



DILLINGER HÜTTE



Moved
by steel

EXECUTIVE SUMMARY
OF THE 2014
FINANCIAL STATEMENT



KEY FIGURES

	2013	2014	Change
Hot metal purchase in kt*	1 744	2 018	+ 15.7 %
Crude steel production in kt	2 023	2 345	+ 15.9 %
Total production of heavy plate in kt	1 660	1 820	+ 9.6 %
of which produced in Dillingen in kt	1 114	1 258	+ 12.9 %
of which produced in Dunkerque in kt	546	562	+ 2.9 %
Total shipment in kt	2 291	2 441	+ 6.5 %
of which heavy plate in kt	1 677	1 767	+ 5.4 %
of which semi-finished product in kt	614	674	+ 9.8 %
Sales by country in millions of €			
Germany	608	640	
France	408	347	
Other EU countries	433	384	
Other exports	367	501	
Total sales	1 816	1 872	+ 3.1 %
Total workforce (excluding trainees) as of 31 Dec.	5 291	5 048	
Personnel expenses in millions of €	372	317	
Balance sheet total in millions of €	2 872	2 962	
Fixed assets in millions of €	1 894	1 967	
Investments	231	140	
Shareholders' equity in millions of €	1 747	1 812	
EBITDA in millions of €	3	237	
EBIT in millions of €	- 53	183	
Earnings from ordinary activities in millions of €	- 87	141	
Net result before profit transfer in millions of €	- 90	139	
Cash flow from operations in millions of €	70	113	

* Total production ROGESA Roheisengesellschaft Saar mbH: 4 383 kt (2013: 3 945 kt)



Working hard
Being proud
Standing tall



DILLINGER HÜTTE



CONTENTS

Members of the Supervisory Board	4
Members of the Board of Management	5
Report of the Board of Management*	6
Annual financial statement*	42
Balance sheet	42
Profit and loss statement	44
Cash flow statement	45
Listing of shareholdings	46

** This abridged English-language financial statement is an excerpt from the annual report of Dillinger Hütte for the 2014 financial year. This publication does not constitute the complete form required by law (for this, please see the 2014 Annual Report for Dillinger Hütte in German).*



MEMBERS OF THE SUPERVISORY BOARD

Dr. MICHAEL H. MÜLLER Saarbrücken Chairman	<i>Chairman of the Curatorship for the Montan-Stiftung-Saar</i>
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Dr. BERND BERGMANN Wallerfangen	<i>Dillinger Hütte Board of Management (ret.)</i>
Prof. Dr. HEINZ BIERBAUM Saarbrücken	<i>Director of the INFO-Institute, Saarbrücken</i>
JÜRGEN BLUDAU Dillingen	<i>Member of the Group Works Council and Deputy Chairman of the Dillinger Hütte Works Council</i>
CARL DE MARÉ Belsele	<i>Vice President of ArcelorMittal, Chief Technical Officer Flat Carbon Europe</i>
MICHAEL FISCHER Dillingen	<i>Chairman of the Group Works Council and Chairman of the Dillinger Hütte Works Council</i>
ALBERT HETRICH Saarbrücken	<i>Chief Representative of SHS – Stahl-Holding-Saar</i>
ROBERT HIRY Rehlingen-Siersburg	<i>Primary Authorized Representative for IG Metall, Völklingen Administrative Office</i>
EUGEN ROTH Merchweiler	<i>Deputy Chairman of Deutscher Gewerkschaftsbund Rheinland-Pfalz/Saarland</i>
FRIEDEL SCHMIDT Merten	<i>Member of the Group Works Council and the Dillinger Hütte Works Council</i>
CLAUDE SEYWERT Schuttrange (until 11 July 2014)	<i>Head of Strategy and Development, Creos Luxembourg S.A.</i>
STEVE WAMPACH Born (as of 11 July 2014)	<i>ArcelorMittal Europe – Flat Products – Business Division North – CFO</i>
ERICH WILKE Königstein/Taunus	<i>Bank Executive (ret.)</i>
HENNER WITTLING Ottweiler	<i>Member of the Executive Board of the Curatorship for the Montan-Stiftung-Saar</i>



MEMBERS OF THE BOARD OF MANAGEMENT

Dr. KARLHEINZ BLESSING	<i>Chairman</i>
Dr. NORBERT BANNENBERG (until 31 Dec. 2014)	<i>Chief Technical Officer</i>
Dr. GÜNTER LUXENBURGER	<i>Chief Sales Officer</i>
FRED METZKEN	<i>Chief Financial Officer</i>
Dr. BERND MÜNNICH (as of 1 Jan. 2015)	<i>Chief Technical Officer</i>
PETER SCHWEDA	<i>Chief Human Resources Officer/Labor Director</i>



*Dr. Günther Luxenburger, Fred Metzken, Dr. Karlheinz Blessing, Dr. Bernd Münnich, Peter Schweda
(from left to right)*



REPORT OF THE BOARD OF MANAGEMENT (abridged)

The company's fundamentals

The core business of Aktien-Gesellschaft der Dillinger Hüttenwerke, in the following referred to as Dillinger Hütte (DH), is the manufacture and sale of heavy plate in the form of normal and pipe plate. This is accompanied by the activities of an integrated steel plant, including the production of coke and hot metal through the subsidiaries Zentralkokerei Saar GmbH (ZKS), Dillingen/Saar, and ROGESA Roheisengesellschaft Saar mbH (ROGESA), Dillingen/Saar, both jointly held with Saarstahl AG (SAG), Völklingen, or the production of liquid steel and semifinished products. In downstream stages, trading, flame-cutting and treatment businesses offer additional services and customized solutions in sales, in the processing of heavy plate and in other steel products. Moreover, the wholly owned DH subsidiary Steelwind Nordenham GmbH opened during the 2014 financial year. This plant will produce monopiles for the offshore wind market.

SHS - Stahl-Holding-Saar GmbH & Co. KGaA (SHS) is the direct and indirect majority shareholder of Dillinger Hütte as well as of its affiliated company in Saarland, Saarstahl AG. SHS is the wholly owned subsidiary of Montan-Stiftung-Saar, and the two companies cooperate closely under its umbrella.

Financial report

Overall economic and sector-related conditions

Sluggish growth of the global economy

Despite positive underlying economic dynamism, worldwide economic growth developed more sluggishly than expected in 2014 at a rate of 3.3 %, and stagnated at the level of the previous year. World trade increased slightly to 3.8 % (previous year: 3 %) *. Overall, economic conditions in the individual regions developed very heterogeneously: while impetus came primarily from the United States (2.2 %), recovery stalled in the EU (1.4 %) and Japan (0.9 %). The mild slowdown in growth of the Chinese economy continued with 7.4% (2013: 7.7 %). In addition, many emerging markets are undergoing a marked period of weakness, especially Russia (0.2 %) and large portions of South America. The world economy is consequently far from experiencing a rebound that is borne by all regions.

Slight economic recovery in Europe

In the EU, more significant growth was noted in 2014, at 1.4 % (previous year: 0.2 %). Contributing to this was robust growth in the United Kingdom (3.2 %) and Poland (3.2 %) as well as continued recovery in peripheral countries: Greece (0.6 %), Spain (1.3 %), Portugal (1.0 %) and Ireland (3.6 %). On the other hand, growth in the core of the euro zone was sluggish. Italy posted a - 0.2 % decline in gross domestic product (previous year: - 1.9 %), and economic performance in France stagnated at 0.4 % (previous year: 0.3 %).

The German economy experienced a weak phase at the end of 2014. Gross domestic product failed to grow after spring. Indeed, investment in equipment and machinery

* International Monetary Fund, World Economic Outlook Update, October 2014



Report of the Board of Management

fell considerably. For the first time in three years, economic performance in Germany (+ 1.4 %) grew in 2014 at a rate above 1 % (previous year: + 0.5 %), but this growth remained considerably below expectations.

Worldwide steel market: little vitality

The worldwide steel market was characterized in 2014 by weak growth compared to the previous year: No significant growth was posted in either worldwide crude steel production, which increased by only about 1 % to 1.69 billion tons, or in apparent steel consumption (+ 2 %). The continued expansion of production capacities led to global utilization of capacities being under the 80 % mark for the third consecutive year. With the exception of South Korea, no major steel producing country was able to noticeably expand its crude steel production; important emerging market countries like Brazil, Russia and Turkey experienced declines in production. Two countervailing developments were noted: The rate of growth in China diminished sharply; in comparison to 2013, only very slight rates of increase were achieved in both crude steel production and steel consumption. In contrast, the United States was able to break away from the downward trend of the previous year.

Change in % compared to previous year		2013	2014
Crude steel production	World	5.3	1.2
	China	11.5	0.9
	USA	- 2.0	1.7
	EU 28	- 1.3	1.7
Apparent steel consumption	World	3.8	2.0
	China	6.1	0.6
	USA	- 0.3	11.7
	EU 28	- 0.2	2.6

*Growth rate for crude steel production and apparent steel consumption in individual world regions
(Source: Worldsteel, German Steel Industry Federation)*

European steel market characterized by overcapacities

Growth in the steel processing sectors of the EU 28 – an important sales market for Dillinger Hütte – amounted to 2.3 % compared to the previous year, and apparent steel consumption increased by approx. 4 % to around 146 million tons.* However, comparison with the strong years of the past, such as in 2007 when apparent steel consumption comprised almost 200 million tons, indicates that the market is still contracted. For this reason there continues to be a large gap between production capacity and demand. There has been no sustained reduction in capacity that could bring supply and demand into balance. Despite the more favorable growth in volume compared to the previous year, there continued to be pressure on the price side.

** Measured against Eurofer's Steel Weighted Industrial Production Index (SWIP)*



Change in imports of Chinese heavy plate into the EU (28)
(Source: German Steel Industry Federation)

Demand for steel on the German steel market recovered in 2014, which led to a slight 1 % increase in crude steel production to 43.0 million tons. Although utilization of capacities reached a high 86 % in an international comparison, it remained under the long-term average of 89 %. Altogether, steel processing firms in Germany grew a moderate 2 % in 2014 with development in the various sectors being uneven. Growth drivers were above all the automotive and construction industries, which increased their production by 4 % and 3 % respectively, while the expansion of production in machine manufacturing was quite weak (+ 1 %).

Challenges continue in development of the heavy plate market

With the disappointing development of worldwide steel markets, the modestly positive expectations harbored for the heavy plate market at the end of 2013 also failed to be fulfilled. The Asian market in particular was marked by significant overcapacities as well as weak development in the segment with the highest consumption of heavy plate, ship building. Considerably slower growth of domestic demand in Asia compared to earlier years led here to rising export volumes and intensified price pressures worldwide. This trend has also been observed in recent years in the premium quality segment as a whole, such as for quenched and tempered plate or thick plate. In the United States, on the other hand, demand developed more favorably – driven by lower energy prices, stronger industrial investment and a pick up in construction activity – with a correspondingly positive influence on price development.

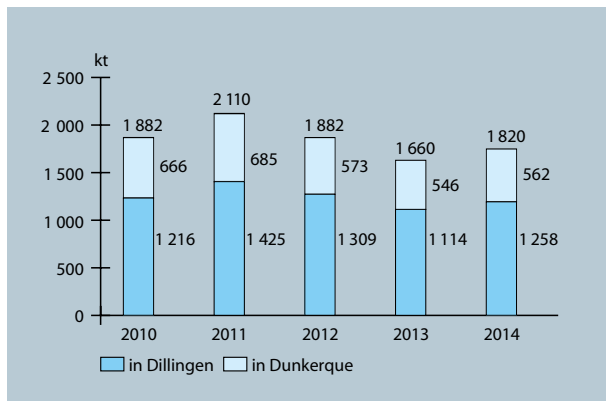
Apparent market consumption in Europe increased from the previous year by around 3 %, with the demand increasingly being serviced through imports. Although the nearly 70 % average utilization of capacities at Eurofer heavy plate steel plants was somewhat higher than the previous year, it was not enough to have a lasting positive impact on the price for heavy plate. Instead, declining raw material costs and a sharp increase in imports from third countries brought intensified price pressures, whereby price increases that had been realized in the interim had to be rescinded during the course of the year.

While few large projects in steel construction or boiler and pressure vessel construction were lined up for tendering, the classic offshore oil and gas market as well as heavy machine manufacturing proceeded at a satisfactory level. In contrast, expectations for an improvement in the order situation compared to 2013 in the European offshore wind power sector remained unfulfilled. Activity in the construction machinery sector as well as that of steel distributors was at a similarly modest level. Stock inventories were adjusted to the fairly sluggish demand throughout the entire year.



Business trend for Dillinger Hütte

Dillinger Hütte posted high incoming orders at the start of and throughout much of the 2014 financial year. After some time lag, this led, beginning at the end of the first quarter, to more consistent and higher utilization of production facility capacities than in the previous year. Under problematic market conditions, particularly in the European steel market, the company was able to increase its production and sales volumes compared to the previous year so that the financial year concluded with a profit. The restructuring and cost-reduction program DH 2014 plus contributed decisively to this. Investments in the optimization and modernization of technical equipment were continued according to plan.



Change in heavy plate production

Good utilization of production plant capacities

Despite worldwide overcapacities, Dillinger Hütte was able in 2014 to book a high number of orders – particularly project-related orders – in individual customer segments. This allowed production to nearly reach the level of 2012 and 2010.

Production figures were above the volumes of the previous year in the primary stages (hot metal and steel production) as well as at both rolling mills, i.e. at Dillinger Hütte itself as well as at Dillinger France S.A. in Dunkerque. Purchases of hot metal meanwhile rose by 15.7 % to 2 018 kt (2013: 1 744 kt), and the production of crude steel increased from the previous year by 15.9 % to 2 345 kt (2013: 2 023 kt).

As in previous years, steel production levels satisfied the slab requirements for the rolling mill in Dillingen as well as most of the requirements of Dillinger France. The production of the rolling mills (1 820 kt) increased by a total of 9.6 % from the previous year (2013: 1 660 kt), with 1 258 kt of heavy plate produced in Dillingen (2013: 1 114 kt) and 562 kt of heavy plate produced in Dunkerque (2013: 546 kt).

Earnings situation

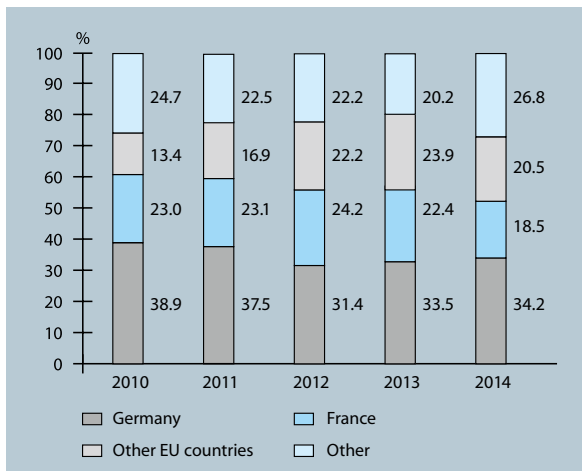
Higher net sales due to higher sales volumes

Despite renewed declines in sales revenue in the heavy plate segment as a whole – especially in the pipe plate segment – concurrent higher sales volumes led to the net sales for 2014 exceeding that of the previous year's sales. Heavy plate shipped increased by 90 kt (+ 5.4 %) to 1 767 kt, whereby the moderate decline in normal plate was offset by a considerable increase in the pipe plate segment. In addition, sales of semifinished products exceeded the previous year's volume by 60 kt (+ 9.8 %) and amounted to 674 kt.

Net sales increased against this backdrop from € 1 816 million in the previous year to € 1 872 million (+ 3.1 %). Distribution of the net sales by geographic market shows that, with a somewhat higher revenue amount domestically, the share outside the European Union increased significantly; this is mostly project-related.



Report of the Board of Management



Geographic distribution of sales

Sharp improvement in earnings

Dillinger Hütte achieved EBIT of € 183 million in the 2014 financial year (2013: - € 53 million) and EBITDA of € 237 million (2013: € 3 million). The sharp improvement in earnings compared to the previous year resulted from higher operational activity – combined with a significant drop in material and personnel expenses – as well as from the consistent implementation of the restructuring and cost-reduction program DH 2014 plus.

Material intensity decreased by 5.9 % compared to the previous year, amounting to 66.8 %. The reasons for this are savings from DH 2014 plus, reduced input prices and considerable dissolution of value adjustments in provisions at Dillinger Hütte itself as well as the production units ROGESA and ZKS.

Other operating revenue (€ 41 million) exceeded that of the previous year (€ 21 million); this is almost completely attributable to currency gains and to revenue from foreign exchange rates on the reporting date.

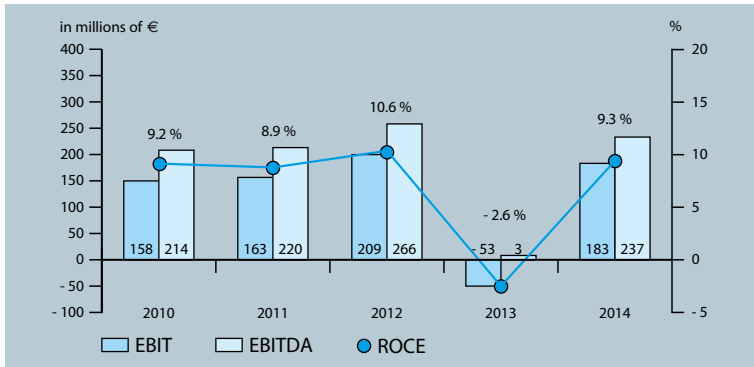
Personnel expenditures declined during the financial year despite negotiated pay increases due primarily to special and one-off effects in the current and previous financial year by 14.8 % to € 317 million (2013: € 372 million). Expenditures likewise declined due to the lower number of employees as a consequence of workforce turnover that resulted from structural reorganization within the SHS Group as well as from measures in the restructuring and cost-reduction program. The ratio of personnel expenses to total output in 2014 amounted to 16.5 % compared to 20.7 % in the previous year.

The depreciation and amortization of intangible and tangible fixed assets amounting to € 54 million were nearly equal to the previous year's level (€ 56 million). In all, other operating expenses decreased by € 42 million, with administrative and general operating expenses remaining almost unchanged. Whereas the original sales-related expenses in the year under review increased by € 5 million as a consequence of the rise in sales, provisions carried over in the previous year for anticipated losses had a positive impact on earnings in 2014, reducing total sales-related expenses by € 38 million.

A € 15 million reduction in dividend payouts and a € 12 million increase in expenses from transferred losses were the primary factors leading to the - € 5 million in income from participating interests. The write-down of financial investments amounting to € 13 million (2013: € 16 million) concern a devaluation of investment securities due to anticipated continued loss of value. Interest expenditures from the discounting of long-term provisions continued to be higher compared to the previous year, which reduced the net interest income by € 11 million to - € 31 million.



Report of the Board of Management



Development of EBIT, EBITDA and ROCE

Earnings from ordinary activities increased overall by € 228 million to € 141 million.

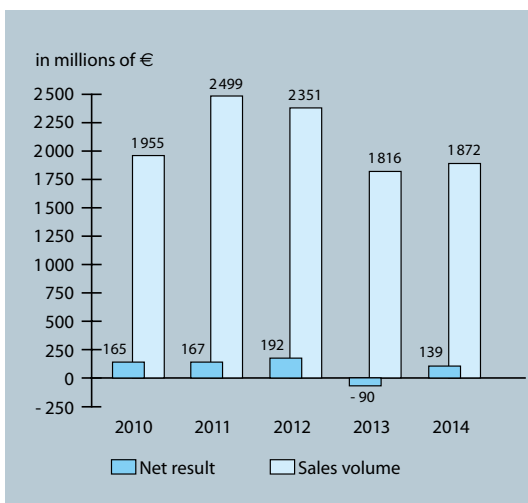
After deduction of taxes and compensatory payment to minority shareholders, net income for the year, before profit transfer, amounted to € 139 million (2013: € 90 million net loss for the year). After allocations to earnings reserves amounting to € 65 million, the profit transfer to the controlling company, DHS – Dillinger Hütte Saarstahl AG, amounted to € 74 million.

This positive profit performance is also reflected in the most important key figures for the structure of assets, liabilities and capital, as well as in the yield performance. The return on capital employed (ROCE) during the year under review amounted to 9.3 % (2013: - 2.6 %); return on sales (EBIT margin) amounted to 12.2 % (2013: - 3.7 %).

Financial status

Investment activity remains at a high level

Cash flow from operations amounted to € 113 million (previous year: € 70 million). Meanwhile, cash flow from the annual results and write-downs in the amount of € 205 million (previous year: - € 18 million) were accompanied by significant cash outflows to build up working capital in the amount of - € 102 million (2013: € 136 million). The outflow of funds for investments in 2014 amounted to € 140 million (previous year: - € 231 million) and for financing, € 39 million (2013: - € 117 million), so that the cash and bank equivalents declined overall from € 143 million by € 65 million to € 78 million.



Sales and profit performance

Net asset position

Higher equity ratio

The balance sheet total increased from the previous year by € 90 million to € 2 962 million. The net asset position, meanwhile, was primarily characterized by the growth of fixed assets by € 73 million to € 1 967 million. The primary grounds for this are the investments in tangible fixed assets undertaken in the year under review, which exceeded the scheduled depreciation. Current assets increased marginally by € 17 million to € 995 million. Provisions meanwhile rose by € 35 million and receivables and other assets rose by € 47 million, while cash and bank equivalents declined by € 65 million.

Shareholders' equity increased through allocations to revenue reserves by € 65 million, and total borrowed capital by € 25 million. Accruals and provisions meanwhile were € 6 million below the previous year's amount,



Report of the Board of Management

and liabilities grew by € 31 million. Scheduled repayment of liabilities to banks in the amount of € 39 million and lower advance payments received relating to the reporting date (- € 16 million) are accompanied above all by higher liabilities to affiliated companies amounting to € 101 million, particularly from the profit transfer to the controlling company, DHS – Dillinger Hütte Saarstahl AG. The equity ratio increased accordingly from 60.8 % to 61.2 % in the year under review.

Key figures		2010	2011	2012	2013	2014
Capital intensity						
Shareholders' equity	millions of €	1 662	1 742	1 837	1 747	1 812
Total assets	millions of €	2 754	2 723	2 949	2 872	2 962
	in %	60.3	64.0	62.3	60.8	61.2
Liquidation ratio for fixed assets						
Shareholders' equity	millions of €	1 662	1 742	1 837	1 747	1 812
Fixed assets	millions of €	1 531	1 582	1 734	1 894	1 967
	in %	108.6	110.1	105.9	92.2	92.1
Debts						
Long-term bank liabilities	millions of €	123	152	231	211	172
Shareholders' equity	millions of €	1 662	1 742	1 837	1 747	1 812
	in %	7.4	8.7	12.6	12.1	9.5
EBIT margin						
EBIT	millions of €	158	163	209	- 53	183
Sales DH-products	millions of €	1 484	1 926	1 881	1 449	1 505
	in %	10.6	8.5	11.1	- 3.7	12.2
EBITDA margin						
EBITDA	millions of €	214	220	266	3	237
Sales DH-products	millions of €	1 484	1 926	1 881	1 449	1 505
	in %	14.4	11.4	14.1	0.2	15.7
Return on capital employed (ROCE)						
EBIT	millions of €	158	163	209	- 53	183
Shareholders' equity, tax provisions, liabilities subject to interest (average)	millions of €	1 726	1 840	1 981	2 013	1 971
	in %	9.2	8.9	10.6	- 2.6	9.3
Internal financing capability						
Cash flow from operations	millions of €	209	93	363	70	113
Net investment in tangible assets	millions of €	74	95	171	193	140
	in %	282.4	97.9	212.3	36.3	80.7
Expense structure in % of total operating revenue						
Material intensity	in %	75.8	76.9	69.4	72.7	66.8
Personnel intensity	in %	15.9	13.1	15.0	20.7	16.5
Gross yield from business property (location-based)						
Gross operating result	millions of €	81	137	95	- 139	97
Gross business property	millions of €	1 016	1 163	1 399	1 416	1 546
	in %	8.0	11.8	6.8	- 9.8	6.3

Key financial figures



Changes in important performance factors

Sustainability

The efficiency and success of Dillinger Hütte are determined by its sustainable and responsible behavior toward employees, the environment, the public and the region. This is demonstrated not only by the company's 329 years of existence as of this financial year but also by numerous focal issues and areas of activity contained in the following sections of the management report. The sustainable corporate policy of Dillinger Hütte is distinguished by:

- responsible human resource efforts that aim for workplace safety and health as well as high social standards,
- internal company improvement processes that bring the principles of sustainability and safe conduct to each workplace and each employee,
- bundling competence and service in the interest of the customer's sustainable success through efficiently implementing unique and innovative projects,
- safeguarding and enhancing Dillinger Hütte's technological leadership through investing in new facilities and modernizing existing ones as well as through developing innovative products and processes,
- safeguarding know-how through knowledge transfer and strong traineeship and in-service training programs,
- continuous investment in research and development in order to manufacture innovative products profitably while conserving resources,
- procurement oriented on the security of supply and environmentally beneficial modes of transport,
- efficient activity that protects resources by using a multitude of environmental protection measures for efficient use of energy, for the recycling of co-products from steel production and for the reduction of emissions.

Dillinger Hütte also definitely continued to pursue its sustainability policy through the restructuring and cost-cutting program DH 2014 plus, which kicked off in 2013, as well as in the already adopted PRIMUS 16 strategy program.

Moreover, the very product that Dillinger Hütte manufactures – steel – fulfills the principle of sustainability more explicitly than virtually any other: Steel is the most frequently used industrial basis material and it contributes significantly, through a wide range of applications, to protecting the environment and climate. No other material is produced through a process that is as environmentally compatible as steel. At the end of their useful lifetimes, products made from steel can be completely recycled as often as desired and reintroduced into the economic cycle with virtually no waste or loss of quality.

Sustainable production of renewable energies from wind, water and the sun is inconceivable without steel. Innovative products made from steel such as wind power plants or modern power stations save six times as much CO₂ as is produced during their manufacture, according to a study by the Boston Consulting Group. The use of steel in building construction – likewise an important customer segment for Dillinger Hütte – is characterized by especially short installation times, which reduces to a minimum any



Report of the Board of Management

negative impacts on the environment, such as from noise, dirt or traffic disruptions during bridge construction. In structures subjected to high stresses, it is not uncommon for material usage to be reduced by up to 50 % through the use of high-tensile steels, which helps preserve valuable resources and protects the environment.

Employees

An important factor in the success of Dillinger Hütte, in addition to state-of-the-art equipment and technologies, is the highly qualified employees who bring their know-how, strong commitment and flexibility into their work for the company. Focal areas in personnel work during the 2014 financial year included improving workplace safety, effective health protection, developing young, skilled employees, and knowledge management.

Number of employees reduced

A total of 5 048 people were employed at the Dillingen site at the end of the financial year (31 Dec. 2013: 5 291). These employees worked at Dillinger Hütte itself, at ZKS, and at ROGESA. In 2014, 10 employees were hired, with 5 of them being wage employees and 5 salaried employees. In addition, 53 trainees were employed. On the other side of the equation were age-related departures and staff turnover within the SHS Group due to reorganization as well as the measures from the restructuring and cost-reduction program, so that there were 243 fewer employees (- 4.6 %) compared to the previous year. Another 2 317 people were employed at Dillinger Hütte's subsidiaries and affiliated companies (2013: 2 323).

Focus on workplace safety

Safety and health-conscious working are high priorities at Dillinger Hütte. As a result, the focus in 2014 remained primarily on the continuation of the plant-wide safety training "Our safe shift" and the "Take care of yourself, life is beautiful" promotional campaign for workplace safety, as well as on proven tools like regular "fifteen minutes for safety" sessions, "behavior-focused safety dialogues," accident investigations, and rounds of plant inspections by the Board of Management. Dillinger Hütte also participated in "Steel Safety Day," organized by the "worldsteel" industry association. The workplace safety figures for the year under review did not improve from the previous year's: There were a total of 60 accidents at Dillinger Hütte involving at least one day of absence from work. The lost time injury frequency rate (LTIFR), or number of accidents involving one day of lost time due to injury per 1 million hours worked, was 7.4.

Developing young, skilled employees

To counteract possible shortage of skilled workers as a consequence of demographic change, Dillinger Hütte focuses on training its own young, skilled employees. A total of 65 young people began vocational training in the company during 2014 (2013: 51). As a result, the company employed a total of 206 trainees when all training class years are included. In addition, 19 young people also started their careers at Dillinger Hütte through technical college internships. For many years now, the company has also maintained partnerships with universities in order to support young academic talents. In



Perfect steel –
made with a smile
and perfect training

 DILLINGER HÜTTE





Report of the Board of Management

2014, 37 students produced their graduation thesis in cooperation with Dillinger Hütte, and 18 students began their cooperative degree program with the University of Applied Sciences in Saarbrücken (HTW) as well as the University of Saarland (UdS). A total of 18 students are currently completing this practical course of study in the company.

Corporate social policy and responsibility

In addition to good retirement benefits, the responsible corporate policy at Dillinger Hütte has traditionally included offering its employees a wide range of social services. The commitment to helping employees balance work and family now includes two AWO “Kleine Hüttenbären” child daycare facilities initiated and supported by Dillinger Hütte. A total of 70 children can be cared for here – one more way the company is working to meet its social responsibility to the region.

Improvement processes

Dillinger Hütte employs its GPS integrated planning and control program (“Ganzheitliche Planung und Steuerung”) to enhance and continuously improve the company. As part of the process, the Board of Management assesses the state of the company each autumn and provides a forecast of the challenges in the coming year. This assessment is the basis for specifying company-wide focal issues and objectives, which are formulated with measures in the annual development plan (JEP) and are monitored using the relevant key figures. In 2014 these once again included improvement of workplace safety as well as the issue of optimizing costs. Associated with this was the “DH 2014 plus” project launched in late 2013, with which savings of € 145 million were realized.

The GPS system is supplemented by the DILLIGENZ continuous improvement process (CIP), which focuses on the central concerns of the company. In 2014 the CIP system was introduced in additional production and production-supporting plants along the value chain. As a result, DILLIGENZ is now established in all phases starting with hot metal production. In addition, DILLIGENZ is increasingly being employed in projects to optimize processes in accordance with the principles of lean management, and greater emphasis is being placed on the optimization of procedures with the help of employees.

In addition to GPS and DILLIGENZ, the company’s proDH idea management program also provides cost and performance improvements as well as optimization of workplace quality and safety. A total of 452 improvement projects were submitted during the year under review; precisely the same number of projects, 452, were evaluated and conclusively decided. The net benefit of the projects for the year amounted to around € 3 million.

Buildings and reference projects

Engineers all over the world and in a wide range of industries rely on heavy plate steel from Dillinger. Custom-tailored solutions for special and new tasks, a high and reliable level of product quality, smooth processing of orders and a generally high level of service – there are many things that make Dillinger Hütte more than just a supplier of steel: we are a dependable partner for technically and economically ambitious projects.



Report of the Board of Management

[Ichthys: longest offshore pipeline in the southern hemisphere](#)

Ichthys, at almost 900 km, the longest offshore pipeline in the southern hemisphere and the third longest in the world, transports natural gas from the Ichthys gas field in the Browse Basin of Northwest Australia to one of the world's biggest LNG liquefaction plants in Darwin. The Ichthys gas field is located at a water depth of 275 m. The pipes with an outer diameter of 42 inches (1 067 mm) and wall thicknesses of 29.6 to 40.1 mm are produced by EUROPIPE, a subsidiary in which Dillinger Hütte holds a 50 percent share. Dillinger Hütte supplied 180 000 tons of steel for this special pipeline.

[Dillinger plate for oil production in Norway](#)

The oil field named for popular Norwegian pianist and composer Edvard Grieg was discovered in 2007. With this oil field, located around 180 km west of the coast of Stavanger, a completely new geological formation is being developed in Utsira High, a relatively unexplored region in the Norwegian North Sea. The new oil platform has been constructed in water that is 110 m deep, on a 134 m high steel construction known as a "jacket." The start of oil production is planned for 2015. Heavy plate from Dillinger is playing an important role in the project: Dillinger Hütte delivered around 24 000 tons of thermomechanically rolled steels in thicknesses up to 101 mm for construction of the platform and jacket.

[Steel for a gigantic press:](#)

[for the first time, heavy plate steel with thicknesses exceeding 500 mm delivered](#)

A leading manufacturer of heavy presses required plate with thicknesses exceeding a massive 500 mm for a 50 000-ton closed-die forging press. With its pressing force equal to more than 1 000 heavy trucks, this press is designed to shape aluminum components for the aviation industry. The manufacture of such thick plate with dimensions specific to the project required superlative effort in production. The thickest and most homogenous input material was poured for the order in the Dillinger steel plant, enormous forces were used to roll the plate to its finished dimensions, and the core of the plate was meanwhile deformed as much as is possible with adapted pass plans. Consequently, heavy plate from Dillinger Hütte provided a reliable basis for extremely heavy duty steel construction, which allowed the partner to have confidence in the planning of this project.

[Dan Tysk offshore wind farm: green energy from the German North Sea](#)

With an area of 70 km², or around 7 000 football fields, the Dan Tysk offshore wind farm is one of the first large offshore wind farms in the German North Sea. With its 80 wind power stations with 3.6 MW turbines, it can supply up to 400 000 households with "green" electricity and thus reduce the burden on the environment by about 580 000 tons of CO₂. Its enormous wind turbines stand on steel foundations anchored in water depths of 21 to 31 m, located around 70 km west of the island of Sylt, on the border with Denmark. The dimensions of its steel foundations – so-called monopiles – are gigantic: 6 m in diameter, up to 65 m in length and weighing up to 950 tons. Dillinger Hütte delivered around 65 000 tons of primarily thermomechanically rolled heavy plate for these monopiles, in thicknesses from 60 to 126 mm.



Report of the Board of Management

In addition to the steel monopiles for the wind power stations, heavy plate steel from Dillinger Hütte was also used for the 3 200-ton transformer station that was constructed for the wind farm. This also primarily concerned thermomechanically rolled heavy plate in thicknesses from 8 to 65 mm.

[Dillinger steel for the Sylwin Alpha converter platform](#)

The dimensions of the structures speak for themselves: 35 m high, 70 m long, 50 m wide and up to 15 000 tons in weight. In other words: as high as a ten-story building and as heavy as 25 fully fueled and loaded Airbus A 380s. Platforms like the Sylwin Alpha collect the alternating current produced by wind farms in the North Sea, convert it to direct current and then transmit it onshore via submarine transmission cables. Sylwin Alpha will have the capacity to transmit 864 MW – roughly equal to that of a coal-fired power plant – and will connect the Dan Tysk wind farm, among others, to the grid. This could supply up to 1.5 million German households. Dillinger Hütte delivered around 8 800 tons of heavy plate for this project, in thicknesses from 25 to 150 mm.

[Award-winning: the large Sundsvall Bridge in Sweden](#)

With its unusual form with two curves, the 1 420 m-long bridge located roughly 400 kilometers north of Stockholm is a perfect example of state-of-the-art engineering. The road bridge straddles the Sundsvall Fjord at the height of 33 m, with spans ranging from 88 to 170 m. The highly exacting production, assembly and logistics concept for the bridge can be viewed as a milestone in modern bridge construction. Assembly of the up to 160 m long and 2 500-ton bridge girders over the water with the use of cranes presented a particular logistical and structural challenge to the steel construction engineers. It is no surprise, therefore, that the bridge was honored in early 2015 with the “Ingenieurpreis des Deutschen Stahlbaues” (engineering prize for German steel construction). Dillinger Hütte delivered around 2 300 tons of heavy plate for this bridge project, in thicknesses from 10 to 60 mm.

[Al-Wasit project: Dillinger plate for demanding offshore technology](#)

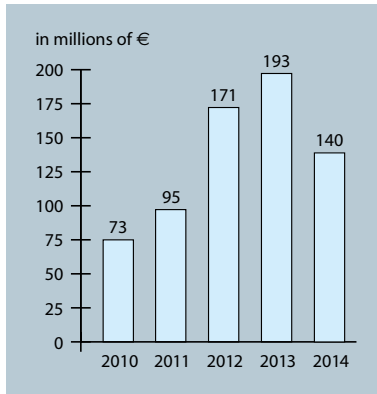
Saudi Arabia possesses almost one fifth of global oil reserves and the fifth-largest deposits of natural gas. As a result of growing local demand for, among others, electricity production, seawater desalination and petrochemical processing, Saudi domestic consumption has grown in recent years to more than one third of annual production, and will continue to increase. The major oil companies have most recently put great effort into developing new sources of gas. One of the biggest projects in history here is the Al-Wasit offshore facility, which will tap the oil and gas reserves under the Arabian Gulf with seven extraction wells. Up to now, around 13 000 tons of Dillinger steel have also been used in the process, with thicknesses of up to 150 mm. Some of the steel features especially high resistance to acidic media (H₂S).

High-grade steel
from Dillingen –
Reliability at
a height of
343 meters



DILLINGER HÜTTE





Development of investments in property, plant and equipment at Dillinger Hütte

Investments

Dillinger Hütte invests continuously in optimizing and modernizing its equipment and processes in order to maintain its competitive edge in technology and thus safeguard the company's future as a worldwide manufacturer of premium quality heavy plate steel. With an investment sum of € 140 million, the company's investments for the financial year continued to be at a high level (2013: € 193 million). Another € 19 million was invested in both indirect subsidiaries, ROGESA and ZKS at the Dillingen site. Dillinger Hütte bears half of these investment costs, in proportion to its shares in the companies (see the "Most significant shareholdings of Dillinger Hütte" section).

The primary focus of investment in the steel plant during 2014 continued to be construction of the new continuous casting machine CC 6 – a major project with which Dillinger Hütte underscores its leadership in technology for manufacturing premium continuously cast slabs for the most demanding heavy plate specifications. During the year under review, all large components were assembled in both the area of the continuous casting machine and in the area of flame cutting and loading. The machine's framework was also completed and the hall façade has been installed; both the ladle cars and crane equipment have almost been completed. In the periphery of the plant, the focus was on completing and equipping the water management systems, finishing the dust collection system and installing the media infrastructure. The last of the 16 new steel casting ladles were turned over to the plant in December 2014.

After the successful startup of operation of the heat treatment plant in 2013, the new quenching system was brought online in early 2014. In addition, a new flame-cutting machine was ordered and installed. To increase the cutting capacity in the heat treatment plant, a new combination flame-cutting system (plasma and oxyfuel) was ordered. The foundation work for the system was already completed in 2014. Assembly and startup of operation of the flame-cutting system itself started in early 2015.

In the rolling mill, refurbishment of the hot-plate straightener and of the double cut side shears and slitting shears 1 was successfully completed during the year under review. In addition, a new plate marking system was installed and began operation in the area of the flat adjustment shop 1.

Research and development

Research and development (R & D), in which Dillinger Hütte continuously invests, is an important basis for innovation and thus for the future success of the company. Among its tasks is the development of highly sophisticated steels with increasingly complex properties and combinations of properties, along with sustained improvement of raw materials and energy efficiency.

Production of hot metal and coke

In the area of hot metal and coke production, the primary focus in 2014 was on optimizing the use of raw materials as well as on improving the efficiency of systems and energy use. As a result, numerous analyses were carried out in pilot plants as well as directly in



Report of the Board of Management

the production plants. Implementation of the results of the analyses contributed significantly to optimizing processes in the production of coke and hot metal. To boost the efficiency of the plants while also improving emission protection, extensive measurements and trials were carried out at the circular cooler for sintering plant 3 as well as at the hot blast stoves of blast furnace 5. A fuzzy model-based predictive control was developed and implemented for the hot blast stoves of blast furnace 4, which effectively reduced the blast furnace gas required in the production of hot metal.

Other measures for process optimization included the introduction of an expert system for more efficient furnace operation, which helps minimize disruptions in the process flow and will ensure smoother blast furnace operation. The consumption of reducing agents can be decreased as a result.

Steel production

The focus of steel plant research was on reducing resource intensity in converter metallurgy. Moreover, the issue of Industry 4.0 was advanced in cooperation with the SMS Group and the chair for artificial intelligence at the Technical University of Dortmund. Here, an innovative, purely data-driven converter model based on modern data mining methods promises to optimize process management, with improved predictive accuracy of the infed temperature already in the test phase.

Product development

The primary task of product development is to constantly expand the limits of the properties and dimensions as well as to consistently examine and improve existing concepts for heavy plate production. Economic aspects play an important role in this process. In 2014 the systematic application of special process routes made it possible to optimize the heat treatment process while ensuring the same high quality. In addition, plate design was successfully optimized further.

The enhancement of metallographic knowledge and material interrelations using state-of-the-art and highly sophisticated microstructural research methods contributes decisively to continuous advancement in product development. These methods include the use of a scanning electron microscope along with the electron backscatter diffraction (EBSD) method to examine the grain structure of the steel.

Procurement and transport of raw materials

The raw materials market and especially the ore market were characterized in 2014 by large producers as well as smaller suppliers pushing new volumes into the market. On the purchasing side, China continues to be the main player in the market. Despite the Chinese government's repeated announcements of a desire to restrict steel production, production of hot metal and the required raw material volumes increased steadily, which largely determined demand in the raw materials markets. Ore imports in China reached a scale of more than 900 million tons in the year under review, which equals roughly two thirds of total worldwide seagoing iron ore trade. Between the years 2000 and 2011 alone, import volumes increased tenfold from around 70 million tons to nearly

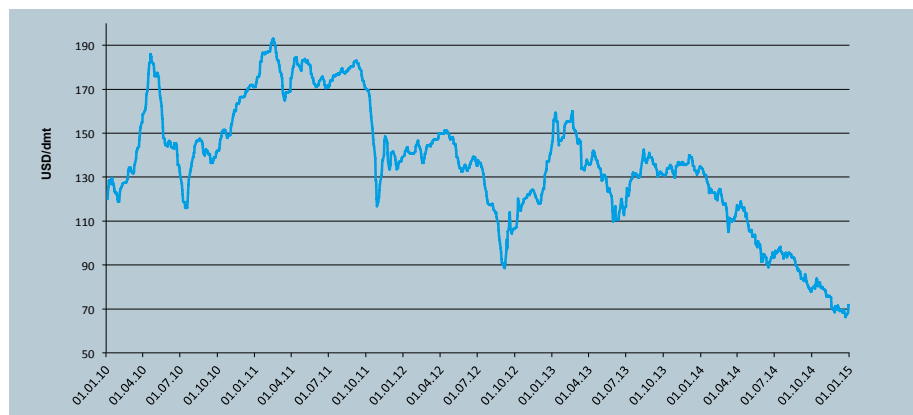


Report of the Board of Management

700 million tons. In contrast, the import volumes of coking coal to China fell from around 80 million tons per year to around 50 million tons per year.

Ore: prices declined sharply

The level of the IODEX (CFR China 62 % Fe) index for iron ore trading, which was still high at the beginning of the year, fell by almost half by the end of the year.



Change in the IODEX (CFR China 62 % Fe) index for iron ore trading

Fuels: prices still depressed

Prices on the coke and pulverized coal market fell slightly again in 2014. ROGESA was able to cover its needs for pulverized coal at comparably favorable price conditions. With respect to coking coal, ZKS profited from dropping prices through short-term deals.

Shipping: fluctuating cargo rates

Cargo rates continued to be highly volatile in 2014. After freight charges for the Tubarão/Brazil – Rotterdam/Netherlands route registered their highest monthly average in three years in December 2013, rates fell sharply by the end of 2014. While rates were rising, the favorable freight charges contained in previously concluded long-term contracts could be used for at least partial quantities to supply ROGESA and ZKS. As prices were falling, the opportunities provided by the spot market were seized.

Successful supply strategy

For the supply of ROGESA and ZKS, contracts to minimize risk are concluded with varying durations and conditions and the volatile market situation is also consistently exploited. In addition, the development of new sources for supplies and the use of new products have had a positive effect. In both the ore segment and on the fuel side, additional diversification of the supplier structure created alternatives to the existing oligopolies. The supply of ROGESA and ZKS with ore, fuels and aggregate materials was ensured at all times.



Report of the Board of Management

Increased transport volumes at the Dillingen site

As a result of the higher utilization of plant capacities, transport volumes at the Dillingen site also rose to 16.2 million tons, which was 10 % above the level of the previous year. As in the previous year, environmentally sound railway and inland vessels were used to transport a high 88 % of this volume.

SHS Logistics consolidates logistics activities

The wholly owned SHS subsidiary SHS Logistics GmbH continued its mission to consolidate the logistics activities of the SHS Group with the goal of leveraging additional synergies in processes and costs, and consistently advanced the optimization measures, benchmark methods and the shared use of transport methods initiated during the previous year.

For example, new logistics concepts were developed for Dillinger Hütte for deliveries to central and southeastern Europe. This is also the case for future deliveries of wide plate to the DH subsidiary Steelwind Nordenham.

Purchasing through SHS Services

SHS Services GmbH, likewise a wholly owned subsidiary of SHS, is an independent company that performs services for Dillinger Hütte, Saarstahl and other affiliated companies in other purchasing (e.g. raw materials for steel plants such as alloys and refractory material). Because the price increases expected and also announced for 2014 occurred only in very limited cases (e.g. in all nickel raw materials), SHS Services was able to keep purchasing costs constant during the year under review with large purchasing volumes and a price level that was roughly the same.

Environmental protection and energy efficiency

In keeping with its corporate vision and environmental guidelines, Dillinger Hütte consistently strives for sustainable and ecologically sound management and production. Extensive investment in state-of-the-art technologies helps reduce environmental impacts and continuously improves energy efficiency. From 2003 to 2014, almost € 500 million were invested at the Dillingen site in technical measures to improve environmental protection. The focus of activities in the past financial year was on reducing and monitoring emissions, conserving valuable resources and increasing energy efficiency at the Dillingen steel plant.

Continuous monitoring of emissions

In 2014 the internal emissions measuring station at the Dillingen plant continuously monitored 110 parameters for air quality control at 31 emission sources. Ongoing monitoring of water pollution control also continued, with the modernization and expansion of the appropriate measurement technology.



Report of the Board of Management

Improving air quality

In the past financial year, a multitude of measures aimed at preventing air pollution were again implemented during refurbishment or new construction activities, helping to maintain and improve air quality at the Dillingen site. Not least, implementation of the Industrial Emissions Directive (IED) through German legislation led to expanded monitoring by official agencies as well as stricter limits on specific plants for those activities covered by IED – which includes nearly all facilities at the Dillingen plant.

Noise control: noise inventory completed

An important focus of environmental protection activities in 2014 was once again the sustainable reduction of noise emissions. As a result, new construction projects such as the new plasma flame cutting machine in the heat treatment plant have been designed to be integrated into the site's general noise control concept. With the documentation of all sources of noise at ROGESA's blast furnaces and sintering plant, the plant-wide noise inventory has now been completed.

Blast furnace gas-fired power plant:

maximization of electricity production through optimal utilization of capacities

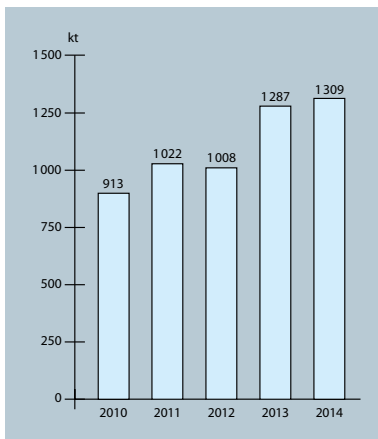
The blast furnace gas-fired power plant Gichtgaskraftwerk Dillingen GmbH & Co. KG (GKW) combines optimum protection of the environment with maximum energy utilization at the Dillingen site (see the "Shareholdings – ROGESA" section). The GKW plant has an electric output of around 90 MW and a thermal output of 230 MW. By employing the best systems technology currently available, up to 2 billion cubic meters of blast furnace gas can be used annually to produce 570 million kWh of electricity and 400 000 tons of steam or usable heat for consumers at the steel mill site. In 2014, the electricity self-produced by Dillinger Hütte, ZKS and ROGESA in the GKW gas power plant amounted to around 550 GWh (2013: 490 GWh).

Most significant shareholdings

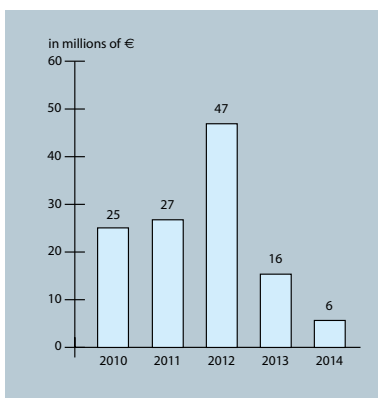
Zentralkokerei Saar GmbH, Dillingen

Aktien-Gesellschaft der Dillinger Hüttenwerke and Saarstahl AG each hold an indirect 50 % interest in Zentralkokerei Saar GmbH. ZKS produces coke intended exclusively for use in ROGESA's blast furnaces. Utilization of capacities at ZKS was consistently good in 2014, so that coke production (1 309 kt) increased by 1.7 % from the previous year (1 287 kt). ZKS is a company without employees. Personnel required for operation of the coking plant are provided by Dillinger Hütte.

Investments at ZKS in 2014 amounted to € 6 million (2013: € 16 million). After a successful test and optimization phase, the new stamping, charging and pushing machine (SBA) 3 began operating during the year under review. Systems on the so-called "white side" underwent additional renovation measures that primarily served to improve environmental protection. These investments contribute significantly to securing the coke supply at the site.



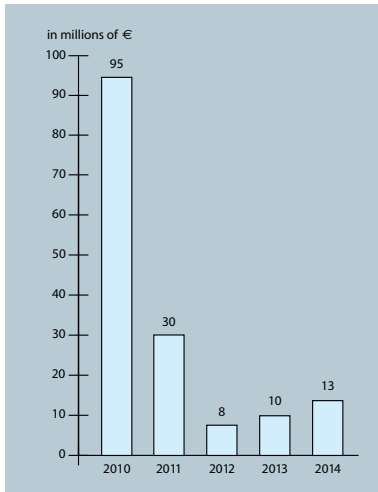
ZKS coke production



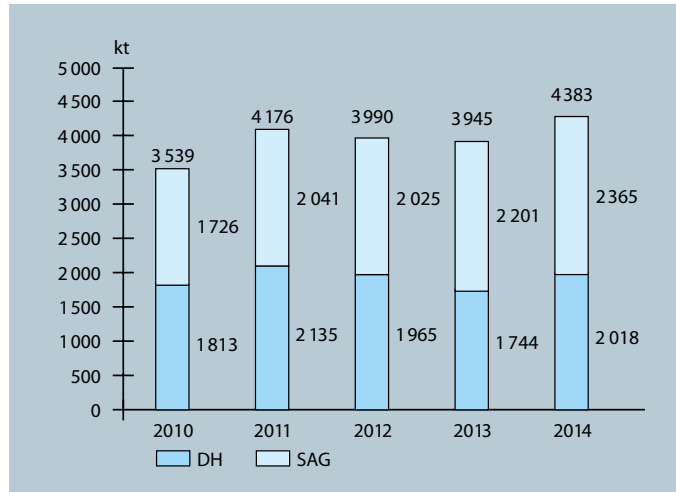
Investments in plant, property and equipment at ZKS



Report of the Board of Management



Investments in plant, property and equipment at ROGESA



Hot metal production by ROGESA for DH and SAG

ROGESA Roheisengesellschaft Saar mbH, Dillingen

ROGESA Roheisengesellschaft Saar mbH, in which Dillinger Hütte holds a 50 % interest (indirect and direct), produces hot metal exclusively for its shareholders, Aktien-Gesellschaft der Dillinger Hüttenwerke and Saarstahl AG. Operational management of ROGESA, as a company without employees, lies in the hands of Dillinger Hütte.

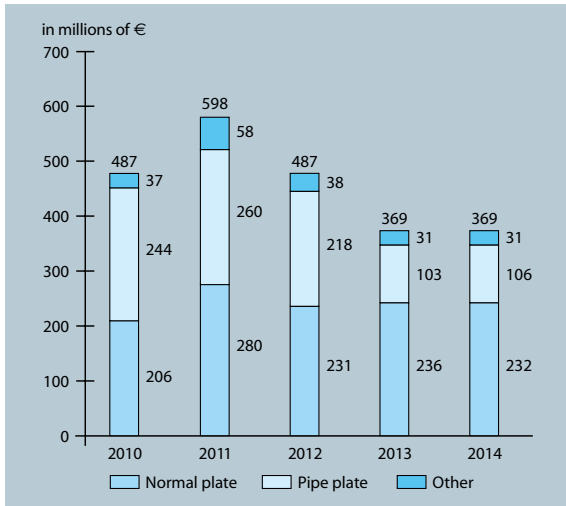
Hot metal production in 2014 was carried out according to plan with the blast furnaces 4 and 5, and annual production, at 4 383 kt, was 11.1% higher than the previous year (3 945 kt). During the year under review, 2 018 kt (previous year: 1 744 kt) was supplied to Dillinger Hütte and 2 365 kt (previous year: 2 201 kt) went to Saarstahl.

After blast furnace 5 was shut down for roughly two and a half weeks during spring of the previous year for a planned interim repair, both blast furnaces remained in production throughout the year under review. To avoid bottlenecks in the delivery of refractory material in particular, a basic package as well as additional procurements were arranged in 2014 for the planned 4th relining of blast furnace 4 in 2016. The focus of the project work was on coordinating operation of the sintering plant and blast furnaces as well as on optimizing the properties of the mixture.

Along with STEAG New Energies GmbH (49.9 %) and VSE AG (25.2 %), ROGESA holds a 24.9 % stake in Gichtgaskraftwerk Dillingen GmbH & Co. KG, which leases a 90 MW power plant at the Dillingen site to the operators of GWK, Dillinger Hütte, ROGESA and ZKS, for the production of electricity.



Report of the Board of Management



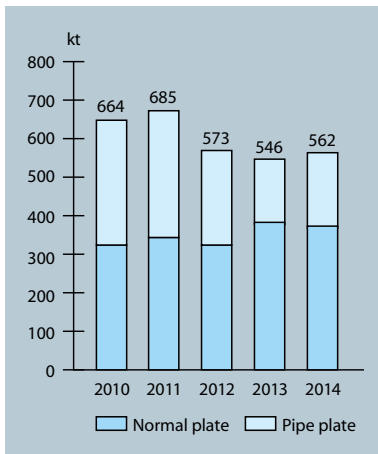
Sales performance of Dillinger France

Dillinger France S.A., Dunkerque

Dillinger France S.A. is a wholly owned subsidiary of Dillinger Hütte that operates a heavy plate rolling mill in Dunkerque. The products are marketed almost exclusively through Dillinger Hütte. Dillinger France also procures the majority of its input material from Dillinger Hütte.

Earnings improved

Under what continued to be difficult economic conditions, Dillinger France was able to maintain its activities in the normal plate segment at roughly the previous year's level – thanks in part to continued development of the share of thick plate. Although the pipe plate segment continues to be in a state of crisis, with few new projects and extreme competitive pressure, this business division grew in 2014 in comparison with the previous year (see also the “Economic conditions” section).



Performance of the heavy plate production of Dillinger France

Despite a weak first quarter, Dillinger France was able to attain expected targets with a total production of 562 kt, posting a slight increase from the previous year (546 kt).

There was no recovery in sales prices for heavy plate in 2014; instead, average revenue levels continued to decline. Sales volume for Dillinger France was € 369 million for the year under review and thus remained unchanged from that of the previous year. The improvement of earnings for Dillinger France in 2014 is therefore exclusively attributed to the lowering of production costs, which in turn resulted from both the decline of raw materials prices as well as due to the positive impact of the DH 2014 plus project within the Group. The objectives of the DH 2014 plus project for 2014 were far exceeded at Dillinger France, the adopted restructuring measures were swiftly implemented and the improvement and cash-management measures had an impact: after a loss of € 52 million in 2013, the net result in 2014 was - € 14 million.

Reduced number of employees – workplace safety at a high level

Due to the economic situation, hiring was largely suspended in 2014. Consequently, the number of employees at Dillinger France fell from 590 at the end of 2013 to 550 employees at the end of the year under review.

The workplace safety performance at Dillinger France continues to be exceptionally positive: in 2014 there was only one lost-time incident (LTI). The number of workplace accidents that were subject to reporting requirements was 16 and thus was at almost the same good level as in 2013 (14). The year also remained without lost-time incidents for external companies operating within the plant premises (compared to 2 in 2013).

Ongoing strategic investment

Investment spending in 2014 primarily involved extension of the production hall by 100 m as well as construction of a 30 m long effusion bunker. Construction and civil engineering was carried out during the year under review with the installation of the pillars, girders and supporting structure for the new hall; the installation of the cladding and the con-



Report of the Board of Management

struction of the effusion bunker are planned for the first half of 2015. This important investment underscores the strategy of the Dillinger Hütte Group to develop the thicker, heavier and longer plate segment – and thus to improve the capability of Dillinger France.

2015 remains problematic – good utilization of capacities expected

Based on the strategic focus as well as the executed and ongoing investments, Dillinger France is optimistic that utilization of the plant's capacities will remain at the same level as in 2014 or will even slightly improve. Given the economic context, an actual recovery of sales prices is not expected during 2015. Improvement of production costs, on the other hand, should continue or even intensify in 2015 due to the positive impact of the ongoing measures at Dillinger France as part of the DH 2014 plus project as well as the PRIMUS 16 strategy and restructuring program that was launched in late 2014 at Dillinger Hütte and Dillinger France. While 2015 will remain difficult, a noticeable recovery in profitability for the Dillinger France rolling mill is expected.

Steelwind Nordenham GmbH, Nordenham

Steelwind Nordenham GmbH is a wholly owned subsidiary of Dillinger Hütte that operates a plant in Nordenham for the production of offshore monopiles, Mega-Monopiles and transition pieces. The plate in the required grades and dimensions is procured from Dillinger Hütte and its subsidiary Dillinger France in Dunkerque.

After around two years of construction, Steelwind Nordenham celebrated its official plant opening on 18 Sept. 2014 and is currently ramping up operation incrementally. After achieving full capacity in 2016, Steelwind Nordenham will produce 100 monopile systems per year. This is equivalent to a complete offshore wind farm. With its location directly on the North Sea coast, the plant offers ideal logistical conditions both for supplying the plant with steel plate and for delivering the finished foundation structures by water. At the same time as the opening, the first Mega-Monopile – the world's largest, with a diameter of 7.80 m – left the plant.

Monopiles and Mega-Monopiles are foundation structures for offshore wind power plants. They are made from thick-walled structural tubulars, feature diameters of up to 10 meters and lengths of up to 120 meters, and can weight up to 1 500 tons. They can be used in wind farms at water depths of up to 40 m.

EUROPIPE GmbH, Mülheim

The EUROPIPE Group manufactures and sells welded large-diameter line pipe made of steel. The diameters of the line pipe range from 20 inches (508 mm) to 60 inches (1 524 mm). As a corporate group, EUROPIPE GmbH and its affiliated companies are among the world's leading corporations in this market segment, with annual production of more than 900 kt or about 2 000 km.

As the management company for the EUROPIPE Group, EUROPIPE GmbH manages the group and coordinates the technical and commercial activities of the subsidiaries. Dillinger Hütte holds a 50 % share of EUROPIPE GmbH.



Report of the Board of Management

Within Europe, large-diameter line pipe is produced in Mülheim, Germany, and Dunkerque (France). Both the acquisition of the input material and the sale of the pipe produced at the German and French locations to customers worldwide are handled through EUROPIPE GmbH in Mülheim. EUROPIPE France S.A., with its plant in Dunkerque, handles conversion of the pipe from EUROPIPE GmbH in France. The situation of EUROPIPE France is characterized by considerable economic difficulties that require a reorganization. The management of EUROPIPE France therefore initiated a process on 30 Sept. 2014 to inform, and consult with, the Works Council regarding the economic reasons for the planned reorganization according to French law. This process may conclude – if no material improvement of the economic conditions occurs in the interim – with the closure of the plant in Dunkerque.

Coating of the pipe in Mülheim is carried out by MÜLHEIM PIPECOATINGS GmbH (MPC), whose sole shareholder is EUROPIPE GmbH. In France, the pipe produced by EUROPIPE GmbH is coated by an external service provider.

In the United States, the operating companies of the EUROPIPE Group are consolidated under the holding company, BERG EUROPIPE Holding Corp. (BEHC), of New York. Berg Steel Pipe Corp. (BSPC) of Panama City, Florida, primarily supplies the North American market with longitudinally welded pipe. Marketing activities for the North American companies are combined with those for EUROPIPE GmbH in the BERG EUROPIPE Corp. (BEC) marketing company of Houston, Texas (USA). The spiral pipe plant Berg Spiral Pipe Corp. (BSPM) in Mobile, Alabama, primarily supplies the North American market with spiral pipe and, like BSPC, has integrated on-site coating activities in the plant.

Little activity, depressed shipping and sales volume

On the basis of a very low order backlog at the beginning of the year and the later-than-expected booking of the large South Stream order, working hours were for the most part reduced at the European plants during the first quarter of 2014. The cause for the poor level of activity continued to be poor demand, especially in the key markets of Europe and the Middle East. This strained market situation has had a correspondingly negative impact on the activity and earnings of EUROPIPE.

When production for the South Stream order began in April 2014, the 18-m production line in Mülheim began operating in two shifts. Starting in mid-September, operation increased from 10 shifts to 12 shifts per week. The MPC also benefited from this order, which calls for both internal and external coating. After a brief period of start-up difficulties, production in the pipe plant as well as the coating plant stabilized quickly, so that process optimizations that were introduced enabled an increase in production output. Overall, the project has proven to be a major challenge for the organization of EUROPIPE in Mülheim, particularly because of difficulties related to suppliers.

The suspension of the South Stream project announced at the end of December did not lead to appreciable effects on earnings or activity in 2014: due to the stoppage of the South Stream production, pipe production and coating volumes could be maintained



Report of the Board of Management

nearly in keeping with the planned levels in the last forecast of 2014, and the shipping could also still be processed according to plan. Due to this suspension, however, the prospects regarding the earnings and operating activity situation of EUROPIPE Europa in 2015 are bound up with considerable uncertainty and risk.

The operating activity level of the pipe plants in the United States during 2014 was at times significantly below expectations. While production in Panama City operated for six months with only a single-shift schedule instead of the planned two shifts, production in Mobile had to be completely stopped for around six months because of a lack of orders. The rest of the time production operated in two shifts.

The order backlog developed very positively during the financial year, however, especially as a consequence of the incoming orders posted in the United States. The booking of Energy Transfer's ETC Rover pipeline project, for instance, represented the biggest single order to date for the US companies, with around 460 kt. Added to this was another large order, the Sabal Trail project. The order backlog of EUROPIPE GmbH during the year also developed very positively at the start of the year due to the booking of South Stream and other orders. As a result, the backlog of orders at EUROPIPE GmbH as of 31 Dec. 2014 increased from the previous year to 359 kt (previous year: 50 kt). In fact, the backlog of orders at the EUROPIPE Group had increased as of 31 Dec. 2014 to 810 kt (previous year: 139 kt).

Sales posted by the EUROPIPE Group in 2014 were 33 % lower than the previous year's sales of € 475 million (previous year: € 709 million). The primary reason for this was the significant decline in shipped tonnage with continued pressure on margins. Shipped tonnage decreased overall from the previous year by 35 % and amounted to 409 kt (previous year: 626 kt). The long-time trend of the previous years toward greater weight per meter continued during the 2014 financial year also for the European plants, with the weight per meter for quantities shipped, at 594 kg/m, stabilized at roughly the previous year's level of 603 kg/m.

The considerably lower shipping volume and the continued unsatisfactory revenue quality had a negative impact on the earnings of the EUROPIPE Group. The 2014 financial year therefore concluded with a net loss for the year as per the German Commercial Code (HGB) of € 52.6 million (previous year: € 60.1 million net loss for the year).

The ongoing underutilization of capacity at EUROPIPE France S.A. and the associated fixed costs such as depreciation and amortization resulted in a clearly negative contribution to earnings. In addition, the previous year's € 9.6 million value adjustment as part of the Welspun transactions has once again been credited due to the successful settlement of the litigation. After-tax earnings for EUROPIPE GmbH fell slightly once again compared to the previous year and amounted to a net loss for the year of € 46.7 million (previous year: € 60.5 million net loss for the year).

At the end of 2014, the EUROPIPE Group employed a total workforce of 1 280 people (previous year: 1 230). Of these, 626 employees worked for EUROPIPE GmbH (previous year: 619).



Report of the Board of Management

Research and investment in quality and process optimization

The EUROPIPE Group invested a total of € 12.0 million (previous year: € 15.3 million), € 6.0 million (previous year: € 6.3 million) of which were invested at the Mülheim site (large-diameter line pipe and surface coating plant and headquarters) for plant, property and equipment and for intangible assets. The investments were primarily used in the interest of further rationalization and to improve the market position by continuously improving product quality. Because of the current economic situation, the investment budget in the EUROPIPE Group was maintained at a low level, as in the previous years. Worthy of note are investments in quality and process optimization that were necessary due to the high quality requirements for South Stream.

The ultrasonic system installed about 10 years ago in the Panama City plant – an important tool for quality assurance – was extensively modernized. The retooled system made it possible to fulfill the increased external requirements – both for API certification, which is important in the US market, and of the customers themselves – also for greater wall thicknesses.

EUROPIPE GmbH invested € 2.4 million during 2014 (previous year: € 4.1 million) in the enhancement of its products and the continuous improvement of production and quality assurance methods. The ultimate goal of the development efforts is to expand the range of application of the large-diameter line pipe and to improve quality through, among others, greater wall thicknesses for offshore projects at great depths, improved strength of the material with the same or greater toughness, and optimized heat-affected zones.

Prospects for the large-diameter line pipe market: weak in Europe, significantly more positive in the USA

Worldwide demand for large-diameter line pipe has grown moderately during the current year, although many projects will only be realized in 2015 or later due to delays in authorization. In addition, the markets developed extremely unevenly according to region. While the line pipe market in North America is growing very noticeably due to intensified oil and gas exploration and the strong growth in shale gas production, the market in Europe continues to experience a weak phase because of weak economic activity and the increasingly uncertain political situation in Russia. The Middle East is likewise displaying a slight increase in market activity, but currently offers only limited opportunities for EUROPIPE due to the extreme competition and the existing freight disadvantages. Even though the political relationship with Iran is improving incrementally, it cannot yet be foreseen when deliveries to Iran can be taken up again.

The market recovery expected for 2015 has been called into question at least where Europe is concerned due to the suspension of the South Stream project announced by South Stream in December. EUROPIPE will therefore have to suspend its production for the South Stream order for the time being. MPC is also impacted by this suspension.



Report of the Board of Management

The situation for Europe as a whole has deteriorated significantly because of this decision. The possible loss of South Stream, which represents one of the anchor projects in Europe for 2015 and subsequent years, with the offshore pipeline for sections 3 and 4 and the connection lines in the direction of central and southern Europe, cannot be adequately compensated for in the short term through alternative large projects.

In contrast to Europe, prospects for the USA are much more positive thanks to the latest bookings. With the large ETC Rover and Sabal Trail orders, two-shift operation of the plants in Panama City and Mobile has already been ensured from the fourth quarter of 2014 until mid-2016. The Mülheim plant is also benefitting from the current exceptional business conditions of the US companies, as partial quantities of the orders and other smaller orders for the USA can be produced in Mülheim.

Saarstahl AG, Völklingen

Specialties of Saarstahl AG, in which Aktien-Gesellschaft der Dillinger Hüttenwerke holds 25.1% of shares, include the production of wire rod, bar steel and semifinished products in various grades. Open-die forgings are also included in the product range. Customers include automotive companies and their suppliers, companies that build machinery for power generation, the general machine manufacturing sector, the aerospace industry, the construction industry and other steel-processing sectors.

Despite the difficult market conditions in wire and rod, the 2014 financial year went very well for Saarstahl AG, especially with respect to volumes. Crude steel production was increased by 9 % on the previous year. The Saarstahl Group was also able to conclude the year with a sales increase and again with clearly positive earnings.

Saarstahl profited in terms of volumes in the wire and rod product segment from stable demand in the automotive and machine manufacturing sectors in Germany. Incoming orders and the utilization of plant capacities developed at a similarly positive rate. On the revenue side, price increases were initially successfully introduced while market share was also gained. However, the generally difficult underlying economic conditions in the other European countries as well as ongoing worldwide overcapacities led once again to dropping price levels during the course of the year. The improvements achieved in earnings are therefore based primarily on savings on the raw materials side and internal improvement processes.

The crude steel production of Saarstahl for 2014 was at 2.6 million tons and increased compared to the previous year by 0.2 million tons (8.9 %). Shipping of steel products rose by 8.7 % to about 2.4 million tons.

Net sales (Saarstahl AG only) increased from € 1 675 million in the previous year to € 1 754 million (+ 4.7 %). Earnings before interest and taxes (EBIT) for Saarstahl amounted to € 127 million (2013: € 54 million) and earnings before interest, taxes, depreciation and amortization (EBITDA) was € 199 million (2013: € 120 million).



Report of the Board of Management

For Saarschmiede GmbH Freiformschmiede, the 2014 financial year was also a very difficult one, as it was marked by ongoing reluctance to invest in energy markets. The downward trend was for the first time halted, however, which expressed itself in a slight increase in sales by € 4 million to € 219 million (previous year: € 215 million).

Additions to property, plant and equipment for Saarstahl AG in 2014 amounted to € 14 million (previous year: € 55 million). After the large investments of the previous years, investments were again at a somewhat lower level. The focal areas, meanwhile, were the rolling mills in Neunkirchen and Burbach. The secondary metallurgy that began operation in 2013 ran smoothly at full capacity and contributed effectively to reducing bottlenecks as well as to further developing the range of products.

In addition, further important strategic investments amounting to a total of € 80 million were adopted by the supervisory bodies in 2014 for all three corporate sites.

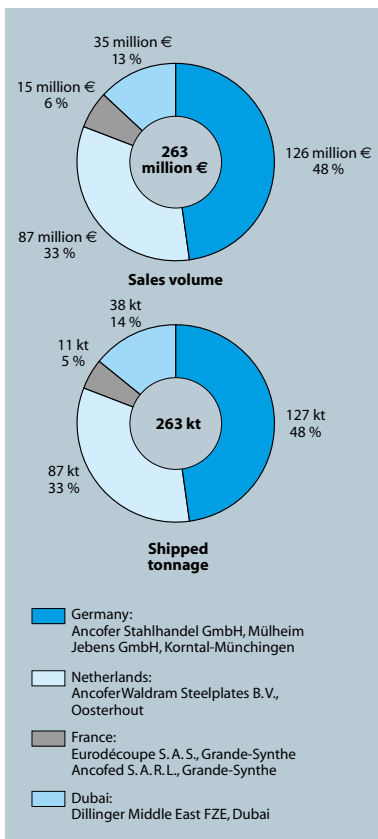
As of 31 Dec. 2014, there were 4 026 people employed by Saarstahl AG (previous year: 3 867). A total of 75 (previous year: 58) young people were able to begin their vocational training during the year under review.

Trading and flame-cutting operations in the DH Group

To supplement the range of products and lengthen the value chain, Dillinger Hütte holds several indirect and direct shareholdings in trading and flame-cutting companies in Germany, the Netherlands, France, Dubai and India. These companies are specialized both with regard to their regional focus and their product ranges and processing depth; however, products from other steel producers are also marketed and processed.

Customer demand for the products of the trading and flame-cutting companies developed unevenly in 2014 according to region. As a result, sales fell in Germany. In the remaining EU-countries and in third countries sales increased marginally, after a decline in sales was experienced in third countries with stagnating sales in Europe during the previous year. For the trading, flame-cutting and treatment activities, business performance was marked by a consistent drop in revenue levels with overall sales volumes below those of the previous year. With continued declines in procurement prices, gross margins developed heterogeneously in the companies – depending on the competitive environment. The operating results of the main companies were similarly uneven; the positive growth primarily came from the companies outside of Germany.

Cumulative sales for 2014, at € 263.3 million, was 6.4 % below that of the previous year (€ 281.3 million). Net shipped tonnage declined by 3.3 % to 263 kt (2013: 272 kt), whereas sales in the flame-cutting activities was nearly unchanged, and trading activities declined from the previous year. Earnings from operations amounted to € 5.5 million (2013: € 2.1 million).



Sales volume and shipped tonnage in 2014 for the trading and flame-cutting operations in the DH Group



Risk and opportunity report

Risk report

For Dillinger Hütte, as a global producer of heavy plate in various grades, taking a structured and constructive approach to business risks and opportunities is of central importance. With this in mind, Dillinger Hütte introduced a company-wide risk management system several years ago. This has been continuously developed further.

Organization of risk management

Risk Management at Dillinger Hütte consists in part of the risk officers in the departments and subsidiaries. These are responsible for the operational risk management tasks that are integrated into the processes of the individual divisions and subsidiaries. In addition, SHS Risk Management handles coordination, support and consolidation duties for Dillinger Hütte. Risk officers and SHS Risk Management collaborate as partners in the process.

Methods of risk management

The risk management system at Dillinger Hütte includes all measures aimed at ensuring a systematic approach to risk and focuses on risks transparency, risk control and risk communication.

- **Risk transparency:** Risk management aims to identify and disclose risks connected to business activities as early as possible. A systematic and consistent method of analysis and evaluation is used for this.
- **Risk control:** Another objective of risk management is to avoid, minimize or transfer the identified risks through new or existing risk control instruments. Transfer of risk takes place through the corporate service provider SHS Versicherungskontor GmbH, which is responsible for arranging an appropriate level of insurance coverage.
- **Risk communication:** The Management Board is regularly informed about the current risk situation. Moreover, key risk management issues are discussed with the Supervisory Board.

The content, structure and results of the risk management system are documented in auditable form as per the German Corporate Sector Supervision and Transparency Act (KonTraG).

Corporate Auditing, as part of the comprehensive approach of corporate management to establish an internal management and monitoring system, is a component of risk management in accordance with the German Corporate Sector Supervision and Transparency Act (KonTraG). In this capacity, it is also responsible for the systematic and effective auditing and supervision of the risk management system.

Sector, external and market risks

Dillinger Hütte is a company with worldwide operations. Moreover, the customer base of Dillinger Hütte is also characterized by companies with global activities, particularly by businesses in the capital goods sector. This implies a dependency on both overall



Report of the Board of Management

future economic development as well as the development of individual customer sectors. The current geopolitical crises could have at least an indirect influence on these developments.

There is in fact a direct influence on the pipe plate market in particular. The unilateral political announcement of the stoppage of the South Stream project by Russia has led to great uncertainty in the market. The announcement and subsequent suspension by South Stream carry risks for Dillinger Hütte, which is participating in the South Stream project as a supplier through pipe plate deliveries and through EUROPIPE as a joint subsidiary with Salzgitter AG. The announcement may also have made obsolete the orders that had been expected from the originally planned progress of the project. Although there is currently discussion of an alternative route for the pipeline through Turkey, the changed market situation in the pipe plate market will likely also impact plate production for other sectors, as adjustments to capacities are probable. In this respect, noticeable market and sales risks in a market characterized by overcapacities and a noticeable intensifying of competition can be expected. Dillinger Hütte is therefore continuously monitoring its competitors and their strategic involvement, and with this, is laying the foundation for maintaining its competitive advantage.

In addition, Dillinger Hütte is proactively confronting these challenges in the market and business environment. In the 2014 financial year, for instance, the restructuring and cost-reduction program DH 2014 plus was successfully implemented and continued with the successor project PRIMUS 16, a strategic program. PRIMUS 16 aims to effectively guarantee the competitiveness of Dillinger Hütte and its subsidiaries even under problematic underlying conditions in the medium term.

Procurement risks

To produce high-quality products, Dillinger Hütte requires raw materials, energy and logistical capacities in a sufficient quality and quantity. Specific procurement and logistical segments are therefore consolidated under the umbrella of SHS Services GmbH and SHS Logistics GmbH. Independent of this, the current geopolitical crises could have a negative impact on the procurement situation as individual raw materials are procured from the affected regions. Ongoing developments in the crisis regions are followed closely and associated risks are discussed with suppliers and minimized through consultation and cooperation with suppliers.

Moreover, long-term framework agreements are used in procurement. But options are also employed to ensure a basic flexibility in raw material supply, especially for the affiliated companies ROGESA and ZKS. A supply buffer is also consistently maintained through an adequate stock policy, and new sources of supply are systematically and continuously sought. In connection with this, alternative possibilities for employing raw materials are tested and analyzed. In addition to safeguarding the supply, the implemented measures also help reduce price risks. There is a risk, however, that the low current price of selected raw materials may lead to suppliers demanding amendments to existing conditions during negotiations, to the detriment of Dillinger Hütte.



Report of the Board of Management

With regard to energy supply and cost certainty, the 90 MW blast furnace gas-fired power plant in Dillingen that began operation in 2010 (see the “Environment and energy efficiency” section) helps significantly to minimize risk.

Overall, the medium-term security of the supply of raw materials, energy and logistical capacities in the required quantities and quality can be considered ensured.

Risks from operating activities

Stoppages, property damage and/or quality risks may occur in the production plants of Dillinger Hütte. These may be due to the complexity of the manufactured products, to the complexity of the manufacturing processes and technical operating facilities, or to force majeure. Dillinger Hütte counteracts the former causes through continuous investments in state-of-the-art systems in addition to the use of innovative diagnostics systems for preventative and status-based maintenance and consistent development of the quality assurance system, which has been certified in accordance with international standards. Dillinger Hütte counteracts risks associated with force majeure, such as explosions or major fires that have high potential to cause damage but can be considered unlikely to occur, with fire-protection systems, emergency plans and its own fire department. In addition, Dillinger Hütte has procured an adequate amount of insurance coverage.

Despite these extensive preventative measures, a discrepancy from customer requirements occurred during the past financial year for a project in plate manufactured by Dillinger Hütte. Dillinger Hütte is currently cooperating closely with the customer in this matter in order to achieve a satisfactory solution for both the customer and Dillinger Hütte and to minimize the associated risks for the company.

Financial risks

Safeguarding the financial independence of the company by coordinating financial requirements is of central importance for Dillinger Hütte. Financial risk is actively managed and limited for this reason. The integration of all financial departments under the umbrella of SHS, carried out during the past financial year, supports the efforts in this regard.

Dillinger Hütte concludes financial instruments only with counterparts that have an excellent credit rating. Receivables in the area of deliveries and services are continuously monitored. Transactions are secured by means of credit insurance. The resulting risk of default can therefore be considered low. Whereas an ongoing financial and liquidity planning generally reduces liquidity risk, the current investment activity as well as the current market situation have a noticeable impact on Dillinger Hütte’s liquidity situation. This development is countered with a far-reaching cash management approach. In addition, all major subsidiaries are incorporated in the short- and medium-term financial planning according to consistent standards. As part of regular analyses, both the status quo and planning are incorporated into the risk management system. This ensures the necessary financial flexibility of Dillinger Hütte. Independent of this, market risks can influence fluctuations of current market values or future cash flows from financial instru-



Report of the Board of Management

ments. Dillinger Hütte actively counters these risks through the use of currency and interest rate hedging transactions. These instruments considerably limit or completely eliminate market price risks. In general, hedging instruments are not employed separately from the underlying performance-related hedged item. They are regularly monitored and analyses are generated for management purposes. The results are incorporated into the risk management system. Any residual risk is considered low. The financial reporting of the hedging instruments mentioned is presented in detail in the notes to the financial statements.

Legal risks and compliance risks

Legal risks are currently considered low. A general risk exists, however, that due to the increasing internationalization and expansion of business activities, Dillinger Hütte could face legal uncertainties as a consequence of contact with numerous fields of law and legal systems.

Independent of this, deliberate misconduct on the part of individuals cannot be completely excluded. Dillinger Hütte is dedicated to counteracting potential misconduct through its preventative compliance efforts. A code of ethics was introduced in 2012 in an effort to ensure that legal representatives, employees and third parties act in compliance with the rules. In addition, the compliance management system was expanded by the compliance committee of the SHS Group during the 2014 financial year. Through informational events, Dillinger Hütte managers have been made aware of compliance issues and of their responsibilities. Publications on specific compliance issues are also used preventatively to work toward proper conduct that complies with guidelines.

Regulatory risks

New laws and changes to legal framework conditions at the national and international level may carry implicit risks for Dillinger Hütte. This is particularly true when new or amended laws are associated with higher costs for Dillinger Hütte in comparison to its international competitors. Dillinger Hütte therefore follows regulatory efforts closely and through working contacts with trade associations.

Specific potential regulatory threats include the announced review in 2017 of the EEG (Sustainable Energy Law) surcharge exemption granted to in-plant electricity production with existing plants and potential negative impacts from the reform of EU carbon emissions trading (see also the “Environmental protection and energy efficiency” section). Both of these points involve significant potential risk for Dillinger Hütte.

IT risks

Both the complex technical production processes and the administrative processes of Dillinger Hütte are supported with modern IT systems. The availability of data and information flows is therefore of central importance for Dillinger Hütte. Risks that endanger the confidentiality, availability and integrity of IT-supported information and systems can therefore result from human error, organizational or technical procedures and/or security gaps. In addition to the breakdown of important production- and administra-



Report of the Board of Management

tion-related systems within the value chain, risks due to access to systems by unauthorized third parties, such as in industrial espionage or sabotage, are notable in this regard. Software that is employed is therefore continuously monitored by Dillinger Hütte and SHS Services GmbH, and systems are updated as needed. In addition, hardware components such as servers and networks are continuously expanded and adapted to technological innovations.

Human resource risks

As a manufacturer of high-tech and high-quality products, successful operation of Dillinger Hütte fundamentally depends on skilled employees and managers as well as their high level of commitment. In view of this, Dillinger Hütte places great importance on being an attractive employer. The company provides vocational training in a wide range of career fields, which ensures a skilled pool of future employees. Dillinger Hütte undertakes various recruiting efforts for this purpose in order to make contact with young people early on. This effort also actively helps prevent the expected shortage of skilled employees. Moreover, Dillinger Hütte offers a range of advanced training options for skilled and management employees. Regardless of this, risks caused by surplus personnel prompted by any future market conditions and the associated, unsatisfactory utilization of capacities, cannot be excluded. Dillinger Hütte has the option of responding to these risks by using various employment policy measures such as reduced working hours or partial retirement models.

Environmental risks

The production processes in hot metal and steel production as well as the heavy fabrication division involve innate process-related environmental risks such as contamination of air and water. Dillinger Hütte therefore does everything it can to exclude damage caused by the product or its production through intensive quality and environmental management. For instance, Dillinger Hütte operates an integrated management system that combines quality management, workplace safety and environmental protection with incident management. In addition, Dillinger Hütte also invests continuously in measures that increase the effectiveness of its protection of the environment. Beyond this, however, there are still risks due to the tightening of environmental regulations with requirements that may not be achievable with current technology.

Organization of opportunity management

Opportunity management at Dillinger Hütte involves the systematic handling of opportunities and potentials. It is directly embedded into the work of the Board of Management of Dillinger Hütte. The Board of Management identifies and discusses opportunities and potential, and when needed, conducts strategic dialogue about market and technology trends with the affected departments and subsidiaries. In these strategic efforts, the Board of Management focuses on the current global drivers of growth as well as those for specific sectors, and continuously develops the company with consideration of global trends.



Report of the Board of Management

Strategic opportunities

Dillinger Hütte sees both challenges and opportunities in the internationalization of its business activities. Many customers of Dillinger Hütte operate internationally or are in the process of expanding their international operations. In doing so, they often focus on growth markets. Dillinger Hütte therefore sees an opportunity to safeguard relationships with existing customers through further internationalization. Moreover, acquiring new customers who have not yet been reached can be viewed as an opportunity. Dillinger Hütte is therefore strengthening its worldwide presence through expanding the sales network and is in particular leveraging potential in new and emerging markets, without giving up its market position in the traditional markets.

With the construction of continuous casting machine CC 6, Dillinger Hütte will be able to expand its product range and thus differentiate itself from the competition. As such, construction of the facility must be viewed as an opportunity for the future for Dillinger Hütte.

An additional opportunity for future business activity lies in the engineering skills of the employees of Dillinger Hütte. This enables the company to optimize processes and equipment, and to further develop, improve or completely redesign products. Dillinger Hütte therefore strives to continuously develop this engineering capability.

Treatment and heavy fabrication are important components of Dillinger Hütte's business model. These allow Dillinger Hütte to offer a wide range of products and services. Here, Dillinger Hütte works closely with its customers in order to find the optimal solutions for them. This understanding of service represents a feature that distinguishes the company from its competitors. Dillinger Hütte therefore sees an opportunity for future business activity in the strengthening and further expansion of treatment and heavy fabrication.

In addition, Dillinger Hütte sees an opportunity for future business success in the subsidiary Steelwind Nordenham GmbH. With Steelwind Nordenham, Dillinger Hütte can not only support the energy transition being imposed in Germany but can also profit from this economically in that, with the production of monopiles, an important contribution is made to offshore electricity production.

Operational opportunities

The operating activities of Dillinger Hütte consist of a multitude of processes that are sometimes interdependent or connected with each other through interfaces. Dillinger Hütte sees an operational opportunity in the optimization of these in-plant processes. Through adaptation it may be possible to achieve an accelerated workflow in selected processes and thus to reduce costs. This was also demonstrated by the DH 2014 plus project that was successfully implemented during the 2014 financial year. It was primarily focused on structural adaptation of processes. With the newly established strategy program PRIMUS 16, Dillinger Hütte intends to ensure the lasting impact of the measures, strengthen the company's strategic position, boost the efficiency of its processes, generate cost and thus competitive advantages, and, consequently, to increase profitability.



Report of the Board of Management

In addition, there are opportunities in the continued merging and consolidation of the functions and activities of Dillinger Hütte and Saarstahl into SHS as well as its service companies. These may lead to a leveraging of additional synergies as processes and workflows are harmonized and improved.

Overall assessment of the risk situation

On the whole, there are currently no identifiable risks that could endanger the continued existence of the company, nor are there any signs of trends that could have a major influence in the long-term on the earnings, financial and asset situation.

Forecast

Underlying economic conditions

Moderate growth of the world economy

Overall, the International Monetary Fund (IMF) currently expects moderate growth of the world economy at a rate of around 3.8 %. This scenario continues to remain uncertain in 2015 as well: geopolitical conflicts such as those in Ukraine or the Middle East continue to pose risks. In addition, the risk of renewed turbulence in the international financial and currency markets as a result of the anticipated turnaround of interest rates in the United States cannot be excluded, as the recovery begun in many countries and regions continues to be extremely fragile due to structural problems. Significant economic growth can however be expected, particularly in the United States and the emerging markets in Asia, supported by considerably lower oil prices. At the same time, development in other important regions remains weak. Underlying economic momentum, particularly in the euro area, will not increase significantly for the time being. Relatively weak growth of below 1 % is expected for the German economy.

Global steel market: utilization of capacities still below average

The forecast for the global steel market in 2015 calls for continued recovery. A growth rate of 2.2 % is predicted for worldwide steel demand, while crude steel production is expected to grow by 2.4 % to 1.730 billion tons. Due to the persistent expansion of capacities, however, utilization of global crude steel capacities will remain under the longtime average. In the European Union, a slight overall improvement in the steel market is expected. This growth is likely to be lower than in 2014 at 2 %. In sum, the market environment remains highly challenging, as no sustained improvement is expected in the present considerable underutilization of steel capacities in Europe and the world in 2015.

Heavy plate market: no sustained recovery

Given the current underlying conditions, which continue to be determined by factors such as worldwide overcapacities and growing international trade restrictions, no noticeable improvement in the business activities of heavy plate suppliers can be expected in 2015. In addition, a continued high level of imports into the European market can be expected. Although the consumption forecast has increased marginally compared to 2014, prices for heavy plate product, with very few large projects slated at the start of the year to be newly realized, will in fact continue to be subjected to intense pressure.



Report of the Board of Management

In the large-diameter line pipe segment, there is a risk that the significantly lower oil price will result in expensive development and processing projects in the oil and gas industry being postponed. In the traditional offshore oil and gas segment, only a few new projects are lined up for 2015. A further risk results from the suspension of the South Stream project. The European heavy plate and pipe markets will lack the volumes originally expected from this project for 2015, which will lead to considerable imbalance in the market with a corresponding impact on the other heavy plate segments. Business activity in machine manufacturing will proceed in 2015 at a satisfactory level; consumption in the wind energy sector is expected to be similar to that in 2014, with a distinct focus on the second half of the year. The same applies for the moderately active steel construction sector. Overall, given the current circumstances, a significant and above all sustained recovery of the heavy plate market cannot be expected in 2015.

Development of Dillinger Hütte

Continued improvement of competitiveness targeted

For Dillinger Hütte, the 2014 financial year was marked by a slight improvement in the order situation as well as the associated earnings, with sustained competitive pressure continuing. The further decline in revenue levels was counteracted through higher sales volume with reduced cost for procuring raw materials; alongside this, the clearly positive EBIT, which was better than expected, was largely based on strict cash management as well as the internal cost and restructuring program DH 2014 plus, with which significant potential for savings could be leveraged in many areas of the company.

With underlying conditions remaining at least equally challenging, Dillinger Hütte Group will not let up in its efforts to further enhance its competitiveness in 2015 as well. In doing so, all efforts are focused on defending and expanding the company's position as a technology leader in Europe in the fight for market share, without neglecting the interesting niche markets outside of Europe. The strategy program PRIMUS 16 was launched for this purpose in late 2014. Behind this name is a package of various internal or market-oriented measures that aims to even better utilize the capacities of production facilities, shorten delivery times, further enhance productivity, and increase the flexibility of the workforce within the company. As always, achieving the best possible customer satisfaction is also a focus. The Dillinger Hütte brand will continue to set strong trends worldwide.

No transactions of major significance took place following the balance sheet date.

Stable sales volume and positive earnings expected

As previously described, the most likely scenario continues to be that of moderate growth of the world economy with a slight upward trend in the heavy plate market with respect to volumes. For the pipe plate product segment, good opportunities for greater participation in the market growth in North America can be expected through Berg Steel Pipe Corp., a subsidiary of EUROPIPE GmbH. Nonetheless, the pipe plate market remains a highly fluctuating project segment. Orders in the pipe segment that are cancelled or postponed at short notice must therefore be balanced out flexibly with



Report of the Board of Management

increased volumes in the normal plate segment. With consistently fluctuating quarterly figures, the utilization of production facility capacities in 2015 can be expected to be similar to that of 2014.

A significant increase of the price level for heavy plate will only be implementable partially, if at all, under the current market conditions. Provided that the cost savings achieved as well as the additional measures to increase profitability as well as the attendant boost in competitiveness as part of the PRIMUS 16 strategy program continue to be effective, similar sales revenue and positive earnings before interest and taxes (EBIT) can also be expected for 2015, but at a lower level than that of the previous year.

Dillingen, on 26 March 2015

The Board of Management

Dr. BLESSING

Dr. LUXENBURGER

Dr. MÜNNICH

METZKEN

SCHWEDA



ANNUAL FINANCIAL STATEMENT (abridged) BALANCE SHEET

Assets

K €	31/12/2014	31/12/2013
A. Fixed assets		
I. Intangible assets	1 619	807
II. Tangible assets	777 733	693 166
III. Financial assets	1 187 970	1 199 859
	1 967 322	1 893 832
B. Current assets		
I. Inventories		
1. Raw materials and supplies	25 595	31 526
2. Work in process	75 490	54 597
3. Finished goods	93 339	73 788
	194 424	159 911
II. Receivables and other assets		
1. Trade accounts receivables	117 164	92 815
2. Receivables from affiliated companies	243 167	220 421
3. Receivables from companies in which the company has a participating interest	48 548	29 691
4. Other assets	312 856	331 471
	721 735	674 398
III. Cash and bank balances	78 382	143 124
	994 541	977 433
C. Positive difference from asset allocation	46	931
	2 961 909	2 872 196



Balance sheet

Shareholders' equity and liabilities

K €	31/12/2014	31/12/2013
A. Shareholders' equity		
I. Subscribed capital	178 500	178 500
II. Capital reserve	378 574	378 574
III. Earnings reserves	1 254 937	1 189 937
	1 812 011	1 747 011
B. Accruals and provisions		
1. Accruals for pensions and similar obligations	354 683	335 776
2. Tax accruals	567	757
3. Other accruals and provisions	236 527	261 507
	591 777	598 040
C. Liabilities		
1. Liabilities to financial institutions	172 046	210 655
2. Customer advance payments	2 514	18 388
3. Trade accounts payable	64 091	69 503
4. Payables to affiliated companies	266 083	165 374
5. Payables to companies in which the company has a participating interest	16 050	36 815
6. Other liabilities	37 337	26 410
	558 121	527 145
	2 961 909	2 872 196



PROFIT AND LOSS STATEMENT

K €	2014	2013
1. Net sales	1 871 777	1 815 691
2. Change in finished goods, work-in-process and other own work, capitalized	48 080	– 17 103
3. Other operating income	41 348	20 591
	1 961 205	1 819 179
4. Cost of materials	1 282 784	1 306 909
5. Personnel expenses	317 110	371 731
6. Amortization and depreciation	53 866	56 060
7. Other operating expenses	118 599	160 350
	1 772 359	1 895 050
8. Income from participating interests	– 4 544	24 013
9. Write-down of long-term financial assets	12 597	15 640
10. Net interest income	– 31 033	– 19 629
11. Result from ordinary activities	– 140 672	– 87 127
12. Taxes on income and earnings	– 181	– 533
13. Other taxes	– 830	– 986
14. Compensatory payment to minority shareholders	– 1 004	– 1 004
15. Profit transfer due to profit and loss transfer agreement	– 73 657	0
16. Net loss / net income	65 000	– 89 650
17. Transfer from earnings reserves	0	89 650
18. Transfer to earnings reserves	– 65 000	0
19. Unappropriated retained earnings	0	0



CASH FLOW STATEMENT

K €	2014	2013
Net result for the year (before profit transfer)	138 657	- 89 650
Amortization and depreciation, write-downs/write-ups		
Intangible assets and tangible assets	53 866	56 060
Financial assets	12 594	15 639
Change in long-term accruals	7 270	21 710
Change in receivables from and payables to affiliated companies	3 906	- 69 298
Change in inventories and receivables (without affiliated companies)	- 58 704	42 010
Result from the disposal of fixed assets	- 432	- 144
Change in other accruals, provisions and liabilities (without affiliated companies)	- 43 772	94 100
Cash flow from operations	113 385	70 427
Investments in		
Intangible assets and tangible assets	- 140 124	- 193 622
Financial assets	- 706	- 37 463
Proceeds from disposals of fixed assets	1 312	171
Cash flow from investment activities	- 139 518	- 230 914
Change in long-term financial activities	- 38 609	- 20 227
Previous year's profit transfer	0	- 96 839
Cash flow from financing activities	- 38 609	- 117 066
Change in cash and cash equivalents	- 64 742	- 277 553



LISTING OF SHAREHOLDINGS

	Currency	Share of capital in %		Shareholders' equity	Results 2014	
		Direct	Indirect			Total
1. Affiliated companies	K					
Domestic companies:						
Saarlux Stahl GmbH & Co. KG, Stuttgart	€	53.0		53.0	13 072	- 335
Dillinger Hütte Vertrieb GmbH, Stuttgart	€	100.0		100.0	4 210	¹⁾
Ancofer Stahlhandel GmbH, Mülheim/Ruhr	€	90.0		90.0	25 252	378
Jebens GmbH, Korntal-Münchingen	€	100.0		100.0	19 808	¹⁾
DHC-Consult GmbH, Dillingen	€	100.0		100.0	193	4
Cargo-Rail GmbH, Dillingen	€	100.0		100.0	43	0
MSG Mineralstoffgesellschaft Saar mbH, Dillingen	€	100.0		100.0	19 968	¹⁾
Steelwind Nordenham GmbH, Nordenham	€	100.0		100.0	89 062	¹⁾
Raupenfahrzeuge Nordenham GmbH, Dillingen	€		100.0	100.0	7	- 17
Foreign companies:						
Dillinger France S.A., Grande-Synthe	€	100.0		100.0	144 206	- 14 368
Eurodécoupe S.A.S., Grande-Synthe	€		100.0	100.0	- 5 227	- 506
Ancofed S.A.R.L., Grande-Synthe	€		100.0	100.0	- 371	- 173
AncoferWaldram Steelplates B.V., Oosterhout	€	100.0		100.0	36 369	3 306
Trans-Saar B.V., Rotterdam	€	100.0		100.0	1 413	944
Dillinger Nederland B.V., Zwijndrecht	€	100.0		100.0	785	448
Dillinger International S.A., Paris	€	100.0		100.0	1 219	- 201
Dillinger Norge AS, Oslo	NOK	100.0		100.0	2 003	1 243 ²⁾
Dillinger Middle East FZE, Dubai	AED	100.0		100.0	72 643	3 238
Dillinger India Steel Service Center Private Ltd., Mumbai	INR		100.0	100.0	104 655	20 771
Dillinger Hütte Services B.V., Zwijndrecht	€	100.0		100.0	63	18 ²⁾
Dillinger America Inc., New York	USD	100.0		100.0	556	34
Dillinger Sverige AB, Alingsås	SEK	100.0		100.0	1 319	1 ²⁾
Dillinger Italia S.R.L., Mailand	€	100.0		100.0	144	82 ²⁾
Dillinger España S.L.U., Madrid	€	100.0		100.0	68	43 ²⁾
Dillinger Hutte UK Ltd., London	GBP	100.0		100.0	73	64 ²⁾



Listing of shareholdings

	Currency	Share of capital in %		Shareholders' equity	Results 2014	
		Direct	Indirect			Total
2. Participating interests	K					
Domestic companies:						
Dillinger Hütte und Saarstahl Vermögens- verwaltungs- und Beteiligungs-OHG, Dillingen	€	50.0		50.0	266 215	¹⁾
Zentralkokerei Saar GmbH, Dillingen	€		50.0	50.0	137 212	¹⁾
ROGESA Roheisengesellschaft Saar mbH, Dillingen	€	24.5	25.5	50.0	235 636	¹⁾
ROGESA Beteiligungsgesellschaft mbH, Dillingen	€		50.0	50.0	3 019	1
Cokes de Carling S.A.S., Carling	€		50.0	50.0	- 23 279	- 497
EUROPIPE GmbH, Mülheim/Ruhr	€	50.0		50.0	103 954	- 46 668
EUROPIPE France S.A., Grande-Synthe	€		50.0	50.0	7 688	- 163
BERG EUROPIPE Holding Corp., New York	USD		50.0	50.0	183 677	2 262 ³⁾
MÜLHEIM PIPECOATINGS GmbH, Mülheim/Ruhr	€		50.0	50.0	14 226	9 595
Saarstahl AG, Völklingen	€	25.1		25.1	2 607 985	43 690 ³⁾
1. Dillinger Projekt GmbH, Dillingen	€	50.0		50.0	101	5

¹⁾ A profit and loss transfer agreement exists.

²⁾ If the current financial year's numbers are not available, previous year's numbers (31 December 2013) are stated.

³⁾ Consolidated result



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DILLINGER HÜTTE

Imprint

Publisher:

Aktien-Gesellschaft
der Dillinger Hüttenwerke
Werkstraße 1
66763 Dillingen

Phone: +49 (0) 68 31/47-0

Fax: +49 (0) 68 31/47-2212

<http://www.dillinger.de>

e-mail: info@dillinger.biz

Responsible:

Ute Engel, SHS - Stahl-Holding-Saar GmbH & Co. KGaA

Ines Oberhofer, SHS - Stahl-Holding-Saar GmbH & Co. KGaA

Conception/Design:

Wolfgang Schmitt, SHS - Stahl-Holding-Saar GmbH & Co. KGaA

Printed by:

Krüger Druck+Verlag, Dillingen and Merzig

Photos:

Uwe Braun, Aktien-Gesellschaft der Dillinger Hüttenwerke

Wolfgang Schmitt, SHS - Stahl-Holding-Saar GmbH & Co. KGaA

