

# BENTELER GROUP ONCE AGAIN WITH STRONG GROWTH

The Benteler Group generated a sales volume of 5,598 million euros in 2006, 5 % more than in the previous year. Group sales have grown by an average 14.1 % per year since 2002. The Automotive and Steel/Tube Divisions increased their volume of business by adding new orders. Sales in the Distribution Division dropped due to program adjustments in Russia and China.

## EXTERNAL SALES BY BUSINESS DIVISIONS

	2006	2005	CHANGE	
	[€ million]	[€ million]	[€ million]	[%]
Automotive	4,211	3,969	242	6
Steel/Tube	764	712	52	7
Distribution	821	835	-14	-2
	<b>5,796</b>	<b>5,516</b>	<b>280</b>	<b>5</b>
Less internal sales	198	201	-3	-2
<b>External Sales</b>	<b>5,598</b>	<b>5,315</b>	<b>283</b>	<b>5</b>

## FURTHER EXPANSION IN THE AUTOMOTIVE DIVISION

Total sales revenue in the **Automotive Division** increased by 6 % to 4,211 million euros. The Automotive Division was thus able to increase its share of the consolidated group revenues to 72.6 %. This division now develops and produces ready-to-install modules, components and parts for body, chassis and engine at 59 locations in 22 countries.

The Product Group Chassis Systems grew by 6 %. This product group develops and manufactures chassis subframes, control arms and knuckles as well as complete, ready-to-install front and rear suspension modules. The production of axle modules begun in 2005 for the Mercedes Sprinter in Düsseldorf ran a full year for the first time in 2006. Moreover the assembly of modules for the new BMW X5 started up in Spartanburg, North Carolina, USA, at the end of the year. The plant in Migennes, France, took up the delivery of chassis subframes for the Peugeot 207. Significant components for this program come from the Benteler's Czech plant in Rumburk. The plant in Vigo, Spain and the joint venture in Changchun in northern China produced larger numbers of units for the first time. The Structures Product Group manufactures high-strength vehicle safety components such as bumpers, roof frames, A- and B-pillars, door beams and instrument panel supports. It produces press parts as well. In 2006 the product group was able to boost its sales by 8 %. The growth essentially comes from new orders for the plants in Goshen, Indiana, USA, and Chrastava, Czech Republic. The Exhaust Systems Product Group increased its turnover by 4 %. The product group develops and produces components such as manifolds, catalytic converter housings, diesel particulate filters and tubing which control and optimize acoustics and temperature while reducing emissions. The sales volume in the Engine Applications Product Group rose by 17 % compared to the previous year due to the launching of technically more sophisticated components such as fuel supply manifold and exhaust gas circulation systems. The Engineering Services Product Group offers engineering, design and development services and manufactures machinery, equipment and tools primarily for the automotive industry. In the reporting year sales volume of the product group increased by 12 %, partly due to the investment in a share of a Swedish engineering company.

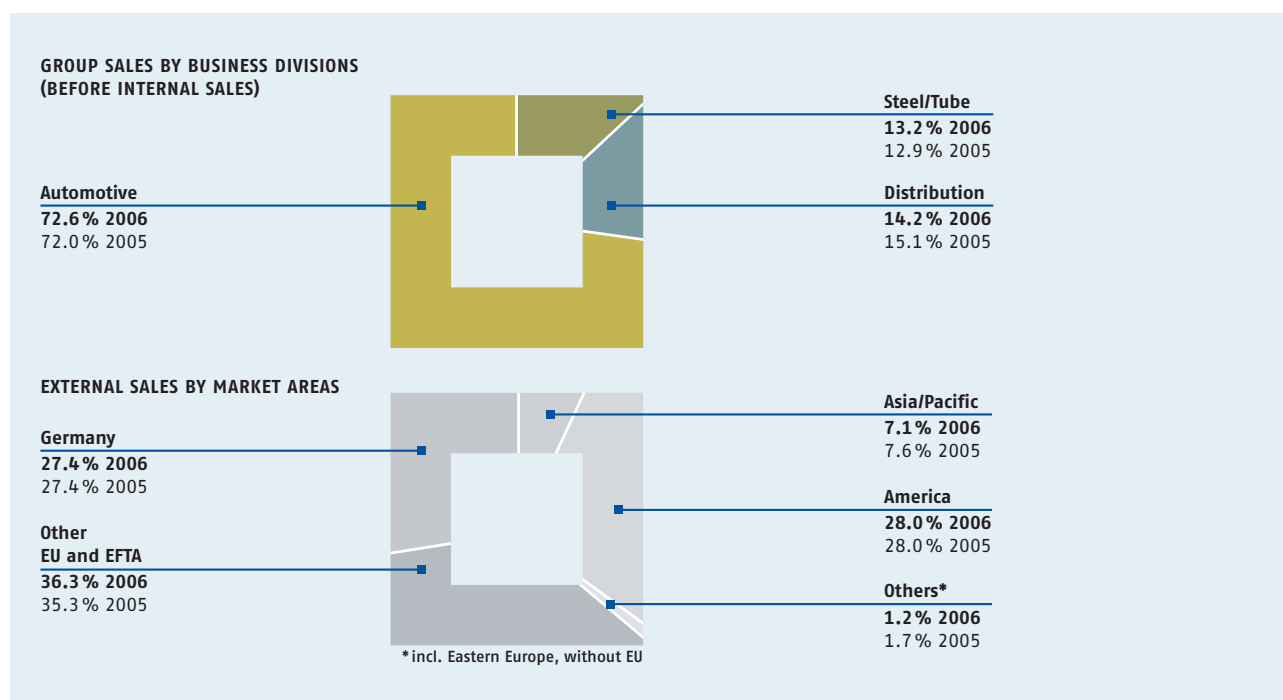
## SALES VOLUME GROWTH IN THE STEEL/TUBE DIVISION

Sales of the **Steel/Tube Division** increased compared to the previous year by 7% to 764 million euros. Volume rose by 3% to 608,000 tons. Since less steel was sold to third parties and instead was processed into tubes in Benteler plants, the value added factor improved. Prices were slightly higher than in the previous year. The Steel/Tube Division sales as a percentage of consolidated group revenues remained unchanged at a level of 13%.

The Energy Product Group, with 18%, once again reported strong growth in 2006. It delivers seamless and welded tubes for crude oil and natural gas exploration applications in the chemical and petrochemical industry, and it produces boiler and heat exchanger tubes. The sales volume of the Industry Product Group dropped due to a 3% reduction of third-party steel sales. In contrast, the tube business was able to grow. This product group produces hot-rolled tubes for the large-scale equipment and machine construction industry, seamless, cold drawn precision steel tubes for the hydraulic and machine construction industry and welded tubes for the construction and home appliance industry. The sales volume of the Automotive Product Group grew in by 5%. 2006 Here, Benteler primarily provides customers with precision steel tubes for the production of anti-roll bars, steering shafts, camshafts, airbags and diesel injection pump systems.

## DISTRIBUTION DIVISION STRENGTHENS THE CORE BUSINESS

The **Distribution Division** generated sales volume of 821 million euros, 2% less than in the previous year. The Distribution Division's share of consolidated group revenues fell slightly from 15% to 14%. This decline resulted from adjustments to the third-party business transactions with Russia and China. Without this measure, the Distribution Division would have attained 10% higher revenues than in the previous year. The warehousing trade and processing business increased significantly. A considerable increase in turnover and sales volume was achieved in the European core markets. The new markets in Central and Eastern Europe are increasingly gaining in significance. The founding of a subsidiary in China was the first step towards establishing a warehousing trade business in the Asian region. Mechanical engineering and the supplier business for the automotive sector are the most important market segments with a 55% sales share.



## CONSOLIDATED INCOME ONCE AGAIN SIGNIFICANTLY IMPROVED

Consolidated pre-tax profits rose by a total of 38% to 192.5 million euros. The return on sales increased from 2.6% to 3.4%. All divisions were profitable. After income taxes, the Benteler Group consolidated income was 89.3 million euros, compared to 58.9 million euros in 2005.

### CONTINUED HIGH INVESTMENT REQUIREMENTS

The Benteler Group invested 191 million euros in the reporting year, 26 % less than in the previous year. Of this sum, 186 million euros were invested in tangible fixed assets and 5 million euros in intangible assets, predominantly computer software. 69% of the investments were made in foreign plants, and 31 % in German plants. The volume in 2006 decreased significantly compared to 2005, since investments in basic equipment for the new plants were made to a considerable extent in the previous year.

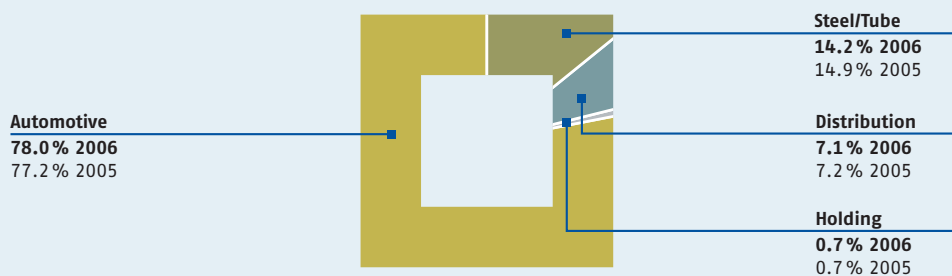
#### INVESTMENTS

	2006	2005	CHANGE	
	[€ million]	[€ million]	[€ million]	[%]
Automotive	150	221	-71	-32
Steel/Tube	30	24	6	25
Distribution	10	11	-1	-9
Holding	1	1	0	0
<b>Total investments</b>	<b>191</b>	<b>257</b>	<b>-66</b>	<b>-26</b>

### PEOPLE ARE THE KEY TO OUR SUCCESS

The Benteler workforce worldwide averaged 21,493 employees for 2006, 769 more than in the prior year. In addition, 499 people are engaged in vocational training, including 439 apprentices and trainees in Germany. On average, 12,132 employees worked abroad and 9,361 were employed in Germany in the reporting year. The workforce grew in foreign countries (+734 persons) as well as in Germany (+35 persons). Because of the stronger increase in employees abroad, however, the domestic share declined from 45 % to 44 %.

#### PERCENTAGE BREAKDOWN OF WORKFORCE BY DIVISIONS



#### BREAKDOWN OF EMPLOYEES BY DIVISIONS (ANNUAL AVERAGE)

	2006	2005	CHANGE	
				[%]
Automotive	16,777	16,011	766	5
Steel/Tube	3,057	3,080	-23	-1
Distribution	1,516	1,487	29	2
Holding	143	146	-3	-2
	<b>21,493</b>	<b>20,724</b>	<b>769</b>	<b>4</b>
Apprentices	499	510	-11	-2
<b>Total Employees</b>	<b>21,992</b>	<b>21,234</b>	<b>758</b>	<b>4</b>

## **FORECAST:**

### **GOOD STARTING POSITION**

The uppermost future business targets of the Benteler Group remain the long term and continuous increase of corporate value through profitable growth and the preservation of financial independence. Benteler will take advantage of its solid starting position in order to further increase competitiveness and ensure the future of the Group. The Benteler Group expects an increase in sales to just under 6 billion euros and an improved result for the business year 2007. The Five Year Plan prescribes an increase in sales volume of nearly 20 % by 2011. All three business divisions must continue to upgrade their market position and improve their results.

### **AUTOMOTIVE DIVISION SEES ADDITIONAL MARKET OPPORTUNITIES**

Market researchers expect average annual increases of 3 % for worldwide vehicle production in the next five years. This means a rise in the number of new cars from 67 to 77 million units. In Western Europe, the NAFTA countries, Japan and Korea, the production will presumably only increase slightly. In contrast, it will grow annually by 5 % in Eastern Europe, and by 11 % in Asia (without Japan and Korea).

The expanding market brings both challenges and opportunities for the automotive industry and automobile component supplier industry. Rising energy prices and stronger environmental constraints demand more efficient engines and lighter vehicles. At the same time, demands for active and passive safety features as well as enhanced comfort in cars are on the rise. As a provider of innovative solutions which combine high performance with low weight, Benteler is well set to face future competition. In particular, especially good market opportunities for Benteler products can be expected from European and Japanese manufacturers.

The Automotive Division is counting on an increase in sales volume of 5 % for 2007. While results will improve, they remain characterized by the strong downward pressure on prices in the market and the restructuring of the US business. Benteler will implement a comprehensive action plan in the USA in 2007. To increase its competitiveness worldwide, the Automotive Division will, furthermore, advance the continuous improvement process and the standardization of all its IT systems which began in 2006.

### **STRONG DEMAND IN THE STEEL/TUBE DIVISION**

Benteler Steel/Tube also expects a rise in the worldwide demand for energy and continuing stable energy prices in the coming years. Therefore, investments for crude oil and natural gas exploration, as well as power plants, will remain at a high level. The Energy Product Group also forecasts good sales opportunities for boiler and heat exchanger tubes and OCTG/line pipes in the future. Due to the increased demand for mechanical engineering applications and the orientation towards high value-added innovative products, the Industry Product Group of Benteler Steel/Tube also assumes there will be an increase in sales volume. However, manufacturers from low-wage countries are increasingly pushing products into the Western European markets and thus intensifying the competition. The high pressure of competition in the automotive industry drives an increased demand for sophisticated solutions. The Automotive Product Group will expand its business especially with high-strength diesel injection tubes, coated line pipes and tubes for drive shafts and gearbox shafts.

The division assumes that price increases for raw material will also be able to be passed on to customers with a raw material price increase surcharge in 2007. With increasing sales and a higher added value, sales volume will presumably grow by about 10 % and the result will at least attain the level of the previous year.

**DISTRIBUTION DIVISION WITH POSITIVE GROWTH PERSPECTIVES**

The Distribution Division is working intensively on exploiting the growth markets of Eastern Europe and China. In particular, the business should be expanded in Poland, the Baltic States, the Czech Republic, Slovakia, Slovenia, Romania and Russia. Very little market growth is expected in Western Europe. Nevertheless, Benteler Distribution wants to work more successfully in this environment by combining consultation in tube selection with logistics and processing services. Another increase in turnover and sales volume is planned for 2007. Despite the costs for developing new markets, Distribution expects a better result than in the previous year.