

Excerpt from the Annual Report 2008

Benteler Group sales maintain prior year's levels

- **The Benteler Group employed 24,281 people at 150 locations in 35 countries**
- **Benteler Group sales 2008 maintain prior year's levels**
- **28 % of external sales was contributed in Germany**
- **Forecast: Preparing for a difficult 2009**

In spite of the difficult environment, the Benteler Group generated sales of 6,327 million euros in 2008 – about the same as the year before. Sales were up about 4% against the previous year for the first nine months, but were down 11% against the prior-year period in the fourth quarter. Consequently the year under review did not continue the vigorous growth of the past few years. But sales growth since 2004 has still averaged 9.2%.

Sales

Sales performance at the various divisions varied widely in 2008. Sales at **Benteler Automotive** decreased by 4%, to 4,580 million euros. At 16 engineering offices and 52 plants in 22 countries the division develops and produces ready-to-install modules, components and parts for bodies, chassis and engines, for example subframes, A-, B- and C-pillars or parts for engine management and fuel supply. Benteler Automotive remained the largest division, with nearly 70% of Group sales.

Sales at **Benteler Steel/Tube** increased by 28% against the prior year, to 1,076 million euros. The 2008 revenues include the Rothrist Group for the first time; it was acquired as of December 2007. Benteler Steel/Tube develops and produces tubes for applications in the energy industry, for example tubes for petroleum and natural gas exploration, and for boiler and heat exchanger construction; tubes for the hydraulic and mechanical engineering industries, and for the construction and home appliance industry as well as tubes for applications in automotive construction.

Benteler Distribution delivers steel and stainless steel tubes to customers through an international logistics network, and offers a variety of different tube processing

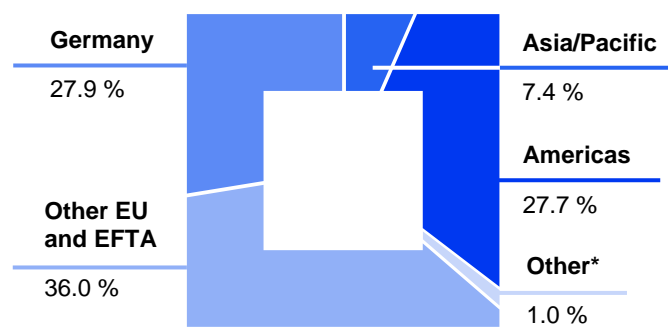
techniques, as well as expert technical consulting. In 2008 Benteler Distribution generated sales of 920 million euros, down 3% from the year before. The decrease was a consequence of lower volumes, which Benteler Distribution was unable to fully make up for, even though revenues were increased by higher costs of raw materials and the larger percentage of processed tubes.

External Sales by Division				
	2008	2007	Change	
	[€ million]	[€ million]	[€ million]	%
Automotive	4,580	4,772	-192	-4
Steel/Tube	1,076	840	236	28
Distribution	920	947	-27	-3
	6,576	6,559	17	0.3
Less Internal Sales	249	240	9	4
External Sales	6,327	6,319	8	0.1

Market Area

The various markets' shares of external sales changed little in 2008 against the prior year. The steady advance of internationalization means that Germany accounted for only 28%. The rest of Europe contributed 36%, the Americas 28%, and Asia 7%.

External Sales by Market Area



*including Eastern Europe, without EU

Consolidated income

Consolidated pre-tax profits decreased by 30% against the prior year, to 175.1 million euros. The return on sales decreased from 3.9% to 2.8%. After income taxes, the Benteler Group showed a net profit of 121.9 million euros for the year 2008, 27.9 million euros less than the previous year. The group net income was 113.6 million euros, compared to 140.2 million euros in 2007.

Investments

The Benteler Group invested 208 million euros during the year. Thus capital expenditures for 2008 were well above the depreciation of 165 million euros. 57% of the fixed tangible assets and intangible assets went for plants in Germany and 43% for plants in other countries. All three divisions invested significantly in sites in Germany.

Investments	2008	2007	Change	
	[€ million]	[€ million]	[€ million]	%
Automotive	133	132	+1	+1
Steel/Tube	57	174	-117	-67
Distribution	16	8	+8	+100
Holding	2	4	-2	-50
Total Investments	208	318	-110	-35

Research and Development

The Benteler Group feels an obligation to offer its customers competitive advantages by way of high-performance products and processes, comprehensive service and new materials. For that reason, innovation is a key feature of every department. The Benteler Group increased its development expenditures in 2008 to 123.3 million euros, 12.8% higher than in 2007.

Personnel

The Benteler workforce worldwide averaged 24,281 employees for 2008, 1,343 more than in the previous year. During the year there were 524 trainees in Germany and in other countries (2007: 507). On average, 13,925 employees were working in countries other than Germany, and 10,356 in Germany during the year. The workforce grew both in Germany (+381) and in other countries (+962). The percentage of employees in Germany remained constant at 43%.

At **Benteler Automotive**, the average workforce increased by 619, to 18,361 employees. Most of the increase was at locations outside Germany (+504). In response to new orders, the division hired 208 new employees in the Czech Republic, 188 in South America and 166 in China. The number of employees in Germany increased by 115, especially due to an expansion of engineering activities. The number of employees at **Benteler Steel/Tube** rose against the prior year because of the initial consolidation of Rothrist. A total of 4,070 employees worked in this division, an increase of 633, from the year before. 573 of the new employees worked at the Rothrist Group. At **Benteler Distribution**, the number of employees increased because of the expansion of sites outside Germany. The staff grew by an average of 5%, to 1,696. The staff of the Holding increased to 154.

Breakdown of Employees by Division (Annual Average)				
	2008	2007	Change	
				%
Automotive	18,361	17,742	619	3
Steel/Tube	4,070	3,437	633	18
Distribution	1,696	1,616	80	5
Holding	154	143	11	8
Employees	24,281	22,938	1,343	6
Of which are trainees*	524	507	17	3
*including retrainees				

Forecast

Even in the current economic conditions, the Benteler Group's paramount corporate goals are to build enterprise value continuously for the long term through profitable growth, and to maintain financial independence. The Company will continue working to make the most of market opportunities and to prepare for new challenges. The outlook for the world economy has deteriorated significantly for 2009. Compared to the fourth quarter of 2008, demand has been substantially weaker in the first three months of this year. It is very difficult to foresee how quickly the economy will return to a sustained growth track.

Under these conditions, the primary focus is on preparing the Benteler Group even better for these new market conditions. As recently as the end of 2008, a number of steps were initiated to safeguard our profitability and good liquidity position, even in times of substantially reduced demand. The considerable decreases in sales volumes make it necessary to adjust capacity quickly. The business divisions are applying various tools for this purpose; in Germany, for example, they are paring back flextime credits, reducing weekly work hours, and putting staff on shortened schedules.

All units are reviewing their processes and structures to adjust costs to the lower volume of business. The Company is taking advantage of every opportunity to free up liquidity by reducing capital expenditures and working capital. The Benteler Group will hold firm to the same conservative financing principles in the future as in the past. As usual, capital expenditures will be financed from cash flow, the equity ratio is to be at least 30%, and gearing is not to exceed 50%. These measures to safeguard profits and liquidity, and the extremely solid financing, have placed the Benteler Group in a sound position to confront the current difficult economic environment, and we actually view this crisis as an opportunity to position ourselves successfully for the years beyond.