

Excerpt from the Annual Report 2009

BENTELER GROUP SALES DOWN 28%

- The Benteler Group employs 23,146 people at 150 locations in 38 countries
- In 2009 the Benteler Group generated sales of 4,564 million euros
- 72% of external sales was contributed outside Germany
- Forecast: Thanks to its solid financing structure, the Benteler Group will be able to take advantage of further such market opportunities in the future.

The Benteler Group generated sales of 4,564 million euros in 2009 – a 28% decrease from the previous year. Although sales for the first nine months were down 33% against a year earlier, business recovered substantially in the last quarter, when sales were down only 12%. Foreign exchange effects had no significant impact on sales.

Sales

Sales performance (including internal sales) at the different divisions varied in 2009. A relatively smaller decrease in sales meant that Benteler Automotive further expanded its lead as the Group's largest unit, with about 77% of consolidated sales. Benteler Steel/Tube accounted for 12% of Group sales for the year. The Distribution division's contribution to sales continued to contract in 2009. Its share of Group sales decreased to 11%.

EXTERNAL SALES BY DIVISION				
	2009	2008	CHANGE	
	[€ million]	[€ million]	[€ million]	[%]
Automotive	3,605	4,580	-975	-21
Steel/Tube	569	1,076	-507	-47
Distribution	530	920	-390	-42
	4,704	6,576	-1,872	-28
Less Internal Sales	140	249	-109	-44
External Sales	4,564	6,327	-1,763	-28

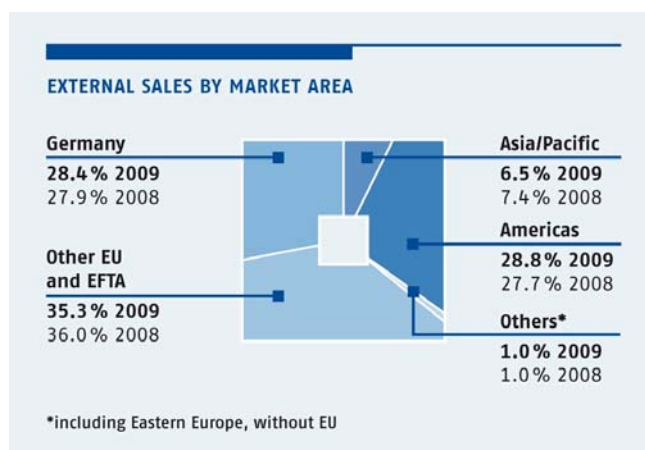
Benteler Automotive produces ready-to-install modules, components and parts for bodies, chassis and engines at 20 engineering and sales offices and 69 plants in 27 countries. The business division generated sales of 3,605 million euros for the year 2009, 21% less than for the previous year. Although the figure was down 32% for the first half, a mild uptrend became evident by year's end. Benteler Automotive remained the largest business division, with 76.6% of Group sales.

Benteler Steel/Tube develops and produces tubes for applications in the in the chemical and petrochemical industries, for exploration, and for boiler and heat exchanger construction, tubes for a wide variety of applications in the car and tubes for industrial applications in the construction, large-scale equipment and consumer goods industries and for the entire spectrum of mechanical engineering. Sales at the Steel/Tube Division in 2009 were down by almost half – 47% – against the previous year, to 569 million euros. All three of its product groups – Energy, Industry and Automotive – were affected.

Benteler Distribution delivers with steel and stainless steel tubing through an international logistics network, and offers a variety of different tube processing techniques, as well as expert technical consulting. The division also serves customers in the mechanical engineering, hydraulic cylinder, automotive, construction, healthcare and consumer goods industries, as well as energy. In 2009 Benteler Distribution generated sales of 530 million euros, down 42% from the year before. The decrease was a consequence of lower volumes due to generally low demand, and from all market participants' reductions of their stocks on and. Prices were on the decline in all market segments, additionally.

Markets

The various markets' shares of external sales changed little in 2009 against the prior year. Once again, more than a quarter of sales came from Germany: 28%. The rest of Europe contributed 35%, the Americas 29%, and Asia 7%.



Consolidated income

The consolidated pre-tax net result decreased to –63.8 million euros. Substantial sales declines in all three business divisions caused a substantial loss of margins. A large portion of these losses was offset with vigorous countering efforts to stabilize earnings. The Benteler Group's after-tax loss for the fiscal year 2009 came to 82.1 million euros, compared to a profit of 121.9 million euros the year before. The Group's net loss was –80.0 million euros, compared to a 113.6-million-euro profit in 2008.

Investments

The Benteler Group invested 144 million euros during the year, and thus 2009 investments were below depreciation and amortization, which came to 170 million euros. Out of the total for 2009, 135 million euros was for tangible fixed assets, 3 million euros was for financial assets, and 6 million euros was for intangible assets, primarily IT software. Of the figure for tangible fixed assets and intangible assets, 37% went for plants in Germany and 63% for plants in other countries. In light of the economic crisis, all three divisions cut back their planned investment spending, but not to the point of scanting measures to safeguard the future.

INVESTMENTS				
	2009	2008	CHANGE	
	[€ million]	[€ million]	[€ million]	[%]
Automotive	104	133	–29	–22
Steel/Tube	22	57	–35	–61
Distribution	15	16	–1	–6
Holding	3	2	1	50
Total Investments	144	208	–64	–31

Financial Position

The equity ratio in 2009, at 30.5%, was marginally lower than the previous year's 31.4%. Net financial debt decreased by 65 million euros, to 241 million euros. The gearing ratio decreased from 38% to 34%. Even under adverse conditions, the Benteler Group achieved two of its three main goals: an equity ratio of at least 30% and a gearing ratio of not more than 50%. The only goal that was not achieved for the year was an ROCE of at least 15%.

Research and Development

The Benteler Group offers its customers competitive advantages by way of high-performance products and processes, comprehensive service and new materials. Innovation is a key concern at every department. Benteler works with customers to analyze their needs and develop the best solutions in terms of both technology and cost. The Benteler Group has about 1,000 employees in research in development, at 25 locations in 12 countries.

Research and development expenditures in 2009 totalled 95.8 million euros, 22.3% less than for the previous year.

Human Resources

The worldwide economic and financial crisis faced human resources departments with great challenges in 2009. In these difficult times, it was necessary to take every necessary step while maintaining a strong commitment to treating employees responsibly. For that reason, every unit of the Benteler Group made extensive use of flexible HR policy instruments such as overtime accounts, reducing vacation entitlements, cutting back work hours during the week, and applying government-subsidized shortened work schedules.

The Benteler workforce worldwide averaged 23,146 employees for 2009, 1,135, or 5%, fewer than in 2008. In spite of the difficult economy, the Company remained faithful to its social responsibility, and provided training places for 20% more young people in 2009 than the year before. In 2009 Benteler trained 534 employees in Germany (vs. 452 in 2008), and 96 in other countries (vs. 72).

BREAKDOWN OF EMPLOYEES BY DIVISION (ANNUAL AVERAGE)				
	2009	2008	CHANGE	
				[%]
Automotive	17,531	18,361	-830	-5
Steel/Tube	3,981	4,070	-89	-2
Distribution	1,485	1,696	-211	-12
Holding	149	154	-5	-3
Employees	23,146	24,281	-1,135	-5
Of which are trainees*	630	524	106	20

* including retrainees

On average, 12,988 employees were working in countries outside Germany and 10,158 in Germany during the year. The workforce contracted both in Germany (–198) and in other countries (–937). The percentage of employees in Germany remained roughly constant against the year before, at 44% (2008: 43 %).

Forecast

Even as market conditions remain difficult, the Benteler Group's paramount corporate goals will still be a long-term, continuous increase in corporate value and the preservation of financial independence. Benteler will continue working to make the most of market opportunities and to prepare for new challenges.

At the end of 2008, the Benteler Group already began taking extensive steps to safeguard the Group's profitability and sound liquidity position even in periods of significantly lower demand. These efforts continued throughout 2009. The considerable decreases in sales volumes made it necessary to adjust capacity quickly. The Company also applied a wide variety of other tools. Every unit revised its processes and structures, and adjusted costs to the lower volume of business. Every function and company was treated in the same, systematic way. These profit stabilization programs will continue in 2010. The Company 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%. Benteler assumes that it will not be possible to return to the sales levels of 2008 until 2012. In 2010 and 2011, it expects that every business division will generate steadily rising sales and show a profit. All divisions will work hard on initiatives to build growth, enhance profits and ensure excellence in their operations. The goal for 2014 is sales of more than 7 billion euros. Moreover, the current crisis in the industry offers good opportunities for acquisitions and external growth.

As a provider of innovative solutions that combine, for example, high performance and low weight, the **Automotive Division** is well equipped for the competition of the future. The acquisition of Norsk Hydro's business in aluminium structural parts (December 31, 2009) will enable Benteler Automotive to support its customers with additional innovative solutions and products for lightweight construction. The division will hold firm to its fundamental strategic course, in spite of the changes that the crisis has caused in its environment, and it still aims to be its customers' company of choice for efficient, environmentally friendly, safety-conscious automotive engineering solutions.

Based on rising volumes in 2010, the Automotive Division expects earnings to rise substantially against 2009, so that setting aside the costs of integrating the new Benteler Aluminium Systems unit, the division plans to return to profitability.

Demand at the **Steel/Tube Division** is expected to rise in 2010 against 2009 in every relevant market.

Because of the expected market recovery among its primary customer groups in mechanical engineering, automotive construction and plant engineering, **Benteler Distribution** also expects sales volumes to rise against the previous year in 2010.

Benteler Group

The Benteler Group is internationally active. Its three legally autonomous divisions – Automotive, Steel/Tube and Distribution – operate under the parent company Benteler AG as the Management Holding. The Group can look back on more than 130 years of success, and is now owned by the fourth generation of its founding family. Profitable growth and progress drawing on a long tradition are essential so that Benteler can safeguard its entrepreneurial autonomy in the future. Benteler employs a total workforce of 23,150 employees at 150 locations in 38 countries.

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