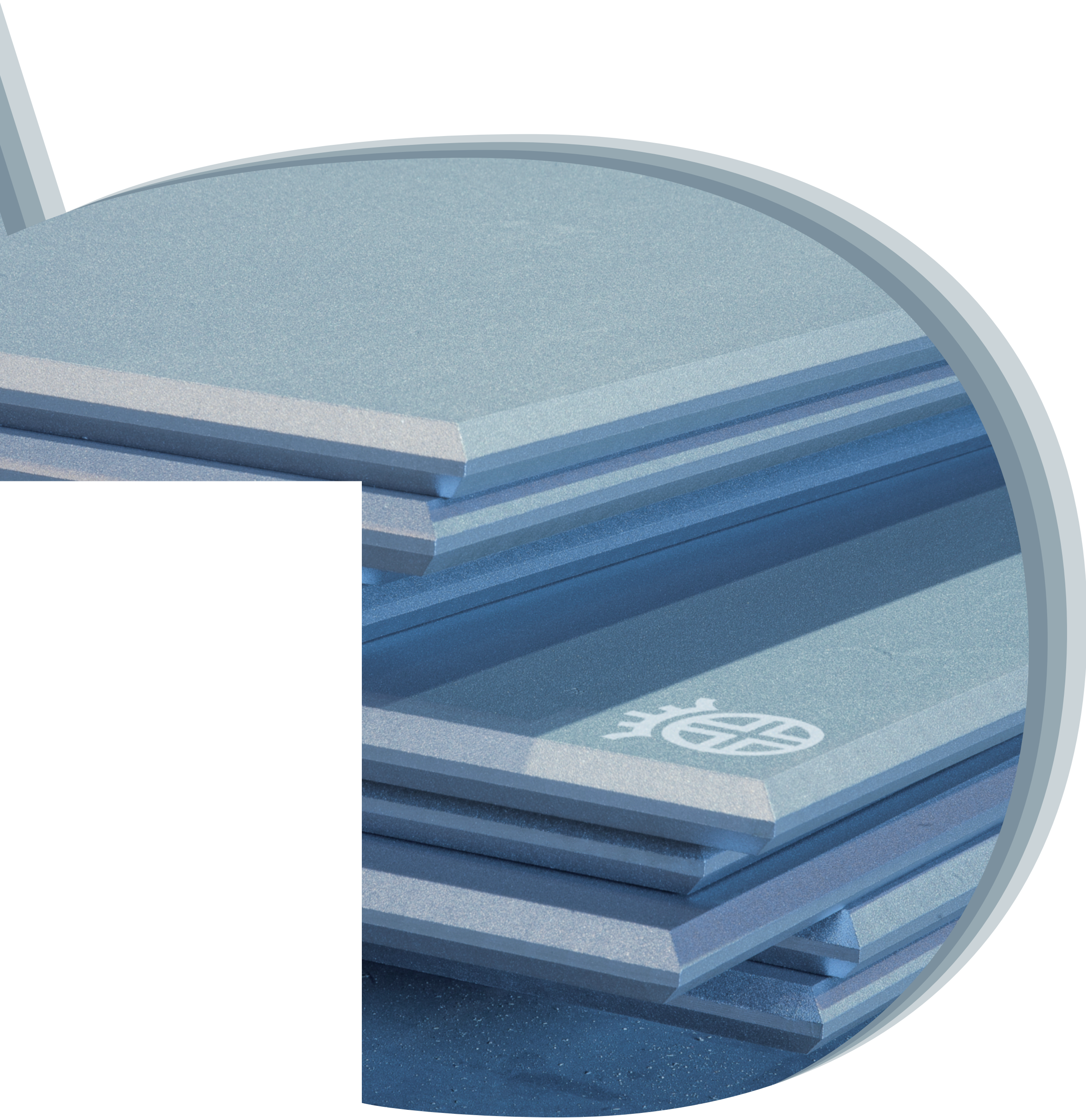


DILLINGER

Executive Summary of the 2019 Financial Statement

CONTENTS

This abridged English-language financial statement is an excerpt from the annual report of Dillinger for the 2019 financial year. This publication does not constitute the complete form required by law (for this, please see the 2019 Annual Report of Dillinger in German.)

KEY FIGURES AT A GLANCE

	2018	2019	Change
Hot metal purchase in kt *	**2 012**	**1 911**	- 5.0 %
Crude steel production in kt	**2 334**	**2 238**	- 4.1 %
Total production of heavy plate in kt	**1 910**	**1 847**	- 3.3 %
of which produced in Dillingen in kt	**1 248**	**1 291**	+ 3.4 %
of which produced in Dunkerque in kt	**662**	**556**	- 16.0 %
Total shipment in kt	**2 681**	**2 500**	- 6.8 %
of which heavy plate in kt	**1 911**	**1 877**	- 1.8 %
of which semi-finished product in kt	**770**	**623**	- 19.1 %
Sales revenues by country in € millions			
Germany	**831**	**771**	
France	**448**	**363**	
Other EU countries	**488**	**508**	
Other exports	**252**	**348**	
Total sales	**2 019**	**1 990**	- 1.4 %
Total workforce (excluding trainees) as of 31 Dec.	**4 919**	**4 871**	
Personnel expenses in €million	**368**	**378**	
Balance sheet total in € million	**2 835**	**2 743**	
Fixed assets in € million	**2 064**	**2 002**	
Investments	**36**	**27**	
Shareholders' equity in € million	**1 619**	**1 470**	
EBITDA in € million	**66**	**- 20**	
EBIT in € million	**- 6**	**- 91**	
Net result before profit transfer in € million	**- 52**	**- 149**	
Operating cash flow in € million	**36**	**46**	

* Total production ROGESA: 3 867 kt (previous year: 4 389 kt)

MEMBERS OF THE SUPERVISORY BOARD

REINHARD STÖRMER, Völklingen
Chairman (as of 24 May 2019)
Chairman of the Curatorship for the Montan-Stiftung-Saar Trust

Dr. MICHAEL H. MÜLLER, Saarbrücken
Chairman, died 21 February 2019
Chairman of the Curatorship for the Montan-Stiftung-Saar Trust

JÖRG KÖHLINGER, Frankfurt
1st Deputy Chairman
Trade Union Secretary/District Manager of IG Metall Central Region Directorate

MICHEL WURTH, Sandweiler (LU)
2nd Deputy Chairman
Chairman of the Board of Directors of ArcelorMittal Luxembourg S. A.

ARIBERT BECKER, Rehlingen
Sales Director of Saarstahl AG, ret.

MICHAEL BECKER, Saarwellingen
1st Deputy Chair of the Works Council of Aktien-Gesellschaft der Dillinger Hüttenwerke

Dr. BERND BERGMANN, Wallerfangen
(until 9 July 2019)
Member of the Board of Directors of Aktien-Gesellschaft der Dillinger Hüttenwerke,ret.

Prof. Dr. HEINZ BIERBAUM, Saarbrücken
(until 9 July 2019)
Director of the INFO-Institute, Saarbrücken

CARL DE MARÉ, Belsele (BE)
Vice-President of ArcelorMittal Chief Technical Officer Flat Carbon Europe

LARS DESGRANGES, Beckingen
(as of 9 July 2019)
Primary Authorized Representative for IG Metall Völklingen Administrative Office

MICHAEL FISCHER, Dillingen
Chairman of the Group Works Council and Chairman of the Works Council of Aktien-Gesellschaft der Dillinger Hüttenwerke

ROBERT HIRY, Rehlingen-Siersburg
(until 9 July 2019)
Primary Authorized Representative of IG Metall Völklingen Administrative Unit

NADINE KLIEBHAN, Illingen
(as of 9 July 2019)
Project consultant, INFO-Institut Beratungs-GmbH

Dr. KARL-ULRICH KÖHLER, Mülheim a.d. Ruhr
(as of 9 July 2019)
Managing Director, Rittal GmbH & Co. KG

Prof. Dr. WOLFGANG LEESE, Lindberg
(as of 9 July 2019)
Managing Director/Partner, WGLVerwaltung und Beratung GmbH

PAUL PERDANG, Gingelom
(as of 9 July 2019)
General Manager, Head of Capex, Group Finance, ArcelorMittal Luxembourg S.A.

EUGEN ROTH, Merchweiler
Deputy Chairman of DGB Rheinland-Pfalz/Saarland

RAINER SCHWICKERATH, Nalbach
(as of 1 January 2019)
Member of the Works Council of Aktien-Gesellschaft der Dillinger Hüttenwerke

STEVE WAMPACH, Strassen
(9 April 2019 – 9 July 2019)
Head of Controlling, ArcelorMittal, Luxembourg S.A.

ERICH WILKE, Königstein (Taunus)
Bank Executive, ret.

MEMBERS OF THE BOARD OF DIRECTORS

TIM HARTMANN
Chairman of the Board of Directors
and Chief Financial Officer

MARTIN BAUES
Chief Technical Officer (as of 20 March 2019)

Dr. GÜNTER LUXENBURGER
Chief Sales Officer

Dr. BERND MÜNNICH
Chief Technical Officer (until 19 March 2019)

PETER SCHWEDA
Chief Human Resources Officer and Labor Director

REPORT OF THE BOARD OF DIRECTORS

The company's fundamentals

The core business of Aktien-Gesellschaft der Dillinger Hüttenwerke, in the following referred to as Dillinger, is the manufacture and sale of heavy plate in the form of normal and pipe plate. This entails the activities of an integrated blast furnace route, including the production of coke and hot metal through the subsidiaries Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA), jointly held with Saarstahl AG (SAG), and the production of liquid steel and semi-finished products. Furthermore, 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.

Also affiliated with Dillinger are transport and logistics companies that are involved in both raw materials transport and the shipping of finished products.

Dillinger holds an interest in Saarstahl AG, Völklingen, and EUROPIPE GmbH, Mülheim/Ruhr. Beyond this, these companies are also involved in operating business activities with Dillinger – either through involvement in the hot metal production and buying phase or as a buyer and processor of heavy plate. The wholly owned subsidiary Steelwind Nordenham GmbH, which manufactures monopile foundation systems for the offshore wind market in a plant on the Weser river estuary, offers products in a processing depth that extends beyond heavy plate.

SHS - Stahl-Holding-Saar GmbH & Co. KGaA (SHS) is the direct and indirect majority shareholder of Dillinger as well as of Saarstahl AG. SHS is the wholly owned subsidiary of Montan-Stiftung-Saar, and the two companies cooperate closely under its umbrella. The SHS subsidiary SHS Logistics GmbH consolidates the logistics activities of the SHS Group with the objective of leveraging additional synergies in processes and costs. The same objective is pursued by SHS Services GmbH, which performs services in other purchasing (e.g. raw materials for steel plants) for the companies of the SHS Group. SHS Infrastruktur GmbH is responsible for Group-wide purchasing of energy and media as well as IT services.

Financial report

OVERALL ECONOMIC AND SECTOR-RELATED CONDITIONS

Weak growth in the world economy
Growth of the world economy slowed synchronously in 2019: Both the advanced economies (1.7 % in 2019 after 2.3 % in 2018) and the emerging and developing countries (3.9 % in 2019 after 4.5 % in 2018) recorded declining growth rates. Global growth in 2019 reached 3 %, the lowest growth rate since the financial and economic crisis of 2008/2009. In addition to weaker economic performance in China (GDP growth of 6.1 % following 6.6 % in the previous year), the trade dispute between the United States and China, and increasing conflicts among the oil countries of the Middle East, the long exit negotiations between the United Kingdom and the EU also took their toll. The United States also recorded a slight decline in growth momentum (2.4 % following 2.9 % for the previous year).

GDP growth in the eurozone also weakened to 1.2 % (2018: 1.9 %). In Germany, the weak phase for the industrial sector continues; weak growth of 0.5 % was mainly supported by private consumption.[1]

[1] Sources for the financial report and forecast: RWI-Konjunkturbericht No. 3, IMF Forecast, OECD.

Weakening growth of demand in the steel market
Economic conditions were challenging worldwide, with global overcapacities remaining the most pressing problem for the steel industry. Although demand for steel will continue to rise in 2019, the growth curve is flattening noticeably: Worldwide, worldsteel is still recording a 3.4% increase in production to 1.869 billion tons for 2019. China was a key driver of the growth: With an increase of 8.3 %, it represents around 996.3 million tons of produced steel, which is more than half (53.3 %) of worldwide steel production.[2]

In addition to weakening economic conditions, structural circumstances continues to pose a major challenge for the European steel industry as a whole: Increasing protectionism and associated tariffs make the products of European steel producers more expensive and the EU steel market continues to suffer from high imports despite introduced safeguard measures aimed at curbing trade diversion in many products. Eurofer estimates a decline in apparent steel consumption of - 3.1 %; steel production in the European Union in 2019 fell correspondingly by 4.9 % to around 159 million tons. In the year under review, German production of crude steel declined by 6.5 % to around 40 million tons from 2018.

Heavy plate market remains challenging
The European heavy plate market remained fiercely competitive in 2019: Apart from persistently weak demand for pipe plate, the market was impacted by a decline in demand from almost all other customer segments, including mechanical engineering, offshore wind, and plant construction. This decline is due to the weaker global economy, the numerous, mostly politically motivated distortions and the far-reaching structural change in the automotive industry.

Imports into the EU from third countries have fallen compared to the previous year but remain very high, accounting for around 20 % of market supply.

The capacity utilization situation for European producers has therefore deteriorated further compared to 2018, resulting in what is probably the lowest level since the crisis year 2009. In addition, the slab surplus caused by the weaker strip market increased the price pressure.

BUSINESS PERFORMANCE AT DILLINGER

Dillinger continued to be exposed in the 2019 financial year to the ongoing unfavorable conditions of recent years – including overcapacities in the heavy plate market, high third-country imports into the EU, and trade restrictions from the United States as well as the resulting price pressure in the European market.

Despite the difficult market conditions, the company succeeded in booking an increasing number of orders for normal plate, especially in the offshore wind segment as well as in the other areas. These largely compensated for the expected lower demand for pipe plate, which traditionally accounts for a significant share of deliveries, and capacity utilization generally exceeded the market average. Incoming orders remained at a good level until the beginning of the second half of the year, and demand fell continuously from the middle of the third quarter until the end of the year.

As expected, Dillinger closed the financial year considerably weaker than in the previous year: a decline in earnings was confirmed, although it was more far-reaching than had been estimated in the planning of operating results for 2019. Both EBIT and EBITDA were significantly below the previous year's amount. Due to a further in-

[2] Sources for the steel market and forecast: World Steel Association, Eurofer, Datenbank IHS, VDMA Maschinenbau, Konjunktur International, WVStahl/construction industry.

crease in interest expenses, the overall result and write-downs of financial assets fell below the previous year's amount.

Fluctuating utilization of plant capacities
After a subdued start at the beginning of 2019, production plants were largely well utilized until the beginning of the fourth quarter, but at the end of the fourth quarter were reduced again, so that total production in 2019 was down from the previous year. This also included the production of slab. Purchases of hot metal, at 1,911 kt (2018: 2 012 kt), fell by 5.0 % and crude steel production fell by 4.1 % to 2,238 kt (2018: 2 334 kt) compared with the volumes in 2018.

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 S.A. in Dunkerque. The production of both rolling plants (1,847 kt) decreased by a total of 3.35 % from the previous year (2018: 1,910 kt), with 1,291 kt of heavy plate produced in Dillingen (2018: 1,248 kt) and 556 kt of heavy plate produced in Dunkerque (2018: 662 kt).

EARNINGS POSITION

Lower sales revenues due to slight decline in sales volumes
Overall, shipped heavy plate fell in 2019 by 34 kt (- 1.8 %) to 1 877 kt and thus remained slightly below expectations. However, a changed product mix, even with better average revenues in some cases, could not compensate for the volume-related decline in sales volumes, with the result that sales revenues in 2019 were slightly below the previous year, in line with the forecast. Sales revenues fell by € 29 million (- 1.4 %) from € 2,019 million in the previous year to € 1,990 million. Distribution of sales revenues by geographical markets shows slight shifts: While the revenue share in Germany and France declined, it grew in other EU countries and increasingly in countries outside the EU.

Projected results not achieved
Under persistently difficult market conditions, Dillinger closed the 2019 financial year with a negative result that was also below expectations. EBIT fell to - € 91 million, compared to -€ 6 million in 2018; EBITDA decreased nearly analogously to - € 20 million (2018: € 66 million). However, the decline in earnings was largely due to the lower positive and in part non-period effects in other operating income in the previous year and the expenditures for restructuring costs from the ongoing program for the future, incurred for the first time in 2019. This is because total operating revenue fell by only € 57 million in 2019, with slightly lower production and sales volumes, while the cost of materials fell at the same time by € 75 million. However, higher expenses were also incurred in various divisions as well as further charges on earnings in the area of shareholdings.

As a result of the development of sales/material input prices and the changed product mix, material intensity fell by 1.7 percentage points year-on-year to 72.9 % in 2019. This decrease also reflects lower maintenance and repair expenses (- € 10 million) as well as reduced inventory write-downs.

Other operating income, at € 8 million, was € 67 million lower than in the previous year. The decline is primarily due to lower out-of-period income and insurance refunds as well as to the income generated in the previous year from the sale of financial assets.

Personnel costs in 2019 (€ 378 million) were up 2.7 % on the previous year (€ 368 million); at the same time, the personnel intensity also changed from 18.3 % in 2018 to 19.4 %. With a slightly higher average number of employees than in the previous year, the higher personnel costs are mainly due to pay-scale adjustments and expenses from the ongoing strategy process. Parts of the pension obligations had to be dissolved, which had an impact on wages and salaries and pension expenses.

Amortization of intangible assets and depreciation of tangible fixed assets in the amount of € 71 million is determined by the course of capital expenditure and scheduled depreciation and amortization and is slightly below the previous year's amount.

Other operating expenses rose by a total of € 12 million as a result of almost consistently higher administrative and selling expenses (+ € 10 million) and general operating expenses (+ € 2 million), which were slightly higher than in the previous year.

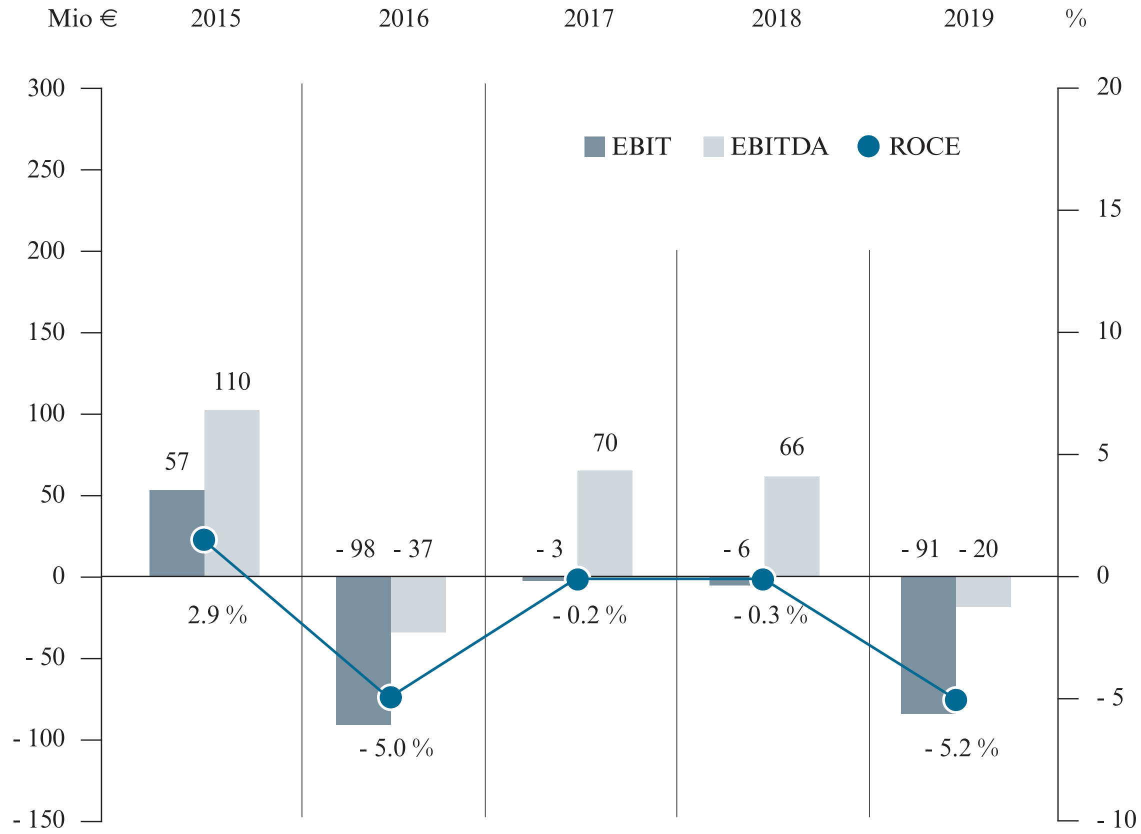
While in 2018 the expenses from the assumption of losses were still declining and had a significant impact on the net investment income of - € 16 million, they rose by € 12 million in the reporting year, so that the net investment income in 2019 amounted to - € 30 million.

Net interest income decreased again year-on-year by € 12 million to - € 57 million (2018: - € 45 million), attributable to write-downs of securities recognized in fixed assets as well as to lower interest income accompanied by a continued high level of interest expenditures from the discounting of long-term provisions – here primarily the discounting of pension provisions.

After deduction of taxes and compensatory payment to external shareholders, net loss before loss compensation amounted to - € 149 million (2018: - € 52 million).

This slightly weaker earnings performance compared to the previous year is also reflected in the most important key figures for asset and capital structure as well as in the yield performance: The return on capital employed (ROCE) during the year under review amounted to - 5.2 % (2018: - 0.3 %); return on sales (EBIT margin) amounted to - 5.7 % (2018: - 0.4 %).

Change in EBIT, EBITDA and ROCE



FINANCIAL AND ASSET POSITION

Moderate investment activity due to restrictive investment and maintenance management
Cash and cash equivalents increased overall during the financial year from € 60 million to € 75 million (change in the previous year: - € 47 million).

Operating cash flow meanwhile amounted to € 46 million (2018: € 36 million). The cash outflow from the - € 37 million increase in working capital (2018: - € 2 million) was offset once again by a positive cash inflow of € 9 million (2018: € 38 million). This resulted in the 2019 year under review primarily from income for the accounting period adjusted for depreciation, amortization and impairment of fixed assets, non-cash interest expenses for long-term provisions, and income from investments. The cash outflow for investments fell again due to restrictive investment and maintenance management and amounted in 2019 to a total of € 36 million (2018: € 41 million). Of this amount, € 27 million went to payments for investments in tangible fixed assets (2018: € 36 million). As a consequence, there was a positive free cash flow in the year under review amounting to € 10 million (2018: - € 5 million).

Investments in the 2019 reporting year also included preparations for the construction of a new training workshop. The company continues to invest in the training of qualified employees so that Dillinger can maintain and expand its leading role in the manufacture of heavy plate. In the interest of cost-conscious maintenance management, investments were made in moderate refurbishment and modernization of the existing plants. In addition, Dillinger and Saarstahl are investing large sums in environmental protection measures and the reduction of carbon emissions from their plants (see also the section on sustainability). Borrowings amounting to € 50 million exceeded the scheduled payments for financing measures including interest payments, resulting in a total cash inflow from financing activities of € 5 million in 2019 (2018: cash outflow of € 42 million).

Equity ratio remains at a high level
The balance sheet total decreased again from the previous year, by € 92 million, to € 2,743 million. The net asset position is meanwhile characterized by a decrease in long-term assets as well as in short-term asset values.

Fixed assets decreased in 2019 by a total of € 62 million to € 2,002 million. In addition to the repaid loans in financial assets, this was primarily due to the fact that depreciation and amortization exceeded investments in fixed assets in terms of value. Current assets declined overall by € 30 million to € 741 million. With a € 15 million increase in cash and cash equivalents, inventories, customer receivables and other assets decreased by a total of € 45 million.

The € 149 million decrease in shareholders' equity corresponds to the net result for the year, which was offset by the withdrawal from earnings reserves; accordingly, the equity ratio changed from 57.1 % to 53.6 % in the year under review. Borrowed capital increased by € 58 million due to higher provisions for pensions and similar obligations as well as other liabilities from current business operations. Pension provisions in particular rose again due to the ongoing change in interest rates; the increase in other provisions is mainly due to the ongoing strategy process.

The total amount of liabilities remained unchanged from the previous year. Liabilities to banks rose by a total of € 13 million due to borrowings being higher than repayments; the increase in payables to affiliated companies (+ € 20 million) was mainly due to the compensation obligations under the profit transfer agreements. Compared to the previous year, trade payables decreased by € 32 million.

KEY FIGURES

			2015	2016	2017	2018	**2019**
Capital intensity	Shareholders' equity	€ million	1 812	1 707	1 671	1 619	**1 470**
	Total assets	€ million	2 943	2 990	2 937	2 835	**2 743**
		in %	61.6	57.1	56.9	57.1	**53.6**
Liquidation ratio for fixed assets	Shareholders' equity	€ million	1 812	1 707	1 671	1 619	**1 470**
	Fixed assets	€ million	2 019	2 074	2 054	2 064	**2 002**
		in %	89.7	82.3	81.4	78.4	**73.4**
Debts	Long-term bank liabilities	€ million	143	245	221	187	**200**
	Shareholders' equity	€ million	1 812	1 707	1 671	1 619	**1 470**
		in %	7.9	14.4	13.2	11.6	**13.6**
EBIT margin	EBIT	€ million	57	- 98	- 3	- 6	**- 91**
	Sales DH products	€ million	1 375	1 305	1 519	1 562	**1 583**
		in %	4.1	- 7.5	- 0.2	- 0.4	**- 5.7**
EBITDA margin	EBITDA	€ million	110	- 37	70	66	**- 20**
	Sales DH products	€ million	1 375	1 305	1 519	1 562	**1 583**
		in %	8.0	- 2.8	4.6	4.2	**- 1.3**
Return on capital employed (ROCE)	EBIT	€ million	57	- 98	- 3	- 6	**- 91**
	Shareholders' equity, tax provisions, liabilities subject to interest	€ million	1 970	1 954	1 922	1 849	**1 738**
		in %	2.9	- 5.0	- 0.2	- 0.3	**- 5.2**
Internal financing capability	Operating cash flow	€ million	188	103	19	36	**46**
	Net investment in tangible assets	€ million	114	69	35	36	**27**
		in %	164.9	149.3	54.3	100.0	**170.4**
Expense structure in % of overall performance	Material intensity	in %	65.9	72.2	75.0	74.6	**72.9**
	Personnel intensity	in %	19.4	22.8	17.9	18.3	**19.4**

Changes in important non-financial performance factors

SUSTAINABILITY

The success and productivity of Dillinger are reflected not only in economic indicators but also in the sustainability of its business activities. Sustainable and responsible operation is a central component of our corporate policy.
In 2019 Dillinger published the first joint sustainability report with SHS - Stahl-Holding-Saar and Saarstahl. With this voluntary report, the companies document their responsibility to economic, environmental and societal interests. The report is based on the GRI standards of the Global Reporting Initiative (GRI).

In the report, the SHS Group for the first time jointly formulates a commitment to sustainability and assumes responsibility for the generations of tomorrow: “We accept our responsibility to current and future generations of employees and stakeholders and we want to manufacture steel products in the most state-of-the-art and sustainable way. We are committed to the Paris Climate Agreement and want to do our part for low-carbon steel production.”

Sustainability is an important part of the strategy process launched in 2019. The carbon strategy and its associated opportunities and risks are key points of the process. These include significant reduction of carbon emissions and compliance with environmental and social standards in the supply chain.

Steel fulfills the principle of sustainability better than virtually any other material. Steel is the most commonly used base material. Its use contributes significantly to environmental and climate protection and is fundamental to climate reversal. Sustainable production of renewable energy from wind, water and the sun is not possible without steel. The companies of the SHS Group recognized these megatrends early on and produce precisely the steels that are in demand for the climate reversal and mobility revolution.

At the end of their useful lifetimes, products made from steel can be completely recycled as often as desired and then reintroduced into the economic cycle with virtually no waste or loss of quality. In addition, the production of steel in Germany meets high standards for environmental and climate protection when compared with the rest of the world.

Saarstahl and Dillinger invest sustainably and continuously in measures for environmental and climate protection. These include the construction of a coke gas injection plant amounting to € 14 million, in which carbon as a reducing agent is partially replaced by hydrogen, resulting in a significant reduction in carbon emissions, and the new dust collection system for the circular coolers at the sinter plant of the joint subsidiary ROGESA for € 28 million. In the energy sector, the establishment of ESTA (Energy Efficiency with Steel), a federal initiative, is a core project for the two companies.

Dillinger was honored in 2018 with a silver award by the EcoVadis rating agency for its activities in corporate social responsibility. A new assessment is due in 2020 and has not yet been completed.

EcoVadis rates the following areas:

- A human resources policy based on continuity and high social standards.
- Internal improvement processes that bring the principles of sustainability and safe conduct to each workplace and each employee.
- Consolidation of competence and service for the continuous success of the customers in the economic realization of new products and systems.
- Continued enhancement of technological competence by investing in new plants and modernizing existing ones and by developing innovative products and processes.
- Securing of know-how through knowledge transfer and strong training and professional development.
- Ongoing investment in research and development to enable efficient and resource-conserving manufacture of innovative products.
- Procurement with a focus on secure supply and environmentally compatible modes of transport.

- Economically efficient and resource-saving operation through numerous environmental protection measures for the efficient use of energy.
- Long-standing cooperation with universities, research institutes and customers for the development and improvement of materials.

EMPLOYEES

In September 2019, Saarstahl, Dillinger and SHS - Stahl-Holding-Saar announced the joint “proactive, carbon-free, efficient” program for the future. The aim of the program is to develop industry in Saarland the most state-of-the-art steel. The planned concept for the strategy process also includes personnel measures such as the reduction of 1,500 jobs and the outsourcing of 1,000 jobs. These are to be implemented in a socially responsible manner without compulsory redundancies by means of partial retirement, flexibility in working hours, transfers within Group companies in Saarland and a volunteer program. These measures are currently being coordinated. For the first time in Germany, a transfer company was created for employees with a temporary employment contract. The first effects of these measures already began making themselves felt at the end of 2019.

At the end of the reporting year, 4 871 people were employed at the Dillingen site (31 Dec. 2018: 4 919). They worked at Dillinger itself as well as – in the context of plant management – at ZKS and ROGESA. In addition, 57 trainees were given a job after completing training. The overall number of employees decreased by 0.97 % compared to the previous year. At the end of the financial year, the wholly owned subsidiary Dillinger France in Dunkerque employed 551 people (31 Dec. 2018: 548). A total of 2 425 people were employed at Dillinger subsidiaries and affiliated companies (2018: 2 391).

At Dillinger, short-time work schedules were partially introduced as of 1 Jan. 2020.

Safety and health

A safe and healthy work environment is given top priority at Dillinger. In keeping with corporate principles, numerous programs and measures, such as “fifteen minutes for safety,” safety training and special health programs, contributed again in 2019 to promoting and maintaining the safety-consciousness and good health of employees. Dillinger concluded 2019 with 25 accidents requiring at least one day of leave due to injury (2018: 30) and a lost time injury frequency rate (LTIFR, the number of accidents requiring one day of leave per 1 million hours worked) of 3.3 (2018: 3.9), the second-best result after 2017 (21 incidents).

Fostering young employees

Despite economically difficult conditions, Dillinger continues to invest in training its own young employees to prevent a possible shortage of skilled workers resulting from demographic change. In 2019, 83 young people (2018: 75) started their careers in the company. As a result, the company trained a total of 272 young workers, when all training class years are included. For many years now, the company has also maintained partnerships with universities in order to help support young university graduates. In 2019, 27 university students from technical degree programs and 9 university students from business degree programs worked at Dillinger as technical university or university trainees. In addition, 6 students began their co-operative degree program with the University of Applied Sciences in Saarbrücken (HTW) as well as the University of Saarland (UdS). A total of 24 students are currently completing this practical course of study in the company.

PERCENTAGE OF WOMEN

Within the framework of the law passed on 24 April 2015 regarding equal participation by women and men in management positions in the private and public sector, corresponding quotas for the development of the percentage of women were set by the Supervisory Board - for the Supervisory Board and the Board of Directors - and by the Board of Directors for the first and second management levels.

Overall, the percentage of women in the total workforce at Dillinger averaged 6.4 % in 2019. When considering this percentage, industry-specific, historical and socio-cultural circumstances must be taken into account. Dillinger is taking measures at various levels to continuously increase the percentage of women: For example, by continuously increasing the percentage of female trainees, a wide range of part-time employment and the possibility of child care in the company's own “Kleine Hüttenbären” daycare center. Women occupy leadership positions above all in the administrative area. As part of the assumption of operational tasks by the majority-holding company SHS - Stahl-Holding-Saar, such as in the area of central staff functions, a considerable percentage of female employees and managers are represented in the holding company. Consequently, the percentage of female employees in the total workforce of SHS, at 45.0 %, is significantly higher than at Dillinger.

Within the framework of Section 111 (5) of the German Stock Corporation Act (AktG), the target quota of 30 % for the percentage of women on the Supervisory Board committees was set for all companies in the Saarland steel industry (SHS - Stahl-Holding-Saar, Dillinger and Saarstahl). The Dillinger Supervisory Board will deal with the issue in the case of new appointments at the Board of Directors level in accordance with German law regarding the equal participation of women and men in executive positions (FührposGleichberG).

Within the framework of Section 76 (4) of the German Stock Corporations Act (AktG), the Dillinger Board of Directors has set a target quota of 5 % for the percentage of women in management functions. The analysis relates to senior executives and includes the first and second levels of the hierarchy as well as the functions that are equivalent to the two top levels of management in terms of their importance for the company.

RESEARCH AND DEVELOPMENT

Research and development (R&D) at Dillinger is an important basis for maintaining a leading position in the global competition among heavy plate manufacturers. In 2019, research activities along the value chain – from hot metal and steel production to heavy plate production – once again focused primarily on process and product improvements as well as on optimizing quality and reducing costs.

In the area of coke and hot metal production, a coke oven pilot plant was set up to further optimize the input mixtures. In process engineering and simulation studies, important contributions were made to the stabilization of the sinter quality and the blast furnace operation.

The research and development of new process routes that sustainably reduce carbon emissions is a focal point of increasing importance. In the area of steel production, the metallurgical process models were further developed and significant results were achieved in the supported cooperative research.

Product-oriented R&D has further advanced microstructure-based material development, especially microstructure and property modeling, in a multitude of cooperative projects with external institutes. Efforts in the area of data-based forecasting models were concentrated on the creation of the digital twin to material properties and its integration into the production processes.

Customer requirements have been translated into product developments that can be used on a large scale, thus significantly expanding Dillinger’s product portfolio of steels. In addition to extending the feasibility limits with regard to mechanical-technological combinations of properties and processing qualities, the focus is also on reducing manufacturing costs by optimizing alloy and process variants.

INNOVATION MANAGEMENT

In addition to continuously developing new and improved products and technologies, Dillinger is always looking for new, innovative solutions that enable us to proactively meet customer expectations. This is why our innovation management is focused on customer-centric innovation. Our goal is to understand the current and future needs of our customers and to offer the right solutions.

To this end, the "Customer Innovation Workshops" format was introduced for the first time at the beginning of the year. With these individual innovation workshops, which are tailored entirely to the needs of our customers, we offer a platform upon which we can systematically and creatively develop new ideas. Based on the well-known Design Thinking method, the customer's own specialists work together in multidisciplinary teams with specialists from Dillinger. This enables us to not only resolve specific customer problems and achieve process optimizations but to consider completely new service and product ideas and even new business models.

RAW MATERIAL PROCUREMENT AND TRANSPORT

Iron ore prices developed unevenly in 2019. A dam burst at the world's largest iron ore producer, Vale in Brazil, initially led to a shortage and to significantly rising prices, especially for fine ores. In the course of the economic slowdown that began in the middle of the year, iron ore prices fell back to a level below US$ 100 per ton.
With an import volume of around 1 billion tons, China remained by far the most important sales market for seaborne iron ore, far ahead of the Western industrial nations.[3]

Due to good demand in Asia, coal prices remained at a high level for a long time and did not drop significantly until the second half of the year.

The completion of a coke oven pilot plant at ZKS will enhance procurement flexibility. The resulting shorter response times give us more options for geographical diversification. The already high price volatility is further exacerbated by a growing number of long-running trade conflicts, combined with the resulting concrete government measures such as import tariffs and import quotas for certain product groups.

Volatility in freight rates also remained a challenge. Prices rose significantly in the second half of the year. The combination of cargo rates that are secured medium to long-term and the simultaneous use of opportunities on the spot market has continued to prove fruitful for ROGESA and ZKS.

The issue of "sustainability in procurement" is becoming increasingly important. The SHS Group has adopted a code of conduct concerning this matter and has involved all suppliers accordingly. This created the basis for a supplier evaluation with regard to CSR topics as part of supplier management. ROGESA and ZKS are maintaining their continuous efforts to optimize the quality and cost of the supply for the blast furnaces and the coking plant.

The total transport volume declined at the Dillingen plant in 2019 to a total of 14.8 million tons. Of this amount, around 10 million tons went to the supply of raw materials and fuels, 2.9 million tons to the shipment of semi-finished products, finished products and by-products, and 1.9 million metric tons to hot metal in inter-plant transport. As in previous years, the bulk of the shipment volume was sent by rail.

Trucks are used as a means of transport only where necessary due to a lack of transport connections or where the quantities are too small. Provisioning of the required freight cars has also eased considerably because of the lower demand for transportation due to the slowdown in economic growth in Germany.

ENVIRONMENTAL PROTECTION

In keeping with its corporate vision and its environmental guidelines, Dillinger consistently strives for sustainable and sound resource management and production throughout the company. Extensive investment in state-of-the-art technologies helps reduce environmental impacts and continuously improves energy efficiency, not least because innovative product solutions made from steel are contributing importantly to environmental protection (see the section on "Sustainability").

Investments and emission control
Implementation started in 2019 of the investment in a circular cooler for ROGESA's sinter plant 3, which was decided in autumn 2018. € 28 million is being spent on this. This measure will help to further improve air quality at the site and additional noise protection measures will also lead to a significant reduction in noise at the smelter site. As part of the environmental inspections under the European Industrial Emissions Directive (IED), an extended official inspection was performed in 2019 of the steel plant, the heavy plate rolling mill, the shot blasting and protective coating line, and the blast furnace gas power plant.

[3] Source: S&P Global Platts.

In the area of water protection, the priority was on the professional planning and technical implementation of modified or new wastewater discharges, such as the ZKS biological wastewater treatment plant. In May 2019, the environmental management system successfully completed the recertification audit conducted by TÜV Saar Cert in accordance with DIN EN ISO 14001:2015. There were no major or minor deviations.

The quality assurance system of the plant production control for slag products successfully passed external audits by the “Institut Français des Sciences et Technologies, des Transports, de l'Aménagement et des Réseaux” and the “Güteschutz Beton” monitoring company in the 2019 financial year.

In the area of waste management, all new waste laws were implemented in 2019 in well over 1,000 waste disposal processes in order to continue ensuring legally compliant and legally secure disposal and recycling procedures.

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. Total coke production in 2019, at 1 281 kt, was slightly below the previous year’s production (1 302 kt). ZKS is a company without employees. Personnel required for operation of the coking plant are provided by Dillinger. Investments at ZKS in 2019 amounted to € 14 million (2018: € 4 million).

ROGESA Roheisengesellschaft Saar mbH, Dillingen
ROGESA Roheisengesellschaft Saar mbH, in which Dillinger 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.

Due to a poor order situation for both shareholders in the fourth quarter of 2019, hot metal production in 2019 by blast furnaces 4 and 5, at 3,867 kt, was 11.9 % below the previous year's output (4,389 kt). During the year under review, 1,911 kt (previous year: 2,012 kt) was supplied to Dillinger and 1,956 kt (previous year: 2 377 kt) went to Saarstahl. Investments at ROGESA in 2019 amounted to € 18 million (2018: € 5 million).

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 plant to the operators of GKW, Dillinger, ROGESA and ZKS, for the production of electricity.

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

Dillinger France’s total production for 2019 declined to 555 kt (2018: 662 kt). The production of pipe plate fell sharply from 185 kt in 2018 to 87 kt in 2019. The tonnage of the normal steel product range remained largely stable in 2019 at 468 kt (2018: 476 kt). It was not possible to compensate for the decline in the pipe plate segment. In the normal steel product range, 2019 was characterized by strong growth in the thick plate segment. Strong development in the offshore wind turbine market resulted in a production record of more than 209 kt.

Investments in the year under review amounted to € 12.8 million. For a number years, Dillinger France has been investing in increasing its production capacity for thick plate, particularly in 2019 with the construction of a new overhead crane, the purchase of halls previously owned by Europipe Dunkerque and the renovation of the roller conveyor in front of the roll stand. In the production of pipe plate, the Dillinger Group has invested in equipment for eddy current testing in order to guarantee customers the best product quality.

Sales for the 2019 financial year amounted to € 416 million (2018: € 459 million). The decline in sales revenue in connection with the depressed demand for pipe plate was limited due to high sales prices in the offshore wind turbine market. EBITDA rose from € 6.1 million in 2018 to € 12.0 million, while the net result for the year improved from - € 7.1 million to - € 4.2 million. As at 31 December 2019, the shareholders' equity of Dillinger France amounted to € 101 million.

The number of employees remained stable at 551 as at 31 December 2019, compared with 548 as at 31 December 2018. After very good safety results in 2018 with a single workplace accident, the company recorded three workplace accidents in 2019.

Steelwind Nordenham GmbH, Nordenham
Steelwind Nordenham GmbH is a wholly owned subsidiary of Aktien-Gesellschaft der Dillinger Hüttenwerke that operates a plant in Nordenham for the production of foundation elements for offshore wind farms (monopiles, mega monopiles and transition pieces). Heavy plate steel in the required grades and dimensions is delivered by Dillinger and its subsidiary Dillinger France in Dunkerque.

Monopile foundation systems are cost-effective foundation systems whose support structure is assembled using heavy plate in thicknesses up to 150 mm. The structural elements have diameters of up to 10 m, unit weights of up to 2 400 tons and lengths of up to 120 m.

For Steelwind, the 2019 financial year was characterized by short-time work schedules in the first half of the year due to a lack of demand in the offshore wind market. A large order for 80 mega-monopiles for the Yunlin wind farm in Taiwan was booked for the second half of 2019.

Steelwind Nordenham sales in 2019 amounted to only € 51 million. At the end of the financial year, the company employed 285 people.

EUROPIPE GmbH, Mülheim an der Ruhr
The EUROPIPE Group manufactures and sells welded large-diameter line pipe made of steel. The diameters of the large-diameter line pipe range from 24 inches (610 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. Dillinger holds a 50 % share of EUROPIPE GmbH.

In Europe, the large-diameter line pipe is produced in Mülheim an der Ruhr on two production lines (18 m and 12 m lines). The pipe is coated by EUROPIPE subsidiary MÜLHEIM PIPECOATINGS GmbH (MPC), Mülheim an der Ruhr. Closure activities of the former second European production site at Dunkerque are largely completed. The company EUROPIPE France is without personnel from the middle of the 2019 financial year. The remaining refurbishment work is expected to be completed under the leadership of Dillinger France in the 2020 financial year.

In the United States, the operating companies of the EUROPIPE Group are consolidated under the holding company, BERG EUROPIPE Holding Corp. (BEHC). BERG Pipe Panama City Corp. (BPP) in Panama City, Florida, primarily supplies the North American market with longitudinally welded pipes, while BERG Pipe Mobile Corp. (BPM) in Mobile, Alabama, supplies spiral pipes. Both plants have facilities to coat the pipe.

The EUROPIPE Group recorded sales in 2019 of € 779 million (2018: € 956 million). Sales volumes stem mainly from the business of the US Group, which recorded significant growth in comparison to the previous year due to the improved order situation. Due to the significantly weaker order situation at EUROPIPE GmbH, sales fell considerably compared with the previous year. Accordingly, shipments by EUROPIPE GmbH declined sharply compared to the previous year with a volume of 234 kt (2018: 706 kt). As a result of the significantly improved order situation, the US Group's shipped tonnage in 2019 reached 360 kt, a higher level than in the previous year (2018: 190 kt).

The order backlog of the EUROPIPE Group as at 31 December 2019 rose to 292 kt (2018: 235 kt), due in particular to the improved order situation of the US Group. The net loss for the year of the EUROPIPE Group, at € 13.2 million, was lower than in the previous year due to the significant weakening of business in Europe (2018: € 16.8 million). At the end of 2019, the EUROPIPE Group employed a total workforce of 1 086 people (2018: 1 058). Of these, 521 employees worked for EUROPIPE GmbH (2018: 543).

During the financial year, the EUROPIPE Group invested € 12.1 million (2018: € 6.8 million) for tangible fixed assets and for intangible assets. The largest investments included construction of a new administration building for human resources at the Panama City location and the completion of preparations for multilayer welding (milling) at EUROPIPE GmbH. Expenditures at EUROPIPE GmbH for further development of its products and the continuous improvement of production and quality assurance methods amounted to € 1.7 million (2018: € 2.0 million).

As a result of the lack of bookings for major projects to secure follow-up employment following the major EUGAL project, EUROPIPE GmbH recorded a very weak business and order situation in 2019. Although a slight improvement in the project situation is expected in 2020, the available projects are under considerable price pressure. Overall, EUROPIPE GmbH is planning higher production tonnages for 2020 than in the previous year, which reached a historically low level of 155 kt in the previous year. Although slightly higher shipment volumes are forecast compared to the previous year, the foreseeable pressure on margins means that sales can only be expected to remain at the previous year's level.

Due to the very poor economic situation of EUROPIPE GmbH and structural changes in the pipe market, measures were agreed to achieve a sustainable reduction in fixed costs and to make EUROPIPE's cost structure more variable. These measures include significant job cuts and a reduction in material and services.

The American part of the Group is also expected to benefit in 2020 from a good project situation in the United States, even if it is not as strong as last year.

Saarstahl AG, Völklingen

The steel market for wire and rod products, which is relevant for Saarstahl AG, continues to be characterized by overcapacities, so that high pressure on volumes and prices remains. The year under review saw a sharp drop in demand due to the economic slowdown in the automotive sector and in mechanical engineering and the increase in the volume of imports into the EU from third countries.

Sales volume, at 2130 kt, is declining, which means that the plants are not working to capacity. As a result, the company introduced short-time work schedules from 1 September 2019. The sales and price development in 2019 led to a significant decline in sales and earnings figures. The crude steel production of Saarstahl amounted in 2019 to 2 281 million metric tons and thus fell compared to the previous year by 18.01 %. Shipping of steel products fell by 12.39 % to about 2,130 million metric tons. Sales revenue fell by 15.08 % from € 1 957 million in the previous year to € 1 662 million. Earnings before interest and taxes (EBIT) for Saarstahl amounted to - € 86 million (2018: € 107 million) and earnings before interest, taxes, depreciation and amortization (EBITDA) was - € 40 million (2018: € 153 million). Return on capital employed (ROCE) fell to -4.5 % (2018: 5.5 %).

Saarstahl has continued its investment program in 2019. The focus was on the LD steel plant and on construction

of the new S1 continuous casting machine as well as in the rolling mills at Burbach and Neunkirchen. The investment volume for Saarstahl itself amounted to € 66 million (2018: € 46 million).
The first casting of the new S1 continuous caster was successfully carried out in November 2019. With the S1, Saarstahl is further extending its technical lead. The new plant, with an investment volume of almost € 100 million, is the first plant worldwide with mechanical soft reduction in the casting format 180 mm x 180 mm.

As of 31 December 2019, there were 4 130 people employed by Saarstahl AG (2018: 4 340). During the year under review, 76 young people (2018: 82) were able to begin their vocational training.

Risk and opportunity report

RISK REPORT

Dillinger introduced its company-wide risk management system years ago. The methods and tools of risk management are continuously developed further.

Organization of risk management
Risk management at Dillinger consists in part of the risk coordinators and officers in the departments and subsidiaries. In addition, the corporate risk management of SHS handles coordination, support and consolidation duties for Dillinger.

Methods and structure of the risk management system
The risk management system of Dillinger includes all measures aimed at ensuring systematic handling of risk and it focuses on risk transparency, risk controllability and risk communication.

- Risk transparency: Risk management aims to identify and highlight significant risks connected to business activities at the earliest possible stage. A systematic and consistent method of analysis and evaluation is used for this purpose.
- Risk manageability: We define this as avoiding, minimizing or transferring identified risks through new or existing risk control instruments. Transfer of risk is handled through the corporate service provider SHS Versicherungskontor GmbH, which is responsible for arranging adequate insurance coverage.
- Risk communication: The Board of Directors is informed about the current risk situation at regular intervals as well as with regard to specific events. Moreover, key risk management issues are discussed with the Supervisory Board.

A worldwide network of risk coordinators has been established to carry out the operational risk management process. In addition to this, ad-hoc risk reporting was introduced already in 2016. It makes it possible to generate a current overview of the risk situation at all times.
As part of the integrated governance, risk and compliance approach, the risk coordinators collect additional information for early identification of compliance risks (preventive risk analysis). Deriving measures is part of the compliance program.
Corporate Auditing, as part of the comprehensive corporate management approach to establish an internal management and monitoring system, is a component of risk management as defined by the German Corporate Sector Supervision and Transparency Act (KonTraG). In this capacity, it is also responsible for the systematic and effective internal auditing of the risk management system.

Sector, externa and market risks
As an internationally operating company with globally active customers, Dillinger is dependent on the development of the world economy. The trade conflict between

the United States and China continued to have a negative impact on almost the entire global economy in 2019. The spiral of duties and countervailing duties, as well as the disregard to some extent of applicable WTO regulations, lead to uncertainty among market participants and damage global trade and economic relations.

In addition to the ongoing structural crisis on the global steel market, current economic downturns and upheavals in core areas for capital goods and thus also in important customer segments are leading to an extremely competitive situation with very high price pressure. Dillinger is countering this with a diversification and further development of the product and customer portfolio.

In the offshore wind industry, the global market is said to have very large growth potential. In Europe, demand is expected to rise again starting in 2021. However, sales risks lie in increasing competition from steel plate suppliers and monopile manufacturers, and in the long term, in the development of new types of foundations.

The line pipe market, which is regionally and economically accessible for Dillinger, has declined sharply in recent years. Following completion of the major projects Nord Stream 2 and Eugal, there are currently no major projects within Dillinger's reach.

The described externally driven risks ultimately result in a restriction of market prospects and thus in sales risks for the company. In sum, the impact of these externally driven risks must be considered highly significant.

Procurement risks
The raw materials for the bulk goods required for hot metal production are procured worldwide. The many current geopolitical crises can therefore have a negative impact on the procurement situation. To minimize risk, an ongoing diversification process with respect to sources and properties has been implemented in the procurement of raw materials. Long-term supply contracts are also concluded to secure supplies.

In order to minimize price risks caused by volatile markets, contractual hedging of quantities and prices is used with the respective supplier or dealer (natural hedge) or with derivatives, depending on the market situation. In addition to the measures previously mentioned, alternative possibilities for making the use of raw materials more flexible are constantly being tested and evaluated.

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

Risks from operating activities
Stoppages, property damage and/or quality risks may occur in the production facilities of Dillinger. These may be due to the complexity of the manufactured products, to the complexity of the manufacturing processes and technical operating facilities, to human error, or to force majeure.
In the 2019 reporting year, there was a major disruption of operations at one of ROGESA's blast furnaces. The repairs were carried out quickly and in a coordinated manner. A systematic analysis of the causes followed the incident and the necessary sustainable measures were derived to avoid the same cases of damage in the future.

Financial risks
Safeguarding the financial independence of the company by coordinating financial requirements is of central importance for Dillinger. Financial risk is actively managed and limited for this reason. This is supported by integrating the financial departments under the umbrella of SHS. The introduction of a new treasury system simplifies control and map processes more efficiently.

The company 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.

Ongoing financial and liquidity planning and a far-reaching cash management concept ensure the company's liquidity at all times. A steel producer's financing of capital-intensive investments in fixed assets is always made at matching maturities, taking into account the expected capital returns and the necessary backing with equity capital. In addition, all major subsidiaries are incorporated in the short- and medium-term financial plan according to uniform standards. During regularly occurring analysis, both the current status and planning are incorporated into the risk management system. This ensures the necessary financial flexibility for Dillinger.

Independent of this, market risks can influence fluctuations of current market values or future cash flows from financial instruments. Dillinger actively counters these risks through the use of currency and interest rate hedging transactions. These instruments considerably limit or completely eliminate market price risks.

The persistently low interest rate has a notable influence on the valuation of pension obligations, even after the statutory regulations have been adjusted. Liquidity risks are not associated with this.

In general, hedging instruments are not employed separately from the underlying performance-related hedged item. They are regularly monitored and analysis is generated for control 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 balance sheet.

Legal risks and compliance risks

Legal risks are to be assessed as moderate. A major case was concluded in 2019. It is likely that further proceedings will follow this. For very specific issues that reach beyond German and French jurisdictions, Dillinger also procures the expertise of prominent external legal practitioners. This is also true for issues that carry a high risk of uncertainty.

The compliance program of the SHS Group and thus of Dillinger was continued by the Compliance Committee in the past fiscal year. The focus continues to be on the important areas of antitrust and competition law as well as corruption. Informational events and publications addressing compliance topics are used preventively to encourage conduct that is compliant and that exhibits integrity. Use of an eLearning tool makes it possible to access the training content worldwide and in various languages.

An additional external data protection officer (eDSB) was appointed in the 2019 financial year for continued practical implementation of the General Data Protection Regulation that came into force in May 2018 and to support the activities of the Group Data Protection Officer.

Regulatory risks

Dillinger is committed to targeted climate protection measures and actively supports climate reversal, e.g. through its corporate commitment in the offshore wind sector but also through technological concepts for reducing carbon emissions.

However, regulatory developments regarding climate protection also carry risks for Dillinger. The European Commission's long-term strategy for a climate-neutral economy carries enormous risks for energy-intensive industries. For the steel industry, consistent implementation of the current greenhouse gas reduction targets means making extensive adjustments to proven production processes. The investments required for this cannot be implemented by the affected companies without a fair competitive framework and significant funding and support.

The Emissions Trading Directive for the 4th trading period from 2021-2030 is now in force. The introduction of the market stability reserve has resulted in substantial quantities of allowances being withdrawn from the market since 2019. For Dillinger, this means that a considerable additional financial burden due to emission allowances that must be acquired is already being noted at present and is also to be expected in the 4th trading period. Due to its high importance, the issue is being handled by a separate carbon strategy team at the SHS level.

IT risks

The availability of data and information flows is of central importance for Dillinger. Specific information technology segments are consolidated under the umbrella of SHS Infrastruktur. In addition to failures of important systems for production and administration within the value chain, risks due to systems being accessed by unauthorized third parties, such as in the case of industrial espionage or sabotage, should be noted. The software used and IT protection systems are therefore continuously monitored and updated by Dillinger and SHS Infrastruktur.
The existing information security management system is continuously being expanded. An information security officer was appointed in 2017. Along with various internal and external efforts to achieve IT security, modern technologies and adapted IT operating processes are used to identify and defend against threats, including new ones, at an early stage. Emergency plans and exercises are part of the IT security concept. Close cooperation between the departments and the data security representative ensures that processing of personal data is carried out only in accordance with the provisions of German laws on data protection.

Human resource risks

Dillinger places great importance on being an attractive employer. There is a general risk of losing skilled employees, and with them, expertise. The company counters this by providing training in various vocational fields. The company also promotes collaboration across multiple generations of employees to ensure systematic knowledge transfer to those who will succeed retiring experts and managers. These efforts are supported by specially trained coaches who help to systematically record the knowledge critical to success and transfer it by means of a transfer plan to the successors of employees leaving the company.

Employment risks caused by the situation on the world market are countered by labor market policy instruments as well as by internal flexibility instruments.

The current situation in the steel industry reduces the company's attractiveness as an employer. Similarly, a massive reduction in jobs leads to know-how risks, which are countered as described above.

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 therefore does everything it can to exclude damage caused by the product or its manufacture through intensive quality and environmental management. For instance, the company operates an integrated management system that combines quality management, workplace safety and environmental protection with incident management. In addition, the company also invests continuously in measures that increase the effectiveness of its protection of the environment and fulfill environmental requirements.

Beyond this, however, there are still risks due to the tightening of environmental constraints and regulations with requirements that may not be economically feasible with current technology.

ORGANIZATION OF OPPORTUNITY MANAGEMENT

Opportunity management at Dillinger involves the systematic handling of opportunities and potentials. It is directly embedded into the work of the Board of Directors of Dillinger. The strategy process initiated in 2019 is making an important contribution. Further details are provided in the following section.

Strategic opportunities
In autumn 2019, Dillinger and Saarstahl AG launched the joint future-focused program “proactive, carbon-free, efficient” to safeguard and realign the company under the umbrella of SHS - Stahl-Holding-Saar. Over the next three years, the program, which consists of various key points and objectives, is intended to make the participating companies future-proof. The initial aim is to increase profitability to such an extent that the necessary investments in the future can be made.

Options for future carbon-free steel production routes and for new technologies are being developed within a separate carbon strategy. Extensive job-related measures are to be implemented by changing processes and structures, increasing our productivity, eliminating duplicate structures and closing or outsourcing areas. Dillinger has at the same time started a comprehensive sales initiative. Individual measures include expanding the product portfolio, additional service concepts and continuing the internationalization process.

Operational opportunities
The operating activities of Dillinger consist of a multitude of processes that are in part interdependent or linked with each other through interfaces. Dillinger sees an operational opportunity in the optimization of these in-plant processes.

Dillinger and Saarstahl are also taking a new approach to cutting carbon emissions and are for the first time using hydrogen in the two blast furnaces of ROGESA Roheisengesellschaft Saar mbH (ROGESA). Investments are therefore being made in a plant that will significantly reduce carbon emissions at the Dillingen site. There are plans to construct an innovative system to introduce a portion of the hydrogen-rich coke gas produced inside the integrated smelter into the blast furnace.

Industry 4.0 and innovation are important cornerstones in the development of Dillinger. The declared goal here is the targeted production of ideas and the introduction of an innovation culture. Dillinger is also focusing on digitalization for customer service. The customer app "E-Connect" was introduced in 2019. This app enables customers to identify our plate as a Dillinger product with certainty using a smartphone or tablet and to immediately receive all important information about the plate.

Saarland’s steel industry is realigning. This will take place in a completely integrated process from Dillinger and Saarstahl. The joint strategic program for the future will also lead to Dillinger and Saarstahl working even more closely together.

Overall assessment of the risk situation
The World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. The effects on the financial and economic markets associated with the spread of the coronavirus will also influence Dillinger’s business activities in 2020. It is not yet possible, however, to reliably quantify the potential negative consequences for the asset, financial, and earnings position, such as declines in demand and sales, employee absences and production risks. Overall, there are no discernible risks that could endanger the company's continued existence.

Forecast report

GENERAL ECONOMIC CONDITIONS

Serious uncertainties slowing growth
Global economic output is expected to weaken in 2020. A similar trend is expected for the eurozone.

Steel market stable at a low level
The global economic outlook remains bleak in 2020 and the growth forecast of 1.7 % for global demand for steel is correspondingly low. Worldsteel forecasts low growth for Chinese steel demand at 1.0 %, while demand in the rest of the world – driven by emerging and developing countries – is expected to grow by 2.5 %. Production in steel-consuming sectors in the EU is expected to stabilize at a low level. Continuing import pressure coupled with general uncertainty, including the unpredictable future framework conditions for emission reduction policy, continues to pose a serious challenge to EU steel producers.

No improvement on the heavy plate market
The general market environment for heavy plate will not change significantly in 2020. In addition to the weakening of demand due to cyclical factors, overcapacities in steel production and protectionism in production and trade continue to weigh on market activity. EU safeguard measures also remain ineffective in practice for the heavy plate market: The country-specific tariff quotas were not increased by 5 % in 2019 as originally planned, but only by 3 %. However, because years with very high import levels were used as the reference point when the quotas were first set, this adjustment has also had no noticeable effect.

DEVELOPMENT OF DILLINGER

The steel market for heavy plate continues at the start of 2020 to be exposed to unfavorable conditions including overcapacities, high import volumes into the EU from third countries, economic downturn, and trade restrictions. In view of these circumstances, Dillinger is facing another difficult financial year.

The external market conditions described above will make it difficult for Dillinger to achieve consistently high capacity utilization or significant price increases in 2020. Added to this is the continuing rapid worldwide spread of the coronavirus. The associated effects on the world economy may also have a noticeable influence on the business development of Dillinger in 2020. However, the foreseeable consequences for the future, such as declines in demand and turnover, employee absences and production risks, are not quantifiable.

Within the group, this topic is coordinated by an interdisciplinary crisis management team. This team is formed from the full Board of Directors and key functions and is supported by a working group for pandemic planning that is primarily responsible for personnel issues, health and safety. The aim is to limit the risks and the impact on the company and its employees.

Due to these general conditions, Dillinger is expecting business performance to face serious challenges in 2020. The company is employing short-time work schedules in part in the first months of the year. It is anticipated that the first positive effects of the strategy process will begin to be felt in 2020 but will only become fully effective in the medium term.

Dillinger is expecting an overall decline in incoming orders for 2020, which will lead to production and sales volumes below those of the previous year. Depending on the consequences of the coronavirus pandemic and the extent of an impending recession, changes compared to the previous year may be more far-reaching and lead to a further reduction in results. Due to the difficult circumstances, results for 2020 are expected to be slightly above the previous year's level but still with a negative operating result (EBIT) and a positive EBITDA.

Dillingen, 27 March 2020
The Board of Directors

HARTMANN BAUES

Dr. LUXENBURGER SCHWEDA

ANNUAL FINANCIAL STATEMENT

Balance sheet

Assets					
€ thousand			Notes	31/12/2019	31/12/2018
A.	Fixed assets		(1)		
	I.	Intangible assets		934	1 181
	II.	Tangible assets		729 204	772 810
	III.	Financial assets		1 271 921	1 289 768
				2 002 059	2 063 759
B.	Current assets		(2)		
	I.	Inventories			
		1. Raw, auxiliary and operating materials		67 046	37 499
		2. Work in process		61 062	84 782
		3. Finished goods and merchandise		69 341	83 892
				197 449	206 173
	II.	Receivables and other assets			
		1. Trade accounts receivable		158 099	133 848
		2. Receivables from affiliated companies		247 545	277 900
		3. Receivables from companies in which the company has a participating interest		22 814	38 258
		4. Other assets		40 089	54 903
				468 547	504 909
	III.	Cash and bank balances		74 880	59 539
				740 876	770 621
C.	Positive difference from asset allocation		(3)	372	209
				2 743 307	2 834 589

Shareholders’ equity and liabilities					
€ thousand			Notes		31/12/2018
A.	**Shareholders' equity**		(4)		
	I.	**Subscribed capital**		**178 500**	178 500
	II.	**Capital reserve**		**378 574**	378 574
	III.	**Earnings reserves**		**912 674**	1 061 663
				1 469 748	1 618 737
B.	**Accruals and provisions**		(5)		
	1. Accruals for pensions and similar obligations			**490 296**	469 599
	2. Tax accruals			**424**	424
	3. Other accruals and provisions			**205 998**	168 910
				696 718	638 933
C.	**Liabilities**		(6)		
	1. Liabilities to financial institutions			**199 604**	187 049
	2. Customer advance payments			**3 457**	3 438
	3. Trade accounts payable			**27 566**	59 722
	4. Payables to affiliated companies			**268 067**	247 923
	5. Payables to companies in which the company has a participating interest			**47 457**	48 987
	6. Other liabilities			**30 690**	29 800
				576 841	576 919
				2 743 307	2 834 589

Profit and loss statement

€ thousand		Notes	2019	2018
1.	Net sales	(7)	**1 989 652**	2 019 143
2.	Changes in inventories and other own work, capitalized	(8)	**- 35 508**	- 8 469
3.	Other operating income	(9)	**7 778**	75 350
			1 961 922	2 086 024
4.	Cost of materials	(10)	**1 425 380**	1 500 253
5.	Personnel expenses	(11)	**378 156**	368 003
6.	Amortization and depreciation of intangible and tangible fixed assets		**70 677**	72 040
7.	Other operating expenses	(12)	**147 168**	135 038
			2 021 381	2 075 334
8.	Income from participating interests	(13)	**- 30 335**	- 15 893
9.	Net interest income	(14)	**- 56 895**	- 44 781
10.	Taxes on income and earnings		**187**	227
11.	Result after tax		**- 146 876**	- 50 211
12.	Other taxes		**1 109**	1 131
13.	Compensatory payment to minority shareholders		**1 004**	1 004
14.	Net loss for the year		**- 148 989**	- 52 346
15.	Transfer from earnings reserves	(15)	**- 148 989**	- 52 346
16.	Unappropriated retained earnings		**0**	0

CHANGE IN FIXED ASSETS

	Gross value					Depreciation					Net Values	
€ thousand	1/1/2019	Additions	Disposals	Transfers	**31/12/2019**	1/1/2019	Additions	Disposals	Write-ups	**31/12/2019**	**31/12/2019**	31/12/2018
Intangible assets												
Purchased licenses, computer software	25 774	258	65	92	**26 059**	24 593	597	65	0	**25 125**	**934**	1 181
Tangible assets												
Land and structures	377 776	2 035	81	5 362	**385 092**	246 207	11 429	76	0	**257 560**	**127 532**	131 569
Technical equipment and machinery	1 849 174	12 330	388	10 755	**1 871 871**	1 269 792	50 942	319	0	**1 320 415**	**551 456**	579 382
Other property, plant and equipment	192 419	6 482	8 175	1 209	**191 935**	155 675	7 709	7 365	0	**156 019**	**35 916**	36 744
Advance payments and assets under construction	25 115	6 603	0	-17418	**14 300**	0	0	0		**0**	**14 300**	25 115
	2 444 484	27 450	8 644	-92	**2 463 198**	1 671 674	70 080	7 760	0	**1 733 994**	**729 204**	772 810
Financial assets												
Shares in affiliated companies	255 785	0	0	0	**255 785**	0	0	0	0	**0**	**255 785**	255 785
Loans to affiliated companies	3 000	1 000	125	0	**3 875**	0	0	0	0	**3 875**	**3000**	
Participating interests	254 940	0	0	0	**254 940**	0	0	0	0	**0**	**254 940**	254 940
Loans to companies in which the company has a participating interest	57 500	0	0	0	**57 500**	0	0	0	0	**0**	**57 500**	57 500
Securities held as fixed assets	313 460	0	0	0	**313 460**	2 547	9 260	0	0	**11 807**	**301 653**	310 913
Other loans	407 633	268 115	277 579	0	**398 169**	3	0	2	0	**1**	**398 168**	407 630
	1 292 318	269 115	277 704	0	**1 292 729**	2 550	9 260	2	0	**11 808**	**1 271 921**	1 289 768
	3 762 576	296 823	286 413	0	**3 772 986**	1 698 817	79 937	7 827	0	**1 770 927**	**2 002 059**	2 063 759

LIST OF SHAREHOLDINGS

	Currency	Share of capital in %			Shareholders' equity	Results 2019	
		Direct	*Indirect*	*Total*			
1. Affiliated companies							
Companies in Germany:							
Saarlux Stahl GmbH & Co. KG, Stuttgart	K €	53.00		53.00	10 791	**- 486**	
Dillinger Hütte Vertrieb GmbH, Stuttgart	K €	100.00		100.00	4 210		1)
Ancofer Stahlhandel GmbH, Mülheim/Ruhr	K €	100.00		100.00	26 031		1)
Jebens GmbH, Korntal-Münchingen	K €	100.00		100.00	19 808		1)
Cargo-Rail GmbH, Dillingen	K €	100.00		100.00	50	**10**	
MSG Mineralstoffgesellschaft Saar mbH, Dillingen	K €	100.00		100.00	19 968		1)
Steelwind Nordenham GmbH, Nordenham	K €	100.00		100.00	89 062		1)
Steelwind Nordenham Projekt GmbH, Dillingen	K €	100.00		100.00	2 610	**2**	
Companies abroad:							
Dillinger France S.A., Grande-Synthe	K €	100.00		100.00	101 001	**- 4 154**	
Eurodécoupe S.A.S., Grande-Synthe	K €		100.00	100.00	1 145	**141**	
AncoferWaldram Steelplates B.V., Oosterhout	K €	100.00		100.00	41 967	**- 855**	
Ancofed S.A.R.L., Grande-Synthe	K €		100.00	100.00	17	**459**	
Trans-Saar B.V., Rotterdam	K €	100.00		100.00	1 330	**860**	
Dillinger Nederland B.V., Dordrecht	K €	100.00		100.00	233	**138**	
Dillinger International S.A., Paris	K €	100.00		100.00	1 413	**111**	
Dillinger Middle East FZE, Dubai	K AED	100.00		100.00	82 000	**1 408**	
Dillinger India Steel Service Center Private Ltd., Mumbai	K INR		100.00	100.00	150 004	**6 138**	
Dillinger Hütte Services B.V., Dordrecht	K €	100.00		100.00	75	**1**	2)
Dillinger America Inc., New York	K USD	100.00		100.00	400	**24**	
Dillinger Nordic AB, Alingsås	K SEK	100.00		100.00	3 625	**111**	2)
Dillinger Italia S.R.L., Mailand	K €	100.00		100.00	169	**29**	2)
Dillinger Espana S.L.U., Madrid	K €	100.00		100.00	178	**13**	2)
Dillinger Hutte U.K. Ltd., London	K GBP	100.00		100.00	88	**- 6**	2)

1) There is a profit and loss transfer agreement.
2) Previous year’s figur.

	Currency	Share of capital in %			Shareholders' equity	Results 2019	
		Direct	*Indirect*	*Total*			
2. Participating interests							
Companies in Germany:							
Dillinger Hütte und Saarstahl Vermögensverwaltungs und Beteiligungs-OHG, Dillingen	K €	50.0		50.0	267 327	**1 929**	
Zentralkokerei Saar GmbH, Dillingen	K €		50.0	50.0	137	**212**	[1]
ROGESA Roheisengesellschaft Saar mbH, Dillingen	K €	24.5	25.5	50.0	301 636	**1)**	
ROGESA Beteiligungsgesellschaft mbH, Dillingen	K €		50.0	50.0	2 984	**- 10**	
Cokes de Carling S.A.S., Carling	K €		50.0	50.0	- 26 121	**- 805**	
EUROPIPE GmbH, Mülheim/Ruhr	K €	50.0		50.0	77 864	**- 37 102**	
EUROPIPE France S.A., Grande-Synthe	K €		50.0	50.0	- 116	**900**	
BERG EUROPIPE Holding Corp., New York	K USD		50.0	50.0	241 978	**36 491**	[3]
MÜLHEIM PIPECOATINGS GmbH, Mülheim/Ruhr	K €	50.0	50.0	18 840	667		
Saarstahl AG, Völklingen	K €	25.1		25.1	2 212 107	**- 204 860**	[3]

[1] There is a profit and loss transfer agreement.
[3] Consolidated profit.

CASH FLOW STATEMENT

€ thousand		2019	2018
1.	Period result before profit transfer	**- 147 985**	- 51 342
2.	Write-downs/(Write-ups) on fixed assets	**79 936**	72 040
3.	Increase/(Decrease) in provisions	**5 379**	- 16 134
4.	Decrease/(Increase) in inventories, trade accounts receivables and other assets not allocated to investment or finance activities	**55 972**	56 634
5.	Decrease in trade accounts payable as well as other liabilities not allocated to investment or finance activities	**- 24 515**	- 42 396
6.	Profit from the disposal of fixed assets	**- 195**	- 43 082
7.	Interest expenses incl. interest expenses and (interest income) not allocated to investment or finance activities	**47 161**	44 201
8.	Other income from shareholdings	**30 335**	15 893
9.	Income tax	**187**	227
10.	Income tax payments	**-387**	- 265
11.	**Cash flow from operations**	**45 888**	35 776
12.	Payments for investments in intangible assets	**- 258**	- 567
13.	Proceeds from disposals of tangible fixed assets	**1 079**	1 010
14.	Payments for investments in tangible fixed assets	**- 27 450**	- 36 177
15.	Proceeds from disposals of financial assets	**9 700**	177 267
16.	Payments for investments in financial assets	**- 1 112**	- 180 610
17.	Payments/Proceeds due to financial investments as part of short-term financial resource management	**- 11 614**	7 013
18.	Interest received	**12 217**	12 644
19.	Received dividends and profit and loss transfers	**8 060**	13 033
20.	Payments due to compensation obligations	**- 26 433**	- 34 336
21.	**Cash flow from investment activities**	**- 35 811**	- 40 723
22.	**Free cash flow**	**10 077**	- 4 947
23.	Proceeds from loans	**50 000**	0
24.	Payments from the amortization of bonds and loans	**- 37 445**	- 33 512
25.	Interest paid	**- 6 287**	- 7 316
26.	Dividends paid to shareholders	**- 1 004**	- 1 004
27.	**Cash flow from financing activities**	**5 264**	- 41 832
28.	**Net change in cash and cash equivalents**	**15 341**	- 46 779
29.	**Cash and cash equivalents at the start of the period**	**59 539**	106 318
30.	**Cash and cash equivalents at the end of the period**	**74 880**	59 539

Offsetting and reconciliation of cash and cash equivalents			
€ thousand	**31/12/19**	31/12/18	1/1/18
Cash and bank balances	**74 880**	59 539	105 161
Other securities	**0**	0	1 157
Cash and cash equivalents	**74 880**	59 539	106 318
Change in cash and cash equivalents	**15 341**	- 46 779	

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