

EXCERPT FROM THE ANNUAL REPORT 2005

BENTELER GROUP ONCE AGAIN ACHIEVES DOUBLE-DIGIT GROWTH

The Benteler Group also enjoyed strong growth in 2005. For the reporting year, sales totaled 5,315 million euros, 19 % more than in the previous year. All business divisions were able to significantly increase revenues. Group sales have risen by an average 12.5 % per year since 2000, when sales totaled 2.9 billion euros. Domestic sales volume rose by 10 % to the previous year. The domestic share as a percentage of the consolidated group fell from 29.7 % to 27.4 % due to increases in North America and in the Mercosur region.

EXTERNAL SALES BY BUSINESS DIVISIONS

	2005	2004	CHANGE	
	[€ million]	[€ million]	[€ million]	[%]
Automotive*	3,969	3,347	622	19
Steel/Tube	712	542	170	31
Distribution	835	736	99	13
	5,516	4,625	891	19
Less internal sales	201	175	26	15
External Sales	5,315	4,450	865	19

* incl. Mechanical Engineering

STRONG GROWTH IN THE AUTOMOTIVE DIVISION

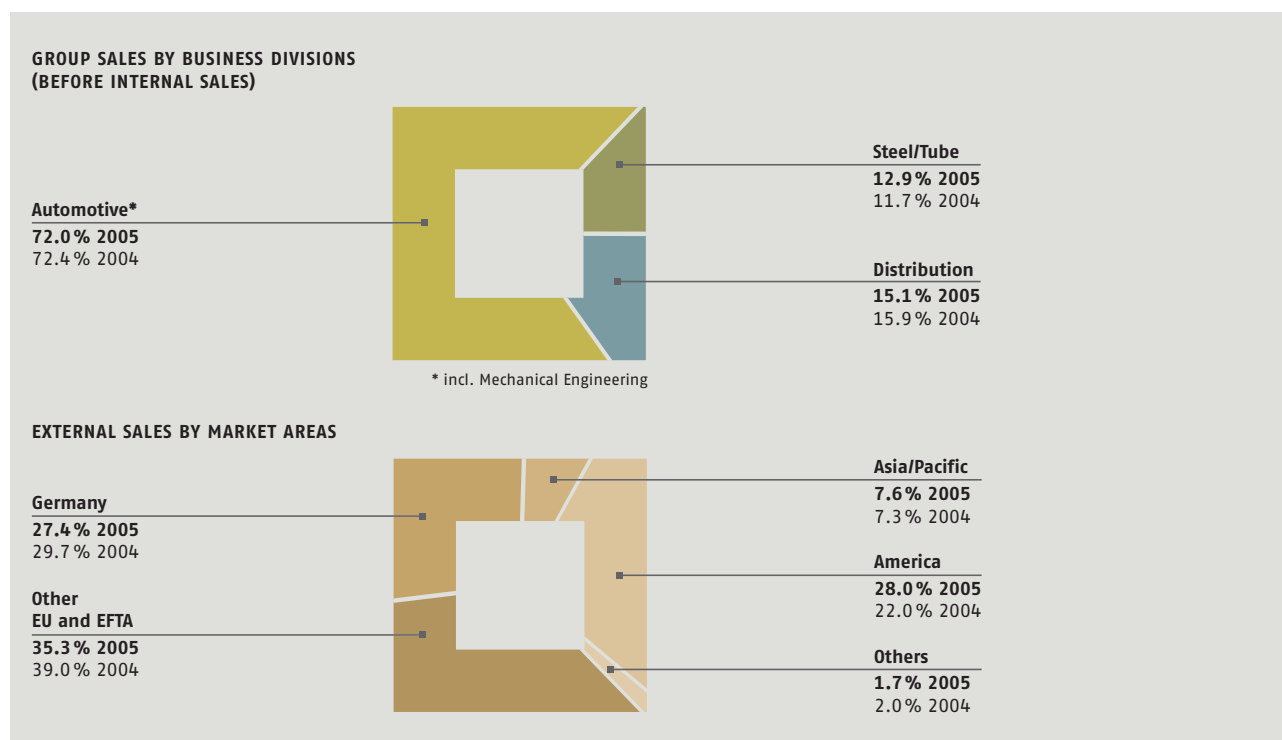
Total sales revenue in the **Automotive Division** increased by 19 % to 3,969 million euros. Thus Automotive contributed 72 % share of the consolidated group revenues. Once again the greatest part of the growth came from the Chassis Systems Product Group, which was able to increase its sales volume by 22 %. This product group develops and manufactures chassis subframes, control arms and knuckles as well as complete, ready-to-install front and rear modules. The Structures Product Group, the second largest in the Automotive Division, which develops and produces light and high-strength components such as bumpers, roof rails, A- and B-pillars, door beams as well as instrument panel supports, increased sales by 11 %. They also manufacture press parts. The Exhaust Systems Product Group increased their turnover by 24 %. They develop and manufacture components for optimizing exhaust gas temperature and control as well as reducing emissions. The sales figures for the Engine Applications Product Group, which produces components for engine management and fuel supply, once again matched the prior year's level. During the reporting year we completed the construction and extension of our new plants in Dusseldorf, Germany; Opelika, USA; Palencia, Spain and Rumburk, Czech Republic, and have begun with the series production. A second new plant was also added in China in the Changchun region, and a new assembly operation is also preparing for production in Spartanburg, USA. We now develop and produce ready-to-install modules, components and parts for body, chassis and engine at 57 locations in 22 countries.

SALES VOLUME GROWTH IN THE STEEL/TUBE DIVISION ALSO

Sales volume of the **Steel/Tube Division** increased compared to the previous year by 31% to 712 million euros. At the same time our tonnage delivered fell by 6% to 590,000 tons. However, we attained a higher level of earnings because the increased semi-finished material costs could be passed on to the sales prices. The largest organizational unit is the Product Group Industry, whose sales rose by 15%. This product group predominantly provides hot-rolled tubes for the large-scale equipment and mechanical engineering industry, seamless, cold drawn precision steel tubes for the hydraulic and mechanical engineering industry as well as welded tubes for the construction and home appliance industry. Our second largest, the Energy Product Group was able to register the strongest growth in the division. Compared to the prior year, the sales of boiler and heat exchanger tubes as well as line pressure pipes and OCTG tubes, which sold particularly well in the North American market, grew by 70%. The Automotive Product Group likewise grew in the reporting year. It contributes around 20% of the Steel/Tube Division sales. With regard to automotive customer volume, there was a slight decline. This was mainly due to the cold drawn precision steel tubes. Here the demand for tubes used in the production of anti-roll bars, steering shafts, camshafts and diesel injection systems did not meet our expectations. The Steel/Tube Division sales as a percentage of consolidated group revenues rose in consequence of the disproportionate increase in sales volume and attained 13%, after 12% in the previous year.

DISTRIBUTION DIVISION BOOSTS ITS SALES

The **Distribution Division** generated a sales volume of 835 million euros, 13% more than the prior year, even though the tonnage delivered fell by 11% to 525,000 tons compared to the previous year. The increase in sales resulted from an improved product mix structure and higher price levels. We registered the greatest growth in our primary market – the Scandinavian countries of Europe, essentially due to the expansion of our business with processed tubes. We sold more than half of our tube products in the mechanical engineering and automotive sector. Our trading business, in which we supply predominantly Chinese and Russian power companies with boiler tubes and boiler plates, was also able to expand by 20%. Nevertheless, the Distribution Division's share of consolidated group revenues fell slightly from 16% to 15%.



CONSOLIDATED INCOME SIGNIFICANTLY IMPROVED

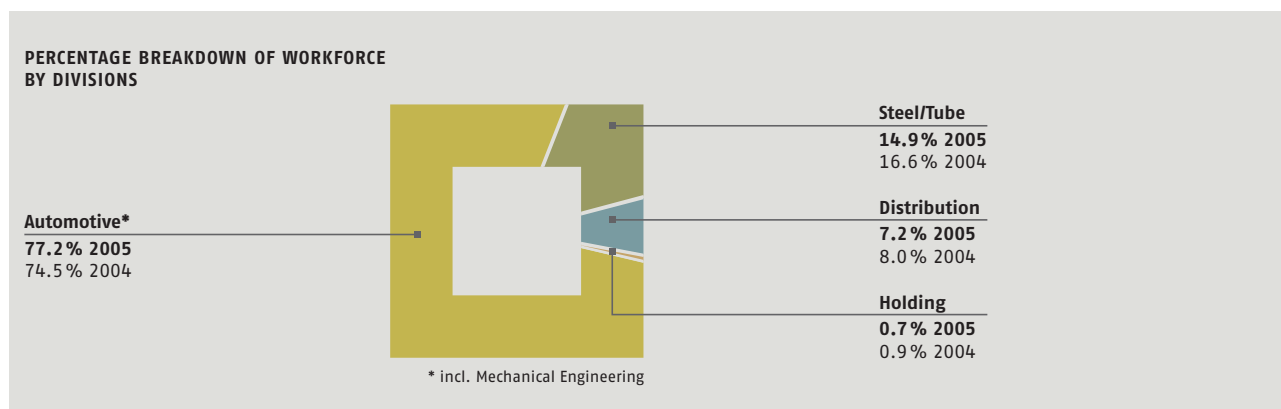
Consolidated pre-tax profits rose by 42% to 139.4 million euros. The return on sales improved from 2.2% to 2.6%. All divisions were profitable.

HIGH INVESTMENT REQUIREMENTS

To secure its long-term growth, the Benteler Group made considerable capital expenditures during the reporting year. Compared to the previous year, there was an increase of 49%. Of this sum, 253 million euros were invested in tangible fixed assets and 4 million euros in intangible assets, primarily in IT software. 73% of the investments flowed into the foreign plants, and 27% into domestic plants.

PEOPLE ARE THE KEY TO OUR SUCCESS

The Benteler workforce worldwide consisted of 20,724 employees as an annual average for 2005; that is 2,126 employees more than in the prior year. Domestically, the personnel level remained almost exactly the same at 9,326. The non-German sites added 2,123 employees to make a total of 11,398. The share of employees in Germany sank by 5% compared to the previous year, making up 45% of the entire work force. The Group total is composed of 13,529 wage earners and 7,195 salaried staff. In addition, 510 young people are engaged in vocational training, including 440 apprentices and retrainees in Germany.



BREAKDOWN OF EMPLOYEES BY DIVISIONS (ANNUAL AVERAGE)

	2005	2004	CHANGE	
				[%]
Automotive*	16,011	13,850	2,161	16
Steel/Tube	3,080	3,084	-4	0
Distribution	1,487	1,496	-9	-1
Holding	146	168	-22	-13
	20,724	18,598	2,126	11
Apprentices**	510	509	1	0
Total Employees	21,234	19,107	2,127	11

* incl. Mechanical Engineering
** incl. retraining

In the Automotive Division the average workforce rose by 2,161 employees or 16 %, to 16,011 persons. This increase primarily pertains to the non-German sites (+2,100). Over 77 % of all employees of the Benteler Group work in this division. The domestic share of the Automotive Division workforce declined from 39 % to 34 %. In the Steel/Tube Division, the number of employees remained practically constant in comparison to the previous year. A total of 3,080 wage earners and salaried staff were employed here on the due date. In the Distribution Division, the employment fell by 1 % to a total of 1,487 persons. With the decentralization of IT applications, the total workforce in the Management Holding declined by 13 % to 146 salaried staff.

FORECAST

BENTELER ADHERES TO ITS TARGETS OF PROFITABLE GROWTH AND FINANCIAL INDEPENDENCE

The long-term and continuous increase of company value with profitable growth, as well as the preservation of financial independence remains as our top company goals for the future. In the business year 2006 we aspire to achieve approximately 3 % increase in sales. In our five-year-planning, an increase in sales volume of almost 30 % is expected by 2010. All three business divisions must continue to upgrade their market position and improve their results. As earlier, the investments necessary for growth are accompanied by a conservative financial policy. Our debt-equity ratio (net financial debts in relation to shareholders' equity) should not exceed 50 %.

CHASSIS REMAIN THE CORE BUSINESS OF THE AUTOMOTIVE DIVISION

Manufacturers and market researchers assume an average annual growth in car production of 2.5 % from their currently 64 million to 72 million vehicles over the planning period 2006 to 2010. In Western Europe and the NAFTA countries, annual growth will presumably only amount to about 1 %. Automobile production in Eastern Europe shall rise by an average of 4.2 % annually and by 4.9 % in the Mercosur region. In Asia, production is expected to increase at an average of 3.7 % annually to 27 million units. The highest growth rate will be in China, whose production volume from now until 2010 will increase by about 2.4 million to 7.2 million vehicles. Appreciable growth will presumably occur only in the lower vehicle category and in the luxury segment at the expense of middle-class category.

The trend of the OEMs towards reducing their value-added depth and outsourcing the production of components has basically been maintained. Several manufacturers have begun to decrease the number of their direct suppliers to cut costs. The remaining TIER1 suppliers must expect increased demands for even further cost reductions, more innovations and an expansion of the international presence. Rising oil prices and increasing environmental protection requirements strengthen the trend towards developing energy-saving engines and reducing vehicle weight. Furthermore, demands for active and passive safety features in cars are on the rise. With this in mind, we see good growth opportunities as an innovative and internationally located supplier, especially in cooperation with the European and Japanese automakers.

Chassis systems and components will also remain the main business of Benteler Automotive in the future. We expect a slight rise in sales volume in 2006. Business results will improve, but nevertheless remain effected by the considerable start-up costs for new plants as well as the restructuring of the U.S. business.

STABLE TUBE PRICES EXPECTED

We expect a further increase in worldwide energy demand and energy costs. As a result, investments in oil and gas exploration as well as in new construction of power plants and equipment for the petrochemical industry will remain at a high level. Benteler Steel/Tube will also profit from this worldwide demand, especially for boiler and heat exchanger tubes and OCTG/line pipes. Considering the modest economic growth perspectives in Europe, the core market for our tubes for industrial applications, we assume only slight market growth. Moreover, manufacturers from low-wage countries are increasingly pushing standard products into the Western European markets and thus intensifying the competition. We want to expand our business with tubes for automobile applications by substituting solid materials with tube solutions to save weight, and developing products tailored to special customer needs. We assume that price increases for semi-finished material will be able to be passed on to the customer with a raw material price increase surcharge in the current year. Therefore, compared to the previous year, sales of the Steel/Tube Division should grow by about 10% in 2006, especially driven by volume. However, the planned increase in quantity can not completely compensate for the higher cost of alloys and electricity as well as wage increases, so that we will presumably not be able to achieve the results of 2005.

DISTRIBUTION DIVISION TEMPORARILY WITH LOWER SALES

In Western Europe, the market for steel tubes is basically saturated, so that we can not expect significant improvement in demand for this sector. We see only some differentiation possibilities versus the competition, where the customer can achieve cost advantages in connection with consultation for pipe selection along with logistics and processing services. For this reason we aim to stay in competition by increasingly working together with our European trading companies in offering logistics and processing services. There are growth opportunities in the Eastern European markets and in China. Consequently our medium-term planning foresees the significant enhancement of activities in these markets. We plan to sell about 500,000 tons of seamless and welded tubes as well as sheet metals in 2006. We assume that the price situation will remain stable. The sales will be about 10% lower than in the previous year because we will undertake a product cleansing in our trading business with Russian and Chinese buyers. Together with the start-up costs for the expansion of our activities in Eastern Europe, this will impair the 2006 result, which will therefore be lower than in the previous year.