

ANNUAL REPORT 2007

BENTELER GROUP IN FIGURES

FINANCIAL YEAR (JANUARY 1 – DECEMBER 31)

		2007	2006	2005	2004	2003
External Sales	[€ million]	6,319.4	5,597.7	5,315.3	4,450.1	3,682.6
Employees incl. apprentices (annual average)		22,938	21,992	21,234	19,107	18,173
Personnel expenses	[€ million]	986.3	946.3	901.9	823.5	782.1
Personnel expenses/employee	[€ thousand]	43.0	43.0	42.5	43.1	43.0
Investments	[€ million]	317.9	191.3	257.4	172.3	199.5
Depreciation of fixed assets	[€ million]	156.0	144.7	127.3	118.9	113.2
Cash flow ¹⁾	[€ million]	309.7	243.1	190.0	182.6	159.5
Equity ²⁾	[€ million]	773.9	712.3	642.8	463.5	421.9
Total assets	[€ million]	2,502.6	2,268.7	2,106.3	1,719.5	1,494.7
Equity ratio	[%]	30.9	31.4	30.5	27.0	28.2
Net income before taxes	[€ million]	249.2	192.5	139.4	98.3	72.3
Consolidated income	[€ million]	140.2	89.3	58.9	54.7	41.3

1) Net income
+ Depreciation
- Write-ups
+/- Changes in pension provisions

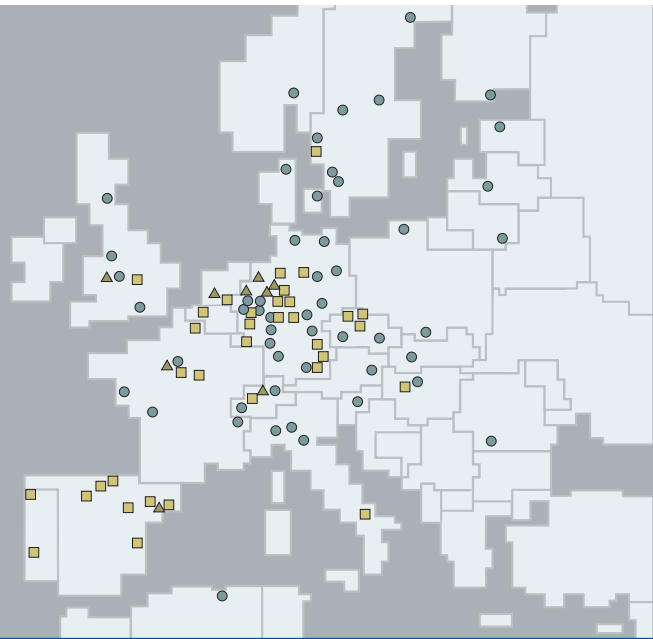
2) Shareholders' equity including 50 % of the special items for investment allowances on fixed assets and 100 % of the investment grants

BENTELER – TRADITIONALLY PROGRESSIVE

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WE TAKE CUSTOMER PROXIMITY LITERALLY!

Short transport routes, quick decisions and intensive co-operation with our business partners characterize our work. It is self-evident that we are located near them, to better handle the tasks at hand and be both a competent development partner and reliable supplier.



BENTELER GROUP OVERVIEW

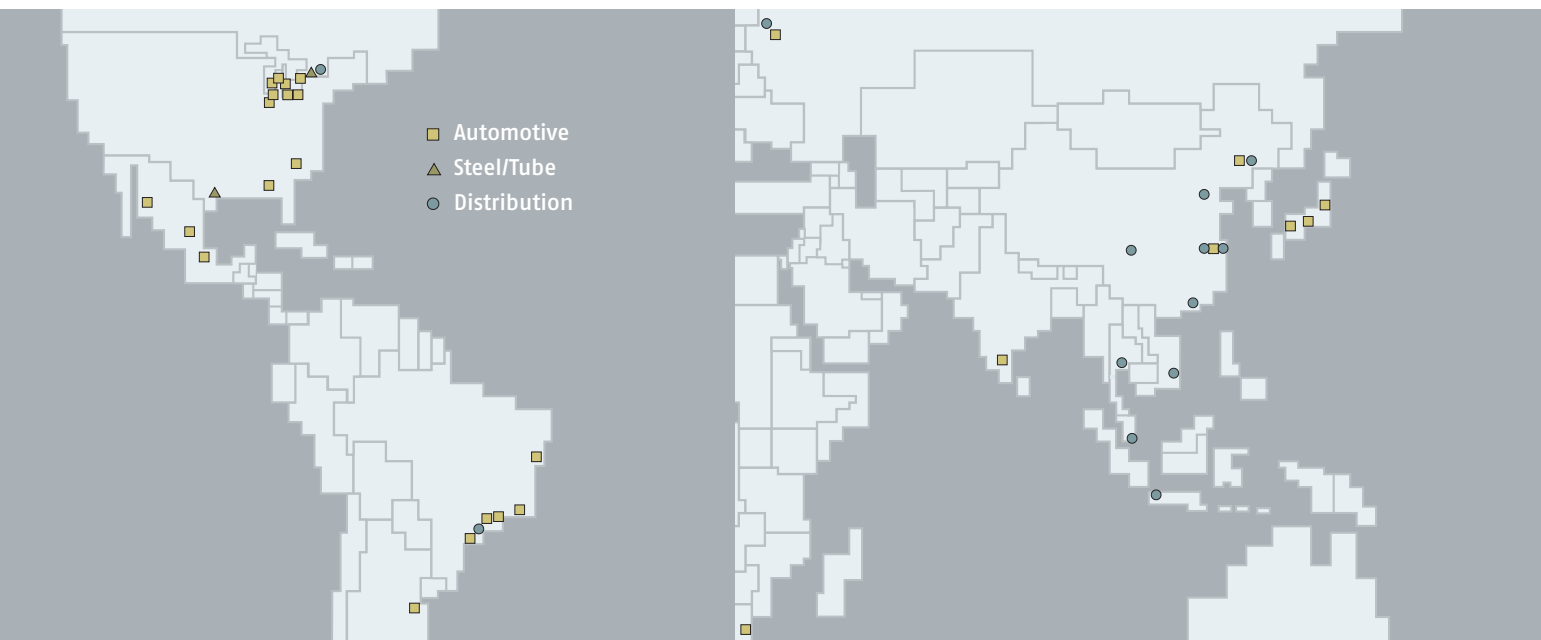
EUROPE

THE BENTELER GROUP

The Benteler Group is internationally active. The three legally independent divisions Automotive, Steel/Tube and Distribution operate under the parent company Benteler AG as Management Holding. The Group looks back on over 130 years of success and is now a family-owned company in the fourth generation. Profitable growth and a tradition of progress are decisive for Benteler in order to ensure its entrepreneurial autonomy in the future as well.

BENTELER EMPLOYS A TOTAL WORKFORCE OF 22,938 AT 150 LOCATIONS IN 35 COUNTRIES.





AMERICA

BENTELER AUTOMOTIVE

- Research, development and production for individual customer solutions
- Chassis Systems Product Group: High-tech chassis components and integrated chassis modules from state-of-the-art, highly specialized materials
- Structures Product Group: Extremely light, ultra high-strength components for the safety requirements of tomorrow
- Product Group Engine and Exhaust Systems: Components and systems to optimize the exhaust temperature and guidance and to reduce emissions, and parts for engine management and fuel supply
- Engineering Services Product Group: PDE Automotive, Optical Systems and Mechanical Engineering Glass Processing

ASIA

BENTELER STEEL/TUBE

- Automotive Product Group: Tubes for applications in the car
- Energy Product Group: Tubes for applications in the chemical and petrochemical industries, for exploration purposes and boiler and heat exchanger tubes
- Industry Product Group: Tubes for industrial applications in the construction, large-scale equipment and consumer goods industries as well as for the entire spectrum of mechanical engineering

BENTELER DISTRIBUTION

- Full range of tube products and accessories
- Full-coverage performance association
- Delivery according to national and international standards and dimensions
- Solid technical advice
- Competent development support
- Customized solutions by processing
- Convincing logistics concepts, also with just-in-time delivery
- Market segments: Mechanical and plant engineering, steel and metal construction, cylinder production, automotive industry, energy generation and petrochemicals, furniture and leisure equipment industry

FOREWORD



Ladies and Gentlemen,

The 2007 business year was the most successful in the history of the Benteler Group.

Our three divisions once again benefited from the robust economy, which is reflected in our business figures:

- Benteler hired 950 new employees in the reporting year. We now employ 22,938 people at 150 sites in 35 countries.
- We were able to raise Group sales by 13 percent to 6,319 million euros.
- The return on sales amounted to 3.9 percent compared to 3.4 percent in the previous year.
- Our consolidated income was 140.2 million euros in 2007; in 2006 the figure was 89.3 million euros.

We were very successful last year, but our growth was not due to just quantity and price increases. It was also achieved through significantly better performance. We have continually promoted process and technical improvements. We also offer our employees at every site the opportunity for training and education for advancement.

Our choice and methods for achieving our business targets – long-term, profitable growth and secure autonomy – have proven to be the right strategies. In 2007, we also began pursuing new strategies for all of our divisions. The results will help us achieve and finance our long-term targets for growth.

On behalf of the Executive Board of Benteler AG and of the divisions' Managing Directors, I thank our employees for their commitment and outstanding performance. We also thank our business partners for their confidence in our company, and we thank our shareholders for their cooperation and steadfast support.



Hubertus Benteler

Chairman of the Executive Board

PERSONNEL MATTERS

THE SUPERVISORY BOARD WAS COMPOSED OF THE FOLLOWING PERSONS IN THE REPORTING YEAR:

Robert J. Koehler, Wiesbaden (Chairman)
Chairman of the Executive Board of the
SGL Carbon AG, Wiesbaden

Clemens Franzen, Duisburg (Deputy Chairman)
Trade Union Secretary of IG Metall,
Head of the NRW region, Düsseldorf

Rainer Backhaus, Warburg (as of April 24, 2007)
Chairman of the total Works Council
of Benteler Automobiltechnik GmbH, Paderborn

Dr. Ralf Bethke, Deidesheim
Member of the Supervisory Board of K+S AG,
Kassel

Jürgen Dietrich, Lingen (until April 24, 2007)
Chairman of the total Works Council
of Benteler Stahl/Rohr GmbH, Paderborn

Paul-Günter Duscha, Dinslaken
Chairman of the total Works Council
of Benteler AG, Paderborn

Rolf Eckrodt, Berlin
Chairman of the Supervisory Board
of Berlin Partner GmbH, Berlin

Dr. Markus Flik, Gerlingen
Chairman of the Executive Management
of Behr GmbH & Co. KG, Stuttgart

Heinz Pfeffer, Osnabrück
Second Authorized Representative of IG Metall,
Rheine administrative unit

Axel Prym, Roetgen
Partner of William Prym GmbH & Co. KG,
Stolberg

Christian Schachten, Paderborn (as of April 24, 2007)
Chairman of the Works Council of
Benteler Automobiltechnik GmbH, Paderborn (Talle)

Dr. Gert Vaubel, Warburg
Former Member of the Executive Board
of Benteler AG, Paderborn

Franz-Josef Wischer, Borcheln
Commercial Director of the Chassis Components
Product Group of Benteler Automobiltechnik GmbH,
Paderborn

Robert Wood, Paderborn (until April 24, 2007)
Chairman of the total Works Council
of Benteler AG, Paderborn



Siegmund Wenk

Hubertus Benteler

EXECUTIVE BOARD OF BENTELER AG

Hubertus Benteler, Chairman
Siegmund Wenk



Nizar N. Ghossaini



Ulrich Becker



Dr. Mathias Hüttenrauch

MANAGEMENT BOARDS OF THE DIVISIONS

BENTELER AUTOMOTIVE

Nizar N. Ghossaini, Chairman
Ulrich Becker
Dr. Mathias Hüttenrauch
(as of April 1, 2007)



Norbert Bergs



Matthias Jäger

BENTELER STEEL/TUBE

Norbert Bergs, Chairman
Matthias Jäger



Giorgio Frigerio



Ulf M. Kranz

BENTELER DISTRIBUTION

Giorgio Frigerio, Chairman
Ulf M. Kranz

BUSINESS CONDITIONS AND GLOBAL ECONOMIC SITUATION



THE INTERNATIONAL ECONOMY CONTINUES TO GROW DESPITE DIFFICULT CHALLENGES

The international economy expanded by 5% in 2007 despite higher raw material prices and the US real estate crisis. Once again, the economy's growth surpassed the previous multi-year trend. Developing and emerging countries were primarily responsible for this growth; China, India and Russia once again achieved exceptional growth rates and continued to gain importance in the world economy. Economic performance in the industrialized nations also made some gains, but their growth rates were slower than in the previous year. The European Union achieved a 3% growth increase. That was more than the 2% achieved in both Japan and the US where the economy suffered a considerable blow from the collapse of the real estate market. Because of its strong exports and high level of investment, Germany reached a growth rate of 2.5%, although private consumption stagnated after the VAT increase levied at the beginning of the year.

CAR PRODUCTION INCREASES AGAIN

About 72 million vehicles were manufactured in 2007, 5.5% more than in the previous year. The automotive industry achieved a growth rate comparable to the international economy as a whole. Car production rose to about 60 million units and, according to the Association of Automobile Manufacturers, the production of commercial vehicles rose to more than 11 million units.

Once again, Asia reported the highest growth rate with an increase of 9% to 29 million vehicles. As a result, more than 40% of the world production can be attributed to Asia, which is significantly more than Europe's 32% and the NAFTA countries' 21%. China was able to increase its passenger car production by 22% to 8.8 million units. Higher incomes and an increasingly broader offering of reasonably priced cars also permitted the vehicle population to grow dramatically in medium-sized cities. That growth occurred despite rising oil prices and massive governmental measures to cool down the economy. India was able to boost its production by 16% to 2.3 million units. Japanese, Indian and western OEMs were the most successful, producing low-priced vehicles for the growing Indian middle class. With a slight increase to 11.6 million units in 2007, Japan remains the largest vehicle manufacturer in the world – distinctly ahead of the US.

In Europe, vehicle production rose by 7% to 22.9 million units. Manufacturing in Western Europe also grew by 3% to 16.8 million units due primarily to higher production in German plants. In response to higher export volumes, German production increased by 6% to 6.2 million units. Manufacturing rose by 25% to 3 million cars in the Eastern European states which have recently joined the EU. The increases there reflect the production launches of manufacturing sites established in previous years. Some three million vehicles were produced in 2007 outside the EU. In particular, the Russian automotive industry gained importance.



In the NAFTA region, vehicle production for 2007 dropped by 3 % to 15.4 million units, which corresponded to the 1993 level. More cars were produced in Japan than in the US for the second year in a row. Increases in Mexico and Canada could not compensate for the lower number of units in the US where car sales were powerfully depressed by high oil prices and consumer reluctance to buy. Despite the weak dollar, there were no appreciable exports. In these markets the trend of past years towards smaller cars has continued. The American "Big Three" in Detroit once again experienced weaker sales volumes; their market share dropped from 65 % in 2002 to 52 % in 2007.

South America was not affected by the US's weak car economy and achieved a growth of 16 % with 3.5 million vehicles. The principal share of the production continues in Brazil, where nine out of ten new cars are furnished with flex-fuel engines that can be run on any combination of gasoline and ethanol.

There were also changes in the automotive industry in 2007. The importance of Asia, Eastern Europe and South America rose as their production shares increased. The suppliers followed the manufacturers to new production plant locations, sometimes with a considerable outlay of advance costs. The entire automotive industry is subject to strong cost pressures. Rising oil prices, concerns about global warming and a necessary limit on CO₂ emissions influenced consumer preferences. However, these developments also offered opportunities to the industry, not just challenges. Possibilities have

opened up for companies that primarily offer solutions for saving energy and increasing safety and ride comfort.

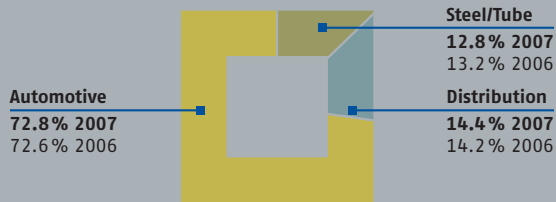
STEEL TUBES CONTINUE IN STRONG DEMAND

The demand for steel tubes remained high in 2007. Because of price increases for crude oil, natural gas and electricity, demand for tubes for crude oil and natural gas exploration as well as for power generation continues to be strong. But storage cycles and delays in power plant construction did cause extreme fluctuations in sales for hot-rolled tubes. Because of the growth in European car production and the full order backlog in mechanical engineering work, the demand for seamless and welded precision tubes remained stable.

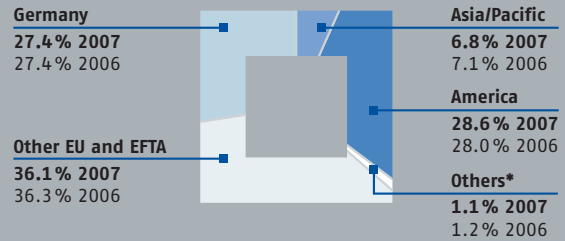
Compared to the previous year, material, energy, and freight costs increased considerably. The strong demand made important preliminary products such as scrap and steel substantially more expensive. For the most part, the steel tube industry managed to pass these purchase-side price increases on to the customer.

The trade with steel tubes also profited from the robust economy. The industry benefited from the fact that about 40 % of its tube demand is covered via trade partners, whereas the rest is directly purchased from the tube manufacturers. Because of increasing economic uncertainty in the second half year and strong fluctuations in important stainless steel alloy pricing, however, trade partners planned their material requirements more cautiously.

GROUP SALES BY BUSINESS DIVISIONS (BEFORE INTERNAL SALES)



EXTERNAL SALES BY MARKET AREAS



* incl. Eastern Europe, without EU

EARNINGS SITUATION

BENTELER GROUP ACHIEVES DOUBLE-DIGIT GROWTH AGAIN

The Benteler Group generated a sales volume of 6,319 million euros in 2007, 13% more than in the previous year. Adjusted for currencies (by converting the sales figures of foreign Group companies at the previous year exchange rates), the increase in the Group's sales volume would have been two percentage points more. Group sales have grown by an average 14.5% per year since 2003, when sales totaled 3.7 billion euros. They now total 6.3 billion euros.

All divisions were able to appreciably increase their sales revenues with new orders and larger volumes. The tube business also achieved higher revenues. As of December 31, 2007, the Steel/Tube Division purchased

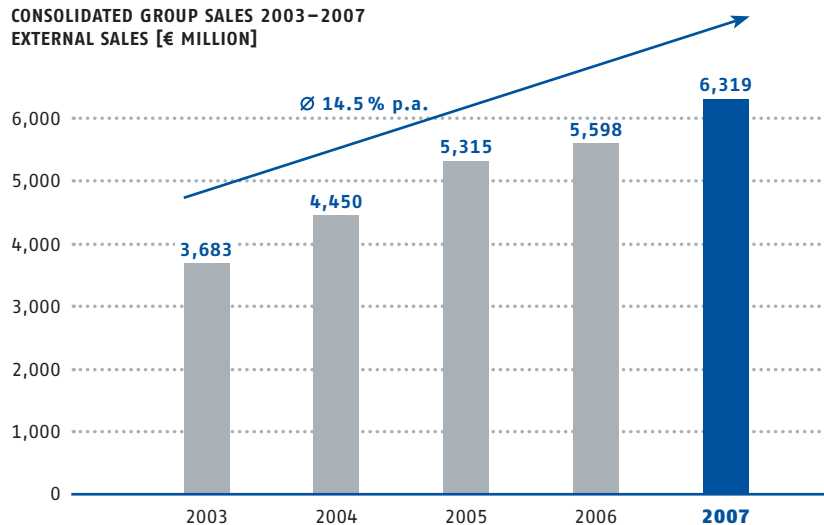
the Rothrist Group although this acquisition did not contribute to Group sales for the reporting year 2007. It will be presented, however, in the notes to the earnings situation of Benteler Steel/Tube. Internal sales between the Business Divisions totaled 240 million euros in the reporting year. 90% of these Benteler Steel/Tube transactions concerned pipe deliveries to the Distribution and Automotive Divisions.

Sales increased considerably in all regions, while the different regions' share of earnings remained largely stable. The continuing internationalization of the business meant that only about one fourth (27%) of the sales were generated in Germany. Non-German European countries generated 36% of sales, America generated 29%, while 7% of sales went to Asia.

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
	6,559	5,796	763	13
Less Internal Sales	240	198	-42	-21
External Sales	6,319	5,598	721	13

CONSOLIDATED GROUP SALES 2003–2007 EXTERNAL SALES [€ MILLION]



"COMPLETE *ready-to-install modules* SHORTEN PROCESSING TIMES AND MINIMIZE THE NUMBER OF STEPS AND LINE POSITIONS REQUIRED IN OEM MANUFACTURING."

Ahmet Akarsu, Benteler Automotive



THE AUTOMOTIVE DIVISION EXPANDS AGAIN

Total sales revenue in the **AUTOMOTIVE DIVISION** increased by 13 % to 4,772 million euros; 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 engineering 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 sub frames, control arms and knuckles as well as complete, ready-to-install front and rear suspension modules. A significant share of the increase in sales volume in the module sector went to the production of the BMW X5, which began in 2006 and in 2007 ran, for the first time, for a full year. Sales rose appreciably due to the model change of the Mercedes Sprinter. Overall, the sales in the module business developed positively (although at the end of 2007, a plant in Canada had to be shut down because the customer discontinued production of the vehicle). The manufacture of components was considerably expanded in the reporting year. The delivery of axles for the Audi A4 started up in Germany; in the Czech Republic, the production of axles for the Mercedes C-Class began. Newly erected plants in Vigo, Spain and in Changchun, China contributed significantly to the increase in sales volume.

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 beams and instrument panel supports, and press parts that primarily satisfy internal demand. In 2007, the product group was able to boost its sales by 12 %. Fresh orders in Rumburk, Czech Republic, Goshen, USA, and Changchun, China all contributed significantly 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 was 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. Parts are also manufactured for engine management and fuel supply. In 2007, the new unit generated an additional turnover of 23 %. In exhaust systems, revenues grew due to new orders, higher volume and a rise in prices for converters. For the engine management components, exceptionally high growth rates were achieved with technically demanding fuel supply manifold and exhaust gas recirculation systems.

The Engineering Services Product Group offers engineering services for external and internal customers. It also 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, the increase arose from the development of new customer segments for glass processing machines.

SALES VOLUME GROWS IN THE STEEL/TUBE DIVISION

Sales of the **STEEL/TUBE DIVISION** increased over the previous year by 10 % to 840 million euros. The Steel/Tube Division's share of sales remained unchanged at 13 %. Delivery stagnated at 595,000 tons. At the same time, the value added factor improved because less steel was sold to third parties. Instead, more steel was processed into tubes in our own plants. Because increases in raw material costs could largely be passed on to the customer, sales prices exceeded those of the previous year.

With 6 %, the Energy Product Group once again reported strong growth. The Group delivers seamless and welded tubes for applications in the chemical and petrochemical industry, for crude oil and natural gas exploration, and for boiler and heat exchanger tubes. Once again, sales revenues for boiler and heat exchanger tubes increased distinctly. In contrast, as a result of storage cycles, demand temporarily slowed down in crude oil and natural gas exploration during 2007. In spite of a further decline in third-party steel sales, total sales rose in the Industry Product Group by 14 %. Increased sales of tubes and higher earnings made this growth possible. The Industry 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 of the Automotive Product Group grew by 18 % in 2007. The success of the group, which offers solutions

for weight optimization, was due to increased sales quantities and higher prices. Here Benteler Steel/Tube supplies external customers and the Automotive Division with precision steel tubes.

All of these remarks about the sales of the Steel/Tube Division do not yet take into account the acquisition of the Rothrist Group.

ROTHRIST – BENTELER GROUP'S NEW COMPANY

Benteler Stahl/Rohr GmbH took over Rothrist Group effective December 31, 2007. The Swiss tube manufacturer has production plants in Switzerland and Germany as well as a sales subsidiary in the US. The core competency of Benteler Steel/Tube is primarily in the manufacture of seamless precision tubes. This product 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 future growth possibilities. In 2007, the approximately 550 employees at Rothrist achieved sales of about 150 million euros. The Benteler Group did not take this figure into account for the reporting year because the takeover took place at the end of the fiscal year.

"THANKS TO OUR *manufacturing depth* AND EXPERTISE, WE CAN DEVELOP AND USE APPROPRIATE TYPES OF STEEL AND PRODUCTION PROCESSES TO CONSCIOUSLY ADJUST PRODUCT CHARACTERISTICS IN A VERY SPECIFIC WAY."

Therese Wader, Benteler Steel/Tube



"WE CONCENTRATE ON THE RESPECTIVE INDIVIDUAL APPLICATION AND ACCEPT RESPONSIBILITY FOR MATERIAL MANAGEMENT, ***customized quality*** OF TUBE PROCESSING AND ON REQUEST ALSO JUST-IN-TIME DELIVERY."

Dr. Marcus Schubbe, Benteler Distribution



THE DISTRIBUTION DIVISION EXPERIENCES 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 remained unchanged at 14 %. Both price increases and a rise in quantities contributed to the strong growth. Added value also rose because of an increase in the share of 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 helped enhance the company's position in France. The new markets in Central and Eastern Europe were further developed; in Romania

the division began operations in a new warehouse. Considerable preparations 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, which is considered to be a growth region in part because of the energy-generating industry. The subsidiary founded in China in 2006 brought in its first sales revenues.

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

CONSOLIDATED INCOME SIGNIFICANTLY IMPROVES ONCE AGAIN

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.

The share of material expenditure of the total performance of 6,372 million euros climbed from 69.1 % to 70.6 %, a rise we attribute to the higher raw material prices in all three business divisions. The share of personnel costs sank from 16.8 % to 15.5 %. Here the improved productivity at Benteler Automotive and the higher level of earnings due to the rise of raw material prices affected results in the business divisions. Depreciation rose somewhat more slowly than the total performance, dropping from 2.6 % to 2.4 %. Also, other operating expenses grew at a distinctly subproportional rate, dropping from 9.0 % to 8.2 %. Because of good cash flow, the average level of debt remained less than in the previous year; the negative interest balance improved by 2.3 million euros to 28.9 million euros. Compared to the previous year, the share of the interest balance in the total performance declined slightly to 0.5 %.

The Automotive Division contributed significantly more toward results in contrast with the previous year.

This resulted from the systematic pursuit of improvement measures in the US. Benteler Steel/Tube's results were slightly better in the reporting year. The increase in added value more than compensated for the rise in costs. The Distribution Division improved results in all regions, benefiting from the combination of an increase in sales combined with strict cost discipline.

Tax expenditures amounted to 99.4 million euros. This sum represents the domestic fiscal unity of the income tax burdens of the Benteler AG and its foreign subsidiaries. The tax rate fell to 40 % from 51 % in 2006. In the previous years, the group tax rate was substantially burdened by losses in individual countries; the losses could not be offset with profits for tax purposes in other countries. Since the situation has improved in a few companies, this effect was considerably lessened in the reporting year.

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 share of minority shareholders of 9.6 million euros, the group net income was 140.2 million euros, compared to 89.3 million euros in 2006.

"A HIGH DEGREE OF ENTREPRENEURIAL INDEPENDENCE IS ONE OF THE MAIN SOURCES OF OUR SUCCESS. THEREFORE WE CAN CUT NEW PATHS, *act progressively* AND ENJOY GROWING PROFITS."

Salif Kone, Benteler Distribution



ASSETS AND FINANCIAL POSITION



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). The strong rise of the overall volume is due mostly to the high expense for financial assets. These had to do, among other factors, with the takeover of Rothrist Group, which is reported as a participation as per December 31, 2007. 51 % of the investments for tangible assets and intangible assets went to the German plants, while 49 % went to the foreign plants. The greater importance of domestic investment measures compared to previous years is due to the significantly higher expenditure of Benteler Steel/Tube in the German sites.

The Steel/Tube Division invested 174 million euros in the reporting year, or 55 % of the total sum of the Benteler Group. The most important single factor was the acquisition of the Rothrist Group. Furthermore, investments were primarily made in the expansion of capacities for tube processing, as well as for quality and environmental protection measures.

A total of 132 million euros were spent for production equipment and systems of the Automotive Division, essentially to expand capacities. In past years, considerable funds were spent for setting up new plants, strengthening the press capacities and underwriting new product launches. But those investments were significantly reduced in the reporting year.

In the Distribution Division, capital expenditures dropped by 20 % to 8 million euros. 91 % of this sum

went abroad, especially for setting up a storage facility in Romania and expanding the warehouse in Sweden.

In the Holding, because of the purchase of IT hardware in 2007, investments rose to 4 million euros. The capital investment in 2007 again lay considerably above the depreciation costs of 156 million euros.

CASH FLOW FINANCES INVESTMENTS

The Benteler Group aspires to cover the investment activity (without company takeovers) from the cash flow. Despite the acquisition of the Rothrist Group, the necessary 303 million euros for investments could be completely provided from the cash flow in 2007. The sum rose by 27 % to 310 million euros in the reporting year because of the strong increase in after-tax profit.

The cash flow takes into account only the consolidated surplus, depreciation and the change in accruals for pensions. But in the cash flow from business operations, the development of working capital and other assets and liabilities are also taken into consideration. On these bases, the cash flow from business operations amounted to 280 million euros.

The negative cash flow from financing activities amounted to 4 million euros in the reporting year. It includes the dividends paid out to the shareholders and minority shareholders. It also reflects taking on as well as paying off credit. Compared to the previous year, the liquid funds reported in the net financial debts decreased in 2007 by 27 million euros to 173 million euros. The total share of liquidity on the balance sheet dropped to 6.9 % compared to 8.8 % in 2006.

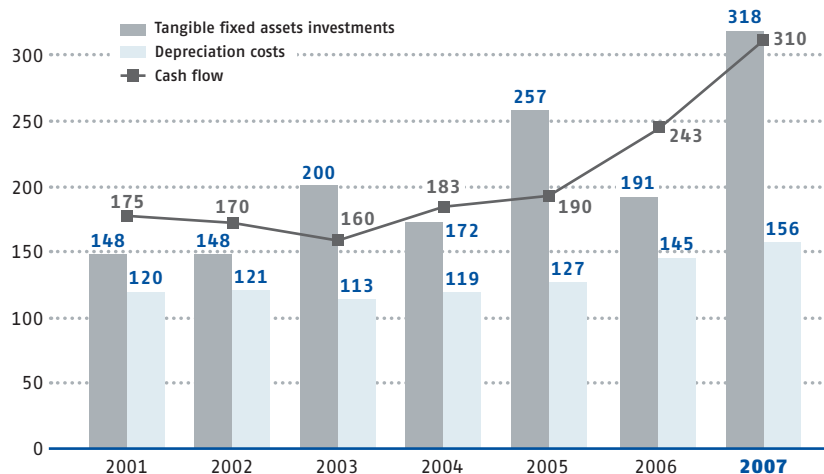
INVESTMENTS

	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
Total Investments	318	191	127	66

CASH FLOW STATEMENT

	2007	2006
	[€ million]	[€ million]
Cash flow from business operations	280.2	236.0
(of this, cash flow	309.7	243.1)
Cash flow from investment activity	-303.7	-176.9
Cash flow from financing activity	-4.3	6.3
Foreign exchange/consolidation effects on cash and cash equivalents	0.6	-1.1
	-27.2	64.3
Funds at the beginning of the period	200.0	135.7
Funds at the end of the period	172.8	200.0

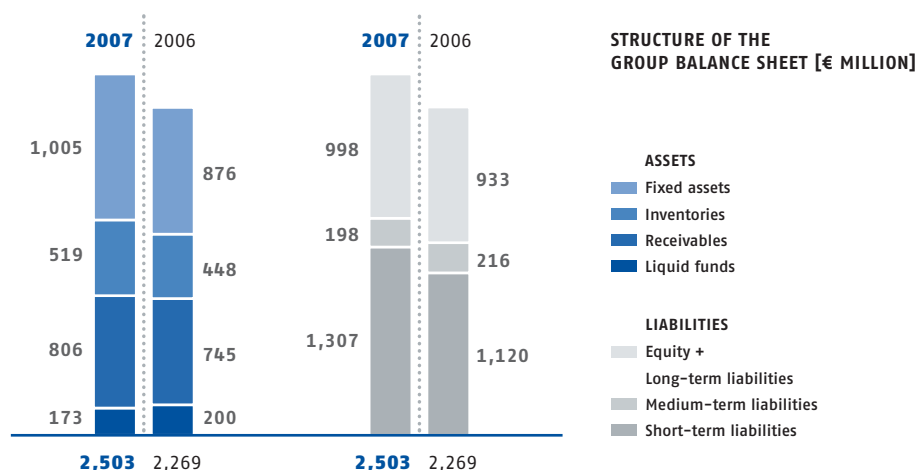
TANGIBLE FIXED ASSETS INVESTMENTS, DEPRECIATION COSTS AND CASH FLOW [€ MILLION]



KEY FINANCIAL RATIOS

		2007	2006
Equity ratio ¹⁾	[%]	30.9	31.4
Internal financing ratio ²⁾		0.97	1.27
Debt-equity ratio ³⁾		0.29	0.23
Dynamic debt-equity ratio ⁴⁾		0.73	0.67
Return on equity ⁶⁾	[%]	33.5	28.4
ROCE ⁷⁾	[%]	21.6	17.7
EBIT ⁹⁾	[€ million]	278.1	223.7
Degree of interest coverage I ¹⁰⁾		6.9	5.2
EBITDA ¹¹⁾	[€ million]	434.0	368.4
Degree of interest coverage II ¹²⁾		10.8	8.6

- 1) Shareholders' equity according to balance sheet including 50 % of the special items for investment allowances for the fixed and financial assets and 100 % of the capital investment subsidies : balance sheet total
- 2) Cash flow : investments
- 3) Net-financial debts⁵⁾ : economic shareholders' equity (year-end balance)
- 4) Net-financial debts⁵⁾ : cash flow
- 5) Liabilities to banks, bonded loans, credits contained in other liabilities less financial assets like loans, securities and liquid funds
- 6) Result from ordinary operations : economic shareholders' equity (average between beginning and end of the year)
- 7) (Pre-tax result + interest) : (intangible assets + tangible fixed assets + working capital⁸⁾) (average between beginning and end of the year)
- 8) (Inventory + trade receivables from third parties, related and associated companies) minus (trade payables to third parties, related and associated companies + notes payable)
- 9) Pre-tax result + interest result
- 10) EBIT : interest expenditures
- 11) EBIT + depreciation
- 12) EBITDA : interest expenditures



TOTAL ASSETS INCREASE

Due to business expansion and the acquisition of the Rothrist Group, total assets rose in 2007 by 234 million euros to 2,503 million euros. As per December 31, 2007, Rothrist Group was reported as a financial investment. It will be fully consolidated in 2008. Changes in the scope of consolidation had no significant impact on the balance sheet total in the reporting year. Overall, the fixed assets rose by 129 million euros in 2007. 126 million of this amount refer to financial assets. The intangible fixed assets dropped by 3 million euros, while tangible assets rose by 6 million euros. Additions to the tangible assets of 190 million euros were offset by reductions of 18 million euros related to foreign exchange rates, disposals to residual book values of 17 million euros and depreciation of 149 million euros.

The other assets (without liquid funds) increased by 132 million euros. Both the inventories (+71 million euros) as well as the receivables and other assets (+61 million euros) grew because of the expansion in sales volume in 2007. In spite of the takeover of Rothrist Group, liquid funds of the group dropped only slightly by 27 million euros to 173 million euros. As a result of the central cash pool liquidity management, these funds are deposited mainly at Benteler AG. They are available on a daily basis.

A SOLID FINANCING STRUCTURE CONTINUES

The shareholders' equity increased by 62 million euros to 774 million euros. This already factors in the transfer of the 51 million euros profit-participation certificate (issued in 1998) from equity to debt; it will be repaid in May 2008.



The consolidated income led to an increase in equity of 140 million euros. Exchange rate effects caused a reduction of 3 million euros.

Accruals amounted to 446 million euros at the end of 2007; this represents an increase of 29 million euros compared to the previous year. Stimulated by business expansion, trade payables amounted to 725 million euros, an increase of 10 % over 2006. Working capital rose by 21 million euros to 435 million euros. It amounted to 6.9 % of the sales volume compared to 7.4 % in the previous year.

The long-term funds (equity plus long-term debt with residual maturities of more than five years) amounted to 998 million euros, attaining a share of 40 % of the balance sheet total. These funds covered 99 % of the fixed and financial assets. With the addition of 44 million euros worth of unused, firmly committed five years + credit lines, the fixed assets coverage ratio amounted to 104 %.

The equity ratio in 2007 at 30.9 % was marginally lower than the previous year's value of 31.4 %. The net financial debts increased by 64 million euros to 227 million euros; the gearing rate rose slightly from 23 % to 29 %. Despite the increase in sales volume, the acquisition of the Rothrist Group and the rebooking of the profit-participation certificate, the capital structure ratio attained similar values to 2006. That was due to the high return on investment in the reporting year. This made it possible to increase the Return on Capital Employed (ROCE) from 17.7 % to 21.6 % at an almost constant level of tied-up capital.

CENTRAL CASH AND FOREIGN EXCHANGE MANAGEMENT

The financing of capital expenditures for the Benteler Group is centralized as a matter of principle. By means of internal investment and borrowing possibilities, liquidity surpluses or shortages are pooled within Benteler AG. That way surpluses of individual companies of the Group can be transferred and used by other member companies as needed.

As a rule, investments are financed by long-term funding and working capital by short-term funding. To ensure that long-term capital covered fixed assets, existing loans were extended in the reporting year. An additional 120-million-euro bonded loan was taken out to finance the Rothrist acquisition. This loan will be paid off in April 2008. To finance the working capital, credit lines of 384 million euros were available to us as per December 31, 2007. 7 million euros were required at the effective date. All credits are free of collateral (exception: see Group Appendix Paragraph 17) and Financial Covenants. To reduce debtor risk and to cover short-term financial needs, an asset-backed security program is in place in Germany (75 million euros until 2010) and in the US (40 million US dollars until 2008) to sell trade receivables. The German program used 43.5 million euros; the foreign program 38 million US dollars as of the balance sheet date.

A large portion of the internal payables and receivables are netted between the Group companies, which allows Benteler to use the payment transactions in a cost effective way. The net volume in 2007 grew by 25 % to 650 million euros.

RISK REPORT



COMPREHENSIVE RISK MANAGEMENT

Benteler is exposed to various risks in all three divisions, which to some extent can have a considerable impact on the asset, financial and earnings situation.

A company-wide risk management system is designed to detect and control risks. It provides for the early identification, evaluation and reporting of risks. It is also integrated into the strategy, planning and reporting process of the company.

Benteler AG guides its divisions through strategic and operative targets. A detailed management information system monitors the achievement of objectives: it tracks all of the relevant key figures in terms of actual, planned and prognosis statements. If there are negative deviations from the plan, the Holding initiates prompt and appropriate measures. On a monthly basis, all divisions report about their economic development. They also show opportunities and risks to planned results and future developments. An aggregated risk status report is also submitted to the Executive Board twice a year. The report informs the Executive Board about the status of risks and measures based on defined indicators. Responsible people

are appointed to manage each risk, monitoring and controlling what measures are taken.

The Group also has a company-wide Internal Control System (ICS), which takes care of organizational safeguarding measures, procedural arrangements and system testing. The Executive Board has commissioned the Corporate Audit department to audit all areas of the Benteler Group at regular intervals. Among other things, it examines compliance to the relevant guidelines, the regularity and efficiency of business processes, and the reporting and functional readiness of its risk management.

Together with the Executive Board of Benteler AG, the central service BLV Versicherungsmanagement GmbH arranges the transfer of certain risks to insurers.

The risks described below are not the only ones to which Benteler is exposed. Unforeseen risks or risks that seem negligible today can develop into real threats to business activities.

Potential risks to the Benteler Group could include: slowdowns of demand, large-scale projects in the automotive business segment, problems related to specific customers and suppliers, market supply de-



velopments and foreign exchange fluctuations. To safeguard its future, Benteler has developed corrective strategies in the areas described below.

RISKS RELATED TO BUSINESS CYCLE DEMAND

The business plan includes new product, customer and market opportunities. If the production of car models to which Benteler supplies stagnates or even declines that can affect sales, business volume and profits. Cyclical economic fluctuations can also have a considerable impact on business with steel tubes.

The Group reduces these risks in several ways: the three divisions serve different markets and expand their regional presence, the Automotive Division limits its sales concentration on individual customers, and the Steel/Tube and Distribution Divisions supply a highly diversified clientele.

SPECIFIC CUSTOMER AND SUPPLIER RISKS

A negative economic development of individual contract partners could have consequences for the sales volume and result of the Benteler Group. Benteler limits these risks by maintaining a broad distribution

of its customer and supplier base, underwriting a part of the receivables and continually observing important market developments.

CHANGES IN THE SUPPLY MARKETS

Price fluctuations of steel, scrap metal and alloys can also pose a significant risk for some areas of the Benteler Group. If raw material prices rise, for example, it is not always possible to immediately pass the entire increase on to the customers by raising sales prices. This can have a negative effect on the development of operating profit. On the other hand, delays in passing on decreasing purchase prices can also improve the earning situation. To compensate for price increases in raw materials, a material cost increase surcharge was introduced in 2005 in the Steel/Tube area. Long-term contracts with the suppliers reduce the procurement risk for steel purchasing. In the Benteler Distribution Division, the revenues for the sale of existing stocks at declining purchase prices can be impaired. Therefore the division actively controls its volume of stocks, especially at high market volatility.



PROJECT RISKS

The Automotive Division is involved in complex development and construction projects. Their inherent risks include unexpected technical difficulties or problems with Benteler or its suppliers. Those, in turn, can lead to higher costs for the start of series production and/or higher investments than were planned. To avoid or reduce these risks, the division has set revised standards for project execution. The division has also taken action to better develop and control suppliers. In addition, regular project reviews and audits are carried out to allow for early countermeasures when necessary.

QUALITY RISKS

Quality risks include development, production or logistic errors in Benteler plants or the suppliers. The failure of production facilities can also lead to the delivery of faulty parts or late delivery to our customers. Those

kinds of failures can expose Benteler claims for restitution or damages. Therefore, Benteler has introduced comprehensive operating procedures to ensure process reliability and quality management for audits in Benteler plants as well as at suppliers. To reduce such risks in their own production, the divisions continually develop their production processes and they work on preventive maintenance of their own equipment. At the same time, the divisions continue to expand systems to track each manufacturing step for every component in production. These measures will prevent, or at least contain, the possible consequences of receiving defective parts from suppliers or of manufacturing defective products (recall risk). In order to contain residual risks for the Group, Benteler has taken out insurance policies to cover liability risks and damage claims. Because damage cases can also result from defective supplier deliveries, Benteler also cooperates with an insurance broker to offer its external suppliers favorable conditions for taking out insurance.



FOREIGN EXCHANGE RISKS

The scope of our international business relationships exposes the Benteler Group to foreign exchange risks that can result from fluctuations in exchange rates, especially for purchasing and sales activities. The central finance and foreign exchange management of Benteler AG largely rules out foreign exchange risks. It uses an effective information system, thus harmonizing security transactions. The Benteler Group hedges orders and future volumes in foreign currencies according to well established procedures.

IT RISKS

The failure of IT systems and/or the manipulation of data could disturb important processes of the Benteler Group, possibly resulting in delivery problems or even failed deliveries. Benteler meets this potential risk by installing redundant IT systems and providing authorization concepts and emergency plans as well as guidelines on IT security that are regularly checked.

OVERALL STATEMENT ON RISK MANAGEMENT

In the reporting year, in addition to auditing the Annual Financial Statements, auditors also examined the risk management processes. They concluded that the Benteler Group is adhering to legal requirements and that our early-warning system will detect, in a timely manner, any identifiable developments that could threaten the survival of the company. After examining the current risk situation, we conclude that there are no discernible risks which might threaten the survival of the Benteler Group.

"INNOVATIONS DETERMINE OUR CUSTOMER'S SUCCESS AND OUR OWN IN THE AUTOMOTIVE AND STEELTUBE BUSINESS. WE HELP OUR CUSTOMERS IMPLEMENT *innovations* WITH OUR IDEAS, EXPERTISE AND COMMITMENT."

Gregor Rademaker, Benteler Steel/Tube



REPORT ON RESEARCH AND DEVELOPMENT ACTIVITIES

INNOVATIONS ARE THE KEY TO SUCCESS

Benteler offers our customers a competitive advantage with high performance products, comprehensive service and new materials. Our continual efforts to improve processes form the basis for our innovations in technologies and products and characterize every area of our company. Close cooperation between the divisions exploits useful synergies. Benteler increasingly develops ideas for future markets in cooperation with external partners. For instance, in 2007, the company stepped up its cooperation with Paderborn University by sponsoring a professorship in the field of lightweight design in the Department of Mechanical Engineering. The faculty chair should inspire students to concentrate on this important subject and set the foundation for developing future products.

TUBE SOLUTIONS –

TUBES AS PROBLEM SOLUTIONS FOR THE CUSTOMER

Benteler Steel/Tube offers high-grade tubes for customers in the energy and automotive industries. The entire organization focuses on furthering the technical development of products and processes. Expanding the share of especially innovative tubes, so-called “tube solutions”, is the aim. Benteler develops innovative tubes together with the customer in order to solve very specific tasks.

HIGHER EFFICIENCIES

USING NEW MATERIALS AND PROCEDURES

Benteler was able to achieve a unique, unchallenged market position in the area of power plant construction with new patented materials and production processes. Especially developed for use at extremely high boiler temperatures, OMLR tubes (Optimized Multi-Lead Rifle Tubes) provide improved heat transfer. The improvement is due to a new manufacturing process and the use of higher alloyed steels. The OMLR tubes contribute to greater efficiency and reduce the consumption of valuable resources. These tubes, meanwhile, are employed by leading power plant builders.

OPTIMIZED CORROSION PROTECTION

Another important innovation offers particularly resistant corrosion protection with high environmental compatibility. With the project planning and market launch of organically coated HPL pipes (hydraulic-pneumatic lines), Benteler pursued a completely new approach for improving the chemical and mechanical properties (e.g. abrasion resistance, flexibility) of corrosion protection. Instead of using chrome VI, the patented Zistaplex method works with an epoxy resin coating. Apart from optimal mechanical and chemical protection, it also offers the possibility of giving the pipe surface any arbitrary color. Because of this new approach to corrosion protection, a prominent hydraulic manufacturer distinguished Benteler Steel/Tube with an award as most innovative supplier.



TUBES FOR HIGH PRESSURES

The Steel/Tube Division was able to approve newly developed tubes, in 2007, for diesel high-pressure lines for pressures above 1,800 bar. An Asian customer will use these tubes in its series production starting in 2008.

IMPROVED MATERIALS WITH LESS ENERGY

In close cooperation with the production plants, we developed methods for lowering the afterheat oven temperature for a whole range of materials. These new methods improve mechanical properties and reduce costs and the impact on the environment by lowering energy consumption. Before the factory trials, the effects of the temperature change were first simulated on the computer. The use of state-of-the-art simulation tools is an important instrument for pursuing innovations.

MODULES FOR THE CAR OF THE FUTURE

In the Automotive Division, the Benteler Group consciously directs efforts towards the further research and development of products and processes as well as innovative ideas for opening up new business sectors. The focus of our attention is on the central topics of the automotive industry: lightweight design, reduction of emissions as well as improved safety and comfort. Benteler Automotive also sees the development of new technologies as an opportunity to enhance products as well as improve costs.

ADAPTIVE MECHATRONICAL SYSTEMS

One research topic has emerged as having a strong potential for significant innovation. It involves so-called adaptive mechatronical systems. These are systems which can adapt their properties to the respectively prevailing conditions making them significantly more effective than conventional solutions. They owe their flexibility to the combination of purely mechanical with electronic or IT components. Sensors, processors, actuators and mechanical elements unite to form a completely new mechatronical system.

An example of this development is an actively switchable bumper which has already been manufactured and tested as a prototype. The system optimizes pedestrian safety by controlling the crash-box. In the event of a frontal collision between a pedestrian and a car, the switchable bumper keeps the acceleration and other forces acting on the pedestrian to a minimum. The bumper will help the vehicle manufacturer satisfy more stringent future guidelines and legislation in this area. Such intelligent mechatronical systems can also significantly improve the performance capability of chassis systems. For instance, Benteler Automotive has integrated an actively switchable anti-roll bar in one axle to regulate its roll stiffness. This feature increases safety, driving dynamics and driving pleasure.



THE BENTELER SAFETY BRAND

In another focus area, the division is examining how it can employ its technological know-how in the growing market of armored vehicles. At present, tempered armored steel plates are elaborately welded to reconstruct the contours of the vehicle interior. The use of hot-formed armored steel parts allows the manufacturer to reduce the number of welded joints and so minimize the weight of the armoring. This procedure significantly reduces costs. In the past three years, Benteler has developed hot-formable steels and abbreviated BSEC (Benteler Security Steel), especially for vehicle armoring. These materials have clear weight and cost advantages compared to materials used by the competitors.

OPTIMIZED PRODUCTION PROCESSES

The Automotive Division not only works on new products and applications, but also on the further development of existing solutions. Benteler is the market leader in the field of hot-forming. To maintain and strengthen this leadership, Benteler developed a new simulation method that can make predictions about thermal and mechanical processes with far greater precision. Simulation is particularly important here, since it is not always possible to take measurements during the actual production process when temperatures reach up to 1,000 degrees Celsius or more.

Benteler Automotive was able to present another highlight in production optimization in 2007. At the Talle plant in Paderborn, a new, non-destructive hardness measurement method was qualified and successfully implemented in the first production lines. This method and a previously introduced weld monitoring system for online control of spot welding adhesion will also be used at other plants in the future. These improvements save costs by significantly reducing the destruction of components during the testing process.

In 2007, the Benteler Group increased its development expenditures to 109.3 million euros or 2.5 % more than in 2006.

REPORT ON QUALITY AND THE ENVIRONMENT



COMPREHENSIVE QUALITY MANAGEMENT

International quality standards are a matter of course for all Benteler sites. With regular successful certifications of the production sites (according to the management system standard ISO/TS 16949), Benteler guarantees its customers a uniform quality standard worldwide. The management system was also introduced in the new plants and the certification granted according to ISO/TS 16949. Moreover, Benteler has accreditations, certificates and licenses of notable German and international acceptance and classification organizations. Numerous awards during the reporting year confirmed the quality of Benteler products and processes.

CONTINUAL IMPROVEMENT PROCESS

In the last few years the Benteler Group has intensified its efforts to encourage new measures to improve all business divisions. The objective is not the short-term, one-time optimization, but rather a sustainable process to generate improvements throughout the Benteler Group. Experienced trainers hold courses to convey the principles of lean manufacturing. Employees then implement these principles in their plant workshops. These methods were used in 2007 in plants

around the world. The main focus in previous years had been on the improvement of plant production processes. In the reporting year, however, the company also began analyzing acquisition and development processes by means of lean manufacturing. These methods make processes quicker and more customer-oriented. Products and equipment suitable for manufacturing are developed, and innovations are technologically matured and secured on the market. These additional components of the management system help Benteler achieve its ambitious profitability and growth targets.

MODERN ENVIRONMENTAL PROTECTION

Because we care about our environment, modern environmental protection measures are factored into the business processes at Benteler. With the help of a certified management system that complies with DIN ISO 14001, all of our plant locations monitor and minimize any environmental pollution that results from production or products. Regular audits also ensure our compliance with prevailing standards. In the reporting year, the new plants in Spartanburg, USA and Shanghai, China, for example, were successfully audited according to international requirements.



This global management system can also spot areas which need to be brought into compliance with environmental standards. The Benteler Group considerably invested in such projects in 2007. For example, we replaced the waste water treatment system for the electroplating operations at the Schloss Neuhaus site in Paderborn and started up the ultra-modern emission control in the electric steel mill in Lingen. With the introduction of a systematic energy management system, Benteler has made more progress towards improving production and growth in an environmentally friendly and resource-effective manner.

PREVENTION AND SUSTAINABILITY IN OCCUPATIONAL AND HEALTH PROTECTION

The protection of our employees' health is a top priority at Benteler. We have taken numerous measures to prevent accidents and occupational diseases, reduce stress and improve working conditions. The success of these efforts is shown by occupational safety indicators, declining absenteeism, employee motivation and, most significantly, the entire success of our corporation.

As part of our "Zero Accidents" initiative, for example, our plant workers were educated and sensitized to potential work environment risks. This project and

other technological measures are having an on-going impact; the number of accidents has fallen steadily in recent years and could be even reduced more significantly. We also identified Best Practice examples of preventive occupational safety and adapted them to local conditions for our plant workshops around the world. Trainings at all levels ensured rapid conformity throughout the entire organization.

PERSONNEL REPORT



PEOPLE ARE THE KEY TO OUR SUCCESS

The success of the Benteler Group is closely associated with our employees' performance, creativity and professional and personal expertise. Their commitment and creativity are the basis for our every marketplace success and every new idea that promotes our company's growth.

The Benteler workforce worldwide averaged 22,938 employees for 2007, which amounted to 946 more employees than in the previous year. In the reporting year there were 507 apprentices worldwide, including 439 in Germany.

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 214 new employees in China. The German workforce increased by 118 persons primarily due to the expansion of engineering activities. Because of the stronger foreign growth in personnel, however, the proportion of Germany's workforce declined from 33 % to 32 %. 77 % of all Benteler employees work in the Automotive Division.

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 because of workforce 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 the workforce abroad, however, the domestic share declined from 44 % to 43 %.

EMPLOYEES ARE OUR FUTURE POTENTIAL

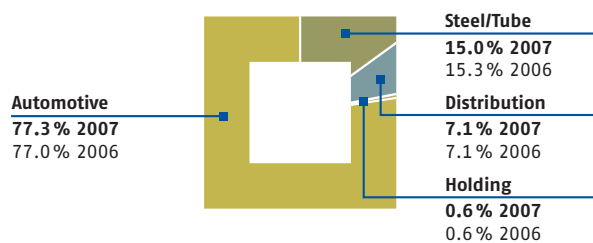
The successful implementation of the Benteler growth strategy requires a comprehensive Human Resources Development program that is able to recruit and further develop creative, high-performing employees. Benteler promotes an open and constructive interaction among employees. And we continuously train and educate our colleagues and employees to qualify them for future tasks. This is the only way to develop innovative products and achieve top performance.

BREAKDOWN OF EMPLOYEES BY DIVISIONS (ANNUAL AVERAGE)

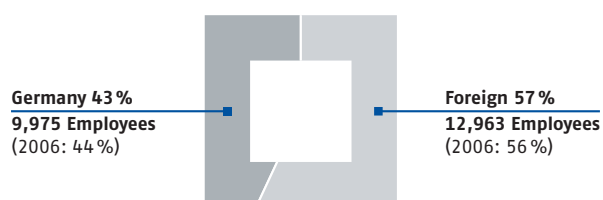
	2007	2006	CHANGE	
				[%]
Automotive	17,579	16,777	802	5
Steel/Tube	3,147	3,057	90	3
Distribution	1,562	1,516	46	3
Holding	143	143	0	0
	22,431	21,493	938	4
Apprentices *	507	499	8	2
Total employees	22,938	21,992	946	4

* including retrainees

PERCENTAGE BREAKDOWN OF WORKFORCE BY DIVISIONS



BREAKDOWN OF BENTELER GROUP WORKFORCE: GERMAN VERSUS FOREIGN STAFF





HUMAN RESOURCES AND UNIVERSITY MARKETING

Demographic transformations and a dwindling supply of skilled specialists, particularly in the engineering sciences, are two more significant issues we are addressing. One of Benteler Group's goals is to obtain the best performers who can succeed in international competition. All three divisions and the Holding started a series of initiatives in 2007 to find suitable new employees. We also began a strategic partnership with one of the leading job boards in Germany to address the recruitment of top notch employees.

Because it is becoming increasingly difficult to hire well-trained engineering science graduates, as well as students qualified for internships and diploma thesis work, Benteler has strengthened its cooperation with selected universities. The company concentrates on universities in the immediate area, such as in Paderborn, where the Benteler Group founded a professorship in 2007. We are also directing our efforts towards universities with teaching and research areas that are of particular interest to us. Many employees are actively involved in these efforts, contributing a great deal through personal contacts, lectures or helping supervise scientific work. Employees also participate in joint projects or may take over honorary tasks.

COMBINATION COURSES OF STUDIES

The successful "Combination Courses of Studies" program was expanded. Here Benteler offers study programs in the fields of mechanical engineering, electronics, industrial engineering and economic sciences as well as international business and applied computer science. These courses of study provide the university with programs that feature intense practical experience. The Chamber of Commerce follows up with an examination. The first classes have completed their training and studies with excellent results and now work in Benteler companies. The strong practical orientation during these studies leads to a high degree of professional success.

TRAINEE PROGRAMS

Benteler prepares future generations of academic recruits for demanding company positions with the help of technical and commercial business trainee programs. In the business program, trainees collaborate in different departments and on projects. The technical trainee program targets highly qualified foreign university graduates. Within two years, they become acquainted with the development and production of high-quality automotive components and systems. Then they bring this know-how back to their native countries for application. Currently, the main countries involved are China, India, Mexico, the Czech Republic, Brazil and the US.



ACCOMPANYING STUDIES

In the fields of business administration and computer science, Benteler finances an accompanying course of studies at the Technical College for Trade and Industry (FHDW) in Paderborn. The course of study is reserved for employees who have completed their professional training with distinction. This further course of study gives graduates additional practical and professional experience.

TRAINING CONTINUES ON A HIGH LEVEL

In Germany, more than 180 apprentices, retrainees and students at Benteler joined the ranks of professional employees during the reporting year. The second class started its professional career in Mexico in the newly opened training center. This center also serves as a pilot project for the internationalization of training within the Benteler Group.

In 2007, the apprentices and students were once again called upon to accept numerous awards. For instance, Benteler boasted the best apprentices in the state for the eighth time in a row. Furthermore, the first-in-her-class mechanical engineering graduate in Paderborn participated in the combined study program at Benteler.

EMPLOYEE QUALIFICATION WORLDWIDE

Worldwide growth and progressively more international and cross-divisional cooperation are frequently associated with increasing complexity. In sales, development and production it will become more important to design processes simply and involve the employees in necessary changes. To prepare for this, Benteler offers its employees corresponding ongoing training on all levels. Such training programs provide a uniform understanding of the company's workflows and processes. They also teach trainees how to work cooperatively and efficiently in a "lean" company.

The extensive educational program for personal and professional advanced qualification continued in the reporting year. The focus here was on sales and technical applications training. Employees were particularly instructed in the materials used at Benteler and its manufacturing processes.

Benteler prefers to fill its management positions internally, whenever possible. Our goal is to inspire long term company loyalty and commitment among our top performers. Thus the already established promotional programs were continued for the younger generation of managers to give them the opportunity to qualify as senior executive managers in the production.

Another important HR subject is the natural shift in age structure within a workforce. Apart from the qualification and the practice of age-based use of older colleagues and employees, this also means creating attractive bonding programs for current and future employees, and offering health programs for the workforce.

OUR VISION IS EASILY PUT TO WORDS: WE WANT TO SERVE OUR MARKETS FROM A POSITION OF STRENGTH. *Continual improvement* OF OUR PRODUCTS, PROCESSES AND SERVICES IS AS MUCH AN INTEGRAL PART OF OUR CORPORATE CULTURE AS FARSIGHTED, ENTREPRENEURIAL THINKING AT ALL LEVELS.



FORECAST

LONG-TERM PROFITABLE GROWTH REMAINS THE FOCUS

The Benteler Group's most important business goals remain the long-term, continuous increase of corporate value that can be realized through profitable growth and the preservation of financial independence. Benteler will continue to exploit all market opportunities and prepare to meet new challenges.

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

Prospects for the international economy, meanwhile, have dimmed for 2008. The US mortgage crisis is having an adverse effect on their consumption and investment. This year we should see how much the bank crisis will impair the economy outside of North America. The news from the United States is already having an impact on the consumption climate in Europe and the emerging economies. Nevertheless, despite the pronounced interrelation of the world's economy, there is still a chance that some regions can at least partially decouple their economic development from North America's. If so, they could enjoy a relatively stable development. In its planning for the fiscal year

2008, Benteler assumes that the effects on the economy outside the US will remain limited and that there will be no actual recession in the US. Consequently, the Benteler Group expects further increases in sales revenues and even better results for 2008 than in the previous year.

AUTOMOTIVE DIVISION SEES ADDITIONAL MARKET OPPORTUNITIES

Worldwide sales of vehicles will increase by an average of just under 4 % over the next five years, according to the expectations of market researchers. This would increase the annual production of cars from 72 to 85 million units. In Western Europe, the NAFTA countries, Japan and Korea, production will presumably increase only slightly. In contrast, production should grow annually by 5 % in Eastern Europe and by 11 % in Asia (not including 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. Also, the trend towards smaller cars will 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, new vehicle



segments are emerging, especially for low-priced passenger cars. Many OEMs are increasing their production capacities so as to be able to take advantage of the anticipated regional booms. Strong competitive pressure will continue. Worldwide, high energy prices will increase demand for more efficient, lower-emission engines as well as lighter vehicles. The discussion about global warming is now bringing about political action – with considerable impact on future passenger cars and their engines. At the same time, demand continues to rise for active and passive safety features as well as enhanced comfort.

As a provider of innovative solutions that combine high performance with low weight, the Automotive Division is in a good position to face future competition. In terms of dynamics, safety and ride comfort, a Benteler chassis convinces in all vehicle classes. As market leader in hot stamping, the Structures Product Group offers a technology which uniquely satisfies the demand for weight saving and fuel efficiency. Benteler's engine area components help preserve the environment through high efficiencies and a reduction in fuel consumption. European and Asian manufacturers offer good market opportunities for these products. Benteler Automotive is working hard on a series of projects to allow for improvements in the return on investment and further growth. The restructuring of the US busi-

ness, which has already brought about a significant improvement, will be continued. Additionally, the standardization of all IT systems that began in 2006 will continue to improve. By the end of 2008, every production sequence will be analyzed and optimized worldwide using 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 to reach beyond those of the previous year.

THE DEMAND IN THE STEEL/TUBE DIVISION WILL REMAIN HIGH

Benteler Steel/Tube expects in the coming years a rise in the worldwide demand for energy and continuing stable energy prices. The investments for crude oil and natural gas exploration will remain high. After the tube trade has reduced its considerable inventories, the demand for tube manufacturers will liven up again in the second half of 2008. 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.



The Industry Product Group of Benteler Steel/Tube expects an increase in sales volume supported by the on-going, strong demand of the mechanical engineering and hydraulic industries. Our company's orientation towards high value-added innovative products will also contribute to sales. However, competition is intensifying as manufacturers from low-wage countries increasingly manage to push their products into the Western European markets.

Weight and cost issues continue to push the automotive industry towards substituting solid materials with tubes. Also, whenever practicable, the growing preference is for seamless with welded drawn tubes. The market for commercial vehicles should grow much more quickly than for passenger cars. The Automotive Product Group will expand its business with air bag and high-strength diesel injection tubes, camshafts, and drive and gearbox shafts. The acquisition of Rothrist can provide Benteler Steel/Tube with the welded redrawn tubes that are in high demand in this market.

The division assumes that Benteler will also be able to pass along price increases for raw materials to the customer via a raw material price increase surcharge. The expanded product and performance range will boost sales and results.

THE DISTRIBUTION DIVISION IS ON A PATH TO GROWTH

The Distribution Division continues to work hard to put its growth plans into action. In those markets in which Benteler Distribution is strong and well-established, it is offering additional products and services to expand its business. Benteler also plans to found new subsidiaries and expand its presence in the rising Eastern European markets and overseas.

With the goal of working actively in all countries, the division is continuing to standardize processes and the IT infrastructure. Another increase in turnover and sales volume is planned for 2008. Despite the inherent costs of developing new markets and the further development of the organization, Benteler Distribution expects to achieve roughly the same results as in the previous year.

SUPPLEMENTARY REPORT DISCLAIMER

After completing of the Annual Financial Statements, there were no major changes in the business situation for the current year. After completing of the fiscal year, there were no particularly important transactions that need to be reported.

This Management Report contains future-related statements about expected developments. These statements are based on current assessments and are naturally encumbered with risks and uncertainties. The events that actually occur can deviate from the statements formulated here.

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