CONTINUITY AMID CHANGE …

IF BENTELER HAS HELD TO ONE CONCEPT FOR SUCCESS OVER THE YEARS, IT IS ACTIVELY TAKING ADVANTAGE OF GROWTH OPPORTUNITIES AS BUSINESS CONTINUES TO INTERNATIONALIZE.

AS EVER, BENTELER VIEWS THE ASSOCIATED CHANGES AS AN OPPORTUNITY TO LASTINGLY SAFEGUARD THE COMPANY'S FUTURE AMID GLOBAL COMPETITION.

CONTENTS

CONSOLIDATED INCOME STATEMENT (IFRSs)
FOR THE FISCAL YEAR FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

	Note	2010 [T €]	2009 [T €]
Revenue	5.	6,103,882	4,558,257
Changes in inventories and other own work capitalized		31,981	−47,943
Total operating revenue		**6,135,863**	**4,510,314**
Other operating income	6.	106,969	112,297
Cost of materials	5.	−4,161,389	−3,129,847
Personnel expense	7.	−1,159,995	−911,472
Depreciation and amortization expense	9.	−197,958	−190,126
Other operating expenses	8.	−565,708	−410,656
Gross operating income before gains from business combinations		**157,782**	**−19,490**
Gains from business combinations	10.	8,536	63,898
Gross operating income after gains from business combinations		**166,318**	**44,408**
Net finance expense	11.	−55,124	−56,131
Income from associates	11.	1,440	1,256
Profit/loss before tax		**112,634**	**−10,467**
Income taxes	12.	−32,756	2,239
Profit/loss for the period		**79,878**	**−8,228**
OF WHICH:			
Attributable to owners of parent		74,684	−6,126
Non-controlling interests		5,194	−2,102

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRSs) FOR THE FISCAL YEAR FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

	Note	2010 [T €]	2009 [T €]
Profit/loss for the period		**79,878**	**–8,228**
Other comprehensive income (after tax)	21.		
Gains on exchange differences on translation for foreign operations		54,203	28,831
Gains (losses) on the measurement of cash flow hedges		4,128	–6,030
Actuarial gains (losses) on defined-benefits plans (net)		–18,404	–18,205
		39,927	**4,596**
Total comprehensive income		**119,805**	**–3,632**
OF WHICH:			
Attributable to owners of parent		110,933	–5,580
Non-controlling interests		8,872	1,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED DECEMBER 31, 2010 (IFRSs)

	Note	12/31/10 [T €]	12/31/09 [T €]	1/1/09 [T €]
Intangible assets other than goodwill	13.	103,106	68,222	67,771
Goodwill	13.	7,219	145	300
Property, plant and equipment	14.	1,131,478	1,059,524	1,035,473
Investments in associates	15.	9,025	14,843	16,657
Deferred tax assets	16.	68,518	44,354	24,037
Non-current income tax receivables		5,779	971	0
Other non-current receivables and assets	17.	28,549	20,103	30,853
Non-current assets		**1,353,674**	**1,208,162**	**1,175,091**
Inventories	18.	541,700	431,202	577,929
Trade receivables	19.1	756,065	634,366	596,274
Receivables from contract production	19.2	13,160	60,233	23,264
Current tax receivables	19.3	46,238	1,836	2,149
Other current receivables and assets	19.4	103,865	109,080	149,124
Cash and cash equivalents	20.	302,037	222,711	236,215
Current assets		**1,763,065**	**1,459,428**	**1,584,955**
Total assets		**3,116,739**	**2,667,590**	**2,760,046**
Issued capital		200	120,000	120,000
Retained earnings		175,275	55,475	55,475
Other reserves		695,227	585,395	623,258
Equity attributable to owners of parent		**870,702**	**760,870**	**798,733**
Non-controlling interests		45,803	32,653	35,364
Total shareholders' equity	21.	**916,505**	**793,523**	**834,097**
Capital represented by profit participation certificates	22.	**99,075**	**98,843**	**98,612**
Non-current financial liabilities	24.	384,235	393,173	495,747
Deferred tax liabilities	16.	29,848	13,007	21,583
Non-current income tax liabilities	25.	8,294	5,296	3,999
Other non-current liabilities	26.1	72,257	47,797	13,678
Pension provisions	23.1	203,674	187,105	151,928
Other non-current provisions	23.2	63,079	73,935	56,982
Non-current liabilities		**761,387**	**720,313**	**743,917**
Current financial liabilities	24.	126,360	115,684	88,876
Trade payables	26.1	771,230	599,035	625,041
Current income tax liabilities	25.	8,599	1,764	4,360
Other current liabilities	26.2	311,300	217,842	237,108
Other current provisions	23.2	122,283	120,586	128,035
Current liabilities		**1,339,772**	**1,054,911**	**1,083,420**
Liabilities		**2,200,234**	**1,874,067**	**1,925,949**
Total shareholders' equity and liabilities		**3,116,739**	**2,667,590**	**2,760,046**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRSs) FOR THE FISCAL YEAR FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

See also Note 30.

	2010 [T €]	2009 [T €]
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross operating income after gains from business combinations	166,318	44,408
Depreciation and amortization of intangible assets and of property, plant and equipment	197,958	190,126
Gains on the disposal of non-current assets	2,556	7,281
Changes in non-current provisions	–6,055	36,335
Other non-cash transactions	–26,066	–95,379
Cash flow from profit	**334,712**	**182,771**
Changes in inventories	–103,080	177,345
Changes in receivables	–89,525	5,343
Changes in liabilities	273,523	–40,776
Changes in other provisions	1,102	–27,747
Changes in working capital	**82,020**	**114,165**
Income taxes paid	–50,243	–24,869
Cash flows from operating activities	**366,489**	**272,067**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for investments in intangible assets and property, plant and equipment	–218,811	**–157,478**
Cash payments for capitalized development costs	–27,728	–14,012
Cash payments for investments in financial assets	–11,296	0
Cash payments/cash receipts for acquisitions of subsidiaries	–2,993	15,698
Cash receipts from the disposal of intangible assets and property, plant and equipment	17,227	9,112
Cash receipts from the disposal of financial assets	0	7,169
Interest received	9,435	2,281
Dividends received	1,440	203
Cash flows from investing activities	**–232,726**	**–137,027**
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in liabilities to banks	–4,377	–102,671
Changes in other financial liabilities	–7,809	27,138
Interest paid	–53,111	–49,936
Dividends paid	–4,034	–33,059
Cash flows from financing activities	**–69,331**	**–158,528**
Cash flow	**64,432**	**–23,488**
Effect of exchange rate changes on cash and cash equivalents	14,894	9,984
Cash and cash equivalents at January 1	222,711	**236,215**
Cash and cash equivalents at December 31	302,037	**222,711**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRSs) FOR THE FISCAL YEAR FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

See also Note 21.	Issued capital	Retained earnings	Other reserves	
			Foreign currency translation reserve	Cash flow hedge reserve
	[T €]	[T €]	[T €]	[T €]
Balance at January 1, 2009	**120,000**	**55,475**	**−90,073**	**1,415**
Profit/loss for the period				
Other income (after tax)			24,781	−6,030
Other changes				
Dividends paid				
Balance at December 31, 2009 = January 1, 2010	**120,000**	**55,475**	**−65,292**	**−4,615**
Profit/loss for the period				
Other income (after tax)			50,525	4,127
Other changes	−119,800	119,800		
Dividends paid				
Balance at December 31, 2010	**200**	**175,275**	**−14,767**	**−488**

Other reserves			Equity attributable to owners of parent	Non-controlling interests	Total shareholders' equity
Reserve for actuarial gains/losses	Other	Total			
[T €]	[T €]	[T €]	[T €]	[T €]	[T €]
0	**711,916**	**623,258**	**798,733**	**35,364**	**834,097**
	−6,126	−6,126	−6,126	−2,102	−8,228
−18,205		546	546	4,050	4,596
	−3,883	−3,883	−3,883		−3,883
	−28,400	−28,400	−28,400	−4,659	−33,059
−18,205	**673,507**	**585,395**	**760,870**	**32,653**	**793,523**
	74,684	74,684	74,684	5,194	79,878
−18,403		36,249	36,249	3,678	39,927
	−1,101	−1,101	−1,101	8,312	7,211
	0	0	0	−4,034	−4,034
−36,608	**747,090**	**695,227**	**870,702**	**45,803**	**916,505**

GENERAL INFORMATION

1. INFORMATION ABOUT THE COMPANY

Benteler International Aktiengesellschaft ("BIAG" or the "Company"; registered in the Austrian Companies Register of Salzburg Regional Court under FN 319670d, and having its registered office and principal place of business at Schillerstrasse 25–27, 5020 Salzburg, Austria) is the ultimate parent holding company of the Benteler Group, an international corporation with a history of more than 130 years. The Group does business in the following sectors:

- Automotive (89 locations, more than 19,000 employees)
- Stahl/Rohr (6 locations, about 3,300 employees)
- Distribution (60 locations, about 1,300 employees).

The Benteler Group operates through companies primarily in the following regions:

- Germany
- Other EU countries and EFTA
- Eastern Europe
- Americas
- Asia/Pacific

and its various business divisions primarily engage in the following activities:

- Developing, producing and selling ready-to-install modules, components and systems made of metals and a wide range of other materials, together with producing and selling the associated tools;
- Developing, producing and selling machines, machine installations, tools, design engineering and similar products;
- Producing steel and developing, producing, machining and selling steel products, especially steel tubes;
- Trading in tubes, tube accessories, profiles, sheet metal and similar products.

The common stock (200,000 shares) of Benteler International Aktiengesellschaft is not listed on the regulated market or in over-the-counter trading, and is closely held by the family, half through Hubertus Benteler Ges.m.b.H., of Salzburg, Austria, and half through Dr. Ing. E.h. Helmut Benteler GmbH, of Paderborn, Germany.

In June 2010, all shares of the subsidiary that was known until September 3, 2010, as Benteler Aktiengesellschaft, of Paderborn, Germany, were transferred through a succession of mutually contingent legal steps (contributions and transformations) to the present reporting Company, Benteler International Aktiengesellschaft. The transfer date for this merger was June 30, 2010. The ownership ratios that had existed until then for Benteler Aktiengesellschaft now remain in effect at Benteler International Aktiengesellschaft, as of July 1, 2010. Both the legal name and the business operations of Benteler Aktiengesellschaft were transferred to Benteler Deutschland GmbH through a change of form under the German Corporate Transformation Act (the "UmwG"), and were registered with the competent court of record on September 3, 2010.

The merger, carried out through the acquisition of all of shares held by Benteler International Aktiengesellschaft in Benteler Aktiengesellschaft, took place under joint control. As no reporting rules apply to such transactions directly, this business combination was reported in accordance with IAS 8, with an analogous application of the rules for reverse acquisitions under IFRS 3. The legal subsidiary, Benteler Aktiengesellschaft, is treated for accounting purposes as the acquirer of its legal parent company, Benteler International Aktiengesellschaft. Accordingly, although the present consolidated financial statements have been prepared under the name of the legal parent company, Benteler International Aktiengesellschaft, in accounting terms they represent a continuation of the consolidated financial statements of the former Benteler Aktiengesellschaft.

The subsidiary that was known as Benteler Aktiengesellschaft until September 3, 2010, had prepared its consolidated financial statements for previous periods in accordance with the accounting principles under the German Commercial Code. Those financial statements were submitted to, and published in, the electronic version of the German federal register, the Bundesanzeiger. This practice was last followed for the fiscal year ended December 31, 2009.

BASIS OF PREPARATION

2.

Benteler International Aktiengesellschaft has hitherto not prepared consolidated financial statements as defined in Sections 244 et seq. of the Austrian Commercial Code (UGB) or the equivalent provisions in any other country.

Under Section 244(1) of the Austrian Commercial Code, the Company is required to prepare consolidated financial statements and a Group management report. Benteler International Aktiengesellschaft is exercising its option under Section 245a(2) of the Austrian Commercial Code to prepare consolidated financial statements in accordance with international accounting standards.

The consolidated financial statements of Benteler International Aktiengesellschaft and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time as of December 31, 2010, taking due account of publications by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed in the European Union under Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, and also in compliance with the additional requirements of Section 245a of the Austrian Commercial Code. Figures for prior years were calculating using the same principles.

All International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) whose application was obligatory as of the reporting date, as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), were applied.

The present consolidated financial statements cover the fiscal year from January 1, 2010, to December 31, 2010, and were prepared by management on March 31, 2011. The transition therefore took place as of January 1, 2009 (date of transition), on the basis of IFRS 1, "First-time adoption of International Financial Reporting Standards."

The financial statements of the domestic and international companies included in the consolidated financial statements were prepared using uniform accounting policies. The separate financial statements of the included entities were prepared as of the same reporting date as the consolidated financial statements.

The consolidated financial statements were prepared on the basis of historical cost, with the exception of derivative financial instruments, which are measured at fair value, and defined-benefit plan assets, which are measured as the net total of plan assets plus unrecognized past service costs and unrealized actuarial losses, less unrealized actuarial gains and the fair value of the defined-benefit obligation.

The consolidated income statement was prepared using the nature of expense method.

The consolidated financial statements were prepared in euros. Unless indicated otherwise, all amounts are in thousands of euros (EUR thousand). System effects may cause amounts to differ from the unrounded amounts.

The Executive Board approved the consolidated financial statements and Group management report for the period ended December 31, 2010, on March 31, 2011, and released them for presentation to the Supervisory Board. The Supervisory Board is expected to approve the consolidated financial statements and Group management report at its regular meeting on May 9, 2011.

For greater clarity, various line items of the consolidated statement of financial position and consolidated income statement have been combined. These items are broken down accordingly and explained in the notes.

The consolidated financial statements and Group management report for the period ended December 31, 2010, will be filed and published in the pertinent Companies Register of Salzburg Regional Court, under FN 319670d. An announcement will also be made in the official bulletin of the Wiener Zeitung.

In preparing the consolidated financial statements, certain assumptions and estimates must be made that affect the amount and recognition of assets and liabilities, income and expenses, and contingent liabilities.

The assumptions and estimates refer primarily to the uniform determination within the Group of the economic useful lives of intangible assets and property, plant and equipment, estimates of percentages of completion for long-term production, the circumstances under which development expenses can be capitalized, the criteria for recognizing finance leases, the realization of receivables, measurement of inventory, the recognition and measurement of pension provisions and other provisions, and the possibility of using tax loss carry-forwards. The assumptions and estimates are based on the knowledge available as of the preparation date of the separate and consolidated financial statements.

Unforeseeable developments outside management's control may cause actual amounts to differ from the original estimates. In that case the underlying assumptions, and if necessary the carrying amounts of the pertinent assets and liabilities, will be adjusted accordingly. Changes are recognized in the period in which they occur, and also in later periods if the changes affect both the reporting period and subsequent ones.

The following entries in these Notes provide further explanations about those balance sheet items for which estimates and/or discretionary decisions have a significant effect on measurements in the consolidated financial statements:

- Determining useful lives (Note 4.7, Intangible assets other than goodwill, and Note 4.8, Property, plant and equipment)
- Impairment of receivables (Note 19, Receivables)
- Measurement of defined-benefit pension commitments (Note 23, Provisions)
- Recognition and measurement of provisions (Note 23, Provisions)
- Recognition and measurement of deferred taxes (Note 16, Deferred tax and current income tax).
- Measurement of inventories (Note 18, Inventories).

NEW ACCOUNTING STANDARDS

3.

All new and revised standards and interpretations released by the IASB and IFRIC whose application was obligatory in the European Union for fiscal years beginning on or after January 1, 2010, were applied in preparing the consolidated financial statements.

Application of the following new standards and changes in existing standards was obligatory for the first time in fiscal 2010:

Standard	Interpretation	Application obligatory as of:	Endorsed by the EU as of December 31, 2010	Effects on Benteler Group
IFRS 1	Additional exemptions for first-time adopters/First-time adoption of IFRSs	1/1/2010	Yes	None
IFRS 2	Recognition of group cash-settled share-based payment transactions	1/1/2010	Yes	None
IFRS 3	Business combinations	1/1/2010	Yes	Of fundamental importance: Reporting of business combinations
IAS 27	Consolidated and separate financial statements	1/1/2010	Yes	Of fundamental importance
IAS 39	Risk positions qualifying for hedge accounting	1/1/2010	Yes	None
IFRIC 17	Distributions of non-cash assets to owners	1/1/2010	Yes	None
IFRIC 18	Transfers of assets from customers	1/1/2010	Yes	None
Miscellaneous	Annual improvements to IFRSs*	1/1/2010	Yes	Minor

*Unless specifically indicated otherwise, changes are to be applied for fiscal years beginning on or after January 1, 2010.

The following standards, interpretations and changes in existing standards have already been incorporated into European Union law (by "endorsement"), but application is not yet obligatory for the present financial statements. The Company has decided not to apply them early.

Standard	Interpretation	Issued by IASB	Application obligatory	Endorsed by the EU as of December 31, 2010	Effects on Benteler Group
IFRS 1	Exemption from comparative IFRS disclosures	1/28/2010	1/1/2011	Yes	None
IFRS 1	Amendment for fixed transition dates and severe hyperinflation	12/20/2010	1/1/2012	No	None
IFRS 7	Financial instruments: Disclosures	10/7/2010	1/1/2012	No	Minor
IFRS 9	Accounting for financial liabilities	10/28/2010	1/1/2013	No	Minor
IAS 12	Recovery of underlying assets	12/20/2010	1/1/2012	No	Minor
Miscel-laneous	Annual improvements to IFRSs*	5/6/2010	1/1/2011	No	Minor

*Unless specifically indicated otherwise, changes are to be applied for fiscal years beginning on or after January 1, 2011.

There are a number of further standards, amendments and interpretations that either are not relevant to the Group, or have no influence whatsoever on the Group's profit or loss, assets or liabilities. These standards and interpretations will be applied once their application is obligatory in the EU (following endorsement).

4. ACCOUNTING POLICIES

The significant accounting policies used in preparing these consolidated financial statements are described below. The following accounting policies were applied uniformly throughout the Group for all presented reporting periods, as well as in the preparation of the opening balance sheet as of January 1, 2009.

Basis of consolidation

The consolidated financial statements include Benteler International Aktiengesellschaft and all significant entities in which Benteler International Aktiengesellschaft has the power to exercise a controlling influence, directly or indirectly (control relationship). As defined in IAS 27, control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is generally presumed when the Group holds more than half of the voting rights. Subsidiaries are consolidated as of the date when the power of control in the above sense is obtained. Subsidiaries are deconsolidated when that power no longer exists.

Business combinations are recognized using the acquisition method under IFRS 3. Before it adopted IFRSs, the Group treated subsidiaries acquired through business combinations in accordance with accepted accounting principles under the German Commercial Code. In the first-time adoption of IFRSs, the carrying amounts of each subsidiary's assets and liabilities have been adjusted to the form that IFRSs would prescribe for that subsidiary's separate balance sheet. In the initial consolidation, identifiable assets and liabilities are measured at fair value, applying the reporting options under IFRSs. Deferred taxes were recognized for the unreported reserves and charges thus discovered, unless that discovery had already been recognized for tax purposes. The positive debit difference between acquisition cost and net assets are recognized as goodwill.

All intra-Group netted amounts (receivables, liabilities, provisions), transactions, income and expenses, as well as intercompany profits between consolidated companies, are eliminated in the preparation of the consolidated financial statements. Both unrealized losses and unrealized gains are eliminated, unless there are indications that an asset is impaired.

Deferred taxes are recognized for temporary differences resulting from consolidation processes recognized in profit or loss.

Associated entities and joint ventures – in other words, ownership interests in entities in which the Company can exercise a significant influence over financial and operating policy decisions, but cannot control them – are recognized and measured using the equity method.

Investments in associates or joint ventures whose impact on the Group's assets and liabilities, financial position and profit or loss is of minor significance, and other investments in which the Benteler Group does not exercise a significant influence, are recognized in accordance with IAS 39.

Goodwill resulting from a corporate acquisition represents the amount by which the acquisition cost exceeds the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or joint venture at the acquisition date. Goodwill is recognized as an asset, and is tested annually for impairment ("impairment test") unless indications of an impairment are found or events that indicate a possible impairment occur at some other date. Goodwill that results from the acquisition of a subsidiary is recognized separately in the statement of financial position. Goodwill resulting from the acquisition of an associate or joint venture is included in the amortized carrying amount of the investment in the associate or joint venture. In the event of the sale of a subsidiary, associate or joint venture, the attributable portion of goodwill is taken into account in measuring the net gain or loss on disposal.

4.2 Companies included in the consolidated financial statements

Overview

The directly or indirectly controlled companies consolidated in the consolidated financial statements comprise three domestic companies (prior year: two) and 121 foreign companies (prior year: 119), including 31 German companies (prior year: 29). For the year under review, one company was accounted for using the equity method (prior year: two), and one company (prior year: seven) was consolidated for the first time.

In addition, special purpose entities (SPEs) are consolidated in accordance with IAS 27 and SIC 12, if these entities are controlled by Benteler Group companies, allowing for the economic content of the relationship to Benteler International Aktiengesellschaft.

Property and buildings are financed through the following SPEs:

- EUPAL Beteiligungs GmbH & Co. Vermietungs-KG, Munich, Germany
- HORAX Beteiligungs GmbH & Co. Vermietungs-KG, Pöcking, Germany
- NAPOL GmbH & Co. Objekt Schloss Neuhaus KG, Munich, Germany
- RABET GmbH & Co. KG, Munich, Germany.

These special purpose entities are fully consolidated, allowing for the above accounting principles.

Fifteen companies (prior year: 29) were not included in the consolidated financial statements, because of their minor importance for the Benteler Group's assets and liabilities, financial position, and profit or loss.

The following entities are categorized as related parties of the Benteler Group:

- Dr. Ing. E.h. Helmut Benteler GmbH, Paderborn, Germany
- Hubertus Benteler Ges.m.b.H, Salzburg, Austria.

For further information about transactions with related entities, please see Note 35, Related party transactions.

A complete list of the Group's shareholdings is included as an appendix to these notes (list of shareholdings).

FINANCIAL STATEMENTS

Changes in companies included for fiscal 2009

In contrast to the consolidated financial statements of Benteler Aktiengesellschaft under the German Commercial Code, the following companies have been included in the consolidated financial statements for the year ended December 31, 2009, onwards:

- Benteler Aluminium Systems Sweden SA, Skultuna, Sweden (formerly Hydro Aluminium Skultuna AB)
- Benteler Aluminium Systems Wackersdorf GmbH, Wackersdorf, Germany (formerly Hydro Aluminium Structures Wackersdorf GmbH)
- Benteler Aluminium Systems France SNC, Louvièrs, France (formerly Hydro Aluminium Alunord SNC)
- Benteler Aluminium Systems CZ s.r.o., Finohrady, Czech Republic (formerly Hydro Automotive Structures CZ s.r.o.)
- Benteler Aluminium Systems Korea Ltd., Seoul, South Korea (formerly Hydro Aluminium Automotive Structures Korea Ltd)
- Benteler Aluminium Systems Michigan Inc., Holland, Michigan, USA (formerly Hydro Automotive Structures North America Inc., Holland, Michigan, USA)
- Benteler Aluminium Systems Denmark DK A/S, Tonder, Denmark – Asset Deal
- Benteler Aluminium Systems Norway AS, Raufoss, Norway – Asset Deal.

By an agreement dated October 26, 2009, the above companies, together with additional assets and the associated liabilities, were acquired as the "Automotive Structures" division (hereinafter the "BAS Group") from Norsk Hydro ASA, of Oslo, Norway, by way of share deals and asset deals, with economic effect as of December 31, 2009. The BAS Group produces aluminum components for the automotive industry. With more than 1,100 employees at nine locations, it generated revenue of about 258 million euros in 2009. Because the acquisition date of the shares and assets, together with the associated liabilities, was shortly before the end of the reporting period, the inclusion option under Section 296(2) of the German Commercial Code was exercised for the newly acquired or newly founded subsidiaries in the consolidated financial statements of Benteler Aktiengesellschaft under the German Commercial Code for the year ended December 31, 2009.

Changes in companies included for fiscal 2010

During fiscal 2010, the Company directly or indirectly held a majority of voting rights in the following companies for the first time:

- Swissauto Engineering SA, Etagnières, Switzerland
- Benteler RV GmbH, Paderborn, Germany (formerly: Drachenfelssee 802. V V GmbH; wholly-owned subsidiary of Benteler International Aktiengesellschaft)
- Carl Benteler GmbH, Bielefeld, Germany
- Benteler Steel/Tube GmbH, Paderborn, Germany (formerly Johanna 127 Vermögensverwaltungs GmbH; wholly-owned subsidiary of Benteler Deutschland GmbH)
- Benteler Rothrist GmbH, Paderborn, Germany (formerly Johanna 123 Vermögensverwaltungs GmbH; wholly-owned subsidiary of Benteler Deutschland GmbH)
- Benteler Tube Management GmbH, Paderborn, Germany (formerly Johanna 128 Vermögensverwaltungs GmbH; wholly-owned subsidiary of Benteler Deutschland GmbH)
- A/S Thos. Sonne Junr., Denmark.

The aforementioned Carl Benteler GmbH holds 15 % of the voting rights in

- Rohstoff-Handelsgesellschaft Günther Voth GmbH, Paderborn, Germany,

in which a 47.5 % ownership interest was already held previously by Benteler Stahl/Rohr GmbH, Paderborn, Germany. Thus the Group indirectly holds 62.5 % of the voting rights, and now controls the company. For that reason, the company was fully consolidated for the first time for the year under report here, through a step acquisition.

In October 2010, Benteler International Aktiengesellschaft acquired 51 % of Swissauto Engineering SA. Because of the contractual obligation to acquire the remaining 49 % of the company at an additional price of €2,500 thousand, no non-controlling interests are recognized.

Benteler International Aktiengesellschaft included the assets and liabilities of Carl Benteler GmbH and Rohstoff-Handelsgesellschaft Günther Voth GmbH as part of the Group for the first time in August 2010, in the course of a step acquisition.

Furthermore, in January 2010, Benteler International Aktiengesellschaft acquired 100 % of A/S Thos. Sonne Junr. Most of the remaining additions to the companies included in the consolidated financial statements are new foundations.

Including the conditional portion of a purchase price that is contingent on business performance, the total purchase price for acquisitions made in 2010 was €41,007 thousand. The estimated fair values of the essentially acquired assets and liabilities are as follows:

	Total [T €]
Assets	87,853
Liabilities, including provisions and deferred tax liabilities	–41,810
Revalued net assets	46,043
Less non-controlling interests	–5,977
Share of net assets acquired	40,066
Consideration transferred	41,007
Measurement effect of step acquisition	5,424
Goodwill	6,365

The companies included in the consolidated financial statements for the first time in 2010 made only a minor contribution to the Benteler Group's revenue and consolidated profit for the period.

The following companies ceased to exist because of corporate transformations (merger by absorption):

- Rothrist Rohr (Deutschland) GmbH, Bottrop, Germany,
- Benteler Stahl/Rohr GmbH, Paderborn, Germany,
- Fasitet Trollhättan AB, Trollhättan, Sweden,
- Incon Automotive GmbH, Munich, Germany,
- Rothrist Rohr (Schweiz) AG, Rothrist, Switzerland,
- Röhrenlager Mannheim GmbH, Mannheim, Germany.

No company shares were sold during the year.

Combinations of entities under common control

IFRSs do not apply directly to combinations of entities under common control (IFRS 3.2(c)). Following the guidance of IAS 8.10 and 11, in the absence of a specifically applicable IFRS, the gap is filled by an analogous application of the recognition and measurement rules of IFRS 3. IFRS 3.6, in conjunction with Appendix B to IFRS 3, covers reporting of a reverse acquisition. Under those rules, while Benteler International Aktiengesellschaft is legally the parent company of Benteler Aktiengesellschaft following the transactions described above, for accounting purposes it is assumed that the legal subsidiary (the legal acquiree) acquired its legal parent company (the legal acquirer), in what is known as a "reverse acquisition." Accordingly, in these consolidated financial statements for the period ended December 31, 2010, the assets and liabilities of Benteler Aktiengesellschaft are recognized and measured at the carrying amounts, under IFRSs, that were applicable before the merger.

The acquisition cost of the business combination was determined on the basis of the fair value of the equity instruments of the legal parent company – i.e., Benteler International Aktiengesellschaft – issued before the business combination. That value came to €70 thousand as of the date of the business combination, but was entirely consumed by the loss carry-forward of €367 thousand, so that the acquisition cost was recognized at a value of zero.

The equity structure shown in the present financial statements reflects that of the legal parent company. The carrying amounts of the assets and liabilities of Benteler International Aktiengesellschaft determined immediately before the combination were the same as the amounts recognized at the acquisition date. In addition to the capital of €70 thousand subscribed in order to form the Company, together with reserves of €21 thousand and a loss carry-forward of €367 thousand, the following assets and liabilities were present (before consolidation):

	6/30/2010 [T €]
Assets	
Non-current assets	176
Cash and cash equivalents	1,695
Other	23
Total	**1,894**
Liabilities	
Benteler Aktiengesellschaft loans	2,150
Other	20
Total	**2,170**

The total fair values of the recognized identifiable assets, liabilities and contingent liabilities did not exceed the acquisition cost. The business combination yielded no debit difference.

As comparison figures for the consolidated income statement, the annual debits and credits for fiscal 2009 and the balance sheet as of December 31, 2009, of the transferor company are provided. Moreover, although the legal acquirer began business operations only in the course of 2010, fiscal 2010 is presented as a full year, because in accounting terms, the acquisition under common control means that the consolidated financial statements of Benteler Aktiengesellschaft under IFRSs continue.

4.4 Foreign currency translation

Translation to the reporting currency

The annual financial statements of foreign Group companies whose functional currency is not the euro are translated to the Group's reporting currency, the euro, applying the concept of a functional currency. In general, the functional currency of foreign Group countries is their local national currency. One exception is Benteler Distribution Hungary Kft., which reports in the euro as its functional currency.

Assets and liabilities of the foreign Group company are translated at the exchange rate prevailing at the end of the reporting period. Equity is recognized at historical rates. Expenses and income are translated to euros at the weighted average exchange rate for the period concerned. Foreign currency translation differences are recognized in equity, as net gains or losses outside profit or loss. A foreign currency translation difference recognized in equity is not recognized in profit or loss until the associated corporate unit is deconsolidated.

Translation to the functional currency

In the separate financial statements of a consolidated company that are prepared in local currency, receivables and cash in foreign currencies and liabilities owed in foreign currencies are translated at the rate as of the end of the reporting period. The resulting foreign currency translation gains and losses are recognized in the income statement as a part of the other net finance income or expense.

The following exchange rates were used in translating the currencies that are of primary significance for the Benteler Group:

		Average exchange rate		Exchange rate at end of period		
		2010	2009	**12/31/2010**	12/31/2009	1/1/2009
CHF	1:1	0.73175	0.66336	0.79840	0.67404	0.67340
CNY	100:1	11.21713	10.51547	11.33723	10.16777	10.53119
CZK	100:1	3.95816	3.77857	3.98391	3.77743	3.72093
GBP	1:1	1.16876	1.12429	1.15942	1.12600	1.04987
MXN	100:1	5.99640	5.29630	6.02678	5.28477	5.19932
NOK	100:1	12.49473	11.51616	12.80410	12.04820	10.25640
SEK	100:1	10.54738	9.45489	11.14180	9.75420	9.19960
USD	1:1	0.75825	0.71826	0.74738	0.69416	0.71855

The effects on equity of a 10 % fluctuation in the above currencies relative to the functional currency, based on the aforementioned assets and liabilities, are discussed in Note 27, Financial Risk Management, and in Note 29, Sensitivity analyses.

Recognition of income and expenses

4.5

The proceeds from the sale of products, goods and services are recognized when the owed goods or services have been provided, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and it is probable that the amount will be paid. Moreover, the Benteler Group can retain no residual right of disposal such as is commonly associated with ownership, nor an effective right of disposal over the sold assets. Revenue is recognized less such reductions as discounts, customer bonuses and rebates.

Revenue from contracts that cover multiple elements (such as sales of goods in combination with services) are recognized when the pertinent element of the contract has been delivered or performed. Revenue is recognized on the basis of objectively demonstrable, relative fair values for the individual contractual elements.

Operating expenses are recognized in profit or loss when the service is utilized or risk for the goods is transferred.

For long-term contracts, revenue is recognized using the percentage of completion method as contractually agreed milestones are reached, or in accordance with the progress of the work. The percentage of completion is determined from the ratio of the contract costs incurred up to the end of the reporting period relative to the total estimated contract costs as of the end of the reporting period. If a period of more than one year is needed to complete a production order, the contract costs also include directly attributable borrowing costs. Production contracts are measured according to the contract costs incurred up to the end of the reporting period, plus the proportion of profit resulting from the achieved percentage of completion. These revenues, less advance payments received, are recognized in the statement of financial position as part of receivables from contract production. Changes in orders, additions, or performance bonuses are taken into account if they will probably result in revenue in an amount that can be estimated reliably.

If the net result from a production order cannot be estimated reliably, the probable achievable revenue is recognized up to the amount of the incurred costs. Contract costs are recognized as expenses for the period in which they are incurred.

If it is foreseeable that the total contract costs will exceed the contract revenue, the expected loss is recognized immediately as an expense.

Interest is recognized as an expense or income on an accrual basis, using the effective interest method. Dividend income from capital investments is recognized when the legal entitlement to payment arises.

4.6 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants for capital expenditures are recognized as a reduction in the cost of the associated assets, and result in a corresponding reduction of depreciation or amortization in subsequent periods. Grants not related to capital expenditures are recognized in profit or loss, and are offset in the periods in which the expenses that are to be compensated by the grants are incurred.

4.7 Intangible assets other than goodwill

Intangible assets acquired separately are recognized at cost. Since the beginning of fiscal 2010, borrowing costs directly attributable to the acquisition or production of an asset have been capitalized as part of the cost, if a period of more than one year is needed for the acquisition or production of the asset in order to bring the asset into condition for its intended use or sale. Intangible assets are amortized over their useful life.

Internally generated intangible assets are recognized in the amount of their capitalizable development costs less cumulative amortization and impairment.

A prerequisite for capitalization is that the development cost must be reliably determinable, the product or process must be technically and commercially feasible, and future economic benefits must be probable. Additionally, the Benteler Group must intend, and must have sufficient resources available, to complete development and to use or sell the asset. The capitalized costs include direct personnel expenses and directly attributable overheads and cost of materials, if these serve to prepare for the use of the asset.

Research and development expenses are recognized in profit or loss when incurred, unless they are to be capitalized under IAS 38.

The carrying amount of capitalized, internally generated intangible assets as of the end of the reporting period was €49,613 thousand (prior year: €48,863 thousand).

Subsequent expenses are capitalized only if it is probable that the Benteler Group will receive the economic benefits of the relevant intangible asset associated with these expenses, and the costs can be determined reliably. All other expenses are recognized in profit or loss.

Amortization of intangible assets is based on the following useful lives (figures refer to the useful lives used in both periods), and is applied straight-line:

	Useful life in years
Concessions, intellectual property rights	3–15
Capitalized development costs	3–7
Software	5
Other intangible assets	3–5

Except for goodwill, intangible assets are regularly derecognized from assets at their gross value when they are fully amortized.

4.8

Property, plant and equipment

Property, plant and equipment is measured at cost, less cumulative depreciation – where the item is subject to wear and tear – and cumulative impairment charges.

The acquisition cost of an item of property, plant and equipment includes the purchase price and all directly attributable costs necessary to bring the asset to working condition for its intended use. Rebates, bonuses and discounts are deducted from the purchase price. The cost of internally generated equipment includes all costs that are directly attributable to the production process, together with a reasonable share of production-related overheads and depreciation. Repair and maintenance costs are not included in production costs. Borrowing costs directly attributable to financing the production of a qualified asset and incurred during the production period are capitalized. All other borrowing costs are recognized as an expense for the period in which they arise.

If an asset is made up of multiple components with different useful lives, each part of the asset having a significant acquisition value is depreciated separately in proportion to the total value of the item (component approach).

Depreciation of property, plant and equipment is recognized straight-line over the economic useful life. Land is not depreciated.

Subsequent expenses are capitalized only if it is probable that the Benteler Group will receive the economic benefits of the particular asset associated with these expenses, and the costs can be determined reliably. All other expenses that generate no additional economic benefit, such as maintenance expenses, are recognized immediately in profit or loss.

Property, plant and equipment is depreciated over the following useful lives:

	Useful life in years
Business and production buildings	10–50
Technical equipment and machinery	4–21
Office and other equipment	3–13
Presses, conveyor systems, painting systems	14
Draw benches and shapers	13
Industrial robots	4–7

Useful life is reviewed at least at the end of each fiscal year, and is revised where applicable if the estimate is amended.

Impairment of intangible assets and of property, plant and equipment

Intangible assets and property, plant and equipment with an identifiable useful life are reviewed at the end of each reporting period, in accordance with IAS 36, to determine whether there are indications of possible impairment – for example, if exceptional events or market developments indicate a possible loss of value.

If such indications are present, the recoverable amount of the asset is determined. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

If the fair value less costs to sell cannot be determined, or if it is lower than the carrying amount, the value in use is calculated. In calculating the value in use by discounting the future expected cash flows at a risk-adequate pre-tax interest rate, the current and future cash flows are taken into account, together with technological, economic and general development trends, on the basis of approved and adjusted financial plans.

If the carrying amount exceeds the recoverable amount of the asset, an impairment loss is recognized in profit or loss, for the amount by which the carrying amount exceeds the recoverable amount. For the impairment test, assets are combined at the lowest level for which separate cash flows can be identified. If the cash flows for an asset cannot be identified separately, the impairment test is performed on the basis of the cash generating unit to which the asset belongs.

Assets are written up to the new recoverable amount if the reasons for impairment in previous years no longer apply. The upper limit for reversals of impairment losses is the amortized cost that would have resulted if no impairment had been recognized in previous years.

Irrespectively of whether there are indications of potential impairment, intangible assets with an indefinite useful life, as well as goodwill, are tested annually for impairment. Indications of potential impairment exist of the carrying amount is greater than the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If the recoverable amount is less than the carrying amount of an asset, an impairment is recognized in profit or loss in accordance with IAS 36.

A need for impairment greater than the value of the goodwill is recognized against the other assets of the cash generating unit. The amount is distributed on the basis of carrying amounts.

An impairment of goodwill cannot be reversed in subsequent periods.

4.10

Investments in associates

At the acquisition date, the difference between the cost of acquisition and the Group's share of equity is recognized as goodwill and included in the carrying amount of financial investments accounted for using the equity method. If the cost of acquisition is less than the fair value of the Group's share of the associate's net assets as of the acquisition date, the negative difference is recognized in profit or loss.

If the recoverable amount is less than the carrying amount of investments in an associate, the carrying amount of the investment is written down to the recoverable amount. The recoverable amount is defined as the higher of the value in use and the fair value less costs to sell. The impairment is recognized in the consolidated income statement as part of the line item for income from associates accounted for at equity.

The Benteler Group recognizes its share of profits and losses on the basis of the separate financial statements of the associate; see Note 15, Investments in associates.

4.11

Borrowing costs

If intangible assets or items of property, plant or equipment take more than one year to produce, the borrowing costs directly attributable to the assets until their completion are capitalized as part of the production cost. Borrowing costs are capitalized at the time when the assets are ready for their intended use. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.12

Inventories

Inventories are normally stated at the lower of cost or net realizable value. The net realizable value represents the estimated selling price of the end product on normal market terms, less all estimated costs of completion and the estimated costs necessary to make the sale. Recognizable inventory risks, which particularly arise because of above-average period of storage and reduced salability, are accounted for with appropriate write-downs.

The cost of inventories is determined using the average method, and includes the cost of acquisition and the costs incurred to bring the inventories to their current location and current status. Production costs include cost of materials, individual production costs, other individual costs, and attributable production-related overheads. Overheads are distributed on the basis of a normal utilization of capacity.

Deferred tax

4.13

Deferred tax assets and liabilities are recognized, using the asset and liability method, on all temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and those in the balance sheet that provides the tax base, and also on consolidation measures that affect profit or loss at the Group level. In addition, deferred tax assets for tax loss carry-forwards must be recognized if it is probable that taxable profits will be available against which the assets can be utilized, and it appears sufficiently certain that the loss carry-forwards can in fact be used. Deferred tax assets are tested for impairment at the end of each reporting period.

The calculation is based on the tax rules that have been valid or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates and tax rules that have been enacted by the end of the period, or whose application is highly probable in the future. Deferred tax receivables and liabilities are offset if they pertain to the same taxpayer entity and it is possible to realize the asset or settle the liability at the same time. Deferred tax is not discounted.

The impact of changes in tax rates on deferred tax is recognized in profit or loss for the period when the legislative procedure leading to the change in tax rates has largely been completed, or outside profit or loss if the changes refer to items recognized in equity.

Financial instruments

4.14

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Benteler Group's financial assets are primarily cash and cash equivalents, money market certificates, and trade receivables. Its financial liabilities are primarily liabilities to banks, trade payables, other loan obligations, and derivative financial instruments with a negative fair value.

Financial assets are recognized in the statement of financial position when a Benteler Group company becomes a party to a financial instrument. The subsequent valuation depends on the instrument's classification.

IAS 39 classifies financial assets into the following categories:

- Financial assets at fair value through profit or loss,
- Financial investments held to maturity,
- Loans and receivables, and
- Financial assets available for sale.

Financial instruments in the "loans and receivables" category are recognized at the time when goods are delivered or services are performed, or in other words when the payment entitlement arises. Derivatives are recognized on a trade date basis; all other financial assets are recognized on a settlement date basis. The trade date is the date on which a Benteler Group company enters into the obligation to buy or sell an asset. The settlement date is the date on which an asset is delivered to or by the Company.

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets such as stocks or interest-bearing securities are categorized as held for trading if they are acquired for the purpose of selling in the short term. Derivatives are likewise classified as held for trading, unless they are included in hedge accounting as a hedging instrument, and are effective for that purpose. Gains or losses on financial assets held for trading are recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as trade receivables. After their initial recognition, loans and receivables are measured at amortized cost, using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired. The interest effects of the application of the effective interest method are likewise recognized in profit or loss.

Available-for-sale financial assets, such as securities, are recognized at fair value. Initial recognition takes place as of the settlement date. Changes in fair value are recognized outside profit or loss, in equity, after adjustment for deferred tax. If there are objective indications of impairment, the impairment loss is recognized in profit or loss. Cumulative gains or losses from measurement at fair value that had been recognized in equity are recognized in profit or loss at the time of disposal of the asset.

Investments in associates are likewise included as available-for-sale financial assets. They are normally measured at cost or at fair value if a fair value can be determined reliably. This approach is not applied for fully consolidated equity investments or investments accounted for using the equity method.

Financial assets are derecognized as of the selling date (trade date), or when the entitlement to payment expires. Receivables are also derecognized if they become uncollectable. The gains or losses at the time of derecognition are recognized in profit or loss.

Financial liabilities must be recognized when a Benteler Group company becomes a contract party to the terms of a financial instrument. Liabilities incurred through an obligation to purchase goods or services are to be recognized on the settlement date of the underlying goods or services. In the case of financial liabilities, the liability must be recognized as of the settlement date (in other words, the valuation date). Derivatives are recognized as of the trade date. Financial liabilities are derecognized when they are settled – i.e., when the obligations stated in the contract have been discharged or cancelled, or they expire. Initial recognition is at cost plus applicable transaction costs. The subsequent valuation depends on the instrument's classification.

IAS 39 classifies financial liabilities into the following categories:

- Financial liabilities at fair value through profit or loss,
- Other financial liabilities.

Financial liabilities measured at amortized cost: After their initial recognition, financial liabilities are measured at amortized cost, using the effective interest method. For current liabilities, this means that they are measured at their repayment or settlement amount. Non-current financial liabilities are recognized using the effective interest method, unless they represent the underlying transaction of a hedging relationship.

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss also include financial liabilities held for trading. Derivatives are classified as held for trading, unless they are included in hedge accounting as a hedging instrument, and are effective for that purpose. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Derivative financial instruments, such as currency forwards, currency options, interest rate swaps, interest-currency swaps and commodity forwards, are used by the Group to reduce the risk of changes in foreign exchange rates, interest rates, and commodity prices. Such risks can develop during ongoing business operations and as part of investment and financing transactions. Derivative financial instruments are normally used to hedge existing or planned underlying transactions. Gains or losses from changes in fair value are recognized immediately in profit or loss.

When derivative financial instruments are used to hedge risks from future cash flows or changes in the value of balance sheet items, IAS 39 permits the special rules for hedge accounting to apply under certain circumstances. This can reduce volatility in the consolidated income statement. Hedges are categorized into cash flow hedges, fair value hedges and hedges of a net investment in a foreign operation, depending on the item hedged.

The Benteler Group currently has no hedges of a net investment in a foreign operation.

A **fair value hedge** hedges the exposure to changes in the fair value of recognized assets and liabilities, or unrecognized firm contractual commitments. The hedging instrument is recognized at fair value and any changes in that fair value are recognized immediately in profit or loss. Changes in the fair value of the hedged assets, liabilities or firm contractual commitments that result from the hedged risk are also recognized in profit or loss. In a perfect hedge, the fluctuations in the fair value of the hedged item and the hedging transaction, recognized in profit or loss, nearly balance. If the asset or liability is recognized at amortized cost under general accounting principles, the carrying amount must be adjusted for the cumulative changes that result from the hedged risk. However, if the hedged item (e.g., available-for-sale securities) is recognized at fair value, with no impact on the income statement under generally accepted accounting principles, the changes in fair value resulting from the hedged risk are recognized in profit or loss, contrary to the general principles.

A **cash flow hedge** hedges future fluctuations in cash flows from assets or liabilities recognized in the balance sheet, or from highly probable forecast transactions, or the foreign currency risk of a firm commitment. The effective portion of the fluctuations in fair value is recognized immediately in equity, outside profit or loss. Reclassification from equity to the consolidated income statement takes place in the period in which the hedged item affects profit or loss. If the hedge later results in the recognition of a non-financial asset (e.g., inventories), at the moment when that asset is recognized, the fluctuations in fair value recognized in equity affect the measurement of the non-financial asset. The ineffective portion of the derivative remaining from the determination of the effectiveness of the hedge between the hedged item and the hedging transaction, together with adjustments for interest rate effects, is recognized immediately in the consolidated income statement. For foreign currency risks, the change in value due to changes in the spot rate is included as a hedged risk for purposes of evaluating effectiveness, and the interest component is left out.

When the hedging instrument expires, or is sold, cancelled or exercised, or if there is no longer a hedging relationship but the intended underlying transaction is still expected to occur, all unrealized gains and losses accrued from the hedge up to that time are retained in equity. They are recognized in profit or loss at the same time when the hedged item is recognized, as described above. If the originally hedged transaction is no longer expected to occur, the cumulative unrealized gains or losses recognized in equity so far are immediately considered to profit or loss.

The Benteler Group primarily uses cash flow hedges to hedge exposure to risks from changes in foreign currencies, interest rates and commodity prices. The Company also applies hedges under the principles of risk management to hedge certain risks economically, even though these hedges do not meet the strict requirements for hedge accounting under IAS 39.

As part of the central financing function that the holding company performs for the Benteler Group, the related companies (subsidiaries) enter into forward contracts and currency swaps primarily with Benteler Deutschland GmbH. First of all, Benteler Deutschland of course offsets closed positions within the Benteler Group and covers the excess foreign exchange risks by way of offsetting transactions with banks with the same timing and amounts. To hedge exchange rate risks, there are currency derivatives in particular for the US dollar, British pound, Czech koruna, Swiss franc, Hungarian forint, and Japanese yen. Variable-rate financial liabilities (primarily in euros and US dollars) with a maturity of more than one year are hedged against rising interest rates mainly with long-term interest rate derivatives.

The Benteler Group decided to use hedge accounting for the first time in fiscal 2009, but had already used derivative financial instruments for economic hedges in previous years, as described above, to minimize risk.

For further information, see Notes 28 and 29 on financial instruments.

Cash and cash equivalents 4.15

Cash and cash equivalents include cash, sight deposits and other short-term, highly liquid financial assets that are exposed only insignificantly to the risk of fluctuations in value, and have an original maturity of not more than three months.

Employee benefits 4.16

Employee benefits include not only payments due within the short term, but post-employment benefits, other long-term benefits, and benefits payable upon termination of employment. The Benteler Group makes pension commitments in various forms to employees in Germany. In countries other than Germany or Austria, the Benteler Group pays into social-security pension funds as required by law (government plans) for some of its employees. Alternatively, company retirement benefits are ensured by way of a group foundation funded by the employees of member companies. The breakdown of the reallocation of funds is not contingent on cause.

Post-employment benefit plans are classified as either defined-benefit plans or defined-contribution plans, depending on their economic content, which derives from the underlying terms and requirements for the plan's benefits.

Retirement plans not clearly classified as defined-benefit are considered defined-contribution plans. The provision for a given benefit in the balance sheet represents the net balance of the present value of the defined benefit obligation at the end of the reporting period, and the fair value of any plan assets in existence.

For defined-benefit retirement plans, the pension expense is calculated using the actuarial projected unit credit method provided under IAS 19. For this purpose, the pension payments to be made at the time when benefits become payable, taking dynamic parameters into account, are distributed over the employees' service time, also allowing for future adjustments in income and pensions. The pension obligations are calculated as the present value of the benefit obligation to employees, minus the fair value of plan assets and unrecognized actuarial losses, plus any unrecognized past service costs. The value of this obligation is determined by independent experts.

Beginning with the transition to reporting under IFRSs as of January 1, 2009, actuarial gains and losses are recognized in full, outside profit or loss, as part of other comprehensive income, and are shown in the consolidated statement of comprehensive income. Payments for defined-contribution plans, on the other hand, are recognized as expenses as they become payable.

If a fund asset set up to refinance pension obligations and similar liabilities exceeds those liabilities, the surplus is capitalized only to a limited degree. If payment obligations in connection with fund assets exist under minimum endowment rules for benefits already earned, an additional provision may be recognized if the economic benefit to the Company from a funding surplus, after allowing for minimum endowments still to be paid in, is limited. The limitation is determined by any still unrecognized service costs from retroactive plan changes, together with the present value of future refunds from the plan, or of reductions in future contributions.

The service cost for pensions and similar obligations is recognized as a personnel expense. The interest expense included in the net pension expense and the expected investment income from the fund assets are included within the net finance expense in the consolidated income statement.

Severance is paid if an employee is dismissed before regular retirement age, or voluntarily leaves employment in return for a severance payment. Severance payments are recognized when the Group has entered into a legally binding obligation. Benefits payable more than twelve months after the end of the reporting period are discounted to their present value.

4.17 Provisions

Other provisions are recognized when a past event results in a present legal or constructive obligation to third parties that will probably result in a future cash outflow whose amount can be estimated reliably. These provisions are measured as a best estimate of the amount of the obligation at the end of the reporting period. The expected amounts to be recovered from third parties are not netted, but recognized as a separate asset if it is virtually certain that reimbursement will be received.

Provisions with a remaining term of more than one year are measured at their discounted settlement amount. Increases in provisions as a result of accruing interest are recognized as part of the net finance result. Expected future cash flows are discounted using a pretax interest rate that reflects current market expectations regarding the effect of interest rates. The employed interest rates are determined specifically for each country and maturity. For the year under report they ranged from 3.7 % to 5.8 % (prior year: 3.7 % – 6.1 %).

Demolition obligations are capitalized at the discounted value of the obligation at the time when they arise, and a provision is recognized in the same amount at the same time. The expense is distributed over the periods of use by way of the gradual depreciation of the asset item and the interest accrued on the provision.

Provisions for impending losses from onerous contracts are recognized if the expected benefit of the underlying contract is less than the unavoidable costs of meeting the obligations.

Leasing

4.18

Leases that transfer substantially all the risks and rewards of ownership of the leased property to the Benteler Group, as the lessee, are classified as finance leases. In this case the leased property is capitalized at the present value of the minimum lease payments, or its lower fair value, at the commencement of the lease, and a financial debt is recognized at the same time.

If a transfer of ownership after the expiration of the lease is not sufficiently certain, the asset is depreciated on a straight-line basis over the lease term, if that term is shorter than the expected useful life. Otherwise the asset is depreciated on a straight-line basis over its expected useful life.

Assets leased under operating leases are not recognized in the consolidated statement of financial position. The payments made in this regard are recognized as an expense on a straight-line basis over the term of the lease.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. REVENUE AND COST OF MATERIALS

The Benteler Group generates its revenue in three divisions. **Automotive**, the largest division, offers customers products and development solutions to optimize driving comfort, passenger protection, vehicle safety and emission reductions. This division's revenue comes primarily from the sale of chassis components and modules, structures, engines and exhaust systems, and engineering services. The **Stahl/Rohr** Division generates most of its income by developing, producing and selling steel tubes. The **Distribution** Division's revenues come primarily from the sale of steel tubes (some of which have been processed), from warehousing, and through third-party delivery.

The Benteler Group's revenue breaks down as follows:

	2010 [T €]	2009 [T €]
Sale of goods	6,067,654	4,511,237
Rendering of services	35,494	34,868
Other	734	12,152
Total	**6,103,882**	**4,558,257**

The other revenue primarily comprises income from long-term production and sales allowances.

Revenue by region comprises the following:

	2010 [T €]	2009 [T €]
Austria	1,319	862
Other countries	6,102,563	4,557,395
Germany	1,577,358	1,288,948
Other EU and EFTA	2,208,478	1,611,029
Americas	1,821,298	1,313,180
Asia/Pacific	435,015	298,659
Other	60,414	45,579

Revenue also includes revenue from long-term production orders, which is recognized using the percentage of completion method. The capitalizable amount of long-term production orders that are not yet billable is recognized in receivables and as revenue.

Business operations result in the following expenses:

	2010 [T €]	2009 [T €]
Cost of raw materials, supplies, and purchased goods	4,015,831	3,032,253
Cost of purchased services	145,558	97,594
Total	**4,161,389**	**3,129,847**

6.

OTHER OPERATING INCOME

Other operating income comprises the following:

	2010 [T €]	2009 [T €]
Recurring other operating income	39,876	37,345
Foreign exchange gains	31,304	22,380
Non-recurring operating income and out-of-period income	22,090	14,105
Other	13,699	38,467
Total	**106,969**	**112,297**

The other income includes income from the disposal of facilities and government grants.

The business combination with the companies listed in Note 4.2 and the companies acquired from Norsk Hydro ASA, of Oslo, Norway, under a contract dated October 26, 2009, yielded negative goodwill of €63.9 million, which was recognized entirely in profit or loss for 2009, in accordance with IFRS. Because of its large amount, the negative goodwill is presented as a separate line item in the consolidated income statement, for better understanding (see Note 10, Gain on business combinations), rather than as a component of other income.

7.

PERSONNEL EXPENSE

The personnel expense comprises the following:

	2010 [T €]	2009 [T €]
Wages and salaries	922,425	722,108
Social security expenses	237,570	189,364
of which: for retirement benefits	60,473	30,787
Total	**1,159,995**	**911,472**

8.

OTHER OPERATING EXPENSES

	2010 [T €]	2009 [T €]
Repairs and maintenance (not including IT)	127,350	89,027
Shipping charges	83,017	49,606
Other operating costs	59,824	39,237
Other recurring operating expense	52,421	42,661
Leases of real estate/movable goods	48,261	40,906
IT costs (excluding IT leases)/ communications/monetary transactions	33,090	22,770
Foreign exchange losses	32,887	22,938
Non-recurring operating expenses and other out-of-period expenses	16,438	17,730
Other expenses	112,420	85,781
Total	**565,708**	**410,656**

The other recurring operating expense includes such charges as donations and dues, portions of research expenses, depreciation and amortization of current assets (where this is common practice), and expenses paid to associated, unconsolidated entities.

Lease expenses primarily pertain to the vehicles, utility vehicles and IT equipment leased for business operations, together with business land or buildings that are not owned by the Benteler Group.

The other expenses primarily comprise promotional, travel and entertainment expenses, consultants' and auditors' fees, insurance expenses, and other operating taxes.

DEPRECIATION AND AMORTIZATION EXPENSE

9.

Depreciation and amortization, at €197,958 thousand (prior year: €190,126 thousand) consisted of amortization of €26,819 thousand (prior year: €19,998 thousand) for intangible assets and depreciation of €168,117 thousand (prior year: €167,341 thousand) for property, plant and equipment.

GAINS FROM BUSINESS COMBINATIONS

10.

This item reflects the measurement effects of business combinations separately in accordance with IFRSs. Because of their large amount and the unique nature of the transactions, they have been reported separately for greater transparency.

The recognized gains from business combinations for fiscal 2010 particularly include the recognition in profit or loss of the remeasurement of shares held in Günther Voth GmbH, which was hitherto reported as an associate. The step acquisition yielded a measurement effect of €5.4 million.

The acquisition of the BAS Group from Norsk Hydro ASA, of Oslo, Norway, in fiscal 2009 yielded negative goodwill of €63.9 million, which was to be recognized in profit or loss. The remeasurement of the assets and liabilities of the BAS Group in fiscal 2010 yielded an adjustment of €3.5 million, which has been recognized in profit or loss.

11. NET FINANCE EXPENSE AND INCOME FROM ASSOCIATES

The net finance expense at the end of the reporting period was €−53,684 thousand (prior year: €−54,875 thousand), and comprises the following:

	2010 [T €]	2009 [T €]
Shares of gains and losses of associates accounted for using the equity method	1,440	1,256
Finance income	9,723	5,684
Finance expenses	−64,847	−61,815
Total	**−53,684**	**−54,875**

See Note 15 as well for further information about investments in associates accounted for at equity.

Finance income comprises the following:

	2010 [T €]	2009 [T €]
Interest income from current bank accounts	8,315	5,325
Other finance income	1,408	359
Finance income	**9,723**	**5,684**

The other finance income particularly includes income of €1,112 thousand from derivatives (prior year: €0).

Finance expenses comprise the following:

	2010 [T €]	2009 [T €]
Interest expense for financial liabilities	36,533	42,581
Profit participation certificate expenses	7,356	7,356
Interest expense for pension obligations	9,924	7,464
Other finance expenses	11,034	4,414
Finance expenses	**64,847**	**61,815**

The other finance expense particularly includes expenses of €9,174 thousand from derivatives (prior year: €3,101 thousand).

Interest expenses for financial liabilities primarily pertain to loans drawn from banks.

12. INCOME TAXES

Income taxes comprise the following:

	2010 [T €]	2009 [T €]
Current tax expense	41,311	23,265
of which: pertaining to the current year	43,279	28,324
of which: for previous periods	−1,968	−5,059
Deferred tax expense/income	−8,555	−25,504
Total tax expense/income	**32,756**	**−2,239**

The following table shows a reconciliation between the expected and actual recognized tax expense. To calculate the expected tax expense, the profit before tax is multiplied by a weighted average tax rate of 30 % (prior year: 30 %). The tax expense recognized for fiscal 2010, of €32,756 thousand (prior year: income of € −2,239 thousand) is €1,035 thousand less (prior year: € 901 thousand less) than the expected tax expense of €33,791 thousand (prior year: income of € −3,140 thousand) that results from the application of the weighted total tax rate of 30 % to the Group's profit before tax.

	2010 [T €]	2009 [T €]
Profit for the period before tax under IFRSs	112,634	−10,467
Group income tax rate (%)	30 %	30 %
Expected tax expense/income for year	33,791	−3,140
Effect of changes in tax rates	1,010	864
Effect of income that is exempt from taxation and other deductions	−303	−20,240
Effect of non-tax-deductible operating expenses and other additions	6,117	3,876
Effect of additions under Sec. 8(1) of the German Trade Tax Act	954	1,992
Effect of taxes from previous years recognized during the year	−1,968	−913
Effect of differences in tax rates	−3,877	4,915
Effect of income taxes not creditable toward income tax (withholding tax and foreign taxes)	412	−5
Effect of impairments/adjustments	−3,225	10,597
Other effects	−155	−185
Total tax expense (+)/tax income (−)	**32,756**	**−2,239**

NOTES TO THE CONSOLIDATED BALANCE SHEET

13.

INTANGIBLE ASSETS OTHER THAN GOODWILL

Additions to intangible assets include capitalized development costs as well as intangible assets discovered in the course of purchase price allocations. Research costs, amortization of capitalized development costs, and non-capitalizable development costs are generally recognized as expenses among the research and development costs for the period.

	2010 [T €]	2009 [T €]
Research and development costs (total)	109,500	97,675
Capitalized development costs	–27,728	–14,012
Amortization of capitalized development costs	23,735	17,005
Research and development costs recognized in the consolidated income statement	**105,507**	**100,668**
Capitalization level (in %)	25,3 %	14,3 %

* Capitalized development costs as a percentage of total research and development costs (before capitalization)

Research expenses and non-capitalized development expenses came to € 81,722 thousand in 2010 (prior year: € 83,663 thousand), and primarily comprise the personnel expense and cost of materials. The Benteler Group has about 1,000 employees in research and development, at 25 locations in 12 countries. Research and development activities concentrate particularly on lightweight construction, through the development, design and production of composite structural parts and aluminum components.

In addition to the acquisition of the BAS Group as of the end of fiscal 2009, research and development activities in innovative, lighter-weight products were reinforced in 2009 by the acquisition of Benteler SGL Composite Technology GmbH, of Ried, Austria (formerly Fischer Composite Technology GmbH).

At the Stahl/Rohr Division, the emphasis in research and development is on the properties and behavior of materials. In the Automotive Division, the research and development emphasis is on safety, efficiency and the environment, in a context of product and process development.

Concessions, industrial property rights, similar rights and assets and licenses to such rights and assets pertain primarily to expenses payable to third parties in connection with user software.

The existing goodwill pertains primarily to Rohstoffhandelsgesellschaft Günther Voth GmbH, of Paderborn, Germany, a commodities trading company that was formerly recognized as an associate but was fully consolidated for the first time in fiscal 2010. An external appraisal was obtained for the initial consolidation. Since the attributable assets and liabilities have not changed significantly since the appraisal date, and no events have occurred in the meantime that would indicate a reduction of the recoverable amount, no new impairment test was performed, in accordance with IAS 36.99.

Intangible assets changed as follows:

	Concessions, industrial property rights, similar rights and assets, and licenses to such rights and assets [T €]
COSTS	
Balance at January 1, 2009	71,571
Additions	5,419
Acquisitions of companies	2,117
Reclassifications	1,085
Disposals	−318
Foreign currency exchange differences	929
Balance at December 31, 2009	**80,803**
AMORTIZATION	
Balance at January 1, 2009	57,086
Amortization	7,155
Disposals	−296
Foreign currency exchange differences	618
Balance at December 31, 2009	**64,563**
CARRYING AMOUNT	
Balance at January 1, 2009	14,485
Balance at December 31, 2009	**16,240**

Goodwill	Advance payments made	Capitalized development costs	Total
[T €]	[T €]	[T €]	[T €]
1,855	1,060	93,713	168,199
0	3,385	14,012	22,816
0	0	0	2,117
0	−960	−125	0
0	0	−494	−812
−131	−366	370	802
1,724	**3,119**	**107,476**	**193,122**
1,555	0	41,487	100,128
24	0	17,005	24,184
0	0	0	−296
0	0	122	740
1,579	**0**	**58,614**	**124,755**
300	1,060	52,226	68,071
145	**3,119**	**48,863**	**68,367**

	Concessions, industrial property rights, similar rights and assets, and licenses to such rights and assets [T €]
COSTS	
Balance at January 1, 2010	80,803
Additions	1,078
Acquisitions of companies	44,875
Reclassifications	−30,446
Disposals	−1,397
Foreign currency exchange differences	1,026
Balance at December 31, 2010	**95,939**
AMORTIZATION	
Balance at January 1, 2010	64,563
Amortization	4,327
Reclassifications	−25,962
Disposals	−1,506
Foreign currency exchange differences	1,199
Balance at December 31, 2010	**42,620**
CARRYING AMOUNT	
Balance at January 1, 2010	16,240
Balance at December 31, 2010	**53,320**

	Goodwill	Advance payments made	Capitalized development costs	Total
	[T €]	[T €]	[T €]	[T €]
	1,724	3,119	107,476	193,122
	0	178	27,728	28,984
	7,129	0	0	52,004
	0	−2,379	32,825	0
	−100	−849	−1,347	−3,693
	2,944	104	7,982	12,056
	11,697	**173**	**174,664**	**282,473**
	1,578	0	58,614	124,755
	16	0	23,735	28,078
	0	0	25,962	0
	−61	0	−550	−2,117
	2,944	0	17,290	21,433
	4,478	**0**	**125,051**	**172,148**
	145	3,119	48,863	68,367
	7,219	**173**	**49,613**	**110,325**

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings
COSTS	
Balance at January 1, 2009	581,390
Additions	21,630
Acquisitions of companies	13,170
Reclassifications	6,840
Disposals	−1,560
Foreign currency exchange differences	81,094
Balance at December 31, 2009	**702,564**
DEPRECIATION	
Balance at January 1, 2009	283,379
Depreciation	18,176
Reclassifications	171
Disposals	−2,053
Foreign currency exchange differences	79,988
Balance at December 31, 2009	**379,661**
CARRYING AMOUNT	
Balance at January 1, 2009	298,012
of which: from finance leases	5,691
Balance at December 31, 2009	**322,903**
of which: from finance leases	**19,586**

	Technical equipment and machinery [T €]	Other equipment [T €]	Advance payments and construction in progress [T €]	Total [T €]
	1,889,320	281,353	90,267	2,842,331
	57,887	18,071	51,087	148,675
	31,293	0	0	44,463
	73,124	1,870	−81,834	0
	−54,240	−7,311	−1,925	−65,035
	40,682	1,310	−2,240	120,847
	2,038,067	**295,294**	**55,356**	**3,091,280**
	1,318,592	204,887	0	1,806,858
	124,678	23,088	0	165,942
	875	−1,046	0	0
	−41,528	−5,556	−21	−49,158
	27,256	871	0	108,114
	1,429,873	**222,244**	**−21**	**2,031,757**
	570,728	76,466	90,267	1,035,473
	2,875	1,621	0	10,187
	608,194	**73,049**	**55,377**	**1,059,524**
	3,463	**2,113**	**0**	**25,162**

	Land and buildings [T €]
COSTS	
Balance at January 1, 2010	702,564
Additions	19,361
Acquisitions of companies	1,527
Reclassifications	1,789
Disposals	–4,721
Foreign currency exchange differences	–77,287
Balance at December 31, 2010	**643,233**
DEPRECIATION	
Balance at January 1, 2010	379,661
Depreciation	19,773
Reclassifications	7,672
Disposals	–3,986
Foreign currency exchange differences	–85,017
Balance at December 31, 2010	**318,103**
CARRYING AMOUNT	
Balance at January 1, 2010	322,903
of which: from finance leases	19,586
Balance at December 31, 2010	**325,130**
of which: from finance leases	**18,550**

	Technical equipment and machinery [T €]	Other equipment [T €]	Advance payments and construction in progress [T €]	Total [T €]
	2,038,067	295,294	55,356	3,091,280
	72,579	19,740	105,874	217,554
	2,120	499	0	4,146
	40,586	3,068	–45,443	0
	–71,669	–11,439	–12,865	–100,694
	158,730	12,352	19,935	113,729
	2,240,412	**319,513**	**122,857**	**3,326,016**
	1,429,873	222,244	–21	2,031,757
	130,900	19,207	0	169,880
	–8,290	618	0	0
	–65,116	–13,385	0	–82,487
	148,166	12,218	21	75,387
	1,635,532	**240,902**	**0**	**2,194,537**
	608,194	73,049	55,377	1,059,524
	3,463	2,113	0	25,162
	604,880	**78,611**	**122,857**	**1,131,478**
	3,566	**2,274**	**0**	**24,390**

Total depreciation of €169,880 thousand (prior year: €165,942 thousand) was recognized for property, plant and equipment.

Borrowing costs of €1,426 thousand were capitalized in fiscal 2010 (prior year: € 0). Interest rates between 4 % and 8 % were applied for this purpose.

As of the end of the period, contractual obligations to acquire property, plant and equipment came to €15,726 thousand (prior year: €26,055 thousand).

15.

INVESTMENTS IN ASSOCIATES

Investments of € 9,025 thousand (December 31, 2009: €14,843 thousand) accounted for using the equity method pertain to the Benteler Group's holdings in the following companies:

- Polarputki Oy, Helsinki, Finland (50.0 %; 37.5 % after adjustment for other interests)
- Rohstoff-Handelsgesellschaft Günther Voth GmbH, Paderborn, Germany (47.5 % until August 11, 2010, thereafter 62.5 % and fully consolidated)

For more information see Note 4.2, Companies included in the consolidated financial statements.

The following table shows the principal items recognized in the balance sheets and comprehensive income statements of the investments accounted for using the equity method (each 100 %):

	12/31/2010 or 2010 [T €]	12/31/2009 or 2009 [T €]
Assets	27,875	46,878
Liabilities	9,369	15,958
Shareholders' equity	18,506	30,920
Revenue	40,685	94,428
Profit for the period	2,880	7,156

16.

DEFERRED TAX AND CURRENT INCOME TAX

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards as follows:

	12/31/2010		12/31/2009	
	Assets [T €]	Liabilities [T €]	Assets [T €]	Liabilities [T €]
Intangible assets	5,466	−28,094	4,089	−3,212
Property, plant and equipment	11,510	−39,572	10,192	−44,320
Current and non-current investments	1,055	−3,144	8,224	−8,040
Inventories	11,194	−1,652	7,896	−5,530
Current and non-current receivables/ Other assets	6,817	−16,890	4,355	−15,091
Pension provisions	13,998	−1,081	9,493	−1,835
Other provisions	20,752	−9,711	19,203	−6,074
Total liabilities	24,125	−4,627	19,130	−1,482
Other	326	−1,491	1,093	−1,529
Tax loss carry-forwards/ Interest carried forward/Tax credits	49,689	0	34,785	0
Gross value	**144,932**	**−106,262**	**118,460**	**−87,113**
Netting	−76,414	76,414	−74,106	74,106
Total recognized	**68,518**	**−29,848**	**44,354**	**−13,007**

For the recognized deferred tax assets, the Group assumes that there will be sufficient future taxable profit against which the deferred tax assets can be utilized. The present estimate of the valuation of deferred tax assets may change, making write-downs necessary.

Deferred tax is calculated at the tax rates applicable for each country.

As a result of consolidation, deferred tax liabilities as of December 31, 2010, came to € 18,428 thousand (December 31, 2010: € 9,507 thousand).

During the 2010 year, as in the comparable 2009 period, deferred tax items were charged or credited directly to equity. These deferred taxes outside profit or loss are attributable to the effects of recognizing cash flow hedges and actuarial effects.

Tax loss carry-forwards

Utilization of tax loss carry-forwards not recognized in the prior year lowered the income tax expense for 2010 by €5,115 thousand. At December 31, 2010, there were tax loss carry-forwards of €348,504 thousand (prior year: €315,838 thousand). The Company assumes that loss carry-forwards of €140,342 thousand (prior year: €112,925 thousand) can probably be utilized. No deferred tax was recognized for loss carry-forwards of €208,162 thousand (prior year: €202,913 thousand). A total of €106,114 thousand of these tax loss carry-forwards can be carried forward without limitation (prior year: €86,717 thousand). Loss carry-forwards of €45,931 thousand (prior year: €45,536 thousand) will expire within the next 10 years; €56,117 thousand (prior year: €70,660 thousand) will expire after 2020.

As of December 31, 2010, there were tax interest carry-forwards of €42,208 thousand for German Group companies (prior year: €25,912 thousand). It is considered probable that these carry-forwards can be utilized within the foreseeable future.

As of December 31, 2010, the Group recognized deferred tax receivables for companies that had shown a loss in the previous period. These receivables exceeded the deferred tax liabilities by €33,077 thousand. The basis for recognizing deferred taxes was management's belief that these companies will earn taxable income to which the unused tax losses and deductible temporary differences can be applied.

Current income tax

The income tax credits and liabilities result from tax returns for companies that have not yet been assessed in Austria and other countries.

17.

OTHER NON-CURRENT RECEIVABLES AND ASSETS

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Investments in companies	1,374	3,479	4,736
Financial receivables	9,598	581	3,625
Other receivables	1,760	1,291	62
Other assets	15,817	14,752	22,430
Total	**28,549**	**20,103**	**30,853**

18.

INVENTORIES

Inventories comprise the following:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Raw materials and supplies	182,650	135,619	169,072
Work in progress	120,920	109,645	96,973
Finished goods and products	238,130	185,938	311,884
Total	**541,700**	**431,202**	**577,929**

The carrying amount of inventories, which are measured at fair value less costs to sell, was €15 million (prior year: €13 million).

The write-downs included in inventories are shown below:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Gross value	545,864	435,149	583,930
Write-down	−4,164	−3,947	−6,001
Net value	**541,700**	**431,202**	**577,929**

19.

RECEIVABLES

Receivables comprise the following:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Trade receivables	756,065	634,366	596,274
Receivables from contract production	13,160	60,233	23,264
Current tax receivables	46,238	1,836	2,149
Other current assets	103,865	109,080	149,124
Total	**919,328**	**805,515**	**770,811**

The details of the trade and other receivables are explained below:

19.1

Trade receivables

Both individual and lumped specific doubtful-debt allowances on the basis of a portfolio approach are recognized for trade receivables. The lumped specific doubtful-debt allowances are distributed on a percentage basis over the maturity structure of the receivables, based on experience from previous years. The resulting carrying amount of these receivables comprises the following:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Trade receivables, gross	760,209	636,798	605,795
Doubtful-debt allowances on trade receivables	−4,144	−2,432	−9,521
Total	**756,065**	**634,366**	**596,274**

Trade receivables consist primarily of receivables from third parties and, to a small extent, receivables from affiliated, unconsolidated entities or associates. The carrying amounts of the trade receivables recognized at amortized cost are substantially the same as their fair values. There are no substantial default risks.

All trade receivables are due between 30 and, as a rule, 90 days (120 days in exceptional cases). The allowance of €4,144 thousand for doubtful debts (December 31, 2009: €2,432 thousand; January 1, 2009: €9,521 thousand) was calculated on the basis of individual risks and past experience with defaults. Doubtful-debt allowances on trade receivables changed as follows:

	2010 [T €]	2009 [T €]
Status at January 1	2,432	9,521
Additions	4,665	3,060
Reversals	−1,633	−2,363
Used	−2,011	−7,891
Effects of foreign exchange rates and other changes	691	105
Status at December 31	**4,144**	**2,432**

The maturity structure of unadjusted receivables is as follows:

	12/31/2010 [T €]	12/31/2009 [T €]
Receivables neither past due nor impaired	617,252	533,689
Receivables that are past due but not impaired	131,129	97,845
Less than 30 days	94,711	66,918
30 days and more	36,419	30,928
Receivables past due and impaired	4,144	2,432
Carrying amount at December 31	**756,065**	**634,366**

At the end of the period on December 31, 2010, as in previous years, no trade receivables had been pledged.

19.2

Receivables from contract production

Receivables for long-term production orders recognized using the percentage-of-completion method are calculated as follows:

	2010 [T €]	2009 [T €]
Incurred contract costs	48,517	57,945
Recognized gains less recognized losses	−8,887	11,195
Production orders with outstanding balances receivable from customers	**39,630**	**69,140**
Advance payments by customers	−26,470	−8,907
Receivables from contract production	**13,160**	**60,233**

19.3

Current tax receivables

Current tax refund entitlements include refund entitlements for income taxes, such as corporate income tax, local business income tax ("trade tax"), and investment income tax, including the German reunification surtax ("solidarity surcharge"), for companies in Austria and other countries.

Other current receivables and assets 19.4

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Advance payments made on inventories	12,102	15,629	12,966
Prepaid expenses	10,114	11,594	8,045
Other assets	81,649	81,857	128,113
Total	**103,865**	**109,080**	**149,124**

The other current assets particularly include other tax receivables (particularly for value added tax and energy tax), tax refund entitlements, and the positive fair values of derivative financial instruments.

CASH AND CASH EQUIVALENTS 20.

Cash and cash equivalents comprise the following:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Cash on hand	49,120	19,432	29,513
Bank balances	251,590	203,208	206,145
Cash equivalents	1,327	71	557
Total	**302,037**	**222,711**	**236,215**

The cash and cash equivalents are available at all times, and are not subject to restrictions.

21.

ADDITIONAL DISCLOSURES REGARDING EQUITY

The evolution of consolidated equity is shown in the statement of changes in equity, which is presented as a separate part of the financial statements. In particular, it shows the allocation of profits.

As of the end of the period on December 31, 2010, the recognized issued capital and reserves are those of the parent company, Benteler International Aktiengesellschaft (see the information on the reverse acquisition under Note 1). The issued capital as of December 31, 2010, was € 200 thousand, divided into 200,000 registered shares with restricted transferability. Under the Company's articles of incorporation, two share certificates (global shares) were issued, each for one-half of the shares in the same category.

Each global share confers the number of votes it represents, and carries the entitlement to receive dividends. Under the Austrian Stock Corporations Act, the distributable dividend is based on the distributable profit recognized by Benteler International Aktiengesellschaft in its annual financial statements prepared in accordance with the Austrian Commercial Code.

The **other components of equity** changed as follows (non-controlling interests are included in the foreign currency translation effects):

	Fiscal 2010		
	Before tax [T €]	Tax effect [T €]	After tax [T €]
Foreign currency translation effects	54,203	0	54,203
Effects of cash flow hedging	5,972	-1,845	4,127
Actuarial gains/losses	-25,858	7,455	-18,403

	Fiscal 2009		
	Before tax [T €]	Tax effect [T €]	After tax [T €]
Foreign currency translation effects	28,831	0	28,831
Effects of cash flow hedging	-8,420	2,390	-6,030
Actuarial gains/losses	-26,041	7,836	-18,205

22.

CAPITAL REPRESENTED BY PROFIT PARTICIPATION CERTIFICATES

In previous years, Benteler Deutschland GmbH (formerly Benteler Aktiengesellschaft) raised "mezzanine capital" by way of profit participation certificates without a maturity date, for a total par value of up to €100,000 thousand. At the end of the reporting period, the value of the capital represented by profit participation certificates was €99,075 thousand (December 31, 2009: €98,843 thousand).

The profit participation certificates are made out to the bearer and may be transferred at will without the Company's consent. The Company issued 1,900 bearer profit participation certificates with a par value of €50,000.00, and a further 200 with a par value of €25,000.00. The profit participation certificates participate in any loss for a given fiscal year only up to the full amount of the par value that is recorded in the annual financial statements of Benteler Deutschland GmbH under the German Commercial Code, after being offset against certain reserves and any profit carried forward.

Amounts payable under the profit participation certificates have junior priority to the amounts payable to all other creditors of the Company, except those that represent subordinated capital. The profit participation certificates do not confer any share in the proceeds from the liquidation of the Company. The Company may call them for redemption on six months' notice, as of the end of any calendar year, but no earlier than December 31, 2014. The holders of profit participation certificates may redeem them for cause without notice.

The Company is entitled as of July 1, 2010, to agree upon and carry out a partial or full recall of profit participation certificates with all certificate holders, or only some of them.

23.

PROVISIONS

Non-current and current provisions comprise the following:

	12/31/2010	
	Current [T €]	Non-current [T €]
Pension provisions	10,775	203,674
Employee benefits (partial retirement, anniversaries, severance, framework collective wage adjustment agreement)	24,279	33,543
Miscellaneous other provisions	87,229	29,536
Total	**122,283**	**266,753**

The miscellaneous other provisions include coverage of warranties and doubtful debts, among other risks.

Non-current provisions are expected to be used within five years at the latest, but the time period may be longer for pensions and provisions for partial retirement.

23.1

Non-current provisions

Non-current provisions changed as follows:

	At 1/1/2010 [T €]	Used [T €]
Pension provisions	187,105	-4,583
Employee benefits (partial retirement, anniversaries, severance, framework collective wage adjustment agreement)	30,522	-8,129
Miscellaneous other provisions	43,413	-27,505
Total	**261,040**	**-40,216**

The provision for employee benefits is recognized for such benefits as pensions, employee anniversaries, bonuses, and partial retirement obligations.

Some employees within the Benteler Group are currently granted different forms of retirement benefits. Accordingly, the Benteler Group maintains different defined-benefit and defined-contribution retirement plans. Defined-benefit plans are appraised annually by independent experts.

12/31/2009		1/1/2009	
Current [T €]	Non-current [T €]	Current [T €]	Non-current [T €]
9,603	187,105	11,671	151,928
24,530	30,522	19,067	30,260
86,453	43,413	97,297	26,722
120,586	**261,040**	**128,035**	**208,910**

Additions [T €]	Reversals [T €]	Reclassifica-tions [T €]	Interest accrued/ Discounts [T €]	Foreign currency translation [T €]	At 12/31/2010 [T €]
29,435	−30	319	−9,918	1,346	203,674
10,995	−36	976	−1,311	527	33,543
14,564	−1,460	−48	19	553	29,536
54,994	**−1,526**	**1,247**	**−11,211**	**2,426**	**266,753**

Provisions for defined-benefit plans are calculated using the projected unit credit method, taking future trends in wages, salaries and pensions into account. They comprise the following:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Germany	188,797	180,653	146,941
EU (other than Germany)	17,638	11,507	14,592
Americas	7,844	4,150	1,779
Other	169	398	287
Total	**214,448**	**196,708**	**163,599**

Pension payments of €1,661 thousand are expected in fiscal 2011.

Cumulative actuarial gains and losses are recognized in full outside profit or loss, in other comprehensive income.

Reconciliation of obligation under defined-benefit plans with provisions for pensions and similar obligations

	2010 [T €]	2009 [T €]	2008 [T €]
Present value of unfunded obligations	214,448	196,708	163,599
Present value of funded obligations	71,890	54,121	53,453
Obligation under defined-benefit plans	**286,338**	**250,829**	**217,052**
Fair value of plan assets	–71,890	–54,121	–53,453
Provisions for pensions and similar obligations as of December 31	**214,448**	**–196,708**	**163,599**

The funding status shows how much of pension obligations are covered by plan assets as of the measurement date.

Changes in obligations under defined-benefit plans

	2010 [T €]	2009 [T €]
Obligation under defined-benefit plans as of January 1	**−250,829**	**−217,052**
Total benefits paid to beneficiaries	9,012	9,144
Current service cost	−7,685	−4,301
Interest expense	−9,924	−7,464
Actuarial losses/gains	−22,662	−20,443
Other changes	−4,250	−10,713
Obligation under defined-benefit plans as of December 31	**−286,338**	**−250,829**

The other changes in defined-benefit obligations result primarily from changes in the companies included in the consolidated financial statements, and reporting changes.

Changes in plan assets

	2010 [T €]	2009 [T €]
Fair value of plan assets at January 1	**54,121**	**53,453**
Paid into plan	5,195	1,058
Benefits paid out of plan	−13,975	−2,599
Expected income from plan assets	2,475	3,286
Actuarial (losses)/gains	1,383	−1,077
Other changes	22,691	0
Fair value of plan assets at December 31	**71,890**	**54,121**

The other changes in plan assets resulted primarily from changes in the companies included in the consolidated financial statements, and reporting changes (particularly reclassifications to and from financial assets – see immediately below).

Presentation of plan assets

Following the guidance of IAS 19.58B and 59, a surplus of funding capital for direct insurance above the obligation under defined-benefit pension plans is recognized as a separate asset of € 9,104 thousand (prior year: €10,815 thousand) under other financial assets.

Costs recognized in profit or loss

The interest expense and expected return on fund assets are recognized as part of the net finance expense in the consolidated income statement. All other regular components are recognized as part of the personnel expense.

Actuarial gains and losses which result, for example, from changes in the discount factor or from the difference between the actual return and the expected return on fund assets, are recognized in full as other comprehensive income, outside profit or loss, in the year when they occur.

The total expense for defined-benefit pension plans recognized in the consolidated income statement comprises the following:

	2010 [T €]	2009 [T €]
Current service cost	7,685	4,301
Interest expense	9,924	7,464
Expected income from plan assets	−2,475	−3,286
Total expenses for pensions and similar obligations	**15,134**	**8,479**

Assumptions

The actuarial calculation of the amount of the obligation as of each measurement date is based on the following assumptions:

	2010 [%]	2009 [%]
Assumed rate of interest	2.75–5.09	3–5.85
Rate of salary increase/ rate of benefit increase (pre-retirement)	0–6	0–5.75
Expected return on plan assets	2–4	2–4.25
Rate of pension increase	0–3	0–3

Actual income on plan assets came to €1,695 thousand (prior year: €473 thousand).

The assumptions applied in calculating the amount of the obligation at the end of each reporting period are also used to calculate the current service cost and the interest expense for the following fiscal year.

The assumed discount factors reflect the secondary market yields measured on the valuation date for the particular pension plan for fixed-yield bonds from well-rated corporations, with maturities equivalent to the obligations. The assumptions about the expected return on plan assets are chosen on the basis of long-term expectations. The actuarial assumptions not indicated in the above table, such as staff turnover, mortality, disability, etc., were determined according to the recognized expectations for each country, allowing for the circumstances and expectations of the companies concerned.

Other personnel obligations

The other personnel obligations primarily comprise obligations under partial retirement arrangements and for employee jubilees, which are measured on the basis of actuarial appraisals. The measurement parameters used for this purpose are shown below:

Jubilee assumptions

	2010 [%]	2009 [%]
Assumed rate of interest	4.50	5.12
Rate of salary increase/ rate of benefit increase (pre-retirement)	2.50	2.50
Rate of pension increase	2.50	2.50

Partial retirement assumptions

	2010 [%]	2009 [%]
Assumed rate of interest	3.27	3.57
Rate of salary increase/ rate of benefit increase (pre-retirement)	2.50	2.50
Rate of pension increase	2.50	2.50

Provisions for partial retirement arrangements generally have terms of 5 years or less.

Collateral has been placed in a trust account to hedge credit balances under the Partial Retirement Block Model under Section 8a of the German Partial Retirement Act. The funds transferred to the trustee are to be managed for the preservation of capital, and may be used in the future solely and irrevocably to meet the associated obligations. The trust assets left after performance of the partial retirement obligations represent plan assets under IAS 19.128. The obligations are shown netted against the fair value of the plan assets.

Employer contributions to the public pension insurance system

The public pension insurance system represents a defined contribution plan within the meaning of IAS 19. The expenses recognized in fiscal 2010 for employer contributions to the public pension insurance system came to €177,096 thousand (December 31, 2009: €158,576 thousand).

23.2 Current provisions

Current provisions changed as follows:

	At 1/1/2010 [T €]	Used [T €]	
Pension provisions	9,603	−7,034	
Employee benefits (partial retirement, anniversaries, severance, framework collective wage adjustment agreement)	24,530	−20,012	
Warranty provision	29,285	−10,238	
Miscellaneous other provisions	57,168	−35,577	
Total	**120,586**	**−72,862**	

The provisions for warranty risks serve primarily to cover deferred risks from customer complaints. They are determined on the basis of revenue generated from outside customers during the year, taking historical experience into account.

Current provisions are expected to be used within the next twelve months.

24. FINANCIAL LIABILITIES

Total non-current and current financial liabilities break down as follows:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Non-current financial liabilities	384,235	393,173	495,747
Current financial liabilities	126,360	115,684	88,876
Total	**510,595**	**508,857**	**584,623**

Additions [T €]	Reversals [T €]	Reclassifi-cations [T €]	Interest accrued/ Discounts [T €]	Foreign currency translation [T €]	At 12/31/2010 [T €]
8,541	0	−319	−5	−11	10,775
20,640	−760	−976	1	856	24,279
8,217	−1,535	0	−11	659	26,377
38,211	−4,225	48	−222	5,449	60,852
75,610	**−6,520**	**−1,247**	**−237**	**6,952**	**122,283**

	12/31/2010		12/31/2009		1/1/2009	
	Current [T €]	Non-current [T €]	Current [T €]	Non-current [T €]	Current [T €]	Non-current [T €]
Liabilities to banks	117,919	355,501	90,641	376,430	79,737	490,008
Lease liabilities	2,107	11,368	784	7,183	1,564	1,734
Other	6,334	17,366	24,259	9,560	7,575	4,005
Total	**126,360**	**384,235**	**115,684**	**393,173**	**88,876**	**495,747**

As in previous years, liabilities to banks are not secured with either land liens or security interests in production facilities.

As in the prior year, market interest rates were agreed upon for liabilities to related entities.

The market values of non-current financial liabilities are the same as the carrying amounts.

25.

INCOME TAX LIABILITIES

The non-current and current income tax liabilities of €16,893 thousand (December 31, 2009: € 7,060 thousand; January 1, 2009: €8,359 thousand) comprise corporate income tax, including the German reunification surtax ("solidarity surcharge") and local business income tax ("trade tax"), for the Group's companies in Germany, as well as comparable income tax liabilities for companies in other countries.

TRADE PAYABLES AND OTHER LIABILITIES

26.

Trade payables and other liabilities comprise the following items:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Trade payables	771,230	599,035	625,041
Other non-current liabilities	72,257	47,797	13,678
Other current liabilities	311,300	217,842	237,108
Total	**1,154,787**	**864,674**	**875,827**

Trade payables

26.1

The carrying amounts of trade payables are the same as their fair values.

Other current liabilities

26.2

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Other tax liabilities	43,597	33,761	36,061
Pending invoices	32,726	25,050	19,955
Liabilities to employees	76,607	37,105	54,499
Advance payments received	23,011	32,709	40,120
Social security liabilities	16,212	12,970	12,492
Other	119,147	76,247	73,981
Total	**311,300**	**217,842**	**237,108**

The other current liabilities include liabilities for taxes other than income taxes. These primarily concern payroll taxes.

Advance payments received, in the amount of €23,011 thousand (December 31, 2009: €32,709 thousand; January 1, 2009: €40,120 thousand), pertain primarily to advance payments by OEMs to provide tools or other plant equipment for production.

ADDITIONAL INFORMATION

27.

FINANCIAL RISK MANAGEMENT

The Benteler Group is exposed in its business operations and in financing transactions to risks of changes in interest rates and foreign exchange rates that may result in undesirable and unforeseeable volatility in profits and cash flows. On the procurement end, there are commodity price risks, risks regarding general supply reliability, and others. These risks are hedged or eliminated by using derivative financial instruments.

Additional credit risks result from trade receivables, as well as receivables in connection with financial transactions, such as cash investments or the acquisition of securities.

All necessary hedging measures are identified, monitored and managed by the corporate finance department. In addition to operations to limit risk, all current financial instruments are also used for risk control, including derivative financial instruments. All transactions are entered into exclusively on the basis of existing transactions or transactions founded on concrete plans, and are renewed on a rolling basis as needed. The partners in the transactions are solely German and international banks with first-quality credit ratings.

The Benteler Group's credit risks result primarily from receivables from customers. The decentralized units identify, monitor and manage this risk according to centrally prescribed guidelines, taking the available credit insurance into account.

The Benteler Group has a strict risk management system. It provides that derivative financial instruments may never be used for speculation, and must serve solely to hedge risks connected with business operations. There is a strict spatial and organizational separation among the functions of entering into transactions, monitoring them and accounting for them. The limits for action in terms of amounts and transaction content are defined in internal guidelines. The responsible committees are regularly informed of risk positions. For certain transactions in financial management, the consent of Group management and/or other committees is required.

The following analysis and the amounts calculated on the basis of sensitivity analyses represent hypothetical, forward-looking statements that may differ from actual events because of unforeseeable developments in the financial markets. Moreover, this discussion does not take account of risks that are not of a financial nature or that are not quantifiable, such as business risks.

27.1

Foreign exchange risk

The Benteler Group is exposed to foreign exchange risks in the course of its normal business activities. Foreign exchange risks are detected and analyzed systematically, and controlled and managed centrally. Foreign exchange risks particularly arise where receivables, liabilities and planned transactions are denominated in a currency other than the local one. Within the Group, this is particularly the case for Benteler Deutschland GmbH (steel and tube exports) and Benteler Aluminium Systems Norway AS. The exposure to fluctuations in future cash flows results primarily from operating activities, but there is also some risk in financing and investing activities. The amount of hedging needed is evaluated each month. Currency forwards and "plain vanilla" options are used to hedge foreign exchange risk. These transactions hedge against changes in exchange rates for cash flows in foreign currencies. The functional currency is hedged, not the Group currency.

To calculate total risk positions, incoming and outgoing operating cash flows are recorded centrally for each currency for each fiscal year. A basic hedging strategy is developed for the resulting net positions, allowing for risk bearing ability and market assessments. The hedging horizon is typically between one and two years. The implemented hedging strategy is continuously monitored by the Group treasury, and adjusted as necessary. Management and the other responsible committees are regularly informed about the current status of foreign exchange risk positions by way of an appropriate reporting structure. Foreign exchange risks incurred through financing and investing are integrated into the operating exposure plans where appropriate and reasonable. Otherwise they are hedged separately – i.e., on a case-by-case basis.

If necessary, the sensitivity analysis also includes foreign exchange risks resulting from monetary financial instruments that are not denominated in the functional currencies of the individual Benteler Group companies. The Benteler Group's principal foreign exchange risk derives from the volatility of the euro, British pound, and U.S. dollar.

To determine foreign exchange sensitivity, a hypothetical 10 % adverse change in each exchange rate was assumed, based on the rate at the end of the period. The estimated hypothetical loss in cash flows is described in Note 29, Sensitivity analyses.

The effects of the translation of foreign subsidiaries' financial statements from foreign currencies into the Group's reporting currency (the euro) are not included in the sensitivity analysis under IFRS 7. In addition to transaction-related foreign currency risks, the Group is also exposed to translation risks for the assets and liabilities of subsidiaries outside the euro zone. In the consolidation process, balance sheet items in the subsidiary's local reporting currency are translated to the Group's reporting currency, the euro. Fluctuations in exchange rates may result in changes in value here, which are recognized in the Group's equity. These long-term effects are calculated and analyzed continuously, but in general they are not hedged, because the line items are of a lasting nature.

Currency forwards and "FX" options are used to hedge existing foreign exchange risk. These transactions hedge against changes in exchange rates for cash flows in foreign currencies. The risk of fluctuations in future cash flows results primarily from business operations in the following regions: North America, Mexico, and Norway.

27.2

Interest rate risk

An interest rate risk – in other words, possible fluctuations in the value of a financial instrument because of changes in market interest rates – is particularly evident for medium-term and long-term receivables and liabilities with fixed interest rates.

The Benteler Group is exposed to fluctuations in market interest rates when it refinances. This risk is countered by continuously monitoring the money market and capital market, and by using derivative interest rate hedges. The emphasis here is on hedging the Group's needs for funds against increases in market interest rates. Interest rate swaps were entered into to limit the interest rate risk (cash flow risk) on variable-rate borrowings.

Cash flow hedge accounting was applied during the year for existing credit facilities. Under the employed swap contracts, the Company receives variable interest on a certain amount of principal, and in return pays fixed interest on the same principal (payer swaps). These interest rate swaps compensate for the effects of future changes in interest rates on the cash flows from the underlying variable-rate investments. Interest rate swaps are recognized at fair value in the consolidated statement of financial position. The effective portion of changes in the fair value of interest rate swaps classified as cash flow hedges is recognized under other components of equity; the ineffective portion of the changes is recognized in profit or loss. The cash flow hedges revealed no ineffective portions during the year under report or the prior year.

27.3

Commodity price risk

The Benteler Group is exposed to the risk of changes in commodity prices through its procurement of intermediate goods and services. This is especially the case for fluctuations in the price of steel. Unlike the other industrial metals, the risks and opportunities that result from the volatility of the price of steel are passed on to customers under supply contracts the Company negotiates itself. In previous years, prices were negotiated annually. Effective as of the year under review, the supply contracts are adjusted semiannually.

To a small extent, derivative financial instruments are used to hedge the risk of changes in the price of aluminum. The commodity derivatives entered into as of the end of the period had a total market value of €1,139 thousand (prior year: €0). The resulting risks are thus of minor importance to the Group.

For that reason, no key risk figures are reported in this connection.

Default risk on receivables

27.4

Because of its customer structure on the original equipment manufacturers (OEM) side, the Group is not exposed to any significant concentration of default risk. The maximum default risk for financial assets lies in the risk that the customer might default, and therefore amounts to the carrying amount of the receivable from that customer. The carrying amounts and resulting maximum default risks are shown in Note 19, Receivables. In addition, the Group has a business policy that limits this risk to a specified amount with regard to individual receivables. The doubtful debt allowances recognized for this purpose take account of the default risk on receivables.

The Benteler Group counters the risk of default on receivables in operating activities by way of professional debtor management. Before signing a contract, especially with key customers, it carefully reviews the customer's economic condition and business competence. All relevant data about the debtor are collected and analyzed centrally, and assessed in an individualized credit rating. In addition, the Group has credit insurance, from which selected customers with good credit ratings are excepted. In ongoing business operations, payment performance is regularly evaluated and monitored, including with an eye to dynamic leading indicators.

Liquidity risk

27.5

Liquidity risk is the risk that the Benteler Group might not have sufficient cash to meet its payment obligations. Liquidity risk is countered by systematic, day-by-day liquidity management whose absolute fundamental requirement is that solvency must be guaranteed at all times. On the assumption that events progress as planned, the liquidity supply is assured by a liquidity forecast over a defined planning horizon and the Group's access to sufficient unused credit facilities, confirmed in writing. The aim is a comfortable, cost-efficient liquidity supply that permi ts the Group to respond appropriately to a dynamic market environment and take advantage of opportunities. The financial planning process includes a rolling three-month plan (direct method) and a one- to five-year plan (indirect method). At the end of the period on December 31, 2010, the Group had access to credit facilities totaling about €343,039 thousand.

Particularly large payment obligations exist in connection with the procurement of raw materials and goods for operating activities.

Management has initiated and implemented various steps to safeguard short-term, medium-term and long-term liquidity since the 2009 reporting period. These include working capital management.

The following table shows the undiscounted contracted maturities for financial liabilities (included contractual interest payments):

Item	Carrying amount 12/31/2010 [T €]	Maturity of financial debts: 1 year: Interest expense [T €]	1 year: Principal repay-ment [T €]	2 to 5 years: Interest expense [T €]	2 to 5 years: Principal repay-ment [T €]	after 5 years: Interest expense [T €]	after 5 years: Principal repay-ment [T €]
Liabilities to banks and lease liabilities	486,895	19,856	120,026	40,025	292,702	4,175	74,167
Other	23,700	0	6,334	0	17,366	0	0
Total	**510,595**	**19,856**	**126,360**	**40,025**	**310,068**	**4,175**	**74,167**

Item	Carrying amount 12/31/2009 [T €]	Maturity of financial debts: 1 year: Interest expense [T €]	1 year: Principal repay-ment [T €]	2 to 5 years: Interest expense [T €]	2 to 5 years: Principal repay-ment [T €]	after 5 years: Interest expense [T €]	after 5 years: Principal repay-ment [T €]
Liabilities to banks and lease liabilities	475,038	20,707	91,425	50,397	271,140	9,108	112,473
Other	33,819	0	24,259	0	9,560	0	0
Total	**508,857**	**20,707**	**115,684**	**50,397**	**280,700**	**9,108**	**112,473**

As of the end of the period, Benteler Deutschland GmbH repaid loans of €76.8 million (prior year: €76.8 million) to banks, and received a loan back in the same amount shortly after the reporting date. Likewise as of the end of the period, Benteler Automotive Corp./USA repaid loans of USD 30.0 million (prior year: USD 30.0 million) to a bank, and received a loan back in the same amount shortly after the reporting date.

The table above includes all instruments held on December 31 for which payments had already been agreed by contract. Projected figures for new future liabilities are not included. Amounts in foreign currencies are translated at the spot rate on the reporting date (December 31). Variable interest payments on financial instruments were calculated on the basis of the most recently determined interest rates.

27.6

Capital management

The objective of capital management is to ensure a sound financial profile. In particular, the aim is to ensure reasonable dividend payments for shareholders, and to generate benefits for other interest groups as well. Additionally, the Benteler Group intends to keep sufficient financial leeway to maintain its growth course.

The capital management strategy ensures that Group companies have equity capitalization appropriate to local requirements. The goal is to give them the requisite latitude for action in financing and liquidity. The requirement communicated to all Group subsidiaries is to safeguard financing with matching maturities (equity + long-term borrowings > long-term assets).

The financial profile is actively managed and monitored. The following key indicators in particular are used for this purpose: adjusted equity, adjusted equity ratio, net debt, and net financial debt. For purposes of capital management, capital represented by participation certificates is reckoned as part of equity. In calculating net debt, cash and cash equivalents are deducted from borrowings (not including capital represented by participation certificates). The following table shows the key indicators for capital management as of the end of each period:

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
On-balance-sheet equity	916,505	793,523	834,097
+ capital represented by profit participation certificates	99,075	98,843	98,612
Adjusted equity	1,015,580	892,366	932,709
Total assets	**3,116,739**	**2,667,590**	**2,760,046**
Adjusted equity ratio (adjusted equity : total assets) x 100	32.6 %	33.5 %	33.8 %
On-balance-sheet borrowings	2,200,234	1,874,067	1,925,949
– Capital represented by profit participation certificates	–99,075	–98,843	–98,612
– Cash and cash equivalents	–302,037	–222,711	–236,215
Net debt	1,799,122	1,552,513	1,591,122

28.

DERIVATIVE FINANCIAL INSTRUMENTS

As of the end of the period, the Benteler Group held derivative financial instruments to hedge foreign exchange risks and interest risks, as well as risks from the price of aluminum. Foreign currency derivatives are held in the principal currencies (USD, NOK, MXN, CHF, CZK and GBP); interest rate swaps are in EUR.

The Benteler Group uses various derivative financial instruments to hedge the above risks – currency forwards, currency options, interest swaps, interest/currency swaps, and commodity forwards – which are entered into solely with outside contracting partners (principal bankers).

The following table shows the types and amounts of foreign currency and interest rate hedges held, including the recognized fair values as of the end of the period:

Nominal volume

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Interest rate hedges	187,840	257,175	253,534
Foreign currency hedges (not netted)	545,900	287,435	433,418
Commodity hedges	23,193	30,100	0

Fair value

	12/31/2010 [T €]	12/31/2009 [T €]	1/1/2009 [T €]
Interest rate hedges	–17,313	–15,228	–7,123
Foreign currency hedges	2,740	6,285	10,307
Commodity hedges	1,139	0	0
Total	**–13,434**	**–8,943**	**3,184**

The derivative financial instruments have fixed interest rates, with variable terms to 2018.

The commodity hedges are limited solely to aluminum.

The net fair value of all derivative financial instruments for fiscal 1010 was € –13,434 thousand (prior year: € –8,943 thousand).

ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

29.

The following tables show the carrying amounts of the individual financial assets and liabilities for each individual category of financial instrument, and reconcile them with the associated items on the balance sheet, for the end of the period on December 31, 2010, the prior year, and the opening balance sheet under IFRSs.

Measurements in the statement of financial position (balance sheet)

	Carrying amount on balance sheet 12/31/2010 [T €]	
Trade receivables (including receivables from contract production)	769,225	
Loans and receivables		
Other receivables and assets (non-current and current)	132,414	
Loans and receivables		
Financial assets available for sale		
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)		
Derivatives with on-balance-sheet hedging relationship (hedge accounting)		
Cash and cash equivalents	302,037	
Loans and receivables		
Total	**1,203,676**	
of which: by measurement category under IAS 39:		
Loans and receivables	1,079,056	
Financial assets available for sale	1,995	
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	1,227	
Financial debt (non-current and current, including capital represented by participation certificates)	609,670	
Financial liabilities measured at amortized cost		
Liabilities under finance leases		
Trade payables	771,230	
Financial liabilities measured at amortized cost		
Other financial liabilities (non-current and current)	383,557	
Financial liabilities measured at amortized cost		
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)		
Derivatives with on-balance-sheet hedging relationship (hedge accounting)		
Total	**1,764,457**	
of which: by measurement category under IAS 39:		
Financial liabilities measured at amortized cost	1,565,498	
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	1,227	

	Carrying amount per IAS 39			Measurement per IAS 17		
	(Amortized) cost	Fair value in profit or loss	Fair value outside profit or loss	(Amortized) cost	Non-financial items	Fair value 12/31/2010
	[T €]	[T €]	[T €]	[T €]	[T €]	[T €]
	769,225					
	769,225					769,225
	9,169	1,227	4,500		117,518	
	7,795					7,795
	1,374		621			1,995
		1,227				1,227
			3,879			3,879
	302,037					
	302,037					302,037
	1,079,056					1,079,056
	1,374		621			1,995
		1,227				1,227
	595,195			13,475		
	595,195					595,195
				13,475		13,475
	771,230					
	771,230					771,230
	198,072	1,227	17,313		166,944	
	198,072					198,072
		1,227				1,227
			17,313			17,313
	1,565,498					1,565,498
		1,227				1,227

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	Carrying amount on balance sheet 12/31/2009 [T €]
Trade receivables (including receivables from contract production)	694,599
Loans and receivables	
Other receivables and assets (non-current and current)	129,183
Loans and receivables	
Financial assets available for sale	
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	
Cash and cash equivalents	302,037
Loans and receivables	
Total	**1,125,819**
of which: by measurement category under IAS 39:	
Loans and receivables	1,000,971
Financial assets available for sale	3,987
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	6,354
Financial debt (non-current and current, including capital represented by participation certificates)	607,700
Financial liabilities measured at amortized cost	
Liabilities under finance leases	
Trade payables	599,035
Financial liabilities measured at amortized cost	
Other financial liabilities (non-current and current)	265,639
Financial liabilities measured at amortized cost	
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	
Total	**1,472,374**
of which: by measurement category under IAS 39:	
Financial liabilities measured at amortized cost	1,331,364
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	70

Carrying amount per IAS 39			Measurement per IAS 17		
(Amortized) cost	Fair value in profit or loss	Fair value outside profit or loss	(Amortized) cost	Non-financial items	Fair value 12/31/2009
[T €]	[T €]	[T €]	[T €]	[T €]	[T €]
694,599					
694,599					694,599
7,814	6,354	508		114,506	
4,336					4,336
3,479		508			3,987
	6,354				6,354
		0			0
302,037					
302,037					302,037
1,000,971					1,000,971
3,479		508			3,987
0	6,354	0			6,354
599,734			7,966		
599,734					599,734
			7,966		7,966
599,035					
599,035					599,035
132,595	70	15,228		117,746	
132,595					132,595
	70				70
		15,228			15,228
1,331,364	0	0	0		1,331,364
0	70	0	0		70

	Carrying amount on balance sheet 1/1/2009 [T €]
Trade receivables (including receivables from contract production)	619,538
Loans and receivables	
Other receivables and assets (non-current and current)	179,977
Loans and receivables	
Financial assets available for sale	
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	
Cash and cash equivalents	236,215
Loans and receivables	
Total	**1,035,730**
of which: by measurement category under IAS 39:	
Loans and receivables	863,314
Financial assets available for sale	4,762
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	10,307
Financial debt (non-current and current, including capital represented by participation certificates)	686,533
Financial liabilities measured at amortized cost	
Liabilities under finance leases	
Trade payables	625,041
Financial liabilities measured at amortized cost	
Other financial liabilities (non-current and current)	250,786
Financial liabilities measured at amortized cost	
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	
Total	**1,562,360**
of which: by measurement category under IAS 39:	
Financial liabilities measured at amortized cost	1,354,344
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	0

No reclassifications among categories of financial instruments were performed in either the year under review or the prior year.

Carrying amount per IAS 39			Measurement per IAS 17		
(Amortized) cost	Fair value in profit or loss	Fair value outside profit or loss	(Amortized) cost	Non-financial items	Fair value 1/1/2009
[T €]	[T €]	[T €]	[T €]	[T €]	[T €]
619,538					
619,538					619,538
12,297	10,307	26		157,347	
7,561					7,561
4,736		26			4,762
	10,307				10,307
		0			0
236,215					
236,215					236,215
863,314					863,314
4,736	0	26			4,762
0	10,307	0			10,307
683,235			3,298		
683,235					683,235
			3,298		3,298
625,041					
625,041					625,041
46,069	0	7,123		197,594	
46,069					46,069
	0				0
		7,123			7,123
1,354,344	0	7,123	3,298		1,354,344
0	0	0	0		0

Net gains or losses

The following table shows the net gains (before tax) on financial instruments recognized in the consolidated income statement, broken down by measurement category. The figures do not include effects of finance leases on profit or loss, or those of derivatives used for hedge accounting, since they do not belong to a measurement category under IAS 39.

	2010 [T €]	2009 [T €]
Loans and receivables	5,293	4,511
Financial assets available for sale	−50	0
Derivatives without on-balance-sheet hedging relationship (financial assets and liabilities held for trading)	−6	−4
Financial liabilities measured at amortized cost	−45,556	−50,196
Total net gains or losses	**−40,318**	**−45,689**
of which: Net interest expense for financial assets and liabilities not measured at fair value through profit or loss	−37,230	−44,988
of which: Impairment expense for trade receivables	−3,032	−697
of which: Gains/losses on available-for-sale financial assets recognized outside profit or loss	0	0

The net gain from the "loans and receivables" category results primarily from interest income on financial receivables, adjustments on trade receivables, and foreign exchange gains and losses on receivables in foreign currencies.

The gains and losses on changes in the fair value of foreign currency, interest and commodities derivatives that do not meet the hedge accounting requirements under IAS 39 are included in the "derivatives without on-balance-sheet hedging relationship" category.

The "financial liabilities measured at amortized cost" category includes interest expenses for financial liabilities, income from the capitalization of borrowing costs, and foreign exchange gains and losses on liabilities in foreign currencies.

Carrying amounts and fair values

The carrying amount of trade receivables, other current receivables, and cash and cash equivalents is the same as their fair value. The fair value of fixed-interest borrowings is calculated as the present value of expected cash flows. They are discounted on the basis of the interest rates in effect at the end of the reporting period.

The fair value of currency forwards is calculated on the basis of the spot exchange rate in effect at the end of the reporting period, allowing for the forward premiums and discounts for the respective remaining term of the contract compared to the contracted forward rate. For currency options, generally accepted models are used for calculating option prices. The fair value of an option, together with the remaining term of the option, is additionally affected by other factors such as the current level and volatility of the underlying exchange rate, or the underlying base interest rate.

Interest rate swaps and interest/currency swaps are measured at fair value by discounting expected cash flows. The market interest rates in effect for the remainder of the contract are used as a basis. For interest/currency swaps, the exchange rates for the foreign currencies in which cash flows take place are also taken into account.

The fair value of aluminum commodity forwards is based on official market quotations (LME – London Metal Exchange).

Measurements are performed both internally and by external financial partners at the end of the period.

For trade payables and other current liabilities, the carrying amount is the same as the fair value. The fair value of fixed-interest liabilities is the present value of expected cash flows. They are discounted on the basis of the interest rates in effect at the end of the reporting period. For variable-interest liabilities, the carrying amounts are the same as the fair values.

Fair value hierarchy

The fair values of financial assets and liabilities measured at fair value can result from the following base data, according to the fair value hierarchy defined in IFRS 7:

Level 1 Measured on the basis of quoted prices on active markets for similar instruments.

Level 2 Measured on the basis of directly or indirectly observable market inputs other than Level 1 quoted prices.

Level 3 Measured on the basis of models not based on observable market inputs.

The measurement hierarchy reflects the importance of the factors considered in calculating fair values.

The following table shows the carrying amounts of the financial assets and liabilities measured at fair value, broken down by measurement level. No reclassifications among levels have been made.

	12/31/2010			
	Total [T €]	Level 1 [T €]	Level 2 [T €]	Level 3 [T €]
Financial assets at fair value				
Fair value through profit or loss				
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	1,227	0	1,227	0
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	0	0	0	0
Fair value outside profit or loss				
Financial assets available for sale	621	621	0	0
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	3,879	0	3,879	0
Total	**5,727**	**621**	**5,106**	**0**
Financial liabilities at fair value				
Fair value through profit or loss				
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	1,227	0	1,227	0
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	0	0	0	0
Fair value outside profit or loss				
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	17,313	0	17,313	0
Total	**18,541**	**0**	**18,541**	**0**

	12/31/2009 Total [T €]	Level 1 [T €]	Level 2 [T €]	Level 3 [T €]
Financial assets at fair value				
Fair value through profit or loss				
Derivatives without on-balance-sheet hedging relationship (financial liabilities held for trading)	6,354	0	6,354	0
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	0	0	0	0
Fair value outside profit or loss				
Other financial liabilities (non-current and current)	508	508	0	0
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	0	0	0	0
Total	**6,863**	**508**	**6,354**	**0**
Financial liabilities at fair value				
Fair value through profit or loss				
Derivatives with on-balance-sheet hedging relationship (hedge accounting)	70	0	70	0
Cash and cash equivalents	0	0	0	0
Fair value outside profit or loss				
Cash and cash equivalents	15,228	0	15,228	0
Total	**15,298**	**0**	**15,298**	**0**

	1/1/2009			
	Total [T €]	Level 1 [T €]	Level 2 [T €]	Level 3 [T €]
Financial assets at fair value				
Fair value through profit or loss				
Cash and cash equivalents	10,307	0	10,307	0
Loans and receivables	0	0	0	0
Fair value outside profit or loss				
Derivatives without on-balance-sheet hedging relationship (financial assets held for trading)	26	26	0	0
Loans and receivables	0	0	0	0
Total	**10,333**	**26**	**10,307**	**0**
Financial liabilities at fair value				
Fair value through profit or loss				
Total	0	0	0	0
of which: by measurement category under IAS 39:	0	0	0	0
Fair value outside profit or loss				
of which: by measurement category under IAS 39:	7,123	0	7,123	0
Total	**7,123**	**0**	**7,123**	**0**

Sensitivity analyses

Sensitivity analyses determine, for each type of market risk, the effects that hypothetical changes in the relevant risk variables would have on profit (after tax) and on equity as of the end of the period.

The sensitivity analyses under IFRSs were prepared under certain assumptions. Most significantly, only risks that referred to the reporting date and would have a (hypothetical) effect on the accounts were considered. Therefore the actual effects of market price risks on the Benteler Group may differ from the effects found in the sensitivity analysis. The actual effects are regularly analyzed by the Group Treasury.

The risks that are of particular relevance to the Benteler Group are foreign exchange risks, interest rate risks and commodity price risks:

Foreign exchange risks

The Benteler Group's balance sheet is exposed to significant foreign exchange risks that result from original monetary financial instruments (primarily receivables and liabilities) denominated in British pounds and U.S. dollars at Group companies whose own functional currency differs from these two currencies. If the value of these two currencies had hypothetically been 10 % higher than the actual exchange rates at the reporting date, the profit (after tax) and equity would have been €3,107 thousand less (December 31, 2009: €2,890 thousand). If the value of these two currencies had hypothetically been 10 % less than the actual exchange rates at the reporting date, the profit (after tax) and equity would have been €3,798 thousand more (December 31, 2009: €3,533 thousand).

Interest rate risk

The Benteler Group's principal interest-bearing positions are liabilities for borrowings. Most of these liabilities are either already at a fixed interest rate, or are converted to fixed-rate positions through the use of interest rate derivatives. These liabilities are measured at amortized cost. For that reason, changes in market interest rates have no effect on the accounts.

Interest-rate risks can affect the accounts at the Benteler Group only in the case of interest rate derivatives. Some of these effects act to counter the hedged underlying positions, and therefore are not presented separately.

Commodity price risks

The Benteler Group is exposed to accounting effects from commodity price risks only in the case of commodity price derivatives. Some of these effects act to counter the hedged underlying positions, and therefore are not presented separately.

Derivatives with on-balance-sheet hedging relationship (hedge accounting)

Most currency forwards, currency options, interest swaps and interest/currency swaps are recognized for the year as cash flow hedges under hedge accounting. These cover both variable future cash flows from non-current liabilities with terms to 2027, and future operating cash flows in foreign currencies with terms of generally up to 12 months, and in no case more than 24 months. Consequently the effect on profit or loss from the hedge on operating cash flows in foreign currencies will occur primarily during the current fiscal year, or during next fiscal year at the latest. The changes in fair value of these derivatives are recognized in equity. They were reclassified to profit or loss in the consolidated income statement, in the amount for which the hedged item was realized during the period. This reclassification was recognized in the foreign exchange gains or losses. See Note 21 for further details about equity.

Interest rate payer swaps

Some of the Benteler Group's financing needs are covered by a variable-rate loan with various banks. Interest rate payer swaps are entered into to reduce the volatility of the variable interest payments on the loan due to market changes. The aim of an interest rate payer swap is to reduce cash flow fluctuations caused by variable interest payments on the hedged item. The hedged item and the hedge are contracted in such a way that all material contract terms (the "critical terms") fully match. The effectiveness of the hedges is tested regularly.

Currency options on forward contracts

Based on the established budget, the expected payments to be received from monthly revenue in foreign currencies are determined. The currency risk resulting from the underlying transaction is reduced by entering into appropriate hedges. The hedges entered into are currency options on forward contracts, whose maturities are chosen quarterly. The forward contracts resulting from the options are used to hedge the currency risk. The monthly payments received in a given currency are swapped against the forwards, placed quarterly, until the forwards have been entirely used up. Compliance with this strategy is checked on the basis of appropriate evaluations and analyses. The hedging instrument is designated and entered into when the budget is adopted (planning date for the forecast transaction). Here only the internal value is designated under hedge accounting. The core elements of the hedging relationship are identical. In addition, the following assumptions are applied:

- Exposure is greater than the hedged volume,
- The term and currency of the underlying transaction and the hedge are identical in the context of the actual prolongation strategy,
- Only the internal value of the FX option is designated.

Because the measurement parameters for the hedged item and the hedge are the same, a 100 % prospective effectiveness of the hedging relationship can be assumed. Consequently a simplified prospective effectiveness measurement is applied (critical term match method) that is limited to matching the core elements of the hedged item and the hedge. To that extent, the facilitated option under IAS 39.AG108 is employed. The effectiveness of the hedging relationship is tested at the end of each reporting period.

A form of "hypothetical derivative method" is used to measure retrospective effectiveness. Here a prolongation strategy is applied under which cash flows from the hedged item and the hedge are swapped on the same day. In addition, at the end of each reporting period it is tested whether the amount of the hedged payments actually used (received or paid out) is less than the volume of contracted and designated hedges. The effectiveness of the hedging relationship is tested at the end of each reporting period.

Aluminum price risk

Here the hedging strategy must take account not only of physical hedging, but of the complexity of how the risk arises. This results from the diverse contract specifications with OEMs, including

- the time lapse between the purchase of commodities and semifinished products, and the sale of components to OEMs,
- the large number of fixed prices and formula-based pricing mechanisms (1, 2, 3, or 6-month average) and price validities (quarter, six months, specified months),
- the use of different exchanges and underlyings in pricing (LME, NASAAC, SMI, Cash/3M, Seller/Buyer), and
- the different currencies involved (EUR, USD, NOK).

Building on the planned amounts to be purchased by customers and the reported needs of the decentralized units, the production location decides on the production schedule and on the purchases of the necessary aluminum. At a monthly management meeting, a list of the contracts entered into is prepared for which firm aluminum pricing on the selling or buying side is to begin in the coming month. On that basis, Benteler enters into treasury swaps with a bank to exchange the variable prices on the buy and sell side for firm prices. Different swaps are negotiated for each month, depending on the individual customers' pricing formulas and the planned and reported volumes.

Derivatives not included in hedge accounting

If the requirements for the special rules on hedge accounting under IAS 39 are not met, the derivative financial instruments are recognized as derivatives without an on-balance-sheet hedging relationship.

30.

CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with IAS 7, and is organized into cash flows from operating, investing, and financing activities. The effects of changes in the companies included in the consolidated financial statements are recognized in the changes in the various balance sheet items; their impact on cash and cash equivalents is shown separately, as is the impact of changes in foreign exchange rates on cash and cash equivalents.

The cash flow from operating activities increased to €366,489 thousand in fiscal 2010 (prior year: €272,067 thousand). Based on a gross operating profit of €166,318 thousand after gains from business combinations, most of the improvement resulted from the increase in operating income.

In addition to further acquisitions of ownership interests (see also Note 4.2, Companies included in the consolidated financial statements), investing activities pertain primarily to investments in technical equipment and office and other equipment, and to the completion of projects begun in the prior year.

The discussion and further comments in Note 20 provide additional information about the changes in cash and cash equivalents.

31.

LEASES

The Benteler Group is the lessee under various leases. The leases pertain to rent for buildings and for technical equipment and machines.

Future minimum lease payments under non-terminable operating leases are as follows for the various periods:

	12/31/2010 [T €]	12/31/2009 [T €]
Future minimum lease payments		
due within one year	10,028	5,884
due in 1 to 5 years	24,341	15,247
due after 5 years	15,256	1,123
Total	**49,625**	**22,254**

Future minimum lease payments under non-terminable finance leases are as follows for the various periods:

	12/31/2010 [T €]	12/31/2009 [T €]
Future minimum lease payments		
due within one year	2,281	851
due in 1 to 5 years	6,479	5,415
due after 5 year	5,814	2,386
Nominal value	14,574	8,652
Interest component	–1,100	–686
Present value of minimum lease payments	13,474	7,966

Payments of €48,261 thousand under rental and lease agreements were recognized in expenses for 2010 (prior year: €40,906 thousand). Income from subleases for fiscal 2010 came to €847 thousand (prior year: €847 thousand).

32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Benteler Group furnished no additional collateral during the year for its borrowings, above and beyond the joint liability of individual Group members to other Group members and the collateral indicated in Note 24, Financial liabilities.

Land liens for €153.4 million, held by Price Waterhouse Coopers AG, of Düsseldorf, have been recorded on the Group's own property or properties owned by production company subsidiaries. Under an agreement dated May 4, 1987 (in its current version of August 28, 2001), these liens provide a collateral pool that is managed in trust by Price Waterhouse Coopers AG for the participating lenders to Benteler Deutschland GmbH. The banks' receivables from Benteler Deutschland GmbH are covered by the collateral provided by the assets held in trust, by way of accession agreements.

Benteler Deutschland GmbH's lender banks declared their written consent to the lifting of land liens for a total of €153.4 million. No loans were secured by land liens as of December 31, 2010. Thus the entire trust agreement was placed on "inactive" status under an agreement dated November 12, 2003.

As of the end of the period on December 31, 2010, the Group had granted guarantees to third parties for a total of €570 thousand (prior year: €1,821 thousand). Liabilities to third parties under warranty agreements (through contract performance bonds or supply bonds) came to €668 thousand as of the end of the period (prior year: €50 thousand).

Financial liabilities under plant purchase agreements already signed came to €15,726 thousand as of the end of the period on December 31, 2010 (prior year: €26,055 thousand).

There were other off-balance-sheet obligations – particularly to employees, tax authorities and customs authorities – of €3,492 thousand as of December 31, 2010 (prior year: €386 thousand).

WORKFORCE

33.

The Benteler Group worldwide has the following numbers of employees (in FTE):

	12/31/2010 [Average]	12/31/2009 [Average]
Wage earners	11,940	11,198
Salaried staff	11,808	11,456
Total	**23,748**	**22,654**

GOVERNING BODIES

34.

Executive Board

- Hubertus Benteler, Salzburg, Austria
  CEO (since June 30, 2010).
  In charge of: Corporate Strategy and Business Development, Corporate Communications, Corporate Human Resources, Compliance and Board Affairs
- Siegmund Wenk, Munich, Germany (since September 3, 2010)
  In charge of: Corporate Finance and Accounting, Corporate Taxes, Corporate Legal and Insurances

Supervisory Board

The following members were appointed to the Supervisory Board of Benteler International Aktiengesellschaft:

- Robert J. Koehler, Wiesbaden, Germany, Chairman
  (Chairman of the Board of Management of SGL Carbon SE, Wiesbaden, Germany), since August 31, 2010
- Dr. Ralf Bethke, Deidesheim, Germany, Vice Chairman
  (Chairman of the Supervisory Board of K+S AG, Kassel, Germany), since August 31, 2010
- Rolf Eckrodt, Berlin, Germany
  (Chairman of the Supervisory Board of Tognum AG, Friedrichshafen, Germany), since August 31, 2010
- Dr. Markus Flik, Gerlingen, Germany
  (since August 31, 2010)
- Axel Prym, Roetgen, Germany
  (Shareholder of William Prym GmbH & Co. KG, Stolberg, Germany), since August 31, 2010
- Dr. Gert Vaubel, Warburg, Germany
  (former member of the Executive Board of Benteler Aktiengesellschaft, Paderborn, Germany), since August 31, 2010

Management Boards of the Divisions

Benteler Automobiltechnik GmbH

- Hein Van Gerwen, Chairman
- Eric Alstrom
- Dr. Mathias Hüttenrauch (until September 30, 2010)
- Ralf Göttel (since November 1, 2010)

Benteler Steel/Tube GmbH
Benteler Rothrist GmbH
Benteler Tube Management GmbH

- Norbert Bergs, Chairman
- Matthias Jäger

Benteler Distribution International GmbH

- Giorgio Frigerio, Chairman (until December 23, 2010)
- Anders Ivarsson (since May 1, 2010)
- Ralf Moysig (until April 30, 2010)
- Dr. Marcus Schubbe (since May 1, 2010)

Benteler Deutschland GmbH (formerly Benteler Aktiengesellschaft)

- Hein van Gerwen, Chairman (since September 3, 2010)
- Norbert Bergs (since September 3, 2010)
- Giorgio Frigerio (from September 3 to December 23, 2010)
- Dr. Meike Schäffler (since September 3, 2010)

Former Benteler Aktiengesellschaft:

- Hubertus Benteler, Chairman (until June 29, 2010)
- Siegmund Wenk (until September 2, 2010, Chairman from June 30, 2010)
- Dr. Meike Schäffler (from June 30 to September 2, 2010)

35. RELATED PARTY TRANSACTIONS

The Group's related parties within the meaning of IAS 24 are substantially the members of the Supervisory Board and Shareholders' Committee, the members of the Benteler family, members of Group management, and, as entities, the associates of the Benteler Group and entities controlled or significantly influenced by related parties. See Note 4.2 and Note 34, Governing bodies, for additional information.

The entities included in the consolidated financial statements of the Benteler Group have engaged and/or continue to engage in corporate transactions with related parties.

Except for the compensation paid to key management (see immediately below) and the acquisition of the shares of Carl Benteler GmbH and Rohstoff-Handelsgesellschaft Günther Voth GmbH from Dr. Ing. E.h. Helmut Benteler GmbH and from Hubertus Benteler GmbH, no significant transactions have been conducted with related parties that extend beyond their capacity as shareholders or members of governing bodies.

Disclosures of compensation paid to key members of management

During fiscal 2010, Benteler International Aktiengesellschaft paid total compensation of €18,053 thousand (prior year: €7,649 thousand) to members of management in key positions (9 persons; prior year 9 – comprising members of the Executive Board of Benteler International Aktiengesellschaft and the managing directors of the principal subsidiaries). Apart from that compensation, no share-based payments were made to management.

The exemption under Section 266(7)(b) of the Austrian Commercial Code has been exercised.

	2010 [T €]	2009 [T €]
Short-term payments – fixed	4,626	4,366
Short-term payments – variable	6,541	595
Post employment benefits	986	825
Other benefits payable in the long term	2,093	1,863
Severance benefits	3,807	0
Total	**18,053**	**7,649**

The members of the Supervisory Board of Benteler International Aktiengesellschaft received compensation of €225 thousand in fiscal 2010 (prior year: €405 thousand for Benteler Deutschland GmbH, with a different Supervisory Board). There were no other reportable transactions with related parties of the Benteler Group.

The pension provisions at December 31, 2010, like those for the year ended December 31, 2009, include no provisions for former executives of Benteler International Aktiengesellschaft.

There were no credit receivables from current or former members of governing bodies at either December 31, 2010, or December 31, 2009.

36.

EVENTS AFTER THE REPORTING PERIOD

A major fire occurred at the seamless tube plant of Benteler Steel/Tub GmbH in Dinslaken, Germany, on February 25, 2011. Production must be suspended for at least four months because of the damage. The Group had appropriate property and business interruption insurance to cover the damage caused by the fire. Benteler estimates that the Group's deductible for this loss will be not more than €6.5 million.

On March 11, 2011, an earthquake registering 9.0 on the Richter scale, with a subsequent tsunami, caused widespread devastation in Japan. Numerous automotive manufacturers and suppliers were forced to suspend or interrupt production. It is currently still impossible to estimate the effects of this catastrophe on the global supply chain between automotive manufacturers and suppliers, and therefore on the ability of Benteler Automotive to deliver to its customers. However, the Company is keeping a close eye on the risks that may result for individual Benteler Automotive locations.

Otherwise no events or developments occurred after the end of the period that might cause a significant change in the recognition or measurement of individual asset or liability items as of December 31, 2010, or that were otherwise reportable.

37.

SIGNIFICANT AUDITOR'S FEES AND SERVICES

The information required under Section 266(11) of the Austrian Commercial Code regarding the fees paid to the Group's independent auditor (KPMG Austria GmbH) is provided below by category of service.

	2010 [T €]	2009 [T €]
Audit of consolidated financial statements	50	0
Other audit services	0	0
Tax consulting	0	0
Other services	0	0
Total fees	**50**	**0**

The figures refer to the accrued expense for the period. Services provided by the independent auditor's network are not included.

PROPOSED ALLOCATION OF PROFIT 38.

Under the terms of the Austrian Stock Corporations Act, the allocation of profits is to be based on the separate financial statements of Benteler International Aktiengesellschaft as of December 31, 2010, prepared under Austrian GAAP.

Those financial statements showed a distributable profit of €104,951,714.22. The Executive Board will propose to the shareholders' meeting that out of this distributable profit of €104,951,714.22, a total of €49,246,793.71 should be distributed in dividends, €50,000,000.00 should be allocated to retained earnings, and the remaining €5,704,920.51 should be carried forward to the new period.

EXPLANATIONS OF TRANSITION FROM REPORTING UNDER THE GERMAN COMMERCIAL CODE TO IFRSs 39.

Bases for first-time application of IFRSs

In preparing the opening balance sheet, the Group applied IFRS 1, "First-time adoption of International Financial Reporting Standards." The reporting date for the opening balance sheet under IFRS is January 1, 2009.

This is the first set of financial statements prepared under IFRS 1. All periods presented, together with the opening balance sheet as of January 1, 2009, were prepared in accordance with the IFRSs whose application was obligatory as of December 31, 2010; see Note 2, Basis of preparation.

Please see Note 3, New accounting standards, for the application of IFRSs that had been issued but were not obligatory as of December 31, 2010.

The Group exercised the following options offered under IFRS 1 for the application of the IFRSs applicable at December 31, 2010, to the opening balance sheet under IFRSs as of January 1, 2009:

- Benteler International Aktiengesellschaft, as a first-time adopter of IFRSs, included in its consolidated financial statements the sub-group financial statements of Benteler Deutschland GmbH while continuing to use the initial consolidation of subsidiaries included in that company's consolidated financial statements in accordance with the previous German GAAP; see the discussion in Note 2, Basis of preparation.
- In the opening balance sheet under IFRSs as of January 1, 2009, pension obligations are recognized at their present value. For this purpose, all actuarial gains and losses were recognized in the balance sheet, under other retained earnings, as of the transition date. Since January 1, 2009, actuarial gains and losses on defined-benefit pension commitments are recognized directly in other comprehensive income, as equity, outside profit or loss.

Reconciliation of equity and profit for the period from German GAAP to IFRSs
The differences the recognition and measurement of assets and liabilities in the opening balance sheet under IFRSs at January 1, 2009, resulting from the first-time adoption of IFRSs, compared to the consolidated financial statements of Benteler Deutschland GmbH under the German Commercial Code, are shown in the loss for the period.

The first-time adoption of IFRSs had the following effects on the consolidated equity of Benteler International Aktiengesellschaft as of January 1, 2009, and December 31, 2009:

ASSETS	Note	
Intangible assets	g, j	
Property, plant and equipment	d, e, f	
Associates accounted for using the equity method		
Non-current income tax receivables		
Other non-current assets	i	
Deferred tax assets	a	
Non-current assets		
Inventories		
Trade receivables	b, i	
Other non-current assets		
Current income tax credits		
Cash and cash equivalents		
Current assets		
Total assets		

	1/1/2009			12/31/2009		
	German Commercial Code [T €]	Transition effects [T €]	IFRS [T €]	German Commercial Code [T €]	Transition effects [T €]	IFRS [T €]
	12,090	55,981	68,071	13,460	54,907	68,367
	966,468	69,005	1,035,473	935,249	124,275	1,059,524
	16,657	0	16,657	14,876	−33	14,843
	0	0	0	0	971	971
	8,008	22,845	30,853	8,077	12,026	20,103
	0	24,037	24,037	0	44,354	44,354
	1,003,223	**171,868**	**1,175,091**	**971,662**	**236,500**	**1,208,162**
	562,406	15,523	577,929	399,221	31,981	431,202
	586,848	32,690	619,538	608,206	86,393	694,599
	162,464	−13,340	149,124	120,419	−11,339	109,080
	0	2,149	2,149	0	1,836	1,836
	236,241	−26	236,215	222,643	68	222,711
	1,547,959	**36,996**	**1,584,955**	**1,350,489**	**108,939**	**1,459,428**
	2,551,182	**208,864**	**2,760,046**	**2,322,151**	**345,439**	**2,667,590**

EQUITY AND LIABILITIES	Note	
Issued capital		
Capital represented by profit participation certificates	j	
Retained earnings		
Other reserves		
Equity attributable to shareholders of Benteler International Aktiengesellschaft		
Non-controlling interests		
Total shareholders' equity		
Capital represented by profit participation certificates	j	
Provisions for pension plans and similar commitments	h, k	
Other non-current provisions	c, e	
Deferred tax liabilities	a	
Financial liabilities	f	
Other non-current liabilities		
Non-current liabilities		
Other provisions	c, h, k	
Current income tax liabilities		
Financial liabilities	f	
Trade payables		
Other current liabilities	c	
Current liabilities		
Total liabilities		
Total shareholders' equity and liabilities		

	1/1/2009			12/31/2009		
	German Commercial Code [T €]	Transition effects [T €]	IFRS [T €]	German Commercial Code [T €]	Transition effects [T €]	IFRS [T €]
	120,000	0	120,000	120,000	0	120,000
	98,612	−98,612	0	98,843	−98,843	0
	55,475	0	55,475	55,475	0	55,475
	483,104	140,154	623,258	394,444	190,951	585,395
	757,191	**41,542**	**798,733**	**668,762**	**92,108**	**760,870**
	35,364	0	35,364	32,653	0	32,653
	792,555	**41,542**	**834,097**	**701,415**	**92,108**	**793,523**
	0	98,612	98,612	0	98,843	98,843
	150,457	1,471	151,928	163,493	23,612	187,105
	43,396	13,586	56,982	39,376	34,559	73,935
	17,520	4,063	21,583	13,850	−843	13,007
	479,511	16,236	495,747	375,799	17,374	393,173
	2,882	14,795	17,677	1,200	51,893	53,093
	693,766	**148,763**	**842,529**	**593,718**	**225,438**	**819,156**
	243,706	−115,671	128,035	218,875	−98,289	120,586
	11,155	−6,795	4,360	11,098	−9,334	1,764
	84,724	4,152	88,876	108,628	7,056	115,684
	627,285	−2,244	625,041	592,913	6,122	599,035
	97,991	139,117	237,108	95,504	122,338	217,842
	1,064,861	**18,559**	**1,083,420**	**1,027,018**	**27,893**	**1,054,911**
	1,758,627	**167,322**	**1,925,949**	**1,620,736**	**253,331**	**1,874,067**
	2,551,182	**208,864**	**2,760,046**	**2,322,151**	**345,439**	**2,667,590**

Reconciliation of consolidated profit for the period between German Commercial Code and IFRSs

The effects of the transition from the German Commercial Code to IFRSs on the consolidated profit for fiscal 2009 are as follows:

	Note	German Commercial Code [T €]	Transition effects [T €]	IFRS [T €]
Revenue	b	4,563,842	−5,585	4,558,257
Changes in inventories and other own work capitalized	g	−58,188	10,245	−47,943
Other operating income		100,191	12,106	112,297
Cost of materials		−3,130,787	940	−3,129,847
Personnel expense	h, l	−918,593	7,121	−911,472
Depreciation and amortization expense	d, e, g, f	−170,295	−19,831	−190,126
Other operating expenses		−412,196	1,540	−410,656
Operating profit/loss		**−26,026**	**6,536**	**−19,490**
Gains from business combinations		0	63,898	63,898
Gross operating income after gains from business combinations		**−26,026**	**70,434**	**44,408**
Net finance expense		−37,790	−17,085	−54,875
Finance income		6,609	331	6,940
Finance expenses	l	−44,399	−17,416	−61,815
Profit/loss before tax		**−63,816**	**53,349**	**−10,467**
Income tax expense	a	−18,268	20,507	2,239
Consolidated loss for the period		**−82,084**	**73,856**	**−8,228**

(+ = increases profit) (− = decreases profit)

Reconciliation of other comprehensive income from German Commercial Code to IFRSs

The information included in other comprehensive income under IFRSs is not recognized under the German Commercial Code. Except for the foreign currency translation differences recognized by the Group, all other components of other comprehensive income represent a deviation from the German GAAP.

Other information on the reconciliation from German Commercial Code to IFRSs

The principal differences between the accounting policies under the German Commercial Code and IFRSs pertain to the following matters:

a) Under IAS 12, deferred taxes are generally to be recognized for all temporary differences between the values measured for assets and liabilities in the consolidated statement of financial position under IFRSs and their tax base. The deferred taxes are calculated on the basis of the expected future tax rates. Under the German Commercial Code, there was a recognition obligation in fiscal 2009 only for deferred tax liabilities and deferred tax assets on matters pertaining to consolidation. Recognition of other deferred tax assets was optional. Deferred taxes in the consolidated financial statements under the German Commercial Code were calculated using the current tax rate.

b) According to IAS 18 and IAS 11, revenue from service transactions and long-term production contracts should be recognized by reference to the degree of completion of the order at the balance sheet date (stage of completion or percentage of completion method). The degree of completion of the order is determined on the basis of the services provided as of the end of the reporting period. This means that income is recognized earlier than in accounting under the German Commercial Code.

c) According to IAS 37, provisions should be recognized only if an obligation to a third party has arisen on which payment is probable for an amount that can be estimated reliably. In the financial statements under IFRSs, provisions are measured at their most probable value, while under the German Commercial Code, provisions are determined according to the principle of prudent business judgment. Moreover, some balance-sheet information typically recognized as provisions under the German Commercial Code is recognized as other liabilities under IFRSs.

d) In accordance with IAS 16, property, plant and equipment are normally depreciated straight-line over their expected useful life in these financial statements under IFRSs, allowing for past experience. Under the German Commercial Code, some assets were depreciated on a declining-balance basis using standardized wear-and-tear depreciation tables.

e) Under leases, some Benteler Group companies are required to remove fixtures they have installed. Under IAS 16, the present value of the estimated cost of the dismantling and removal obligation is added to the cost of the tenant-installed fixtures. Consequently the amount to be depreciated is also increased. Under the German Commercial Code, provisions for obligations to dismantle and remove fixtures are normally accrued on a straight-line basis over the term of the lease.

f) Leases are categorized as "finance leases" if they transfer substantially all the risks and rewards incident to ownership of the leased property to Benteler International Aktiengesellschaft as the lessee. Assets to be capitalized under finance leases are measured at the fair value at the commencement of the lease term or the lower present value of future minimum lease payments. This value is reduced by cumulative depreciation and impairment (subject to impairment tests). The corresponding liabilities to the lessor are recognized as current and non-current lease liabilities.

g) Under IAS 38, when certain criteria are met (particularly those under IAS 38.57), internally generated intangible assets and internally generated software resulting from development projects are to be capitalized and amortized straight-line over their expected useful life. These are primarily tools developed by the Division itself in the course of its original operating activities.

h) Reimbursement claims under direct insurance policies were capitalized in accordance with the fair value of the obligation (defined benefit obligation).

i) Under IFRSs, an impairment loss is recognized on trade receivables if there are objective indications of impairment. No lump-sum allowance on trade receivables, as is customary under the German Commercial Code, is recognized under IFRSs.

j) Since these profit participation rights generally cannot be terminated (except in the event of insolvency) and the Benteler Group must pay the contracted settlement amount, profit participation rights are not included in equity.

k) Pension provisions are measured at the value of the projected benefit obligation (PBO) in the consolidated financial statements under IFRSs. The provisions for pensions under IAS 19 are measured using the projected unit credit method, in the amount of the defined benefit obligation (DBO). Pension commitments are safeguarded against insolvency by a transfer of non-current securities to trustees, under civil law. The pension fund model constitutes a contractual trust arrangement, so that the plan assets were set off against the DBO. In accordance with IFRS 1, all actuarial gains and losses were taken into account in the recognized provision at their levels from January 1, 2009, as of the date of the transition to IFRSs. In the measurement of the obligation from defined-benefit pension commitments, as well as the plan assets, the Benteler Group exercises the option to immediately set off actuarial gains and losses occurring after January 1, 2009, directly against retained earnings, outside the consolidated income statement, allowing for deferred taxes (see the table of income and expenses included in consolidated equity).

Salzburg, March 31, 2011

The Executive Board

Hubertus Benteler Siegmund Wenk

INDEPENDENT AUDITORS' REPORT

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Benteler International Aktiengesellschaft,Salzburg, for the fiscal year from January 1 to December 31, 2010. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2010, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, together with a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the Group's accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. This responsibility includes designing, implementing and maintaining an internal controlling system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010, and of its financial performance and cash flows for the fiscal year from January 1 to December 31, 2010, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Report on the management report for the Group

Pursuant to the terms of law, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements, and as to whether the other disclosures are misleading with respect to the Company's position. The auditor's report must also contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements.

In our opinion, the management report for the Group is consistent with the consolidated financial statements.

Salzburg, March 31, 2011

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Cäcilia Gruber	Mag. Gabriele Lehner
Wirtschaftsprüfer	Wirtschaftsprüfer
[Austrian Chartered Accountant]	[Austrian Chartered Accountant]

REPORT OF THE SUPERVISORY BOARD OF BENTELER INTERNATIONAL AG ABOUT FISCAL 2010

Meetings and Committees

The Supervisory Board performed the duties incumbent upon it by law and under the Articles of Incorporation at five meetings during fiscal 2010. The Executive Board reported regularly and fully, in writing and orally, about the course of business and the situation of the Company, including its consolidated subsidiaries. The Executive Board also maintained regular contact with the Supervisory Board between meetings, providing information about strategy and business performance, as well as the situation of the Company and its Group subsidiaries.

At its meetings on February 4 and May 18, 2010, the Supervisory Board's business included approving and adopting the Company's annual financial statements as of December 31, 2009. It also discussed moving corporate headquarters to Salzburg, with the associated relocation work and legal restructuring tasks. Plans for obtaining the credit facilities needed for the relocation were submitted to the Supervisory Board, reviewed, and approved.

At its meeting of June 29, 2010, the Supervisory Board consented to the acquisition of all shares of Benteler Aktiengesellschaft from the shareholders of Hubertus Benteler GmbH and Dr. Ing. E.h. Helmut Benteler GmbH, the merger of Hubertus Benteler GmbH with Benteler Aktiengesellschaft, and the planned reorganization measures in Germany, as provided under the master agreement of November 23, 2009. The Supervisory Board also adopted rules of procedure for the Executive Board at the same meeting.

At its constitutive meeting on August 31, 2010, the newly elected Supervisory Board formed a two-person Personnel Committee, which is to deal with significant matters related to the employment of members of the Executive Board. The committee met for the first time on that same day.

At the same meeting on August 31, the Supervisory Board adopted rules of procedure for its own work, and received a presentation of the strategy for the Automotive Division.

At the meeting on December 17, 2010, the Supervisory Board adopted the business plan for fiscal 2011 through 2015.

Annual Financial Statements

The parent-company financial statements and management report, together with the consolidated financial statements and Group management report, of Benteler International Aktiengesellschaft for fiscal 2010 were audited by the independent auditors appointed by the Shareholders' Meeting and engaged by the Chairman of the Supervisory Board, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klessheimer Allee 47, 5020 Salzburg. According to its final findings, the audit found no cause for objection. The auditors confirmed that the accounting system, the parent-company financial statements and management report, and the consolidated financial statements and Group management report comply with legal requirements and give a true and fair view of the financial position of the Group in accordance with proper accounting standards, and that the management report and Group management report are consistent with the parent-company and consolidated financial statements. The parent-company financial statements and management report, and the consolidated financial statements and Group management report, therefore received an unqualified audit opinion. A management letter informed the Chairman of the Supervisory Board of findings and recommendations concerning the Group's new financial statements under IFRSs.

The independent auditors had already provided clarifying information, and sufficiently explained the parent-company and consolidated financial statements. Following its own thorough discussion and audit, the Supervisory Board concurs in full with these results of the audit of the financial statements.

The final findings of the audit of the Executive Board's management report, the parent-company financial statements, the consolidated financial statements and the Group management report, together with the Supervisory Board's audit of management, revealed no cause for objections. The Supervisory Board approved the parent-company and consolidated financial statements, which are therefore adopted in accordance with Sec. 96(4) of the Stock Corporations Act. The Supervisory Board concurs in the Executive Board's proposal for the allocation of profits.

The Supervisory Board nominates KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kudlichstrasse 41-43, 4020 Linz, as the independent auditors for the parent-company and consolidated financial statements for the fiscal year from January 1 through December 31, 2011.

Personnel matters

At the Shareholders' Meeting of the Company on August 31, 2010, Mag. Gudrun Ott, Mag. Mario Schmieder, Mag. Tatjana Polivanova-Rosenauer and Mag. Gabriela Capellmann left the Supervisory Board at their own request. Robert J. Koehler, Dr. Ralf Bethke, Rolf Eckrodt, Dr. Markus Flik, Axel Prym and Dr. Gert Vaubel were appointed to succeed them on the Supervisory Board. The constitutive meeting of the new Supervisory Board was held on August 31, 2010. At that meeting, Robert J. Koehler was elected Chairman and Dr. Ralf Bethke was elected Vice-Chairman.

Dr. Nikolaus Adensamer left the Company's Executive Board with effect as of the end of the day on June 29, 2010. Hubertus Benteler was appointed Chairman of the Executive Board as of June 30, 2010.

Dr. Sonja Kerschbaum left the Executive Board with effect as of the end of the day on September 2, 2010. Siegmund Wenk was appointed to succeed her on the Executive Board as of September 3, 2010.

Salzburg, May 9, 2011

Robert J. Koehler
Chairman

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2010

	Interest held %
1. Benteler International Aktiengesellschaft, Salzburg, Austria	
SUBSIDIARIES	
2. Benteler Deutschland GmbH, Paderborn, Germany	100
Automotive Division	
3. Benteler Automobiltechnik GmbH, Paderborn, Germany	100
4. Benteler Automotive International GmbH, Paderborn, Germany	100
5. Benteler Spanien International GmbH, Paderborn, Germany	100
6. Benteler Automobiltechnik Eisenach GmbH, Eisenach, Germany	100
7. Benteler Automotive Belgien GmbH, Paderborn, Germany	100
8. Benteler Automotive Südafrika GmbH, Paderborn, Germany	100
9. Benteler Defense GmbH, Paderborn, Germany	100
10. Benteler Engineering Services GmbH, Paderborn, Germany	100
11. Benteler JIT Düsseldorf Verwaltungs-GmbH, Paderborn, Germany	100
12. Benteler JIT Düsseldorf GmbH & Co. KG, Düsseldorf, Germany	100
13. Benteler CR Holding GmbH, Paderborn, Germany	100
14. Benteler Automotive USA GmbH, Paderborn, Germany	100
15. Benteler Carbon Composites Beteiligungs GmbH, Paderborn, Germany	100
16. Benteler SGL Verwaltungs-GmbH, Paderborn, Germany	50
17. Benteler SGL GmbH & Co. KG, Paderborn, Germany	50
18. Benteler Aluminium Systems Wackersdorf GmbH, Wackersdorf, Germany	100
19. Benteler Ibérica Holding SL, Spain	100
20. Benteler España S.A., Spain	100
21. J.I.T. Martorell S.A., Spain	100
22. Benteler JIT Valencia S.A., Spain	100
23. Componentes Automotivos Aragón SL, Spain	100
24. Benteler JIT Barcelona SL, Spain	100
25. Benteler Automotive Vigo SL, Spain	100
26. Benteler Palencia S.L., Spain	100
27. Benteler JIT Pamplona, S.L., Spain	100
28. Benteler-Indústria de Componentes para Automóveis Lda., Portugal	100
29. Benteler Participation SA, France	100
30. Benteler Automotive SAS, France	100
31. Benteler JIT Douai SAS, France	100
32. Benteler Automotive UK Ltd., Great Britain	100

	Interest held %
33. Benteler Bohemia s.r.o., Czech Republic	100
34. Benteler CR s.r.o., Czech Republic	100
35. Benteler Automotive Rumburk s.r.o., Czech Republic	100
36. Benteler Automotive SK s.r.o., Slovakia	100
37. Benteler Automotive Corporation, USA	100
38. Benteler Canada, Inc., USA	100
39. Benteler Automotive Canada Corporation, Canada	100
40. Benteler Automotive Alabama, Inc., USA	100
41. Benteler de México S.A. de C.V., Mexico	100
42. Benteler Automotive S.A., Argentina	100
43. Benteler Componentes Automotivos Ltda., Brazil	100
44. Benteler Estamparia Automotiva Ltda., Brazil	65
45. Benteler Sistemas Automotivos Ltda., Brazil	100
46. B.E.S.r.l., Italy	100
47. Benteler Automotive S.p.A., Italy	100
48. Benteler Netherlands Holding B.V., Netherlands	100
49. Benteler Engineering Services B.V., Netherlands	100
50. Fasitet PDE AB, Sweden	100
51. Benteler Automotive Netherlands B.V., Netherlands	100
52. Benteler Automotive K.K., Japan	100
53. Benteler Autótechnika Kft, Hungary	100
54. Benteler Automotive Belgium N.V., Belgium	100
55. Shanghai Benteler Huizhong Automotive Co., Ltd., China	60
56. Benteler CAPP Automotive System Co., Ltd., China	60
57. Benteler Automotive (Shanghai) Co., Ltd., China	100
58. Benteler Automotive (Fuzhou) Co., Ltd., China	100
59. Benteler Management Consulting (Shanghai) Co., Ltd., China	100
60. Aluminox (Pty) Ltd., South Africa	100
61. Benteler Automotive South Africa (Pty) Ltd., South Africa	100
62. 000 Benteler Automotive, Russia	100
63. Benteler SGL Composite Technology GmbH, Austria	100
64. Benteler Engineering Chennai Private Limited, India	60
65. Benteler Maschinenbau GmbH, Bielefeld, Germany	100
66. Benteler MB VG GmbH, Henstedt-Ulzburg, Germany	100

	Interest held %
67. Benteler Maschinenbau CZ s.r.o., Czech Republic	100
68. Benteler Automotive India Private Limited, India	100
69. Benteler Aluminium Systems Michigan, Inc., Holland, Michigan, USA	100
70. Benteler Aluminium Systems Korea Ltd., Seoul, South Korea	100
71. Benteler Aluminium Systems CZ s.r.o., Prague, Czech Republic	100
72. Benteler Aluminium Systems Sweden AB, Skultuna, Sweden	100
73. Benteler Aluminium Systems France SNC, Louviers, France	100
74. Benteler Aluminium Systems Norway AS, Raufoss, Norway	100
75. Benteler Aluminium Systems Denmark AS, Tondern, Denmark	100
76. Swissauto Engineering S.A., Switzerland	51
77. Benteler Automotive S.A., Switzerland	100
78. EUPAL Beteiligungs GmbH & Co. Vermietungs-KG, Munich, Germany	100
79. RABET GmbH & Co. KG, Munich, Germany	100
Stahl/Rohr Division	
80. Benteler Stahl/Rohr International GmbH, Paderborn, Germany	100
81. Benteler (U.K.) Ltd., UK	100
82. Benteler France SAS, France	100
83. Benteler Benelux B.V., Netherlands	100
84. Benteler Tubos y Maquinaria S.A., Spain	100
85. Benteler Rothrist AG, Rothrist, Switzerland	100
86. Benteler Steel & Tube Corporation, USA	90
87. Benteler Rothrist GmbH, Paderborn, Germany	100
88. Benteler Steel/Tube GmbH, Paderborn, Germany	100
89. Benteler Tube Management GmbH, Paderborn, Germany	100
90. Rohstoff-Handelsgesellschaft Günther Voth GmbH, Paderborn, Germany	62.5
91. Noordned Holding B.V., Netherlands	62.5
92. Noord-Nederlandse Schrootverwerking B.V., Netherlands	62.5
93. Schrootverwerkingsbedrijf Kootstertille B.V., Netherlands	62.5
Distribution Division	
94. Benteler Distribution International GmbH, Kaarst, Germany	100
95. Röhren- und Stahllager Beteiligungs-GmbH, Kaarst, Germany	100
96. ETS Eastern Trade Services GmbH, Kaarst, Germany	100
97. Benteler Distribution Deutschland Beteiligungs GmbH, Duisburg, Germany	72
98. Benteler Distribution Deutschland GmbH & Co. KG, Duisburg, Germany	72
99. Benteler Trading GmbH, Kaarst, Germany	100

	Interest held %
100. Benteler Distribution Hungary Kft., Hungary	100
101. Benteler Distribution Poland Sp. z.o.o., Poland	100
102. Benteler Trgovina d.o.o., Slovenia	100
103. Benteler Distribution Czech Republic spol. s.r.o., Czech Republic	100
104. Benteler Distribution Slovakia, s.r.o., Slovakia	100
105. Heléns Rör A/B, Sweden	75
106. Heléns Rör A/S, Norway	100
107. Heléns Rör A/S, Denmark	100
108. Heléns OÜ, Estonia	100
109. Heléns SIA, Latvia	100
110. UAB Heléns Distributoriai, Lithuania	100
111. Kindlimann AG, Switzerland	100
112. Benteler Distribution Services (BDS) AG, Switzerland	100
113. Benteler Distribution France S.à.r.l., France	100
114. Benteler Holdings Limited, UK	100
115. Benteler Distribution Limited, UK	100
116. Benteler Far East Manufacturing Pte Ltd., Singapore	100
117. PT Benteler Far East Indonesia, Indonesia	100
118. Benteler Far East (Thailand) Co., Ltd., Thailand	100
119. Benteler Comercial Ltda., Brazil	100
120. Benteler Distribuzione Italia S.p.A., Italy	100
121. Benteler Distribution Austria GmbH, Austria	100
122. Benteler Distribution (Shanghai) Co., Ltd., China	100
123. SC Benteler Distribution Romania S.R.L., Romania	100
124. A/S Thos. Sonne Junr., Denmark	100
125. HORAX Beteiligungs GmbH & Co. Vermietungs-KG, Pöcking, Germany	100
Others	
126. BLV Versicherungsmanagement GmbH, Dortmund, Germany	55
127. Benteler Reinsurance Company Ltd., Ireland	100
128. Benteler Capital Corporation, USA	100
129. Benteler RV GmbH, Paderborn, Germany	100
130. Carl Benteler GmbH, Bielefeld, Germany	100
ASSOCIATED COMPANIES	
131. Polarputki Oy, Finland	50

ASSOCIATED COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS	Interest held %
132. Benteler Finance B.V., Netherlands	100
133. Benteler N.V., Belgium	100
134. IFB Tools & Accessories Pvt. Ltd., India	49
135. 000 Benteler Avtotechnika Novgorod, Russia	100
136. Benteler Italiana S.r.l., Italy	100
137. Benteler VG GmbH, Paderborn, Germany	100
138. Benteler SR VG GmbH, Paderborn, Germany	100
139. Benteler HA VG GmbH, Duisburg, Germany	100
140. 000 Heléns, Russia	100
141. Benteler Trgovina d.o.o., Croatia	100
142. Benteler Distribution Ukraine, Ukraine	100
143. Benteler Distribución Ibérica, S.L., Spain	100
144. Benteler Otomotiv Adapazari Sanayi Ticaret Limited Sirketi, Turkey	100
145. Johanna 129 Vermögensverwaltungs GmbH	100
146. Drachenfelssee 803. V V GmbH	100

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