

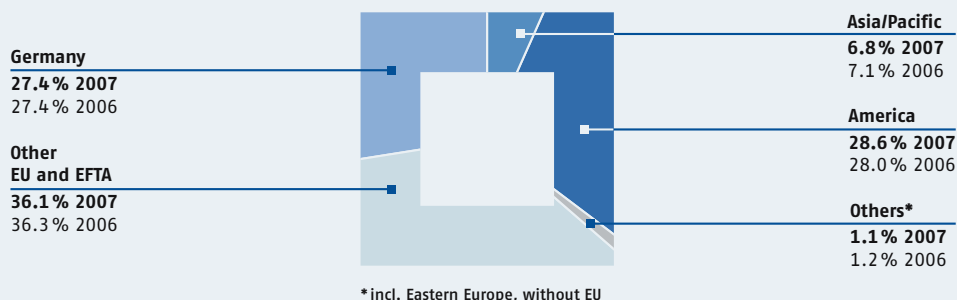
**EXCERPT FROM THE ANNUAL REPORT 2007**

# **BENTELER GROUP ONCE AGAIN ACHIEVES DOUBLE-DIGIT GROWTH**

The Benteler Group generated a sales volume of 6,319 million euros in 2007, 13 % more than in the previous year. Group sales have grown by an average 14.5 % per year since 2003, when sales totaled 3.7 billion euros, and now totals 6.3 billion euros. All divisions were able to appreciably increase their sales revenues by new orders and larger volumes. Furthermore, higher revenues were attained in the tube business as well. Sales increased considerably in all regions. The Steel/Tube Division purchased the Rothrist Group effective as of December 31, 2007; this acquisition did not yet contribute to Group sales in the reporting year 2007.

**EXTERNAL SALES BY BUSINESS DIVISIONS**

	2007	2006	CHANGE	
	[€ million]	[€ million]	[€ million]	[%]
Automotive	4,772	4,211	561	13
Steel/Tube	840	764	76	10
Distribution	947	821	126	15
	<b>6,559</b>	<b>5,796</b>	<b>763</b>	<b>13</b>
Less Internal Sales	240	198	-42	-21
<b>External Sales</b>	<b>6,319</b>	<b>5,598</b>	<b>721</b>	<b>13</b>

**EXTERNAL SALES BY MARKET AREAS**

**FURTHER EXPANSION IN THE AUTOMOTIVE DIVISION**

Total sales revenue in the **Automotive Division** increased by 13 % to 4,772 million euros. This means that once again the Automotive Division claimed a sales share of 73 %. This division now develops and produces ready-to-install modules, components and parts for body, chassis and engine in 16 development offices and 52 plants in 22 countries. All these areas contributed to successful growth in 2007.

The Chassis Systems Product Group grew by 14 %. This product group develops and manufactures chassis subframes, control arms and knuckles as well as complete, ready-to-install front and rear suspension modules. An essential part of the increase in sales volume is due to the newly erected plants in Vigo, Spain, and Changchun, China. The Structures Product Group is the second largest business unit of Benteler Automotive. It manufactures high-strength safety components such as bumpers, roof frames, A- and B-pillars, door beam and instrument panel supports as

well as press parts, primarily to satisfy internal demand. In 2007 the product group was able to boost its sales by 12 %. New orders in Rumburk, Czech Republic, Goshen, USA, and Changchun, China all contributed appreciably to growth. At the beginning of 2007 the activities of the former Exhaust Systems and Engine Applications Product Groups were merged into the new unit called Engine and Exhaust Systems. Its task is to develop and manufacture components and systems for optimizing exhaust gas temperature and management as well as reducing emissions. These include, for instance, exhaust manifolds or housings for converters and diesel particle filters. Furthermore, parts are manufactured for the engine management and fuel supply. In 2007 the new unit generated an additional turnover of 23 %. The Engineering Services Product Group offers engineering services for external and internal customers and produces machines and tools for the automotive and glass industries. In the reporting year the sales of the product group rose by 9 %, among other things due to the development of new customer segments for glass processing machines.

#### SALES VOLUME GROWTH IN THE STEEL/TUBE DIVISION

Sales of the **Steel/Tube Division** increased compared to the previous year by 10 % to 840 million euros. The Steel/Tube Division share of sales remained unchanged at a level of 13 %. The tonnage delivered stagnated at 595,000 tons. At the same time the value added factor could be improved, since less steel was sold to third parties and instead was processed into tubes in our own plants. The sales prices were above those of the previous year, since increases in the raw material costs could largely be passed on to the customer.

The Energy Product Group with 6 % once again reported strong growth in 2007. It delivers seamless and welded tubes for applications in the chemical and petrochemical industry, for crude oil and natural gas exploration as well as boiler and heat exchanger tubes. Sales revenues for boiler and heat exchanger tubes increased distinctly once again, whereas demand temporarily slowed down in crude oil and natural gas exploration during the course of the reporting year as a result of storage cycles. Despite a further decline in third-party steel sales, total sales rose in the Industry Product Group by 14 %. The increasing sales of tubes and higher earnings enabled this growth. 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 as well as welded tubes for the construction and home appliance industry. The sales of the Automotive Product Group, which offers solutions for weight optimization, grew by 18 % in 2007 due to increased sales quantities and higher prices. Here Benteler Steel/Tube supplies external customers and the Automotive Division with precision steel tubes.

#### ROTHRIST – A NEW COMPANY OF THE BENTELER GROUP

Benteler Stahl/Rohr GmbH took over Rothrist Group, a Swiss tube manufacturer with production plants in Switzerland and Germany as well as a sales subsidiary in the USA, effective per December 31, 2007. The core competency of Benteler Steel/Tube is primarily in the manufacture of seamless precision tubes. This program is optimally supplemented by the acquisition, since Rothrist is chiefly specialized in making welded drawn tubes for the automotive industry. Owing to its outstanding technology, the company is the market leader in Western Europe, especially for demanding applications such as camshafts, steering and drive shafts, steering columns and anti-roll bars. This market segment offers Benteler Steel/Tube good growth possibilities for the future. In 2007 the approximately 550 employees at Rothrist achieved sales of about 150 million euros. This figure was not taken into account for the Benteler Group in the reporting year, because the takeover took place at the end of the fiscal year.

## THE DISTRIBUTION DIVISION WITH STRONG GROWTH

The **Distribution Division** generated a sales volume of 947 million euros, 15 % more than in the previous year. The Distribution Division's share of consolidated group revenues thus remained unchanged at 14 %. Price increases and a rise in quantities both contributed to the strong growth. Furthermore, added value also rose due to an increase in the share of further processed products in total sales. All regions showed strong growth.

In the European core markets, Benteler Distribution achieved considerable sales growth at increasing price levels and rising added value by processing. A smaller acquisition in the hydraulic and pneumatic tube and tube connectors sector contributed to enhancing the company's position in France. The new markets in Central and Eastern Europe were further developed; in Romania the division began operation of a new warehouse. Considerable advance efforts were also made in the remaining countries to open up markets or improve the competitive position. For instance, a new subsidiary was founded in Vietnam, as this country is considered to have become a growth region, in part for the energy-generating industry. The subsidiary founded in China in 2006 brought in its first sales revenues.

Mechanical engineering and the supplier business for the automotive sector remained the most important market segments with a 57 % sales share. Sophisticated mechanical engineering applications grew at above average levels. Furthermore, the division primarily supplies customers in the process engineering as well as steel and metal construction sectors.

## CONSOLIDATED INCOME ONCE AGAIN SIGNIFICANTLY IMPROVED

Consolidated pre-tax profits rose by a total of 29 % to 249.2 million euros. The return on sales improved from 3.4 % to 3.9 %. All divisions were profitable. After income taxes, the Benteler Group achieved an annual net profit of 149.8 million euros in the 2007 business year, 55.1 million euros more than in the previous year. Considering the foreign share of 9.6 million euros, the group net income was 140.2 million euros, compared to 89.3 million euros in 2006.

## INVESTMENTS FOR GROWTH

The Benteler Group invested 318 million euros in the reporting year, 66 % more than in the previous year. Of this sum, 190 million euros were invested in tangible fixed assets, 123 million euros in financial assets, and 5 million euros in intangible assets, primarily in IT software. 51 % of the investments for tangible assets and intangible assets went to the German plants, 49 % to the foreign plants. All investments could be completely provided from the cash flow in 2007.

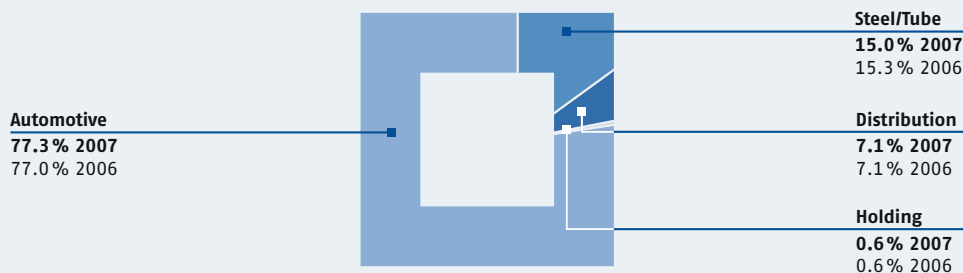
### INVESTMENTS

	2007	2006	CHANGE	
	€ million	€ million	€ million	%
Automotive	132	150	-18	-12
Steel/Tube	174	30	144	480
Distribution	8	10	-2	-20
Holding	4	1	3	300
<b>Total investments</b>	<b>318</b>	<b>191</b>	<b>127</b>	<b>66</b>

## PEOPLE ARE THE KEY TO OUR SUCCESS

The Benteler workforce worldwide averaged 22,938 employees for 2007; 946 more employees than in the prior year. There were 439 apprentices in Germany in the reporting year, the worldwide number was 507.

### PERCENTAGE BREAKDOWN OF WORKFORCE BY DIVISIONS



In the Automotive Division, the average workforce rose by 815 employees or 5 % to 17,742 persons. This increase occurred primarily at non-German sites (+697). In support of new plants and orders, Benteler hired an additional 320 new employees in the Czech Republic and 314 in China. The number of employees in Germany increased by 118 persons, especially due to the expansion of engineering activities. In the Steel/Tube Division, the number of employees rose slightly due to the greater value added compared to the previous year. A total of 3,437 persons worked in this division, 83 more than in the previous year. In the Distribution Division the number of employees increased slightly due to growth in foreign countries. The workforce grew by an average of 3 % to 1,616 persons. The number of employees in the Management Holding remained constant with a staff of 143.

On average, 12,963 employees worked abroad and 9,975 were employed in Germany in the reporting year. The workforce grew in foreign countries (+771 persons) as well as in Germany (+175 persons). Because of the stronger increase in employees abroad, however, the domestic share declined from 44 % to 43 %.

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

	2007	2006	CHANGE	
				[%]
Automotive	17,579	16,777	802	5
Steel/Tube	3,147	3,057	90	3
Distribution	1,562	1,516	46	3
Holding	143	143	0	0
	<b>22,431</b>	<b>21,493</b>	<b>938</b>	<b>4</b>
Apprentices*	507	499	8	2
<b>Total Employees</b>	<b>22,938</b>	<b>21,992</b>	<b>946</b>	<b>4</b>

\* including retrainees

## FORECAST

### LONG-TERM, PROFITABLE GROWTH REMAINS THE FOCUS

The uppermost 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 continue to work on exploiting all market opportunities and preparing itself for new challenges. The Five Year Plan expects an increase in sales volume of 25 % by 2012. All three business divisions will continue to upgrade their market position and improve their results. As before, the investments necessary for the growth will be financed conservatively. The debt-equity ratio (net financial debts in relation to shareholders' equity) should not exceed 50 %.

In the meantime, prospects for the international economy have dimmed for 2008. The mortgage crisis originating in the USA is having an adverse effect on consumption and investment there. The news from the United States is already impacting the consumption climate in Europe and the emerging economies. Despite the pronounced interconnection of the world economy, nevertheless there is a chance that these regions can at least partially decouple their economic development from North America and thus enjoy a relatively stable development. In its planning for the fiscal year 2008, Benteler assumes that the effects for the economy outside the USA will remain limited and that there will be no actual recession in the USA, either. Consequently, the Benteler Group expects further rising sales revenues and better results for 2008 than in the previous year.

### AUTOMOTIVE DIVISION SEES ADDITIONAL MARKET OPPORTUNITIES

According to the expectations of market researchers, worldwide sales of vehicles will increase by an average of just under 4 % in the next five years. This means a rise in the annual production of cars from 72 to 85 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). Of the 13 million additional vehicles, 9 million will be produced in Asia and 2 million in Eastern Europe. The rise in Asian production means the importance of Chinese and Indian OEMs will also increase. The trend towards smaller cars shall continue.

The expanding market brings both challenges and opportunities for the automotive industry and automobile component supplier industry. New sales regions are opening up for the entire industry. Owing to the specific requirements in these countries, further vehicle segments are arising, especially for inexpensive passenger cars. Many OEMs are therefore investing in additional production capacities, in order to be able to participate in the expected boom in these regions. The strong pressure of competition will continue. Worldwide, high energy prices demand more efficient and lower-emission engines as well as lighter vehicles. The discussion about global warming is now bringing about political action – with considerable consequences to future passenger cars and their engines. 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, the Automotive Division is well set to face future competition. A chassis from Benteler convinces in all vehicle classes with its dynamics, safety and ride comfort. As market leader for hot stamping, the corporate group offers a technology which uniquely satisfies the demand for weight saving and thus fuel efficiency. Components from Benteler for the engine area help preserve the environment through high efficiencies and a reduction in fuel consumption. European and Asian manufacturers offer good market chances for these products.

Benteler Automotive is working intensively on a series of projects to create the prerequisites for another improvement in the return on investment and further growth. The restructuring of the USA business, which has already brought about a significant improvement, will be continued. Furthermore the standardization of all IT systems begun in 2006 and the continual improvement process will be further advanced. By the end of 2008, every production sequence is to be analyzed and optimized worldwide with the help of lean manufacturing principles. The new orders booked in the reporting year must be brought to series production in 2008 and 2009. Despite the considerable costs of advance expenditures for this purpose, the Automotive Division expects sales and results for 2008 above the previous year.

#### **DEMAND IN THE STEEL/TUBE DIVISION REMAINS AT A HIGH LEVEL**

Benteler Steel/Tube also expects a rise in the worldwide demand for energy and continuing stable energy prices in the coming years. The investments for crude oil and natural gas exploration will remain at a high level. After the tube trade has reduced its considerable inventories, the demand for tube manufacturers will liven up again in the second half of 2008. The new construction of power plants is the most important market segment for boiler tubes. Although demand here remains very strong, a few power plant projects have been delayed. 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 continued strong demand in the mechanical engineering and hydraulic industries, and the orientation towards high value-added innovative products, the Industry Product Group of Benteler Steel/Tube expects 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.

For reasons of weight and cost, in the automotive industry there is a continuing trend to substitute solid materials with tubes, and, whenever practicable, seamless with welded drawn tubes. The market for commercial vehicles will increase a lot more quickly than for passenger car production. The Automotive Product Group will expand its business with air bag and high-strength diesel injection tubes, camshafts, drive and gearbox shafts. The acquisition of Rothrist can provide Benteler Stahl/Rohr with the welded redrawn tubes that are in such high demand on this market.

The division assumes that price increases for raw materials will also be able to be passed on to the customer with a raw material price increase surcharge in 2008. Owing to the expanded product and performance range, this will boost sales and results.

#### **DISTRIBUTION DIVISION ON PATH TO GROWTH**

The Distribution Division continues to work intensively on implementing its growth plans. In the markets where Benteler Distribution is well established and enjoys a strong position, it is offering additional products and services to expand its business. In the rising markets of Eastern Europe and overseas, new subsidiaries are to be founded or the existing Benteler presence expanded.

In order to work actively in all countries, the division is continuing the project to standardize processes and the IT infrastructure. Another increase in turnover and sales volume is planned for 2008. Despite the costs for developing new markets and the further development of the organization, Benteler Distribution expects results roughly at the level of the previous year.