that can be achieved with limited wall thicknesses due to high strengths and thus offer solutions for lightweight construction. Aluminum structures in the structural and axle areas also offer major potential in this regard. The latest development involves hybrid systems, in which two or more different materials can be combined to take full advantage of the material-specific characteristics of each constituent. The connection technology plays a very important role here. In these technologies BENTELER Automotive demonstrates many solutions that can be used to meet the customer's specific requirements.

Innovation and development at BENTELER Steel/Tube

The generation of customer added value through innovation and differentiation from our market competitors are the essential focal points in the development of steel and tube solutions for tomorrow's markets. This is based on our targeted innovation management. Future scenarios are used to deduce the relevant trends for the three market segments of energy, industry and automotive and form the basis for our innovation work. BENTELER Steel/Tube is thus able to adapt to changes in the future and to generate innovative ideas for future products, processes and business models at an early stage and implement them on a targeted basis.

Our innovative strength is being further enhanced through the collaboration with "garage33". This regional partnership not only allows collaboration with start-ups from Ostwestfalen-Lippe, but also gives BENTELER Steel/Tube the opportunity to embrace further innovations and work on disruptive ideas in its own "garage".

The foundations for the development of new, innovative products for tomorrow's markets are laid by the Predevelopment Department, which focuses on the development of new steel materials, new functional surfaces and the modeling and simulative optimization of our core processes. A notable milestone in 2017 was the commissioning of the new surface laboratory for the efficient development of new functional coatings. The expansion of FEM simulations means that from this year it is possible to map, analyze and optimize both internal processes and selected manufacturing processes used by our customers. This enables BENTELER Steel/Tube not only to predict the behavior of new steels in production, but also to support customers' product launches.

Product and process developments for the automotive market segment

The developments for the automotive market segment were focused on the themes of lightweight construction, safety and electromobility.

A key factor for success in efficient lightweight construction is the consistent use of high-strength materials. In 2017 new, innovative lightweight steel materials were successfully implemented in thin-walled, welded drawn drive shaft tubes and also for tubular stabilizers in commercial vehicles. The targeted development of materials and processes enabled BENTELER Steel/Tube to secure a unique position for these products and applications with regard to dynamic load capacity. The production portfolio for seamless precision tubes is also being successfully expanded for truck chassis stabilizers. Hot-rolled axle tubes for commercial vehicles from the Dinslaken plant with materials developed for specific customers have been deployed since 2017 by a number of well-known manufacturers in Europe.

The requirements of improved crash performance for cars with simultaneous weight reduction due to reduced component wall thickness mandate the use of new kinds of innovative high-performance materials. BENTELER Steel/Tube meets these requirements through the use of welded tubes made of high-manganese steels, for example for A pillars or crash boxes. The extreme deformation capability of high-manganese steels compared to traditional steel materials allows challenging designs combined with high component strength and low weight. The validation of the first components by OEMs was successfully completed in 2017.

In the field of electromobility the focus in 2017 was on axle concepts based on welded tubes. Light-weight solutions using optimized microalloyed or multiphase materials were developed jointly with customers. This allows significant compensation of the additional weights in electric vehicles resulting from batteries. Prototypes for a large electrical vehicle platform were successfully developed with tubes made by BENTELER Steel/Tube.

Product and process developments for the industry and energy market segments

In the industry and energy market segments the consistent focus remained on a customer-oriented product portfolio. In the hydraulics sector activity centered on the increased efficiency of hydraulic machinery. Against this background BENTELER Steel/Tube focused on the targeted development of materials for hydraulic tubes meeting customer requirements for increased pressure resistance and fatigue characteristics, weight savings, performance improvements and optimized operational safety.

Another focus was on activities aimed at wider market penetration for hydraulic tubes with our unique Zistaplex® and Zista® Seal surfaces. These technologies were successfully introduced and established for a variety of new customers in the commercial vehicles, agricultural and construction machinery sectors.

With BENTELER Terradrill (BTD), BENTELER Steel/Tube has established a strong brand for mineralogical drill tubes in recent years. The product range was expanded on a targeted basis in 2017 in collaboration with our customers. Tubes with guaranteed exceptionally low residual stresses were successfully added to the portfolio. A high-alloy steel was also used for the first time to meet the most demanding drill tube requirements.

The product portfolio in the energy market segment was systematically expanded. A focal point was the development of new materials to be used in challenging environmental conditions, such as in oil exploration in the Gulf regions. The materials were successfully produced and supplied to our customers for a major contract of several thousand tons. In addition, sales and development worked closely together to expand our market system in perforating gun systems for 'hollow carriers'. Perforating guns are used to start oil and gas exploration by penetrating rock with small explosive charges.

Report on Environmental and Energy Management

As a company with international operations, the BENTELER Group is aware of its responsibility to preserve resources – 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.

Continuity and standards compliance in these operations is supported by an environmental and energy management system. All sites are certified and regularly audited in accordance with the EN ISO 14001 environmental management standard and/or the EN ISO 50001 energy management standard.

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

This requires a broad range of specialist knowledge that is just as proficient in the sciences as it is in energy tax legislation, current CO₂ accounting meth-

ods, and other areas of applied environmental protection.

We see proactive environmental management as one of the key building blocks of our responsible sustainability policy, as set out in 2017 in the overview of our activities in the area of sustainability. It reflects a holistic approach to social responsibility – comprehensive and forward-looking.

Automotive Division

As in the previous year, numerous energy efficiency projects and resource-saving measures were identified and implemented in 2017. Regular discussions in global teams and the further development of a knowledge bank within the BENTELER Automotive Division were intensified by Division-wide exchanges as part of the “FM Journey” project. It was consequently possible to launch further projects to boost energy efficiency. An example of optimization of energy efficiency projects at BENTELER Automotive in 2017 was the optimization of the hydropresses, allowing a marked reduction in ongoing consumption.

BENTELER Automotive was also successfully certified in accordance with the ISO 14001 and ISO 50001 standards in 2017. Work started on the certification of the environmental management system in accord-

ance with the revised ISO 14001:2015 standard during the year.

In this context, numerous projects to improve energy efficiency and the responsible use of resources were initiated and implemented. All these measures have a positive effect on energy consumption and create an improved CO₂ balance.

Steel/Tube Division

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

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

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

while reducing emissions, avoiding waste and protecting water resources.

The results of the annual external audit of our environmental/energy management system confirm the effectiveness of this evaluation process and certify our system with the highest standards for treatment of water, raw materials and hazardous substances, emissions, risks and energy.

As in past years, further energy saving potential was identified and the corresponding measures implemented in 2017. The themes addressed range from the renewal of lighting through increased insulation in production halls and administrative buildings through to process optimization in energy use and waste heat recovery.

In addition to the process-related optimization measures adopted at all Steel/Tube sites to continuously increase energy efficiency, the production hall lighting at the Paderborn site, for example, was switched to low-energy LED technology. Further measures to increase insulation and thus reduce demand for heating energy (window replacement, insulation of facade and roof cladding) were implemented at the Paderborn and Dinslaken sites.

Overall, a significant reduction was achieved in the specific energy requirement, enabling the company

to make a further important contribution to climate protection.

BENTELER Steel/Tube is taking part in the Energy Efficiency Network for electrical steel with ten other German electrical steel plants, which was founded under a corresponding agreement by the federal government and various industry associations. The aim is to exchange experience and ideas to boost energy efficiency.

Awards from the Federal Ministry for the Environment and Economics demonstrate the great importance of this commitment and confirm the direction we have taken in our environmental protection: forwards!

HR Report

The BENTELER Group has set itself strong growth objectives: The company aims to increase the total revenues from the current level of around €7.9 billion in 2017 to more than €11.3 billion in 2022. This corresponds to average annual growth of 7.6%. At the same time BENTELER faces many challenges. These include in particular growing competitive pressure, the increased internationalization of the business, changing market conditions, and an increasingly changeable economic environment.

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

That also demands professionalism and excellence on the part of the HR management, because attracting and developing our workforce lays the founda-

tion for our future. In a fast-changing world this 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 BENTELER Group as a whole.

Number of employees

On average over 2017, BENTELER had 27,955 FTEs (full-time equivalents) worldwide, 38 more than in the previous year. In the Automotive Division, the average workforce rose by 629 or 2.9% FTEs to 22,190. In the Steel/Tube Division, the average number of employees rose by 4 FTEs compared to the previous year to 3,701 FTEs. In the Distribution Division, the average number of employees rose by 20 FTEs to 1,458 FTEs. The average number of employees in other companies (including holding companies and BENTELER Glass Processing Equipment) amounted to 606 FTEs in 2017, representing a reduction of 615 FTEs compared to the previous year due to the disposal of BENTELER Engineering Services at the end of 2016 with a total of 638 FTEs.

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. BENTELER provided training for 688 young people worldwide in 2017 (prior year: 764).

BENTELER employed an average of 273 FTEs in Austria in the reporting year. The Group had 8,816 FTEs in Germany and 18,866 FTEs in other countries.

Employee recruitment, loyalty and development

As in the previous year, further measures were taken in 2017 to define an approach to attract candidates in the target group and to ensure a user-friendly and professional recruitment process worldwide. Our successful employer branding campaign positions us as an employer with international promotional prospects and wide-ranging development potential. The BENTELER careers website therefore offers a wealth of country-specific content and is constantly updated with information on engaging and relevant themes. The company further intensified cooperation with target universities in order to attract students and graduates as future employees as early as possible. In addition, the recruitment through social networks was strengthened and potential candidates were contacted directly by the company. As well as appealing to external candidates, our focus is naturally also on our own employees. Ongoing training and individual development were once again among our highest priorities during the reporting year.

The focus in 2017 was once again on the expansion of professional talent management, for which existing processes and tools were further professionalized and new programs developed and expanded. HR plays a vital role in the implementation of these tools, but our management remains a critical factor in successful talent management. 2017 therefore saw the launch of a cross-division talent management program for the first management tier at BENTELER. The aim of the two-module workshop format with the sustainability concept is to enable our managers to identify and promote talent and high-potential employees earlier and even more effectively, because our objective remains to fill as many positions as possible internally.

An additional focus during the year was on the further development of the company culture. Our aim is to achieve a culture characterized by courage, ambition and respect. The rollout of these three new corporate values was initiated on a top-down basis in the form of individual workshops, in which the teams adopted a creative yet vigorous approach to the personal and company-specific understanding of the values, clarified expectations and made agreements. This process is being continued through the introduction and use of further formats in 2018.

Outlook

We will continue to provide intensive support for the development of our employees in 2018. The processes for the recruitment and induction of new employees, continuing education, talent management, performance assessment and remuneration are being further professionalized through substantially improved data collection and systems integration. We will focus particularly on the theme of digitization of HR work. A digitization strategy was adopted for this purpose, which will be implemented gradually from 2018. In 2018 we are starting to implement the functional components in the field of learning management and recruitment. As part of a multi-year program further HR processes will be implemented more fully in the field of talent management, but also in HR administration through the use of modern IT solutions.

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

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

Forecast

Focus remains on long-term, profitable growth

The BENTELER Group continues to pursue its corporate goals of a constant, long-term increase in corporate value while maintaining financial independence. The company is well positioned thanks to its extensive product portfolio and geographic presence to take advantage of market opportunities and meet new challenges. Across its three Divisions, BENTELER Automotive, BENTELER Steel/Tube and BENTELER Distribution, the company offers proven competence along the entire value chain: BENTELER takes customer proximity literally and expands into growth markets. We therefore operate in those locations around the world where our customers need us. The BENTELER Group also offers high-caliber production and distribution coupled with the advantages of a slim and efficient family enterprise.

Global economic momentum remains moderate

The moderate upturn in the world economy is expected to continue over the next two years. The general growth of the economy is being supported by a continued highly expansionary monetary policy. From 3.8% in 2017, global GDP growth of 3.9% and 3.6% is forecast for 2018 and 2019 respectively.

For the euro area, the Kiel Institute for the World Economy (IfW) forecasts moderate economic growth.

The eurozone economy is forecast to grow by 2.3% in 2018. The economic expansion broadened and strengthened in 2017 and early indicators point to a continued strong rise in output.

Production in the United States is expected to increase by 2.5% after growth of 2.3% in 2017. The main drivers of the economy remain continued positive consumer sentiment and rising disposable incomes. Moreover, investment conditions are good in view of the rise in profits and favorable financing conditions.

In China economic expansion is expected to slow gradually during the forecast period to 6.1% in 2019 compared to 6.8% in 2017. The spotlight is moving to the containment of rising debt and the structural shift towards a service-oriented economy with socially and ecologically more sustainable growth.

The recovery continues in the other emerging markets, buoyed by higher commodity prices and a robust international economy.

While the risks emanating from the political environment appear to be declining overall, risks from the financial environment have become more manifest again. It is quite possible, therefore, that the forthcoming normalization of monetary policy will trigger sudden uncertainty in the capital markets leading to sharp corrections in asset prices, yields and exchange rates. Particularly at risk are those emerging markets whose integration is largely

fueled by net capital flows from abroad and whose indebtedness has risen strongly.

Sustained growth trend in the Automotive Division

Market forecasts for vehicle production point to further growth in the global market in 2018. This trend is buoyed by rising production volumes in all markets. In South America in particular a further recovery is expected with a high percentage increase in vehicle production.

The BENTELER Automotive Division is ideally placed to serve global OEM platform projects. Major growth opportunities remain untapped in Asia and Eastern Europe. At the same time, specific plans are being devised for the future positioning of the various BENTELER Automotive locations in Europe to maintain and enhance the company's competitive capability.

There will also be some changes in the Automotive Division at regional level in 2018. Key among these is the withdrawal from the BENTELER-SGL joint venture (Austria) and the transfer of the Farsund (Norway) plant to the global automotive supplier Chassis. Furthermore the expansion of our presence in China with the new plants at Chongqing, Wuhan and Tianjin and the formation of the joint venture with FAWAY are enlarging the global footprint of BENTELER Automotive.

The "European Manufacturing Strategy" (EMS) will focus among other things on the strengthening of the sites in Germany. This is reflected in new investments, for example in a new press at the Talle plant and Industry 4.0 pilot projects aimed at making the German plants more competitive.

Following the world premiere of the BENTELER Electric Drive System in 2017, the Business Units are taking further steps in electromobility, such as expanding the organization and winning further development contracts for electrically powered vehicles.

Our portfolio management is a further focal point in this regard. This means on the one hand investments in the right products, customers and regions in order to free up resources for our defined target portfolio and concentrate on the core business. BENTELER is also a partner in the "STARTUP AUTO-BAHN" aimed at accelerating and improving access to and agile implementation of innovative ideas.

Steel/Tube Division remains focused on internationalization

Although the expected recovery of the oil market continued in the second half of 2017, the market environment remains challenging. A key success factor for 2018 remains the further expansion of production volumes for the hot rolling mill at Shreveport in the USA. The trends in oil prices across global mar-

kets affect sales for tubes used in oil and gas extraction. Most forecasts assume a sustained recovery in the oil and gas market. In addition to the constant development of the US business and efficiency and volume increases at the German plants, the focus is also on servicing additional markets outside the established core markets of Europe.

Distribution Division intensifies activities for differentiation

In a market environment with only moderate growth in sales volumes and constant prices, the Distribution Division aims to improve earnings particularly through margin improvements and efficiency gains in 2018.

The objective is to increase the value-added share through customer-specific logistics solutions, an expanded offering of higher-value processing and an expansion of the automotive supplier business.

In addition to the continued streamlining of structures, the focus is particularly on better use and optimization of the in-house logistics and production network. This notably includes the start-up and stabilization of the central production site in Slovakia and the development of a new warehouse and production site in Switzerland, which will replace the old site and lead to efficiency improvements.

BENTELER Group continues to increase profitability in 2018

In 2018 the BENTELER Group expects to increase revenues by around 4% and to further improve its operating results across all three Divisions. In the medium term, based on the implementation of the improvement measures identified across all Divisions and the continued start-up of the hot rolling mill at Shreveport, USA, we expect to achieve a significant increase in profitability.

Long-term outlook

The increases in profitability and competitiveness form the basis for the five-year plan of all Divisions of the BENTELER Group.

Revenue is expected to increase to more than €11.3 billion by 2022. All business areas will contribute to this growth. The divisional strategies developed under the guidance of the strategic holding company in Salzburg, Austria, remain valid. Thanks to its sound financing structure, the BENTELER Group will still be able to take advantage of market opportunities as they arise. With all the imponderables of economic developments, the same conservative financing principles will apply as in the past: capital expenditure will be financed from cash flow, the equity ratio is to return to 30%, and as a rule, gear-

ing is not to exceed 50%. Moreover, non-current assets are to be financed with long-term funds. The dynamic gearing, calculated as net financial debt/EBITDA, will always remain below 3 and will stabilize at 1.5 in the long term.

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 9, 2018

The Board of Directors

Ralf Göttel Guido Huppertz Isabel Diaz Rohr

CONSOLIDATED FINANCIAL STATEMENTS

Contents

Consolidated Income Statement	35	— Property, plant and equipment	54
Consolidated Statement of Comprehensive Income	36	— Impairments	54
Consolidated Statement of Financial Position	37	— Investments in associates	56
Consolidated Statement of Cash Flows	39	— Borrowing costs	56
Consolidated Statement of Changes in Equity	41	— Inventories	56
Notes to the Consolidated Financial Statements	43	— Deferred taxes	56
General Information	43	— Financial instruments	57
Information on the Company	43	— Cash and cash equivalents	57
Basis of preparation	43	— Employee benefits	58
New accounting standards	44	— Provisions	58
Consolidation	49	— Leasing	59
— Principles of consolidation	49	— Assumptions and estimates	59
— Companies included in the consolidated financial statements	50	Notes to the Consolidated Income Statement	60
Accounting policies	51	Revenue	60
— Foreign currency translation	52	Cost of sales	60
— Recognition of income and expenses	52	Other operating income	60
— Government grants	53	Other operating expenses	60
— Intangible assets	53	Net finance result	61
		Income taxes	62

Notes to the Consolidated Statement of Financial Position	63	Additional information	81
Intangible assets	63	Financial risk management	81
Property, plant and equipment	66	— Foreign exchange risk	81
Investments in associates	69	— Interest rate risk	82
Deferred tax assets and liabilities	70	— Commodity price risk	82
Other non-current receivables and assets	71	— Default risk	84
Inventories	72	— Liquidity risk	84
Receivables	72	— Capital management	87
— Trade receivables	72	Derivative financial instruments and hedge accounting	87
— Receivables from construction contracts	73	Additional information concerning financial instruments	88
— Other current receivables and assets	73	Consolidated statement of cash flows	97
Cash and cash equivalents	74	Contingent liabilities and contingent assets	98
Equity	74	Number of employees	99
Provisions	75	Governing bodies	99
Provisions for pensions and similar obligations	76	Related party transactions	100
Financial liabilities	80	Events after the reporting period	101
Income tax liabilities	80	Auditor's fees and services	101
Other current liabilities	80	Proposed appropriation of profit	101

Consolidated Income Statement (IFRS)

for the financial year from January 1, 2017 to December 31, 2017

CONSOLIDATED INCOME STATEMENT (IFRS)			3.1
€ THOUSAND	NOTE	2017	2016
Sales	6)	7,856,114	7,423,354
Cost of sales	7)	-7,115,918	-6,688,564
Gross profit		740,196	734,790
Selling expenses		-215,085	-202,440
Administration expenses		-319,012	-336,745
Research and development expenses		-87,404	-94,245
Other operating income	8)	138,329	125,693
Other operating expenses	9)	-50,272	-35,875
EBIT		206,752	191,177
Financial result	10)	-66,383	-49,101
Income from associates	14)	1,396	481
Result before tax		141,765	142,557
Income taxes	11)	-41,005	-31,612
Result for the period		100,760	110,945
of which:			
Attributable to owners of parent company		90,413	103,541
Non-controlling interests		10,347	7,404

Consolidated Statement of Comprehensive Income (IFRS)

for the financial year from January 1, 2017 to December 31, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

— 3.2

€ THOUSAND	NOTE	2017	2016
Result for the period	20)	100,760	110,945
Items that will not be reclassified to the consolidated income statement in future periods:			
Actuarial gains (losses)		-5,440	-22,682
Income taxes on these components of other comprehensive income		2,805	6,286
		-2,635	-16,396
Items which can be reclassified to the consolidated income statement in future periods:			
Gains (losses) on exchange differences on translation for foreign operations		-73,286	15,651
Reclassification of exchange differences on translation of divested foreign operations recognized in the income statement		0	139
Gains (losses) on the measurement of cash flow hedges		6,913	-4,420
Reclassification of amounts of cash flow hedges recognized in the income statement		11,977	11,750
Income taxes on these components of other comprehensive income		-5,496	-1,434
		-59,892	21,686
Total comprehensive income		38,233	116,235
of which:			
Attributable to owners of parent company		30,848	110,627
Non-controlling interests		7,385	5,608

Consolidated Statement of Financial Position (IFRS) for the period ended December 31, 2017

Assets

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 (IFRS)

— 3.3

€ THOUSAND	NOTE	DECEMBER 31, 2017	December 31, 2016
Intangible assets	12)	34,167	45,251
Goodwill	12)	6,442	6,442
Property, plant and equipment	13)	2,308,879	2,350,811
Investments in associates	14)	11,223	40,581
Deferred tax assets	15)	130,619	144,066
Non-current income tax receivables		596	260
Other non-current receivables and assets	16)	55,922	30,348
Non-current assets		2,547,847	2,617,760
Inventories	17)	887,282	803,487
Trade receivables	18.1)	700,147	623,127
Receivables from contract production	18.2)	11,663	8,095
Current income tax receivables		54,258	40,372
Other current receivables and assets	18.3)	254,959	315,414
Cash and cash equivalents	19)	682,259	357,618
Current assets		2,590,567	2,148,114
Total assets		5,138,415	4,765,874

Consolidated Statement of Financial Position (IFRS)

for the period ended December 31, 2017

Liabilities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 (IFRS)

— 3.3

€ THOUSAND	NOTE	DECEMBER 31, 2017	December 31, 2016
Issued capital		200	200
Retained earnings		175,275	175,275
Other reserves		861,635	857,898
Equity attributable to owners of parent company		1,037,110	1,033,373
Non-controlling interests		64,851	58,219
Total shareholders' equity	20)	1,101,961	1,091,592
Non-current financial liabilities	23)	1,537,439	1,332,802
Deferred tax liabilities	15)	36,302	34,853
Other non-current liabilities		24,750	62,861
Pension provisions	22)	401,496	395,747
Other non-current provisions	21)	51,729	77,412
Non-current liabilities		2,051,716	1,903,675
Current financial liabilities	23)	258,128	209,230
Trade payables		1,258,322	1,044,280
Current income tax liabilities	24)	15,555	11,992
Other current liabilities	25)	361,329	365,247
Other current provisions	21)	91,403	139,857
Current liabilities		1,984,738	1,770,607
Liabilities		4,036,453	3,674,281
Total shareholders' equity and liabilities		5,138,415	4,765,874

Consolidated Statement of Cash Flows (IFRS)

for the financial year from January 1, 2017 to December 31, 2017

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)		— 3.4
€ THOUSAND	2017	2016
Cash flow from operating activities		
EBIT	206,752	191,177
Interest paid	-68,949	-75,550
Interest received	10,216	13,440
Dividends received	2,473	45
Income taxes paid / received (net)	-39,214	-26,587
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	278,987	226,162
Changes in non-current provisions	-22,564	20,333
Other non-cash transactions	35,075	-11,347
Cash flow from profit	402,777	337,673
Changes in inventories	-126,925	-49,912
Changes in trade receivables	-121,146	-76,063
Changes in trade payables and prepayments received	298,402	206,437
Changes in working capital	50,331	80,462
Changes in current provisions	-43,967	-491
Changes in other receivables	-4,332	-5,723
Changes in other liabilities	-15,899	16,104
Changes in other assets and liabilities	-41,589	5,117
Cash flow from operating activities	347,321	433,142

See Note 29.

Consolidated Statement of Cash Flows (IFRS) continued

for the financial year from January 1, 2017 to December 31, 2017

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

— 3.4

€ THOUSAND	2017	2016
Cash flow from investing activities		
Cash payments for investments in property, plant and equipment and intangible assets	-428,808	-443,698
Cash receipts from the disposal of property, plant and equipment and intangible assets	41,077	2,277
Government grants received for investments	842	221
Cash payments for investments in financial assets	-11,899	-47,266
Cash receipts from the disposal of financial assets	47,440	3,776
Net cash payments for acquisitions of subsidiaries	683	0
Net cash payments from the disposal of associates and subsidiaries	36,548	-470
Cash flow from investing activities	-314,117	-485,160
Free cash flow	33,204	-52,018
Cash flow from financing activities		
Repayment of borrower's note loans	-90,158	-172,939
Cash receipts from the raising of borrower's note loans	331,000	168,000
Repayment of bank loans	-62,614	-118,676
Cash receipts from the raising of bank loans	159,620	221,410
Dividends paid	-34,103	-34,748
Cash receipts from non-controlling interests	7,676	14,289
Other cash receipts/cash payments from financing activities	-11,093	8,495
Cash flow from financing activities	300,329	85,831
Change in cash and cash equivalents	333,533	33,814
Effect of exchange rate changes on cash and cash equivalents	-8,893	4,247
Cash and cash equivalents at January 1	357,618	319,557
Cash and cash equivalents at December 31	682,259	357,618

Consolidated Statement of Changes in Equity (IFRS)

for the financial year from January 1, 2017 to December 31, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

— 3.5

€ THOUSAND	Issued capital	Retained earnings	Other reserves		
			Foreign currency translation reserve	Cash flow hedging reserve	Reserve for actuarial gains/losses
Balance as at January 1, 2016	200	175,275	-19,941	-21,325	-130,812
Result for the period					
Other income (after tax)			17,319	5,894	-16,126
Company formation					
Other changes					819
Dividends paid					
Balance at December 31, 2016 = Balance at January 1, 2017	200	175,275	-2,622	-15,431	-146,119
Result for the period					
Other income (after tax)			-70,173	13,397	-2,789
Capital increases					
Other changes					
Dividends paid					
Balance at December 31, 2017	200	175,275	-72,795	-2,035	-148,908

See Note 20.

Consolidated Statement of Changes in Equity (IFRS) continued

for the financial year from January 1, 2017 to December 31, 2017

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 items	Total			
Balance as at January 1, 2016	934,403	762,325	937,800	57,827	995,627
Result for the period	103,541	103,541	103,541	7,404	110,945
Other income (after tax)		7,086	7,086	-1,797	5,290
Company formation		0	0	14,289	14,289
Other changes	-873	-54	-54	243	189
Dividends paid	-15,000	-15,000	-15,000	-19,748	-34,748
Balance at December 31, 2016 = Balance at January 1, 2017	1,022,071	857,898	1,033,373	58,219	1,091,592
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
Capital increases		0	0	7,676	7,676
Other changes	-1,111	-1,111	-1,111	-327	-1,438
Dividends paid	-26,000	-26,000	-26,000	-8,103	-34,103
Balance at December 31, 2017	1,085,373	861,635	1,037,110	64,851	1,101,961

See Note 20.

General Information

1 INFORMATION ON THE COMPANY

BENTELER International Aktiengesellschaft ("BIAG" or the "Company"; registered in the Austrian Companies Register of Salzburg Regional Court under FN 319670d, and having its registered office and principal place of business at Schillerstrasse 25, 5020 Salzburg, Austria) is the ultimate 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 (75 locations, around 22,190 full-time equivalents)
- Steel/Tube (16 locations, around 3,701 full-time equivalents)
- Distribution (45 locations, around 1,458 full-time equivalents)
- Other companies (8 locations, 606 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 prior 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 available for sale, which are measured at market value, and defined benefit plan assets, which are measured at fair value. There are also minor PoC (percentage of completion) receivables which are capitalized according to the degree of completion.

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

On February 9, 2018, the Executive Board approved the consolidated financial statements and the Group management report for the period ended December 31, 2017, 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 16, 2018.

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 2017 financial year:

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD

— 3.6

Standard / Interpretation		Application obligatory in EU for financial years beginning on or after	Endorsed by the EU as of December 31, 2017	Effects on BENTELER Group
IAS 7	Statement of Cash Flows (amendment: disclosure initiative)	January 1, 2017	Yes	Additional note
IAS 12	Income Taxes (amendment: recognition of deferred tax assets for unrealized losses)	January 1, 2017	Yes	Insignificant

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, 2017	Effects on BENTELER Group
New standards and interpretations					
IFRS 9	Financial Instruments	July 24, 2014	January 1, 2018	Yes	See separate presentation
IFRS 16	Leases	January 13, 2016	January 1, 2019	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	No	Insignificant
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	No	Under review

Table continued on page 46

NEW ACCOUNTING STANDARDS – CURRENT REPORTING PERIOD [CONTINUED]

— 3.7

		Publication by IASB	Application obligatory in EU for financial years beginning on or after	Endorsed by the EU as of December 31, 2017	Effects on BENTELER Group
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 2	Share-based Payment (amendments: clarifications of classification and measurement of share-based payment transactions)	June 20, 2016	January 1, 2018	No	None
IFRS 4	Insurance Contracts (amendments: applying IFRS 9 with IFRS 4)	September 12, 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	No	None
IAS 40	Investment Property (amendments: transfers of investment property)	December 8, 2016	January 1, 2018	No	None
IFRS 9	Financial Instruments (amendments: prepayment features with negative compensation)	October 12, 2017	January 1, 2019	No	See separate presentation
IAS 28	Investments in Associates and Joint Ventures (amendments: long-term investments in associates and joint ventures)	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	No	Under review

IFRS 15

IFRS 15, Revenue from Contracts with Customers, was published by the IASB in May 2014 and amended in April 2016. The new standard 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.

The standard applies to annual reporting periods beginning on or after January 1, 2018 and early application is permitted. The new standard can be applied on a full retrospective or modified retrospective basis.

BENTELER intends to apply IFRS 15 for the first time on January 1, 2018 using the modified retrospective method. BENTELER began an analysis of the potential impacts of the new standard in 2016 and completed it 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.

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.

BENTELER expects the application of IFRS 15 to have no material effects on its revenue recognition. Only the provisions on contract costs are expected to have a positive impact on equity of €7.5 million. The balance sheet items concerned are listed below:

**ITEMS OF THE STATEMENT OF FINANCIAL POSITION AFFECTED
BY THE APPLICATION OF IFRS 15**

— 3.8

€ THOUSAND	Assets	Liabilities
Other non-current receivables and assets	5,625	
Other current receivables and assets	1,875	
Retained earnings		7,500

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

IFRS 9

The IASB published the final version of IFRS 9, Financial Instruments, in July 2014. This standard replaces IAS 39 and all previous versions of IFRS 9. The new standard covers the classification and measurement of financial instruments, impairment and hedge accounting.

IFRS 9 applies to annual reporting periods beginning on or after January 1, 2018. Early application is permitted. With the exception of the provisions on hedge accounting, the new standard is applicable retrospectively. The provisions on hedge accounting are to be applied as far as possible prospectively.

BENTELER intends to introduce IFRS 9 on the corresponding date of initial application without adjustment to comparative information. In 2017 BENTELER analyzed the likely effects of the new standard on classification and measurement, impairment and hedge accounting. Since this analysis was conducted on the basis of the information currently available, the effects may differ on the basis of future information. With the exception of impairments, BENTELER expects the initial application of IFRS 9 to have no material effects on the consolidated financial statements. A decrease in impairments is expected due to the introduction of the expected loss model, which in turn will have a positive effect on equity.

Classification and measurement: BENTELER expects the new classification and measurement provisions of IFRS 9 to have no material effects. The financial instruments hitherto recognized in profit or loss at fair value are expected to continue to be carried at fair value. Through the exercise of the fair value option it is expected that equity instruments hitherto recognized outside profit or loss at fair value will also continue to

be recognized outside profit or loss at fair value. Financial instruments in the loans and receivables category include financial instruments which are held for the collection of cash flows and from which interest and principal payments are expected, so these are carried at amortized cost.

Impairments: Under IFRS 9, impairments must in future be recognized on the basis of expected credit losses and no longer on the basis of incurred credit losses. On the basis of the analysis conducted in 2017, impairments are expected to decrease by approximately €2 million. For its trade receivables and receivables from contract production BENTELER will adopt the simplified approach whereby the expected loss is recognized immediately in respect of the full term.

Hedge accounting: Based on the analysis, all hedge accounting carried out hitherto also meets the requirements of IFRS 9. Since IFRS 9 does not change the basic principles of hedge accounting, BENTELER does not expect any 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 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.

On the basis of the analysis conducted hitherto, BENTELER expects the assets and liabilities to increase by the amount of the rental payments under non-cancellable operating leases. The initial application of IFRS 16 is not expected to have any material effect on equity.

The analysis initiated in 2017 will be continued in 2018 in order to assess the effects of the new standard on BENTELER's consolidated financial statements.

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, whereby goodwill resulting in the context of an acquisition is also calculated pro rata to the minority interests, has not been exercised. Any negative difference is recognized in profit or loss as at the acquisition date, if a review indicates that all assets acquired and liabilities assumed have been correctly identified and measured.

Non-controlling interests represent the share of 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 statement of financial position, 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 2017 financial year, the movements in the number of fully consolidated companies were as follows:

DEVELOPMENT OF THE CONSOLIDATED GROUP — 3.9			
	Austria	Other countries	Total
Included in consolidation as at December 31, 2016	4	121	125
Addition through new formation	–	–	–
Included for the first time	–	1	1
Disposals as a result of mergers/liquidation	–	–4	–4
Disposals as a result of sale or of loss of control	–1	–3	–4
Included in consolidation as at December 31, 2017	3	115	118

Additions during the 2017 financial year

On January 1, 2017 the subsidiary BENTELER Automotive (Tianjin) Co., Ltd., Tianjin, China, formed in 2016, was fully consolidated for the first time. The first-time inclusion resulted in only a limited change to the consolidated statement of financial position. The profit for the period includes losses amounting to €1,015 thousand and revenue includes €134 thousand resulting from the inclusion.

Disposals during the 2017 financial year

In the 2017 financial year holdings of 50% of the shares of each of the subsidiaries BENTELER SGL GmbH & Co. KG of Paderborn, Germany, and BENTELER SGL Verwaltungs GmbH, Paderborn, Germany, and 100% of the participating interest held by BENTELER

SGL GmbH & Co. KG of Paderborn, Germany, in BENTELER SGL Composite Technology GmbH of Ried im Innkreis, Austria, were sold to SGL TECHNOLOGIES Composites Holding GmbH, Meitingen, Germany. The cash purchase price in the 2017 financial year amounts to €11,975 thousand.

Due to the loss of control the following assets and liabilities were deconsolidated in December 2017:

DECONSOLIDATED NET ASSETS — 3.10	
	€ THOUSAND
Non-current assets	42,370
Inventories	4,558
Trade receivables	6,249
Other receivables	1,136
Cash and cash equivalents	7,629
Total assets	61,942
Provisions	1,379
Financial liabilities	30,484
Trade payables	6,335
Other liabilities	2,717
Total liabilities	40,915
Deconsolidated net assets	21,027

The transaction generated a deconsolidation result amounting to €402 thousand, which is included in the other operating income.

The subsidiary Noord-Nederlandse Schrootverwerking B.V., of Franeker, the Netherlands, was also sold to H.R. Holding B.V. of Grafhorst, the Netherlands, in the 2017 financial year. The non-cash purchase price in the 2017 financial year amounts to €2,700 thousand.

The following assets and liabilities were therefore deconsolidated in December 2017:

DECONSOLIDATED NET ASSETS		— 3.11
	€ THOUSAND	
Non-current assets	653	
Inventories	260	
Trade receivables	66	
Other receivables	134	
Cash and cash equivalents	670	
Total assets	1,783	
Financial liabilities	253	
Trade payables	47	
Other liabilities	592	
Total liabilities	892	
Deconsolidated net assets	891	

The deconsolidation result amounting to €1,600 thousand is included in other operating income.

In order to simplify the group structure TF-Tec GmbH of Paderborn, Germany was merged with BENTELER Steel Tube GmbH of Paderborn, Germany, on January 1, 2017. Also on January 1, 2017 the subsidiary BMB Ocel s.r.o. of Ostrava-Marianske Hory, Czech Republic, was merged with BENTELER Distribution Czech Republic spol. s.r.o. of Dobříš (Prague), Czech Republic.

In addition BENTELER Benelux B.V. of Breda, Netherlands, was liquidated with effect from July 8, 2017 and BENTELER Automotive Netherlands B.V. of Helmond, the Netherlands, was liquidated with effect from December 28, 2017.

In the 2016 financial year the participating interests in BENTELER Engineering Services AB of Västra Frölunda, Sweden, BENTELER Engineering Romania S.R.L. of Brasov, Romania, BENTELER Engineering Services B.V. of Helmond, the Netherlands, BENTELER Testing Services B.V., of Helmond, the Netherlands, and BENTELER Engineering Services GmbH of Paderborn, Germany, were sold with legal effect from January 2017. The retirement of carrying amount of interests in associates in the 2017 financial year amounts to €28,122 thousand and the cash purchase price in the 2017 financial year amounts to €32,872 thousand. The difference concerns an acquired loan.

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 through profit or loss as other operating expenses and income. Foreign currency gains and losses of BIAG as the ultimate parent 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 Group 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

— 3.12

	Average rate		Closing rate	
	2017	2016	DECEMBER 31, 2017	December 31, 2016
BRL	3.65	3.82	3.97	3.43
CHF	1.12	1.09	1.17	1.07
CNY	7.66	7.34	7.81	7.32
CZK	26.30	27.04	25.54	27.02
GBP	0.88	0.82	0.89	0.86
MXN	21.44	20.68	23.67	21.76
NOK	9.37	9.27	9.84	9.09
RUB	66.19	73.35	69.37	64.46
SEK	9.65	9.47	9.84	9.55
USD	1.14	1.10	1.20	1.05
ZAR	15.07	16.15	14.81	14.44

5.2 Recognition of income and expenses

Revenue from the sale of goods and the rendering of services is recognized when the goods or services have been provided, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and it is probable that the amount will be paid. Moreover, the BENTELER Group may

retain neither any residual right of disposal, such as is commonly associated with ownership, nor any effective right of disposal over the sold assets. Revenue is recognized under consideration of price reductions such as trade discounts, customer loyalty bonuses and rebates.

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

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

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

The stage of completion of a contract is determined by the ratio of contract costs incurred up to the reporting date in relation to the estimated total contract costs. Construction contracts are measured with contract costs incurred up to the end of the reporting period, plus the proportion of profit according to the achieved stage of completion. Those revenues, less any prepayments received, are presented in the statement of financial position as receivables from contract production. Variations in contract work, claims and incentive payments are considered to the extent it is probable that they will result in revenue and they are capable of being reliably measured. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs associated with the construction contract are recognized as expenses in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the total contract revenue, the expected loss is recognized immediately as an expense.

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

5.3 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to capital expenditure (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 (expense-related grants) are recognized in profit or loss in the same period in which the relevant expenses they are intended to compensate are incurred.

5.4 Intangible assets

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

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

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

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

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

USEFUL LIVES OF INTANGIBLE ASSETS

— 3.13

	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 prepare for its intended use or sale. If an asset consists of multiple components with different useful lives, each part of the asset having a significant acquisition value is depreciated separately over its useful life.

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

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

— 3.14

	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 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 TEST		— 3.15
€ THOUSAND	2017	2016
Steel/Tube (excluding Shreveport)	5,679	5,679
Distribution	764	764
Total	6,442	6,442

The recoverable amount of the CGUs is based on the value in use, which is calculated using discounted cash flow 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 6.7% (prior year: 6.9%).

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 36%.

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.

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

5.10 Deferred taxes

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

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

5.11 Financial instruments

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

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

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

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

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

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

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

The BENTELER Group uses hedge accounting if the conditions specified in IAS 39 for the formation of hedging relationships are met. Gains or losses on derivative financial instruments for which cash flow hedges were possible are recognized outside profit or loss, in other comprehensive income, as at the date of realization of the underlying transaction. Any changes in profits resulting from the ineffectiveness of these derivative financial instruments are recognized in the consolidated profit or loss in the income statement.

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

5.12 Cash and cash equivalents

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

5.13 Employee benefits

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

Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on their economic content, which derives from the underlying terms and requirements for the plan's benefits. For defined benefit retirement plans, the pension expense is calculated using the actuarial projected unit credit method provided under IAS 19. For this purpose, the pension payments to be made at the time benefits become payable, taking dynamic parameters into account, are distributed over the employees' service time, also allowing for future adjustments in income and pensions. The pension obligations are calculated as the present value of the benefit obligation to employees, minus the fair value of plan assets, taking into account any asset ceiling, and are presented entirely under non-current 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 2.63% (prior year: 0.0% to 2.79%).

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

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

5.15 Leasing

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

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

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

5.16 Assumptions and estimates

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

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

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

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

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

Notes to the Consolidated Income Statement

6 REVENUE

Revenues of the BENTELER Group are made up as follows:

REVENUE	— 3.16	
€ THOUSAND	2017	2016
Sales of goods	7,791,260	7,311,413
Construction contracts	64,853	59,199
Other	0	52,742
Total	7,856,114	7,423,354

7 COST OF SALES

The costs of sales are composed as follows:

COST OF SALES	— 3.17	
€ THOUSAND	2017	2016
Material expenses	5,302,143	4,879,573
Other	1,813,775	1,808,991
Total	7,115,918	6,688,564

8 OTHER OPERATING INCOME

OTHER OPERATING INCOME

— 3.18

€ THOUSAND	2017	2016
Insurance claims	1,812	1,177
Foreign currency exchange gains	8,547	15,261
Gain from deconsolidation	2,002	30,360
Income from the reversal of provisions	53,771	25,031
Income from the disposal of property, plant and equipment	22,999	19,034
Government grants	2,652	1,534
Income from the reversal of bad debt allowances	2,150	686
Compensation benefits	17,667	5,057
Miscellaneous	26,728	27,554
Total	138,329	125,693

9 OTHER OPERATING EXPENSES

Other operating expenses mainly consist of depreciation and amortization of the assets of the subsidiary BENTELER Automotive Farsund AS, Farsund, Norway, amounting to €23,355 thousand and currency losses amounting to €17,066 (prior year: €26,934 thousand).

10 NET FINANCE RESULT

NET FINANCE RESULT			— 3.19
€ THOUSAND	2017	2016	
Income from derivative financial instruments	54,826	47,696	
Interest income from loans and other financial assets	2,251	2,831	
Foreign currency exchange income	8,955	15,516	
Interest income from bank accounts	5,145	3,637	
Accrued interest on provisions	0	121	
Other finance income	1,854	5,202	
Finance income	73,030	75,004	

In the 2017 financial year, other finance income includes the profit attributable to puttable equity instruments.

NET FINANCE RESULT			— 3.20
€ THOUSAND	2017	2016	
Interest expense for financial liabilities	66,319	43,281	
Expenses from derivative financial instruments	35,007	65,185	
Interest expense for pension obligations	6,303	7,644	
Foreign currency translation losses	31,557	7,306	
Accrued interest on provisions	228	689	
Finance expenses	139,413	124,104	

11 INCOME TAXES

INCOME TAXES

— 3.21

€ THOUSAND	2017	2016
Current tax expense	31,640	30,875
of which for the current reporting period	36,975	32,220
of which for previous periods	-5,335	-1,345
Deferred tax expense / tax income	9,365	738
Total tax expense / tax income	41,005	31,612

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

RECONCILIATION BETWEEN EXPECTED AND DISCLOSED INCOME TAX EXPENSE

— 3.22

€ THOUSAND	2017	2016
Profit for the period before tax under IFRS	141,765	142,557
Group income tax rate (%)	30 %	30 %
Expected tax expense / tax income for year	42,529	42,767
Effect of changes in tax rates	1,224	-2,384
Effect of differences in tax rates	-9,642	-4,449
Effect of income that is exempt from taxation and other deductions	-3,329	-9,318
Effect of non-tax-deductible operating expenses and other additions	7,376	6,409
Effect of taxes from previous years recognized during the year	-5,667	-3,626
Effect of income taxes not creditable toward income tax (withholding taxes and foreign taxes)	4,806	5,972
Effect of impairments / adjustments	4,111	-1,979
Other effects	-403	-1,780
Total tax expense (+) / tax income (-)	41,005	31,612

Notes to the Consolidated Statement of Financial Position

12 INTANGIBLE ASSETS

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

TOTAL RESEARCH AND DEVELOPMENT EXPENSES		— 3.23
€ THOUSAND	2017	2016
Research and development expenses (total)	76,191	87,936
Capitalized development costs	0	–63
Amortization and impairment of capitalized development costs	11,213	6,372
Research and development costs recognized in the consolidated income statement	87,404	94,245
Capitalization ratio (%) *	0.0 %	0.1 %

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

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

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

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

As in previous years, capitalized development costs do not include any borrowing costs. At the reporting date, there were contractual obligations to acquire intangible assets in an amount of €2,294 thousand (prior year: €3,319 thousand).

Movements in intangible assets were as follows:

DEVELOPMENT OF INTANGIBLE ASSETS

— 3.24

€ THOUSAND	Acquired intangible 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

DEVELOPMENT OF INTANGIBLE ASSETS

— 3.25

€ THOUSAND	Acquired intangible assets (excluding goodwill)	Acquired goodwill	Prepayments	Internally generated intangible assets	Total
Cost of acquisition or production					
Balance at January 1, 2016	132,287	7,892	6,094	165,027	311,300
Additions	8,815	0	3,344	63	12,221
Changes in the scope of consolidation	-2,433	0	0	0	-2,433
Reclassifications	4,369	0	-4,369	0	0
Disposals	-3,116	0	-23	-8	-3,146
Foreign currency exchange differences	1,407	0	-14	2,002	3,395
Balance at December 31, 2016	141,329	7,892	5,032	167,084	321,336
Amortization					
Balance at January 1, 2016	111,160	1,450	0	143,838	256,448
Current amortization	9,710	0	0	6,372	16,082
Impairments	0	0	0	0	0
Changes in the scope of consolidation	-2,008	0	0	0	-2,008
Disposals	-3,100	0	0	0	-3,100
Foreign currency exchange differences	1,092	0	0	1,129	2,221
Balance at December 31, 2016	116,854	1,450	0	151,339	269,643
Carrying amount					
Balance at January 1, 2016	21,127	6,442	6,094	21,189	54,852
Balance at December 31, 2016	24,475	6,442	5,032	15,745	51,694

13 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

— 3.26

€ THOUSAND	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments and construction in progress	Total
Cost of acquisition or production					
Balance at January 1, 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					
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
Reclassifications	0	0	0	0	0
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

PROPERTY, PLANT AND EQUIPMENT

— 3.27

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

No borrowing costs were capitalized in 2017. In the previous year borrowing costs of €17,770 thousand (after deduction of investment income) were capitalized in connection with the hot rolling mill in Shreveport, USA. Interest rates between 1.1% and 5.7% were applied for this purpose.

In the 2017 financial year the BENTELER Group received investment grants amounting to €842 thousand (prior year: €221 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 €2,341 thousand (prior year: €4,448 thousand). As in the previous year, none of the assets within property, plant and equipment are pledged as collateral.

At the reporting date, there were contractual obligations to acquire property, plant and equipment in an amount of €114,228 thousand (prior year: €84,491 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:

OUTSTANDING MINIMUM LEASE PAYMENTS UNDER OPERATING LEASES — 3.28		
€ THOUSAND	December 31, 2017	December 31, 2016
Future minimum lease payments		
due within one year	43,097	38,544
due within one to five years	102,057	82,558
due after 5 years	49,493	57,766
Total	194,647	178,868

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

OUTSTANDING MINIMUM LEASE PAYMENTS UNDER FINANCE LEASES — 3.29		
€ THOUSAND	December 31, 2017	December 31, 2016
Future minimum lease payments		
due within one year	2,327	3,137
due within one to five years	6,822	7,325
due after 5 years	16,432	20,081
Nominal value	25,581	30,543
Interest component	12,974	14,518
Present value of minimum lease payments	12,607	16,025

Payments of €54,731 thousand under rental and lease agreements were recognized as expenses for 2017 (prior year: €36,126 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 — 3.30		
€ THOUSAND	December 31, 2017 / 2017	December 31, 2016 / 2016
Carrying amount of investments in associates	11,223	40,581
Pro rata result from continuing Divisions	1,396	481

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

15 DEFERRED TAX ASSETS AND LIABILITIES

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

ALLOCATION OF DEFERRED TAX ASSETS AND LIABILITIES TO ITEMS IN THE STATEMENT OF FINANCIAL POSITION — 3.31

€ THOUSAND	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	58	-399	2,931	-4,397
Property, plant and equipment	7,102	-123,163	6,420	-185,679
Current and non-current financial assets	1,526	-13,963	1,872	-17,623
Inventories	18,967	-3,351	41,607	-2,695
Current and non-current receivables and other assets	11,845	-21,069	5,889	-25,585
Provisions for pensions	69,315	-8,849	63,120	-3,531
Other provisions	23,053	-16,713	34,533	-13,383
Liabilities	36,025	-5,057	36,462	-3,112
Tax loss carryforwards	111,848	0	167,736	0
Tax credits	11,842	0	4,647	0
Other deferred taxes	0	-4,700	0	0
Gross value	291,581	-197,264	365,217	-256,005
Netting	160,962	-160,962	221,151	-221,151
Recognized in statement of financial position	130,619	-36,302	144,066	-34,853

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 €72,246 thousand is matched by unused tax loss carryforwards of equal amount.

The decrease in deferred tax assets and liabilities is essentially due to the change in the US Federal Tax rate from 35% to 21%.

No deferred tax was recognized for unused tax loss carryforwards amounting to €161,892 thousand (prior year: €228,190 thousand).

The unused tax losses can be carried forward as follows:

UNUSED TAX LOSS CARRYFORWARDS — 3.32

€ THOUSAND	December 31, 2017	December 31, 2016
Expiring in the next ten years	32,707	51,579
Expiring in more than ten years	0	3,254
Unused tax losses not subject to expiration	129,185	173,357
Total	161,892	228,190

As at December 31, 2017, the Group recognized deferred tax assets for companies that had shown a loss in the previous period. These assets exceeded the deferred tax liabilities. The basis for recognizing deferred taxes was management's belief that these

companies will earn taxable income against which the unused tax losses and deductible temporary differences can be utilized.

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

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

16 OTHER NON-CURRENT RECEIVABLES AND ASSETS

OTHER NON-CURRENT RECEIVABLES AND ASSETS

— 3.33

	December 31, 2017	December 31, 2016
€ THOUSAND		
Investments in unconsolidated entities	83	0
Securities	10,615	0
Financial receivables	15,333	7,011
Other tax assets	9,083	4,887
Prepaid expenses	7,086	9,307
Other assets	13,721	9,144
Total	55,922	30,348

The financial receivables consist mainly of derivatives.

17 INVENTORIES

INVENTORIES

— 3.34

€ THOUSAND	December 31, 2017	December 31, 2016
Raw materials and manufacturing supplies	360,108	348,233
Work in progress	199,683	157,212
Finished products and goods	310,242	284,050
Prepayments	17,249	13,992
Total	887,282	803,487

18 RECEIVABLES

18.1 Trade receivables

TRADE RECEIVABLES

— 3.35

€ THOUSAND	December 31, 2017	December 31, 2016
Trade receivables, gross	709,627	634,629
Doubtful debt allowances on trade receivables	-9,480	-11,502
Carrying amount	700,147	623,127

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 €330,693 thousand (prior year: €311,290 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.

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

DEVELOPMENT OF DOUBTFUL DEBT ALLOWANCES ON TRADE RECEIVABLES

— 3.36

€ THOUSAND	2017	2016
Balance as at January 1	11,502	8,297
Additions	2,478	6,552
Reversals	-2,150	-686
Utilization	-2,431	-2,653
Effects of exchange rates and other changes	81	-8
Balance as at December 31	9,480	11,502

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 UNADJUSTED RECEIVABLES			— 3.37
€ THOUSAND	December 31, 2017	December 31, 2016	
Receivables that are neither past due nor impaired	657,089	552,048	
Receivables that are past due but not impaired	41,948	70,443	
less than 30 days past due	33,913	58,798	
30 to 60 days past due	649	8,741	
61 to 90 days past due	3,059	1,900	
more than 90 days past due	4,326	1,004	
Receivables with specific doubtful debt allowances	1,110	635	
Carrying amount as at December 31	700,147	623,127	

At the end of the period on December 31, 2017, as in previous years, no trade receivables had been pledged.

18.2 Receivables from construction contracts

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

RECEIVABLES FROM CONSTRUCTION CONTRACTS			— 3.38
€ THOUSAND	December 31, 2017	December 31, 2016	
Incurred contract costs	30,171	31,758	
Recognized gains less recognized losses	5,068	4,454	
Production orders with outstanding balances receivable from customers	35,239	36,212	
Prepayments and partial invoices	-23,576	-28,117	
Receivables from construction contracts	11,663	8,095	

18.3 Other current receivables and assets

OTHER CURRENT RECEIVABLES AND ASSETS			— 3.39
€ THOUSAND	December 31, 2017	December 31, 2016	
Prepaid expenses	19,281	11,993	
Other financial assets	120,036	162,752	
Other non-financial assets	115,642	140,669	
Total	254,959	315,414	

The other financial assets essentially comprise bills receivable, reserves under accounts receivable facilities amounting to €75,277 thousand (prior year: €85,957 thousand) and a short-term loan to Casper Benteler GmbH amounting to €1,281 thousand (prior year: €35,062 thousand). Casper Benteler GmbH is a related party within the meaning of IAS 24. The financial assets also include derivatives amounting to €19,112 thousand (prior year: €7,027 thousand). Other non-financial assets primarily include other tax receivables (particularly for value added tax and energy tax) and refund claims.

19 CASH AND CASH EQUIVALENTS

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

20 EQUITY

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

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

The subscribed capital as at December 31, 2017, 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 three Chinese companies. The proportion of revenue is below 1.5% 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 (includes the amount related to non-controlling interests):

DEVELOPMENT OF OTHER COMPONENTS OF EQUITY IN THE CURRENT REPORTING PERIOD

— 3.40

€ 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

DEVELOPMENT OF OTHER COMPONENTS OF EQUITY IN THE PRIOR REPORTING PERIOD

— 3.41

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

21 PROVISIONS

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

PROVISIONS

— 3.42

€ THOUSAND	Note	December 31, 2017	December 31, 2016
Pension provisions – non-current	22)	401,496	395,747
Other provisions for employee benefits		25,521	25,550
Provisions for impending losses		3,985	9,672
Provisions for guarantees and warranties		5,186	13,459
Other provisions		17,037	28,732
Other non-current provisions	21)	51,729	77,412
Other provisions for employee benefits		17,970	14,789
Provisions for impending losses		4,423	22,961
Provisions for guarantees and warranties		20,988	38,107
Other provisions		48,023	64,001
Other current provisions	21)	91,403	139,857

Statement of changes in provisions

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

STATEMENT OF CHANGES IN PROVISIONS

— 3.43

€ THOUSAND	Guarantees and war- ranties	Employees	Impending losses	Other provisions	Total
Balance at January 1, 2017	51,566	40,338	32,632	92,733	217,270
Changes in the scope of consolidation	-228	-100	0	-560	-888
Additions	7,484	23,986	1,371	40,399	73,239
Utilization	-5,467	-17,356	-19,549	-41,667	-84,040
Reversals	-25,689	-3,382	-5,700	-19,000	-53,771
Reclassifications	0	507	0	-724	-217
Accrued interest	0	228	0	0	228
Foreign currency trans- lation	-1,491	-730	-346	-6,121	-8,688
Balance at December 31, 2017	26,174	43,491	8,407	65,059	143,132
of which current	20,988	17,970	4,423	48,023	91,403
of which non-cur- rent	5,186	25,521	3,985	17,037	51,729

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 warranty risks were reassessed in the 2017 financial year on the basis of these empirical values.

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			3.44
PERCENTAGES AS WEIGHTED AVERAGE	2017	2016	
Interest rate	1.6	1.7	
Rate of increase in pensionable salaries	2.1	2.1	
Inflation	1.5	1.4	
RECONCILIATION OF THE LIABILITY UNDER DEFINED BENEFIT PLANS WITH PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS			3.45
€ THOUSAND	December 31, 2017	December 31, 2016	
Present value of the liability	525,103	523,564	
Fair value of plan assets	-124,313	-128,258	
Net balance	400,790	395,306	
Assets not included as per IAS 19.57(b)	706	441	
Provision for pensions and other similar commitments as at December 31	401,496	395,747	

EXPENSES FROM RETROACTIVE PLAN AMENDMENTS

3.46

€ THOUSAND	2017	2016
Present value of defined benefit obligation as at January 1	523,564	497,334
Current service cost	14,560	14,004
Interest expense	7,497	9,608
Actuarial gains (losses)	5,977	20,769
of which due to change in demographic assumptions	-178	-1,159
of which due to change in financial assumptions	9,859	24,982
of which due to experience-based assumptions	-3,704	-3,054
Past service costs	-372	-118
Settlements	-629	6
Gains / losses arising from changes in foreign exchange rates	-9,225	324
Employee contributions	1,655	1,729
Payments made	-17,412	-16,940
Net change from company acquisitions and disposals	-511	-3,153
Present value of defined benefit obligation as at December 31	525,103	523,564

CHANGES IN PLAN ASSETS		— 3.47
€ THOUSAND	2017	2016
Fair value of plan assets as at January 1	128,258	127,607
Interest income	1,215	1,962
Revaluation of plan assets	817	-2,683
Settlements	-553	0
Gains / losses arising from changes in foreign exchange rates	-5,653	1,219
Contributions to the pension plan	17,653	17,567
of which employers	15,998	15,838
of which employees	1,655	1,729
Paid out of plan assets	-17,424	-16,954
Net change from company acquisitions and disposals	0	-460
Fair value of plan assets as at December 31	124,313	128,258

CHANGES IN ASSET CEILING		— 3.48
€ THOUSAND	2017	2016
Unrecognized assets as at January 1	441	1,001
Interest on unrecognized assets recognized in pro-fit or loss	18	40
Other changes in unrecognized assets	247	-600
Unrecognized assets as at December 31	706	441

The average duration of the obligation as at December 31, 2017 is 18 years (prior year: 18 years).

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

COMPONENTS OF PLAN ASSETS		— 3.49
€ THOUSAND	December 31, 2017	December 31, 2016
Equity instruments (active market)	27,417	29,643
Debt instruments (active market)	7,390	10,706
Insurance contracts	70,764	70,701
Property	14,458	11,338
Other assets	4,284	5,870
Total	124,313	128,258

The expected contributions to the plan for 2018 amount to €15,802 thousand (prior year: €15,817 thousand).

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

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

— 3.50

	2017 financial year		
	Change in assumptions	Change in obligation on decrease of parameter	Change in obligation on increase of parameter
€ THOUSAND			
Interest rate	0.5 %	49,553	-43,272
Rate of pension increase	0.5 %	-24,695	30,227
Rate of salary increase	0.5 %	-3,212	3,568

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

— 3.51

	2016 financial year		
	Change in assumptions	Change in obligation on decrease of parameter	Change in obligation on increase of parameter
€ THOUSAND			
Interest rate	0.5 %	50,877	-44,226
Rate of pension increase	0.5 %	-24,394	31,092
Rate of salary increase	0.5 %	-3,499	3,883

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

23 FINANCIAL LIABILITIES**FINANCIAL LIABILITIES**

— 3.52

€ THOUSAND	December 31, 2017		December 31, 2016	
	current	non-current	current	non-current
Borrower's note loans	113,581	598,500	89,892	378,638
Liabilities to banks	136,283	927,878	105,975	932,839
Lease liabilities	1,910	10,697	2,399	13,626
Miscellaneous	6,354	364	10,964	7,699
Total	258,128	1,537,439	209,230	1,332,802

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

24 INCOME TAX LIABILITIES

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

25 OTHER CURRENT LIABILITIES**OTHER CURRENT LIABILITIES**

— 3.53

€ THOUSAND	December 31, 2017	December 31, 2016
Other tax liabilities	70,232	49,637
Pending invoices payable	0	36,808
Liabilities to employees	105,195	97,764
Advance payments received	68,293	42,179
Social security liabilities	19,737	19,328
Miscellaneous other financial liabilities	20,503	21,453
Other non-financial liabilities	77,369	98,078
Total	361,329	365,247

From the 2017 financial year the pending invoices payable are stated in trade payables.

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

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

Additional Information

26 FINANCIAL RISK MANAGEMENT

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

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

26.1 Foreign exchange risk

Foreign exchange risks particularly arise where receivables, liabilities and planned transactions are not denominated in an entity's 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. These transactions hedge against changes in exchange rates for cash flows in foreign currencies. The functional currency is hedged, not the Group currency. The hedging horizon is typically between one and three years.

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

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

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

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

SENSITIVITY ANALYSIS FOR EUR FOREIGN EXCHANGE RISK

— 3.54

€ THOUSAND	2017		2016	
	Decrease by 10%	Increase by 10%	Decrease by 10%	Increase by 10%
Effect on:				
Earnings after tax	279	-228	-589	454
Cash flow hedge reserve	6,016	-4,110	16,246	-17,009
Total equity	6,295	-4,338	15,658	-16,555

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

SENSITIVITY ANALYSIS FOR USD FOREIGN EXCHANGE RISK

— 3.55

€ THOUSAND	2017		2016	
	Decrease by 10%	Increase by 10%	Decrease by 10%	Increase by 10%
Effect on:				
Earnings after tax	0	0	0	0
Cash flow hedge reserve	5,605	-4,585	11,979	-16,129
Total equity	5,605	-4,585	11,979	-16,129

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% (prior year: 30%) was applied as the tax rate. It was also assumed that all other variables, especially foreign exchange rates, would remain constant.

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

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK

— 3.56

€ THOUSAND	2017		2016	
	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	5,643	-10,518	1,741	-5,300
Cash flow hedge reserve	6,534	-6,916	3,832	-3,995
Total equity	12,177	-17,435	5,573	-9,295

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

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

26.3.2 Aluminum price risk

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

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

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

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

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

26.3.3 Other commodity price risks

Aluminum and the propane gas used for casting processes are subject to price risk. Whereas the risk in the case of propane gas is not currently hedged, the price risk for aluminum is hedged using commodity basis swaps.

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

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

SENSITIVITY ANALYSIS FOR ALUMINUM PRICE RISK

— 3.57

€ THOUSAND	2017		2016	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Effect on:				
Earnings after tax	0	0	0	0
Cash flow hedge reserve	653	-653	645	-645
Total equity	653	-653	645	-645

26.4 Default risk

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

The BENTELER Group counters the risk of default on receivables in operating activities by means of professional accounts receivable management. Before signing a contract, in particular with key customers, a careful evaluation 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, the Group is not exposed to any significant concentration of default risk. The maximum default risk arising from financial assets involves the risk of default to the carrying amount of the receivable from the respective customer.

26.5 Liquidity risk

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

Liquidity risk is monitored by systematic, day-by-day liquidity management whose absolute fundamental requirement is maintaining the Company's ability to meet its payment obligations at all times. Aligned on a fixed planning horizon, liquidity forecast and available committed credit lines in the Group ensure the supply of liquidity in accordance with the planned development. The aim is convenient and cost-effective liquidity, which enables an adequate response to a dynamic market environment and allows opportunity-oriented action. The financial planning process includes a rolling three-month forecast (direct method) and a one- to five-year plan (indirect method). At the end of the period on December 31, 2017, a strategic liquidity reserve of unutilized written confirmed short- and long-term credit lines of a total €400,000 thousand (prior 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

— 3.58

€ THOUSAND	Carrying amounts December 31, 2017	Maturity of financial liabilities					
		in 1 year		in 2 to 5 years		after 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial debts (non-current and current)	1,795,567	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
Other financial liabilities	0	0	0	0	0	0	0
Total	3,098,971	45,678	1,536,328	73,632	1,169,423	10,685	389,129

MATURITIES OF FINANCIAL LIABILITIES

— 3.59

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

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 31 December. Variable interest payments on financial liabilities were calculated on the basis of the most recently determined interest rates.

26.6 Capital management

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

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

The financial profile is actively managed and monitored. Therefore, the main key figure is the equity ratio. The equity ratio is calculated as the ratio of equity shown in the consolidated statement of financial position to total assets. On the reporting date it amounted to 21.4% (prior year: 22.9%).

27

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The BENTELER Group uses various derivative financial instruments to hedge the above-mentioned risks: currency forwards, currency options, interest swaps, interest/currency swaps and commodity forwards. Foreign currency derivatives are held primarily in USD, NOK, MXN, CHF, CNY, BRL, 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 2018 and primarily relate to aluminum price hedges.

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

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

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

€ 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

TYPES, AMOUNTS AND FAIR VALUES OF FOREIGN CURRENCY HEDGES AND INTEREST RATE HEDGES HELD IN THE PRIOR REPORTING PERIOD — 3.61

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

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

28 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

The following tables show the carrying amounts of financial assets and liabilities for each individual category of financial instrument and reconcile them with the related items on the statement of financial position for the end of the reporting period as at December 31, 2017, and the prior year.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.62

€ THOUSAND	Measurement category pursuant to IAS 39	Carrying amount December 31, 2017	Measurement pursuant to IAS 39			Value pursuant to IAS 17	Non-financial Items
			(Amortized) acquisition cost	Fair value outside profit or loss	Fair value through profit or loss		
Trade receivables	1)	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: derivatives without on-balance-sheet hedging relationship	3)	9,827	0	0	9,827	0	0
Positive market values: 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

— 3.63

€ THOUSAND	Measurement category pursuant to IAS 39	Carrying amount December 31, 2017	Measurement pursuant to IAS 39			Value pursuant to IAS 17	Non-financial Items
			(Amortized) acquisition cost	Fair value outside profit or loss	Fair value through profit or loss		
Financial debts (non-current and current)		1,795,567	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: derivatives without on-balance sheet hedging relationship	2)	32,423	0	0	32,423	0	0
Negative market values: 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

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.64

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

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

— 3.65

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

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

Fair values and fair value hierarchy

The carrying amount for current primary financial instruments, especially trade receivables and trade payables as well as other current receivables and liabilities, 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 were used for calculating option prices. The fair value of an option is affected not only by the remaining term of the option, but also by other factors such as the current level and volatility of the underlying exchange rate, or the underlying base interest rate.

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

The fair value of aluminum 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 — 3.66

€ 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

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

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

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 — 3.68

€ 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

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

— 3.69

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

Offsetting financial instruments

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

OTHER FINANCIAL ASSETS – — 3.70
DERIVATIVES WITH POSITIVE MARKET VALUE

€ THOUSAND	Values as at 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
Commodity hedges	2,546	0	2,546	-1,771	1,708
Interest rate swaps	2,943	0	2,943	-846	2,097
Total	33,970	0	33,970	-19,478	14,492

Values as at December 31, 2016					
Foreign currency hedges	9,466	0	9,466	-8,610	856
Commodity hedges	1,807	0	1,807	-521	1,286
Interest rate swaps	2,765	0	2,765	0	2,765
Total	14,038	0	14,038	-9,131	4,907

OTHER FINANCIAL LIABILITIES – — 3.71
DERIVATIVES WITH NEGATIVE MARKET VALUE

€ THOUSAND	Values as at 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
Commodity hedges	1,829	0	1,829	-1,771	991
Interest rate swaps	4,102	0	4,102	-846	3,256
Total	45,082	0	45,082	-19,478	25,604

Values as at December 31, 2016					
Foreign currency hedges	72,183	0	72,183	-8,610	63,573
Commodity hedges	1,015	0	1,015	-521	494
Interest rate swaps	9,432	0	9,432	0	9,432
Total	82,629	0	82,629	-9,131	73,498

Net result

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

DETERMINATION OF THE NET AMOUNTS OF OTHER FINANCIAL ASSETS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

— 3.72

€ THOUSAND	2017	2016
Loans and receivables	7,068	602
Financial assets available for sale	0	0
Derivatives without on-balance sheet hedging relationship (financial assets and liabilities held for trading)	21,513	-17,154
Financial liabilities measured at amortized cost	-64,435	-60,662
Total net gains or losses	-35,854	-77,214
of which: net interest expense for financial assets and liabilities not measured at fair value through profit or loss	-57,039	-54,194
of which: impairment expense for trade receivables	-328	-5,867
of which: gains/losses on financial assets available for sale recognized outside profit or loss	0	0

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

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

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

The “financial liabilities measured at amortized cost” category includes interest expenses for financial liabilities.

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 €788 thousand of investments in property, plant and equipment is related to finance leases and therefore was not cash-effective (prior year: €2,004 thousand).

FINANCIAL DEBTS

— 3.73

	Financial debts				Total
	Borrower's note loans	Liabilities to banks	Lease liabilities	Miscellaneous	
€ THOUSAND					
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, 2017, the Group had granted guarantees to third parties for a total of €491 thousand (prior year: €297 thousand). At the reporting date there were €224 thousand of liabilities to third parties under warranty agreements (through contract performance bonds or supply bonds) (prior year: €661 thousand).

Other off-balance-sheet obligations – particularly towards employees, tax authorities and customs authorities – amount to €16,266 thousand as at December 31, 2017 (prior year: €14,025 thousand).

31 NUMBER OF EMPLOYEES

The BENTELER Group employed an average number of 27,955 full-time equivalents worldwide (prior year: 27,917). Personnel expenses amount to €1,445,434 thousand (prior year: €1,431,129 thousand). These include expenses for defined contribution pension plans amounting to €14,721 thousand (prior year: €14,943 thousand).

32 GOVERNING BODIES

Members of the Executive Board

- Ralf Göttel, Schöna am Königssee, Germany, from April 1, 2017 (Chairman of the Executive Board, responsibilities: Strategy & M&A, Compliance & Board Affairs, Procurement, Divisions)
- Guido Huppertz, Bergheim bei Salzburg, Austria, from February 1, 2017 (responsibilities: Finance & Controlling, Legal & Insurance, Tax, Internal Audit)
- Isabel Diaz Rohr, Schöna am Königssee, Germany (responsibilities: Human Resources, IT, Communication/Marketing)
- Hubertus Benteler, Salzburg, Austria, until March 31, 2017
- Boris Gleißner, Seekirchen, Austria, until January 31, 2017

Members of the Supervisory Board

- Dr. Ralf Bethke, Deidesheim, Germany, Chairman (until May 2017, Chairman of the Supervisory Board of K+S AG, Kassel, Germany,)
- Dr. Ulrich Dohle, Stuttgart, Germany, Vice Chairman (former Chairman of the Executive Board of Rolls-Royce Power Systems AG, Friedrichshafen, Germany)
- Boudewijn Beerkens, Amsterdam, Netherlands, until March 31, 2017 (CS00 of COFRA Holding AG, Zug, Switzerland)
- Hubertus Benteler, Salzburg, Austria, from April 1, 2017 (until March 31, 2017, Chairman of the Supervisory Board of BENTELER International AG)
- 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 been engaged and/or continue to engage in corporate transactions with related parties.

In addition to the disclosures in Note 18.3, transactions have been conducted with undertakings controlled by related parties which in the 2017 financial year led to material purchases of €31 million. Outstanding trade payables amounted to €0.6 million as at December 31, 2017. 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 2017 financial year, BENTELER International Aktiengesellschaft paid total compensation to members of management in key positions (15 persons; prior year 14 – 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			— 3.74
€ THOUSAND	2017	2016	
Short-term payments – fixed	5,552	6,527	
Short-term payments – variable	5,939	8,915	
Post-employment benefits	2,304	2,452	
Severance benefits	6,128	4,236	
Total	19,923	22,130	

No share-based compensation was granted.

The members of the Supervisory Board of BENTELER International Aktiengesellschaft received remuneration of €375 thousand in the 2017 financial year (prior year: €375 thousand).

34 EVENTS AFTER THE REPORTING PERIOD

There were no events or developments of significance subsequent to the end of the reporting period that might have caused a material change in the financial position as at December 31, 2017, or that would require disclosure.

35 AUDITOR'S FEES AND SERVICES

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

AUDITOR'S FEES — 3.75		
€ THOUSAND	2017	2016
Audit of separate and consolidated financial statements	252	244
Audit-related services	15	0
Other services	15	0
Total fees	282	244

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, 2017.

The Executive Board will propose to the Shareholders' Meeting that a dividend of €23,000,000.00 be distributed from the profit of €350,894,482.50 and that the remaining amount of €327,894,482.50 be carried forward. The dividend will be distributed on March 19, 2018.

Salzburg, February 9, 2018

The Executive Board

Ralf Göttel Guido Huppertz Isabel Diaz Rohr

Appendix to the Notes: List of shareholdings as at December 31, 2017

		3.76					
LIST OF SHAREHOLDINGS AS AT DECEMBER 31, 2017		Investment					
		2017	2016				
1.	BENTELER International Aktiengesellschaft, Salzburg, Austria	—	—	16.	BENTELER Automotive Corporation, Auburn Hills, USA	100.0	100.0
Subsidiaries				17.	BENTELER Automotive Farsund AS, Farsund, Norway	100.0	100.0
Automotive Division				18.	BENTELER Automotive Holland Inc., Holland (Michigan), USA	100.0	100.0
2.	BENTELER Aluminium Systems France SNC, Louviers, France	100.0	100.0	19.	BENTELER Automotive India Private Limited, Pune, India	100.0	100.0
3.	BENTELER Automobiltechnik Eisenach GmbH, Eisenach, Germany	100.0	100.0	20.	BENTELER Automotive International GmbH, Paderborn, Germany	100.0	100.0
4.	BENTELER Automobiltechnik GmbH, Paderborn, Germany	100.0	100.0	21.	BENTELER Automotive K.K., Tokyo, Japan	100.0	100.0
5.	BENTELER Automotive (Changshu) Company Limited, Changshu, China	100.0	100.0	22.	BENTELER Automotive Klášterec s.r.o., Chrastava, Czech Republic	100.0	100.0
6.	BENTELER Automotive (China) Investment Co. Ltd., Shanghai, China	100.0	100.0	23.	BENTELER Automotive Korea Ltd., Seoul, South Korea (previously: BENTELER Aluminium Systems Korea Ltd.)	100.0	100.0
7.	BENTELER Automotive (Chongqing) Co. Ltd., Chongqing, China	100.0	100.0	24.	BENTELER Automotive Poland spolka z o.o., Września, Poland	100.0	100.0
8.	BENTELER Automotive (Fuzhou) Co., Ltd., Fuzhou, China	100.0	100.0	25.	BENTELER Automotive Raufoss AS, Raufoss, Norway	100.0	100.0
9.	BENTELER Automotive (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0	26.	BENTELER Automotive Rumburk s.r.o., Rumburk, Czech Republic	100.0	100.0
10.	BENTELER Automotive (Shenyang) Co., Ltd., Shenyang, China	100.0	100.0	27.	BENTELER Automotive SAS, Migennes, France	100.0	100.0
11.	BENTELER Automotive (Tianjin) Co., Ltd., Tianjin, China	100.0	100.0	28.	BENTELER Automotive SK s.r.o., Malacky (Bratislava), Slovakia	100.0	100.0
12.	BENTELER Automotive (Thailand) Ltd., Bangkok, Thailand	100.0	100.0	29.	BENTELER Automotive Skultuna AB, Skultuna, Sweden (previously: BENTELER Aluminium Systems Sweden AB)	100.0	100.0
13.	BENTELER Automotive Belgium N.V., Ghent, Belgium	100.0	100.0	30.	BENTELER Automotive Tonder A/S, Tøndern, Denmark	100.0	100.0
14.	BENTELER Automotive Canada Corporation, Windsor (Ontario), Canada	100.0	100.0	31.	BENTELER Automotive UK Ltd., Corby, United Kingdom	100.0	100.0
15.	BENTELER Automotive Component (Shanghai) Ltd., Shanghai, China	100.0	100.0				

32.	BENTELER Automotive USA GmbH, Paderborn, Germany	100.0	100.0
33.	BENTELER Automotive Vigo SL, Valladares – Vigo, Spain	100.0	100.0
34.	BENTELER Autótechnika Kft, Mór, Hungary	100.0	100.0
35.	BENTELER Canada, Inc., Auburn Hills, USA	100.0	100.0
36.	BENTELER CAPP Automotive System (Changchun) Co., Ltd., Changchun, China	60.0	60.0
37.	BENTELER Carbon Composites Beteiligungs GmbH, Paderborn, Germany	100.0	100.0
38.	BENTELER Componentes Automotivos Ltda., Campinas (São Paulo), Brazil	100.0	100.0
39.	BENTELER CR Holding GmbH, Paderborn, Germany	100.0	100.0
40.	BENTELER CR s.r.o., Chrástava, Czech Republic	100.0	100.0
41.	BENTELER de México S.A. de C.V., Puebla, Mexico	100.0	100.0
42.	BENTELER Defense GmbH & Co. KG, Bielefeld, Germany ¹	100.0	100.0
43.	BENTELER Defense GmbH, Paderborn, Germany	100.0	100.0
44.	BENTELER Defense Verwaltungs GmbH, Paderborn, Germany	100.0	100.0
45.	BENTELER Engineering Chennai Private Limited, Chennai, India	100.0	100.0
46.	BENTELER España S.A., Burgos, Spain	100.0	100.0
47.	BENTELER Gebze Tasit Sanayi ve Ticaret Limited Sirketi, Cayirova/Kocaeli, Turkey	100.0	100.0
48.	BENTELER Ibérica Holding SL, Barcelona, Spain	100.0	100.0
49.	BENTELER JianAn Automotive (Chongqing) Co., Ltd., Chongqing, China	50.0	50.0
50.	BENTELER JIT Douai SAS, Migennes, France	100.0	100.0
51.	BENTELER JIT Düsseldorf GmbH, Düsseldorf, Germany	100.0	100.0

52.	BENTELER JIT Valencia S.A., Almussafes, (Valencia), Spain	100.0	100.0
53.	BENTELER Laser Application GmbH, Munich, Germany	100.0	100.0
54.	BENTELER Management Consulting (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
55.	BENTELER Maschinenbau CZ s.r.o., Liberec, Czech Republic	100.0	100.0
56.	BENTELER Maschinenbau GmbH, Bielefeld, Germany	100.0	100.0
57.	BENTELER MPPV Automotive Manufacturing España, S.L., Palencia, Spain	100.0	100.0
58.	BENTELER Participation SA, Migennes, France	100.0	100.0
59.	BENTELER Sistemas Automotivos Ltda., São José dos Pinhais, Paraná, Brazil	100.0	100.0
60.	BENTELER South Africa (Pty.) Ltd., Alberton (Johannesburg), South Africa	100.0	100.0
61.	BENTELER Spanien International GmbH, Paderborn, Germany	100.0	100.0
62.	BENTELER–Indústria de Componentes para Automóveis Lda., Palmela, Portugal	100.0	100.0
63.	EUPAL Beteiligungs GmbH & Co. Vermietungs-KG, Pullach i. Isartal, Germany ¹	100.0	100.0
64.	OOO BENTELER Automotive, Kaluga, Russia	100.0	100.0
65.	OOO BENTELER Autotechnika Nowgorod, Welikij Nowgorod, Russia	100.0	100.0
66.	RABET GmbH & Co. KG, Pullach i. Isartal, Germany ¹	100.0	100.0
67.	Shanghai BENTELER Huizhong Automotive Co., Ltd., Shanghai, China	60.0	60.0
68.	Wuhu BENTELER–POSCO Automotive Co. Ltd., Anhui, China	95.0	95.0

Steel/Tube Division			
69.	BENTELER North America Corporation, Wilmington (Delaware), USA	100.0	100.0
70.	BENTELER Rothrist AG, Rothrist, Switzerland	100.0	100.0
71.	BENTELER Steel & Tube Corporation, Houston (Texas), USA	100.0	100.0
72.	BENTELER Steel Tube GmbH, Paderborn, Germany	100.0	100.0
73.	BENTELER Steel/Tube (Nantong) Co. Ltd., Nantong, China	100.0	100.0
74.	BENTELER Steel/Tube (UK) Ltd., Wolverhampton, United Kingdom (previously: BENTELER (U.K.) Ltd.)	100.0	100.0
75.	BENTELER Steel/Tube Ibérica S.L., Barcelona, Spain	100.0	100.0
76.	BENTELER Steel/Tube Manufacturing Corporation, Wilmington (Delaware), USA	100.0	100.0
77.	Rohstoff-Handelsgesellschaft Günther Voth GmbH, Paderborn, Germany	62.5	62.5
Distribution Division			
78.	A/S Thos. Sonne Junr., Middelfart, Denmark	75.0	75.0
79.	BENTELER Comercial Ltda., Cotia (São Paulo), Brazil	100.0	100.0
80.	BENTELER Distribution (Thailand) Co., Ltd., Bangkok, Thailand	100.0	100.0
81.	BENTELER Distribution Austria GmbH, Biedermannsdorf, Austria	100.0	100.0
82.	BENTELER Distribution Boru Sanayi ve Ticaret Limited, Cayirova/Kocaeli, Turkey	100.0	100.0
83.	BENTELER Distribution Czech Republic spol. s.r.o., Dobříš (Prague), Czech Republic	100.0	100.0
84.	BENTELER Distribution Deutschland Beteiligungs GmbH, Duisburg, Germany	100.0	100.0
85.	BENTELER Distribution Deutschland GmbH & Co. KG, Duisburg, Germany ¹	100.0	100.0
86.	BENTELER Distribution EOOD, Stara Zagora, Bulgaria	100.0	100.0
87.	BENTELER Distribution Estonia OÜ, Saue, Estonia	75.0	75.0
88.	BENTELER Distribution France S.à.r.l., La Madeleine de Nonancourt, France	100.0	100.0
89.	BENTELER Distribution Hungary Kft., Budapest, Hungary	100.0	100.0
90.	BENTELER Distribution India Private Limited, Pune, India	100.0	100.0
91.	BENTELER Distribution International GmbH, Düsseldorf, Germany	100.0	100.0
92.	BENTELER Distribution Limited, Bolton (Lancashire), United Kingdom	100.0	100.0
93.	BENTELER Distribution Poland Sp. z o.o., Dabrowa Gornicza, Poland	100.0	100.0
94.	BENTELER Distribution Singapore Pte Ltd, Singapore, Singapore	100.0	100.0
95.	BENTELER Distribution Slovakia, s.r.o., Pusté Úlany, Slovakia	100.0	100.0
96.	BENTELER Distribution Ukraine LLC, Lviv, Ukraine	100.0	100.0
97.	BENTELER Distribuzione Italia S.p.A., Trezzano sul Naviglio, Italy	100.0	100.0
98.	BENTELER Holdings Limited, Bolton (Lancashire), United Kingdom	100.0	100.0
99.	BENTELER Trading (Shanghai) Co., Ltd., Shanghai, China	100.0	100.0
100.	BENTELER Trgovina d.o.o., Sentjanz, Slovenia	100.0	100.0
101.	Heléns Rör A/B, Halmstad, Sweden	75.0	75.0
102.	Heléns Rör A/S, Lillestrøm, Norway	75.0	75.0
103.	Heléns Rör A/S, Middelfart, Denmark	75.0	75.0
104.	Kindlimann AG, Wil, Switzerland	100.0	100.0

105.	PT BENTELER Distribution Indonesia, Jakarta, Indonesia	100.0	100.0
106.	SC BENTELER Distribution Romania S.R.L., Slatina City, Olt County, Romania	100.0	100.0
107.	UAB BENTELER Distribution Lithuania, Vilnius, Lithuania	75.0	75.0
Other			
108.	BENTELER Capital Corporation, Auburn Hills, USA	100.0	100.0
109.	BENTELER Business Services GmbH, Paderborn, Germany	100.0	100.0
110.	BENTELER International Beteiligungs GmbH, Salzburg, Austria	100.0	100.0
111.	BENTELER Machinery (Shanghai) Co. Ltd., Shanghai, China (previously: BENTELER Engineering Services Shanghai Company Limited)	100.0	100.0
112.	BENTELER Netherlands Holding B.V., Helmond, Netherlands	100.0	100.0
113.	BENTELER Reinsurance Company DAC, Dublin, Ireland (previously: BENTELER Reinsurance Company Ltd.)	100.0	100.0
114.	BENTELER RV GmbH, Paderborn, Germany	100.0	100.0
115.	BENTELER Services LLC, Auburn Hills, USA	100.0	100.0
116.	BENTELER VV GmbH, Paderborn, Germany	100.0	100.0
117.	BLV Versicherungsmanagement GmbH, Dortmund, Germany	55.0	55.0
118.	NAPOL GmbH & Co. Objekt Schloss Neuhaus KG, Pullach i. Isartal, Germany ¹	100.0	100.0
Associated Companies			
119.	Polarputki Oy, Helsinki, Finland	37.5	37.5
120.	Profilanlegg ANS, Raufoss, Norway	26.0	26.0

Companies not included in the consolidated financial statements			
121.	BENTELER Trgovina d.o.o. u likvidaciji, Zlatar Bistrica, Croatia	100.0	100.0
122.	Swissauto Technology AG, Etagnières, Switzerland	100.0	100.0

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

Auditor's report

Report on the consolidated financial statements

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, 2017, the Consolidated Income Statement, the Consolidated Statement of Cash Flows and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity for the year then ended together with the Notes.

In our opinion the consolidated financial statements comply with the legal requirements and present a true and fair view of the assets and the financial position of the Group as at December 31, 2017 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of section 245a of the Austrian Commercial Code.

Basis for our opinion

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

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

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

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

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

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

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

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

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

In addition:

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

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

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

Report on the Group management report

The Group management report must be examined 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 and special legal provisions.

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

Opinion

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

Declaration

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

Other information

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

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

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

Salzburg, February 9, 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Cäcilia Gruber
Auditor

Report of the Supervisory Board

of BENTELER International AG on the 2017 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 three circular resolutions during the 2017 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 twice in the 2017 financial year, dealing mainly with the bonus system.

The Audit Committee met on three occasions in the 2017 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. The Supervisory Board has increased the number of members of the Committee from two to four.

Annual and consolidated financial statements

The annual financial statements and the management report as well as the consolidated financial statements and the Group management report of Benteler International AG for the 2017 financial year were examined by the auditor selected by the Annual General Meeting and appointed by the Chairman of the Supervisory Board, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kudlichstraße 41-43,

4020 Linz. According to the closing statement, the results of the audit raised no cause for objections. The auditor confirmed that the Company's accounting, financial statements and management report, as well as the consolidated financial statements and the Group management report, comply with the legal requirements and give a true and fair view of the assets, financial position and results of the Company in compliance with proper accounting procedures. The auditor further confirmed that the management report and the Group management report are consistent with the annual financial statements and consolidated financial statements. The annual financial statements and the management report as well as the consolidated financial statements and the Group management report of the Company have therefore been issued with an unqualified audit opinion. A separate report was supplied to the Chairman of the Supervisory Board by management letter.

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

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

The Supervisory Board proposes to appoint KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kudlichstraße 41-43, 4020 Linz as auditors and as the Group's independent auditors for the 2018 financial year.

Salzburg, March 16, 2018

Chairman of the Supervisory Board

List of Tables and Figures

No.	Description	Page
	THE BENTELER GROUP	
1.1	Key Performance Indicators	2
1.2	Revenue by segment	2
1.3	Revenue by region	2
1.4	BENTELER Locations	7
	GROUP MANAGEMENT REPORT	
2.1	Revenue performance since 2013	11
2.2	Revenue by Division	11
2.3	Revenue by segment	12
2.4	Investments	15
2.5	Statement of cash flows	15
2.6	Group balance sheet structure	16
2.7	Key financial ratios	17
2.8	Total investments, depreciation and amortization, and cash flow from profit	18
	CONSOLIDATED FINANCIAL STATEMENTS	
3.1	Consolidated Income Statement (IFRS)	35
3.2	Consolidated Statement of Comprehensive Income (IFRS)	36
3.3	Consolidated Statement of Financial Position (IFRS) as at December 31, 2017	37
3.4	Consolidated Statement of Cash Flows (IFRS)	39
3.5	Consolidated Statement of Changes in Equity (IFRS)	41
3.6	New accounting standards – current reporting period	44
3.7	New accounting standards – current reporting period	45
3.8	Items of the statement of financial position affected by the application of IFRS 15	47
3.9	Development of the consolidated group	50
3.10	Deconsolidated net assets	50
3.11	Deconsolidated net assets	51
3.12	Foreign currency exchange rates	52
3.13	Useful lives of intangible assets	54
3.14	Useful lives of property, plant and equipment	54
3.15	Impairment test	55
3.16	Revenue	60
3.17	Cost of sales	60
3.18	Other operating income	60
3.19	Net finance result	61
3.20	Net finance result	61
3.21	Income taxes	62
3.22	Reconciliation between expected and disclosed income tax expense	62
3.23	Total research and development expenses	63
3.24	Development of intangible assets	64
3.25	Development of intangible assets	65
3.26	Property, plant and equipment	66
3.27	Property, plant and equipment	67
3.28	Outstanding minimum lease payments under operating leases	68
3.29	Outstanding minimum lease payments under finance leases	69
3.30	Financial information on investments in associates	69
3.31	Allocation of deferred tax assets and liabilities to items in the statement of financial position	70
3.32	Unused tax loss carryforwards	70
3.33	Other non-current receivables and assets	71
3.34	Inventories	72

3.35	Trade receivables	72	3.56	Sensitivity analysis for interest rate risk	82
3.36	Development of doubtful debt allowances on trade receivables	72	3.57	Sensitivity analysis for aluminum price risk	83
3.37	Maturity structure of unadjusted receivables	73	3.58	Maturities of financial liabilities	85
3.38	Receivables from construction contracts	73	3.59	Maturities of financial liabilities	86
3.39	Other current receivables and assets	73	3.60	Types, amounts and fair values of foreign currency hedges and interest rate hedges held in the current reporting period	88
3.40	Development of other components of equity in the current reporting period	74	3.61	Types, amounts and fair values of foreign currency hedges and interest rate hedges held in the prior reporting period	88
3.41	Development of other components of equity in the prior reporting period	75	3.62	Carrying amounts of financial assets and liabilities by category	89
3.42	Provisions	75	3.63	Carrying amounts of financial assets and liabilities by category	90
3.43	Statement of changes in provisions	76	3.64	Carrying amounts of financial assets and liabilities by category	91
3.44	Parameters for actuarial calculations	77	3.65	Carrying amounts of financial assets and liabilities by category	92
3.45	Reconciliation of the liability under defined benefit plans with provisions for pensions and similar obligations	77	3.66	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	94
3.46	Expenses from retroactive plan amendments	77	3.67	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	94
3.47	Changes in plan assets	78	3.68	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	95
3.48	Changes in asset ceiling	78	3.69	Fair values and carrying amounts of financial assets and liabilities by fair value hierarchy	95
3.49	Components of plan assets	78	3.70	Other financial assets – derivatives with positive market value	96
3.50	Impact of changes in actuarial parameters on the defined benefit obligation	79	3.71	Other financial liabilities – derivatives with negative market value	96
3.51	Impact of changes in actuarial parameters on the defined benefit obligation	79	3.72	Determination of the net amounts of other financial assets recognized in the statement of financial position	97
3.52	Financial liabilities	80	3.73	Financial debts	98
3.53	Other current liabilities	80	3.74	Total remuneration of management in key positions	100
3.54	Sensitivity analysis for EUR foreign exchange risk	81	3.75	Auditor's fees	101
3.55	Sensitivity analysis for USD foreign exchange risk	82	3.76	Appendix to the Notes: List of Shareholdings as at December 31, 2017	102

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Contact

BENTELER International AG

Corporate Communications/Marketing

Schillerstraße 25–27

5020 Salzburg, Austria

corporate.communications@benteler.com

www.benteler.com

