

Dörrenberg Edelstahl GmbH with limited liability	Accounting / financial reports	Annual financial statements for the business year from 01/01/2016 to 12/31/2016	March 20, 2018
<b>Surname</b>	<b>Area</b>	<b>information</b>	<b>V. date</b>

## Dörrenberg Edelstahl limited liability company

Engelskirchen

### Annual financial statements for the business year from 01/01/2016 to 12/31/2016

#### Balance sheet as of December 31, 2016

##### ASSETS

	December 31, 2016 €	Previous year T €
<b>A. FIXED ASSETS</b>		
<b>I. Intangible Assets</b>		
Concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	72,584.62	92
<b>II. Tangible assets</b>		
1. Land, land rights and buildings, including buildings on third-party land	15,373,223.89	16,067
2. Technical systems and machines	6,068,300.11	5,252
3. Other equipment, factory and office equipment	6,593,054.13	7,048
4. Advance payments made and assets under construction	663,599.52	66
	28,698,177.65	28,433
<b>III. Financial assets</b>		
1. Shares in affiliated companies	974,182.62	974
2. Shares in associated companies	350,000.00	1,400
3. Holdings	1,000.00	1
4. Other loans	10,760.84	36
	1,335,943.46	2,411
	30,106,705.73	30,936
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	1,146,484.06	1,034
2. Work in progress, work in progress	2,793,012.73	2,438
3. Finished products and merchandise	39,443,481.81	43,422
	43,382,978.60	46,894
<b>II. Receivables and other assets</b>		
1. Trade accounts receivable	21,240,814.52	19,819
2. Receivables from affiliated companies	1,709,464.87	1,395
3. Claims against companies with which there is a participation relationship	835,567.66	967
4. Other assets	328,183.39	654
	24,114,030.44	22,835
<b>III. Cash and bank balances</b>	1,967,105.04	269
	69,464,114.08	69,998
<b>C. PREPAID EXPENSES</b>	20,545.34	22nd
	99,591,365.15	100,956

##### LIABILITIES

	December 31, 2016 €	Previous year T €
<b>A. EQUITY</b>		
<b>I. Drawn capital</b>	6,135,502.57	6.136
<b>II. Capital reserve</b>	4,165,815.02	4.166
<b>III. Retained earnings</b>		
Other retained earnings	600,000.00	600
<b>IV. Profit carried forward</b>	57,253,349.02	49,864
<b>V. Profit for the year</b>	9,972,859.72	11,189
	78,127,526.33	71,955
<b>B. PROVISIONS</b>		
1. Provisions for pensions and similar obligations	6,198,003.00	6,481
2. Tax provisions	172,111.00	273

	December 31, 2016 €	Previous year T €
3. Other provisions	5,216,860.00	5,498
	11,586,974.00	12,252
<b>C. LIABILITIES</b>		
1. Liabilities to banks	2,648,066.28	7,731
of which with a remaining term of up to one year: € 1,307,006.28 (€ 4,938 thousand)		
2. Advance payments received on orders	32,245.16	116
of which with a remaining term of up to one year: € 32,245.16 (€ 116 thousand)		
3. Trade accounts payable	3,228,127.25	3,592
of which with a remaining term of up to one year: € 3,228,127.25 (€ 3,592 thousand)		
4. Liabilities to affiliated companies	5,644.39	4th
of which with a remaining term of up to one year € 5,644.39 (€ 4,000)		
5. Liabilities to shareholders	496,156.24	508
of which with a remaining term of up to one year: € 496,156.24 (€ 508 thousand)		
6. Liabilities to companies with which a participation relationship exists	11,964.08	1
of which with a remaining term of up to one year: € 11,964.08 (€ 1 thousand)		
7. Other Liabilities	3,454,661.42	4,797
of which from taxes: € 2,188,868.42 (€ 3,508 thousand)		
of which in the context of social security: € 4,967.22 (€ 16 thousand)		
of which with a remaining term of up to one year: € 3,454,661.42 (€ 4,799 thousand)		
	9,876,864.82	16,749
	99,591,365.15	100,956

### Income statement for the period from January 1 to December 31, 2016

	2016 €	First T €
1. Sales	172,886,669.85	179,349
2. Changes in stocks of finished and unfinished goods	355,060.09	-843
3. Other own work capitalized	61,424.65	126
4. Other operating income	454,145.35	2,009
5. Cost of materials		
a) Expenses for raw materials, consumables and supplies and for purchased goods	-102,740,224.86	-107,374
b) Expenses for purchased services	-5,295,537.39	-6,426
	-108,035,762.25	-113,800
6. Personnel expenses		
a) Wages and salaries	-25,564,112.17	-25,105
b) Social security and pension and support expenses	-4,825,569.70	-5,369
of which for pensions: € 2,260.17 (€ 551 thousand)		
	-30,389,681.87	-30,474
7. Depreciation on intangible assets and property, plant and equipment	-2,942,284.31	-2,891
8. Other operating expenses	-15,598,923.38	-16,711
	16,790,648.13	16,765
9. Income from other securities and loans from financial assets	170.19	0
10. Other Interest and Similar Income	13,666.83	14th
11. Depreciation on financial assets	-1,050,000.00	0
12. Interest and Similar Expenses	-311,697.69	-434
13. Taxes on income and earnings	-5,356,110.47	-5,046
14. Profit after tax	10,086,676.99	11,299
15. Other taxes	-113,817.27	-110
16. Annual net income	9,972,859.72	11,189

## attachment

### 1. General information

Dörrenberg Edelstahl GmbH is based in Engelskirchen-Ründeroth. It is entered in the commercial register of the Cologne District Court under HRB 38478.

The annual financial statements were prepared for the first time in accordance with the provisions of the Accounting Directive Implementation Act (BilRUG).

In order to make sales comparable, the changed definition of sales according to BilRUG was also applied to the previous year.

### 2. Accounting and valuation methods

The annual financial statements are prepared in accordance with the classification rules for large corporations under commercial law and take into account the statutory accounting and valuation principles.

The acquisition or production costs form the basis for the valuation of fixed and current assets. The production costs correspond to the costs that are subject to tax capitalization. The manufacturing costs do not include interest on borrowed capital.

Receivables and liabilities are always reported at their nominal values. Foreign currency liabilities with remaining terms of up to one year were converted at the mean spot exchange rate on the balance sheet date.

The provisions are measured in such a way that they take into account all discernible risks with the expected settlement amount. Long-term parts of the provisions were discounted accordingly and the interest effect was shown in the financial result.

### 3. Notes on the balance sheet

#### (1) Fixed assets

The development of the asset items is shown in the following asset grid.

	1.1.2016	Acquisition or manufacturing costs Transfer postings (U) receipts	Transfer postings (U) issues	December 31, 2016
	€	€	€	€
<b>CAPITAL ASSETS</b>				
<b>I. Intangible Assets</b>				
Concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	888,163.80	40,561.57	0.00	928,725.37
	888,163.80	40,561.57	0.00	928,725.37
<b>II. Tangible assets</b>				
1. Land, land rights and buildings, including buildings on third-party land	24,336,677.65	0.00 65,902.41 (U)	584,435.49	23,752,242.16
2. Technical systems and machines	14,088,397.10	1,490,666.89 171.73 (U)	136,095.57	15,508,870.83
3. Other equipment, factory and office equipment	35,312,998.14	1,151,485.91	642,897.47	35,821,758.31
			66,074.14 (U)	
4. Advance payments made and assets under construction	66,074.14	663,599.52 66,074.14 (U)	0.00 66,074.14 (U)	663,599.52
	73,804,147.03	3,305,752.32	1,363,428.53	75,746,470.82
<b>III. Financial assets</b>				
1. Shares in affiliated companies	974,182.62	0.00	0.00	974,182.62
2. Shares in associated companies	1,400,000.00	0.00	0.00	1,400,000.00
3. Holdings	1,000.00	0.00	0.00	1,000.00
4. Other loans	35,861.04	170.19	25,270.39	10,760.84
	2,411,043.66	170.19 66,074.14 (U)	25,270.39 66,074.14 (U)	2,385,943.46
	77,103,354.49	3,346,484.08	1,388,698.92	79,061,139.65
<b>Depreciation</b>				
	1.1.2016	Accesses	Transfer postings (U) issues	December 31, 2016
	€	€	€	€
<b>CAPITAL ASSETS</b>				
<b>I. Intangible Assets</b>				
Concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	796,202.88	59,937.87	0.00	856,140.75
	796,202.88	59,937.87	0.00	856,140.75
<b>II. Tangible assets</b>				
1. Land, land rights and buildings, including buildings on third-party land	8,269,299.68	669,769.08	560,050.49	8,379,018.27
2. Technical systems and machines	8,836,277.83	740,372.57	136,079.68	9,440,570.72
3. Other equipment, factory and office equipment	28,264,663.21	1,472,204.79	508,163.82	29,228,704.18
4. Advance payments made and assets under construction	0.00	0.00	0.00 0.00 (U)	0.00
	45,370,240.72	2,882,346.44	1,204,293.99	47,048,293.17
<b>III. Financial assets</b>				
1. Shares in affiliated companies	0.00	0.00	0.00	0.00
2. Shares in associated companies	0.00	1,050,000.00	0.00	1,050,000.00
3. Holdings	0.00	0.00	0.00	0.00
4. Other loans	0.00	0.00	0.00	0.00
	0.00	1,050,000.00	0.00 0.00 (U)	1,050,000.00
	46,166,443.60	3,992,284.31	1,204,293.99	48,954,433.92
<b>Net book values</b>				
			December 31, 2016	December 31, 2015
			€	€
<b>CAPITAL ASSETS</b>				
<b>I. Intangible Assets</b>				
Concessions, industrial property rights and similar rights and values as well as licenses to such rights and values			72,584.62	91,960.92
			72,584.62	91,960.92
<b>II. Tangible assets</b>				
1. Land, land rights and buildings, including buildings on third-party land			15,373,223.89	16,067,377.97
2. Technical systems and machines			6,068,300.11	5,252,119.27
3. Other equipment, factory and office equipment			6,593,054.13	7,048,334.93

	Net book values	
	December 31, 2016 €	December 31, 2015 €
4. Advance payments made and assets under construction	663,599.52	66,074.14
	28,698,177.65	28,433,906.31
III. Financial assets		
1. Shares in affiliated companies	974,182.62	974,182.62
2. Shares in associated companies	350,000.00	1,400,000.00
3. Holdings	1,000.00	1,000.00
4. Other loans	10,760.84	35,861.04
	1,335,943.46	2,411,043.66
	30,106,705.73	30,936,910.89

Intangible assets are generally depreciated over a normal useful life of three to five years using the straight-line method and buildings are depreciated using the straight-line method in accordance with Section 7 of the Income Tax Act.

The depreciation of movable assets is spread over the normal useful life. Since 2004, the depreciation in the year of acquisition has been determined pro rata temporis.

There are fixed values for molds and flasks, which are valued at 20% to 40% of the acquisition or production costs.

Low-value assets up to € 410 are fully depreciated in the year of acquisition and shown as a disposal in the asset history sheet.

The financial assets were valued at acquisition cost. A participation was shown at the lower value that was to be attached to it on the balance sheet date.

## (2) Inventories

The valuation of raw materials and supplies and goods was carried out at weighted average prices. Deviating from this, incomplete inventory was provided with an appropriate discount. If necessary, deductions were made to ensure loss-free valuation.

Work in progress and finished goods were valued at manufacturing costs that are subject to tax capitalization. Appropriate deductions were made for inaccessibility and special liquidation risks as well as in accordance with the principles of loss-free valuation.

## (3) Accounts receivable from deliveries and services

The identifiable individual and latent other risks as well as the expected loss of interest and discounts were taken into account by means of value adjustments.

## (4) Receivables from affiliated companies

The receivables are due in full at short notice.

## (5) Claims against companies with which there is a participation relationship

The receivables are due in full at short notice.

## (6) Other assets

The other assets in the amount of 115 T € have a term of more than 1 year.

## (7) Equity

The balance sheet is prepared before the appropriation of earnings. The net profit developed as follows:

	2015 T €	2016 T €
Status 1.1.	46,374	49,864
Surplus previous year	11,490	11,189
Profit distribution	-8,000	-3,800
As at 31.12.	49,864	57,253

## (8) Pension provisions

The pension provisions were calculated using the projected individual amount method on the basis of the 2005G mortality tables by Dr. Heubeck with an assumed fluctuation of 1%, a dynamic of the creditable payments of 2% and an interest rate of 4.01%.

The difference resulting from the different assumption in accordance with Section 253 (6) sentence 1 of the German Commercial Code (HGB) is € 518,756.

The fair value of the offset plan assets is € 137 thousand, the income offset against the allocation is € 3 thousand.

## (9) Tax provisions

Tax provisions were made in the amount of € 172 thousand. The provisions relate to trade tax and corporation tax plus the solidarity surcharge for the past financial year.

## (10) Other provisions

These provisions take into account all uncertain debts, losses and risks that have become known up until the balance sheet is drawn up and that affect the past financial year. Essentially, they relate to guarantees, remuneration to employees, vacation entitlements, supplier bonuses, employee anniversaries and neglected maintenance.

## (11) Liabilities

Previous year's figures are shown in italics in the table below.

description	As of December 31, 2016 €	Remaining term up to 1 year €	Remaining term 1 to 5 years €	Remaining term > 5 years €
Liabilities to banks	2,648,066.28	1,307,006.28	1,341,060.00	0.00
	7,730,616.19	4,938,066.54	2,792,549.65	
Advance payments received on orders	32,245.16	32,245.16	0.00	0.00
	116,033.80	116,033.80		
liabilities from goods and services	3,228,127.25	3,228,127.25	0.00	0.00

description	As of December 31, 2016 €	Remaining term up to 1 year €	Remaining term 1 to 5 years €	Remaining term > 5 years €
	3,592,225.96	3,592,225.96		
Liabilities to affiliated companies	5,644.39	5,644.39	0.00	0.00
	4,079.74	4,079.74		
Liabilities to associated companies	11,964.08	11,964.08	0.00	0.00
	561.88	561.88		
Liabilities to shareholders	496,156.24	496,156.24	0.00	0.00
	507,984.00	507,984.00		
Other liabilities	3,454,661.42	3,454,661.42	0.00	0.00
	4,798,628.45	4,798,628.45		
	9,876,864.82	8,535,804.82	1,341,060.00	0.00
	16,750,130.02	13,957,580.37	2,792,549.65	

#### (12) Liabilities to credit institutions

Long-term loans from Deutsche Bank and Commerzbank totaling € 1,813 thousand are secured by land charges. The amount of bank liabilities with a remaining term of up to one year is € 1,307 thousand.

#### (13) Liabilities to shareholders

The liabilities relate exclusively to the shareholder GESCO AG.

#### (14) Other liabilities

The other liabilities include liabilities with a remaining term of up to one year in the amount of € 3,454,661.42.

#### (15) Contingent liabilities and other financial obligations

Contingent Liabilities	2015	2016
Guarantees and letters of credit	T €	T €
	125.1	21.5

#### Other financial obligations

For rental and leasing contracts, an annual amount of approx. 170 T € to be paid. The average remaining term of most contracts is 6 months; if the contract is not terminated, the contract is automatically extended.

Outstanding investment orders result in payment obligations of 452 T €.

The sales of a total of USD 421,774.65 with foreign currency at the end of 2016 did not result in a loss at the end of the year. The sales transactions to be hedged were not fulfilled by either party as of the balance sheet date.

In 2016, the company concluded a guarantee contract for up to USD 500,000.00 (approx. € 475 thousand) in favor of a subsidiary.

### 4. Notes on the income statement

#### (1) Sales

Sales - after sales deductions - break down as follows:

Breakdown by market:

	2015	2016
	Million €	Million €
Germany	132.6	125.1
Europe - excluding Germany -	34.7	34.5
Asia	4.1	3.7
Africa	5.1	6.2
America and Australia	2.8	3.4
	179.3	172.9

Breakdown by product group:

	2015	2016
Special steels	103.9	103.0
Steel Foundry (incl. Steel Mill)	33.0	25.5
Casting Products	29.8	32.4
Coating & Hardening	12.5	11.9
Other reclassification according to BilRUG	0.1	0.1
	179.3	172.9

The other reclassifications according to BilRUG relate to income from the leasing of non-operational business assets.

#### (2) Other operating income

The other operating income includes income from the release of provisions of approx. € 241 thousand and income from the reversal of value adjustments of € 88 thousand. In addition, the item contains further aperiodic amounts with approx. € 77 thousand.

#### (3) Other operating expenses

Other operating expenses account for € 6.1 million in operating expenses, € 7.9 million in sales expenses and € 0.5 million in administrative expenses.

The losses from the sale of assets amount to € 19 thousand.

The item contains aperiodic expenses of € 41 thousand.

#### (4) Interest Expenses

The interest expenses include interest from the interest on long-term provisions in the amount of € 250 thousand.

(5) The depreciation of financial assets relate to the depreciation of an investment to the lower fair value.

### 5. Shareholdings

The company holds the following major shares

	Shares %	Equity T €	Result <sup>1)</sup> T €
Saglam Metal Sanayi Ve Ticaret AS, Turkey	20th	-	-
Dörrenberg Tratamientos Térmicos SL, Spain	60	1,380	200
Doerrenberg Special Steels Pte. Ltd., Singapore	90	1,920	206
Doerrenberg Special Steels Taiwan Ltd., Taiwan	90	780	248
Doerrenberg Special Steels Korea Co. Ltd., Korea	45	-	-
Jiashan Doerrenberg Mold & Die Trading Co., China	54	2,022	328
TG Sea, Singapore	45	-	-
Doerrenberg International Pte. Ltd., Singapore	90	632	40 <sup>2)</sup>
Middle Kingdom Special Steels Pte. Ltd., Singapore	60	657	0 <sup>2)</sup>

With regard to the information on equity and earnings of the Turkish and Korean investments, use is made of the exemption provision in Section 286 (3) sentence 2 HGB.

<sup>1)</sup> Preliminary results for 2016

<sup>2)</sup> It is a holding company in each case

## 6. Other information

(1) On average, the following were employed:

	2015	2016
Industrial workers	293	286
Employees (without GF)	198	200
	491	486

(2) The managing directors in the 2016 financial year were:

Mr. Gerd Böhner, businessman, Engelskirchen,

Dr. Frank Stahl, technician, Gummersbach.

From the protection clause according to Section 286 (4) of the German Commercial Code (HGB) with regard to the information on the remuneration of the managing directors was used.

Provisions of € 1,807,815 have been set up for pension obligations to former members of the management team and their surviving dependents.

(3) Information on the parent company:

The annual financial statements of Dörrenberg Edelstahl GmbH are included in the consolidated financial statements of GESCO AG, Wuppertal. For this reason, the preparation of a subgroup financial statement for DOERRENBURG INTERNATIONAL PTE. LTD., Singapore, waived. The consolidated financial statements of GESCO AG are published in the electronic Federal Gazette.

## 7. Supplementary report

There were no events of particular importance after the balance sheet date.

**Engelskirchen-Ründeroth, February 27, 2017**

*signed G. Böhner*

*signed Dr. F. Steel*

## Management report 2016

### Business development

Dörrenberg Edelstahl recorded a decline in sales and incoming orders in the 2016 financial year. The sales figures (after sales deductions) reached a total of € 172.9 million (-3.6%). Incoming orders in 2016 totaled € 169.6 million. The sales achieved were € 3.8 million below the forecast value (mainly due to a decline in alloy surcharges). Overall, however, we can look back on a successful financial year.

### Sales comparison 2015 - 2016

Sales	2015 Million €	2016 Million €
Special steels	103.9	103.0
Steel Foundry (incl. Steel Mill)	33.0	25.5
Casting Products	29.8	32.4
Coating & Hardening	12.5	11.9
Others	0.1	0.1
Sales after sales deductions and adjustments	179.3	172.9

### Profit before tax

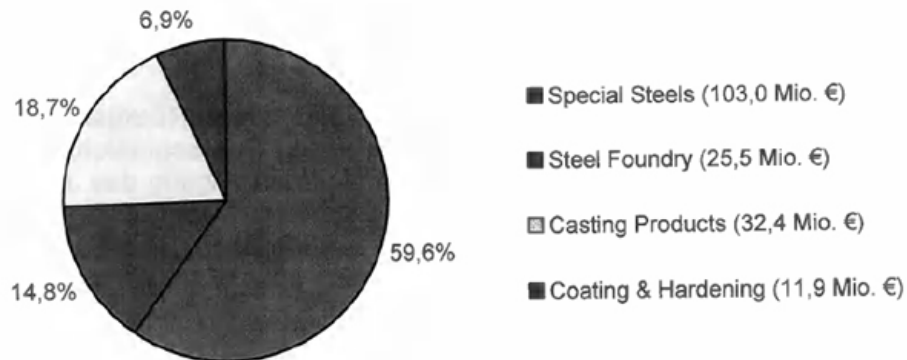
The pre-tax result of € 15.3 million was -5.5% below the previous year.

Following the 10.0% improvement in the operating result, the main factor behind the decline in earnings was the € 1.0 million deterioration in the financial result and the € 1.5 million reduction in neutral income compared to the previous year.

At -5.1%, the cost of materials fell somewhat more sharply than the decline in sales. Personnel expenses remained almost constant at -0.3%. At 13.9%, operating expenses fell significantly more than sales, whereas selling expenses were 1.5% above the previous year.

The careful inventory valuation necessary in our business has been retained. Recognized risks and obligations were adequately taken into account in the assessment.

The divisions had the following share of sales:



The export quota was 25.5% in 2016 after 25.7% in the previous year.

#### Assets and financial position

With total assets almost constant at € 99.6 million, the equity ratio increased by around 9% to 78.4%. The annual result decreased to € 10 million.

The long-term funds (remaining term > 1 year) fully cover the fixed assets.

The short-term bank liabilities amount to € 1.3 million after € 4.9 million in the previous year.

The cash flow decreased slightly from € 14.0 million to € 13.7 million.

#### Employee

In 2016, our employees again laid the foundation for the success of our company with their exemplary commitment. For this you deserve our thanks and appreciation.

As in previous years, we have invested considerable expenses in the training and further education of our employees. We have made training and further qualification our task in all departments. We can only master today's and future challenges with a qualified workforce.

Employee on the reference date	2012 31.12.	2013 31.12.	2014 31.12.	2015 31.12.	2016 31.12.
Wage earners	286	286	287	286	280
Salaried employees	192	192	196	200	200
trainee	23	22nd	25th	25th	23
Total employees	501	500	508	511	503
Share of apprentices approx. 5%					

Salaried employees including 2 managing directors

#### Investments

The investments of € 3,346 thousand in 2016 are again significantly higher than the regular depreciation of € 2,942 thousand.

In 2016, the focus was again on 'investments' for the further development of our company by investing in processes and procedures for the production of new products at the Ründeroth, Weiershagen, Dieringhausen and Herford locations. The investment focus was on replacement and rationalization investments.

The main investments were:

- conventional and vertical saws
- Completion of the conversion in the Coating & Hardening division
- 2. Sand printer for creating casting molds

#### Research and Development

Research and development is an essential part of DE business policy. Together with suppliers, customers, research institutions and universities, we are constantly working on application-oriented materials and process technologies.

In the past financial year, around 10 R&D projects were processed again; these are processed within the business areas with the support of the service area "Quality Center".

The products and processes developed in recent years have reached a high level of technological maturity due to development-related project work with our customers.

In the 2016 financial year, the R&D topics focused on the fields of 'reducing resources' and 'economical use of energy and raw materials'. B.:

- Tools made of PM steels (Special Steels division)
- PM tools with inserted tubes (with the Ruhr University Bochum)
- Optimization of secondary metallurgy steelworks (steelworks)
- Market launch of a hardenable tool steel with good thermal conductivity
- Additive manufacturing (AM) of tool steels

These R&D topics will be pursued further in the coming years.

Another competition will be held in 2017 to further expand R&D activities. Here, all engineering students with a major in materials technology are invited to submit study papers, bachelor theses or the like.

The jury, consisting of Prof. Dr. W. Theisen (Ruhr University Bochum) and Prof. Dr. H.-W. Zoch (University of Bremen), Prof. Dr. Escher and Dr. Steel, choose five works. The selected students will present the work in the final round to the jury and Dörrenberg employees.

## **Quality management system**

The quality management system according to DIN EN ISO 9001: 2000 was further developed in 2016. In doing so, goal and process-oriented work in all business and service areas not only fulfills customer requirements, but also consistently develops and improves the products of the Dörrenberg company.

Constant internal audits by the quality management officers guarantee the continuity of our quality-related specialist work. The repeat audit took place as part of the quality assurance management DIN ISO 9001: 2008 and was carried out from 29.06. Successfully carried out by TÜV experts until June 30, 2016.

For 2017, quality management goals were drawn up in all business areas, which are tailored to the needs of the respective business area and to the cooperation with our customers.

In 2016 we again took part in numerous national and international specialist congresses.

## **Environmental management system**

Protecting the environment is an integral part of our corporate philosophy and therefore an obligation not only to maintain the standard we have achieved, but also to expand it.

The recertification audit as part of the environmental management system DIN EN ISO 14001: 2009 was carried out from 01.03. until 02.03.2016 carried out on the requirements of environmental protection by the environmental verifier of the TÜV.

The test covered the entire plant in Ründeroth with the Steel Foundry business units including Steel Mill, Coating & Hardening, the Weiershagen plant with the Special Steels business unit and the Dieringhausen plant with the Casting Products business unit.

It was confirmed that the policy laid down in the environmental management system, the environmental goals and the corresponding programs were implemented on schedule.

For 2017, environmental goals were again set as part of the environmental management system.

## **Energy management system**

Since 1971 Dörrenberg has been using a wide variety of methods to transparently assign energy consumption to those responsible and to reduce this systematically.

In recent years, numerous "energy targets" have been defined as part of the environmental management system. In this context, the existing energy recording and evaluation system has also started to be modernized or replaced in order to obtain better options for consumption transparency possible.

In 2011, an independent energy management system in accordance with DIN EN 16001: 2009 including energy management audit / targets, etc. was set up.

The first certification audit within the scope of DIN EN 16001: 2009 was carried out from December 19 - 21, 2011 by the TÜV inspector to meet the relevant requirements. In 2012 the energy management system was converted to the DIN EN ISO 50001 standard. The first certification audit was carried out from November 13th to 14th, 2012. The repeat audit according to DIN EN ISO 50001 took place from 02.11. to 04.11.2016.

It was confirmed that the DIN standard is met and that the company's employees live the energy policy.

The test covered the entire Dörrenberg Edelstahl GmbH with the locations Ründeroth, Weiershagen and Dieringhausen.

Energy targets for 2017 have already been defined.

## **Risk management system**

In 1999, Dörrenberg Edelstahl GmbH implemented a risk management system in coordination with the shareholder GESCO AG, in which all significant quantifiable and non-quantifiable risks are recorded and monitored in their development. Appropriate provisions have been made for the quantifiable risks that can be identified at the time the balance sheet is drawn up and which are likely to be claimed by the company.

## **chances and risks**

The effects of the economic crisis on the world market lead to market turbulence, from which opportunities arise for us with our innovative know-how and the flexible range of products and services. This applies to Germany, but even more so to the international and non-European regions.

Risks exist in particular with regard to the economic development and the development of raw material prices, especially alloy surcharges, and energy costs.

The so far unpredictable medium-term trend is decisive for our success. Insofar as the upward economic trend results from the fact that production companies have to replenish their stocks at short notice that were reduced before the turn of the year, the sustainability of the market recovery is not guaranteed.

To hedge against the liquidity risk and to maintain solvency at all times, a liquidity plan is drawn up, which is continuously adapted to current changes and serves as the basis for cash management.

The company has an efficient dunning system; larger bad debts are the exception. As a rule, the defaults are covered by credit insurance. Larger foreign currency amounts are hedged.

## **Forecast report 2017**

Both incoming orders and sales in the first two months of the new financial year are above the sales forecast for 2017 of € 178.1 million.

We expect the 2017 operating result to be slightly below the level of 2016 due to higher costs (personnel, electricity charges).

Further price developments on the scrap and alloy side can still have a major impact on the planned result.

**Engelskirchen, February 27, 2017**

**Böhner  
Dr. steel**



## **Auditor's report**

We have audited the annual financial statements - consisting of the balance sheet, income statement and notes - including the bookkeeping system and the management report of Dörrenberg Edelstahl GmbH for the financial year from January 1 to December 31, 2016. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's legal representatives. It is our task to provide an assessment of the annual financial statements including the bookkeeping and the management report on the basis of the audit we have carried out.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit is to be planned and performed in such a way that inaccuracies and violations that have a material impact on the presentation of the asset, financial and earnings position conveyed by the annual financial statements in accordance with the principles of proper bookkeeping and the management report are given with sufficient certainty be recognized. When determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company as well as the expectation of possible errors are taken into account. As part of the audit, the effectiveness of the accounting-related internal control system and evidence of the information in the books and records, the annual financial statements and the management report are assessed primarily on the basis of random samples. The audit includes the assessment of the accounting principles used and the significant estimates made by the legal representatives as well as the appraisal of the overall presentation of the annual financial statements and the management report. We believe

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained during the audit, the annual financial statements comply with the statutory provisions of the articles of association and, in compliance with the principles of proper bookkeeping, give a true and fair view of the company's assets, financial and earnings position. The management report is consistent with the annual financial statements, complies with the legal requirements, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

**Wuppertal, March 3, 2017**

**RSM Breidenbach and Partner PartG mbB**  
**Wirtschaftsprüfungsgesellschaft**  
**Steuerberatungsgesellschaft**  
*Eisenberg, auditor*  
*Koch, auditor*

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