

Executive Summary of the 2023 Financial Statement



Contents

This abridged English-language financial statement is an excerpt from the annual report of Saarstahl for the 2023 financial year. This publication does not constitute the complete form required by law (for this, please see the 2023 Annual Report of Saarstahl in German).

Key figures at a glance	4	Report of the Board of Management	8	Annual Financial Statement	28
Members of the Supervisory Board	6	The company's fundamentals	9	Balance Sheet	29
Members of the Board of Management	7	Financial report	9	Profit and loss statement	31
		Overall economic and sector-related conditions	9	Change in fixed assets	32
		Business performance	10	Statement of the Group's shareholdings	33
		Earnings position	10		
		Change in EBIT, EBITDA and ROCE	12		
		Financial and asset position	12		
		Investments/new construction work	13		
		Changes in important non-financial performance factors	15		
		Sustainability	15		
		Employees	16		
		Percentage of women	16		
		Production	17		
		Innovation and quality	17		
		Raw material procurement and transport	18		
		Environment and energy	18		
		Most significant shareholdings	19		
		Risks and opportunities report	20		
		Forecast report	26		

Key figures at a glance

		2022	2023	Change
Hot metal purchase	kt	1,941	1,474	-24.1 %
Crude steel production	kt	2,261	1,703	-24.7 %
Rolled steel production	kt	2,081	1,547	-25.7 %
Völklingen	kt	451	393	-12.9 %
Burbach	kt	868	577	-33.5 %
Neunkirchen	kt	762	577	-24.3 %
Shipped steel products	kt	2,117	1,632	-22.9 %
Net sales	€ million	2,631	1,846	-29.8 %
Germany	€ million	1,398	1,013	-27.5 %
Other EU countries	€ million	759	490	-35.4 %
Third countries	€ million	474	343	-27.6 %
Workforce (excluding trainees)	31/12	3,553	3,434	
Personnel expenses	€ million	275	266	
Balance sheet total	€ million	2,393	2,250	
Fixed assets	€ million	1,121	1,088	
Investments	€ million	23	40	
Shareholders' equity	€ million	1,821	1,750	
EBITDA	€ million	334	-35	
EBIT	€ million	293	-75	
Net income for the year	€ million	260	-69	
Operating cash flow	€ million	-1	31	

Members of the Supervisory Board

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Chairman
Chairman of the Board of Trustees of Montan-Stiftung-Saar

Jörg Köhlinger | Frankfurt

1st Deputy Chairman
Trade Union Secretary and District Head of the IG Metall
Central District

Joachim Braun | Le Ban St. Martin (FR)

2nd Deputy Chairman
Deputy Chairman of the Board of Directors and
the Board of Trustees of Montan-Stiftung-Saar

Stephan Ahr | Wadgassen

Chairman of the General and Group Works Council of
Saarstahl AG and Chairman of the Works Council of the
Völklingen plant of Saarstahl AG

Joachim Demmer | Saarbrücken

Auditor and Tax Consultant

Lars Desgranges | Beckingen

Primary Authorized Representative of IG Metall, Völklingen

Elke Hannack | Berlin

Trade Union Secretary/Deputy Chairwoman of the
German Confederation of Trade Unions

Kerstin Herrmann | Sulzbach

Vice President of the Saarland Regional Labor Court

Nadine Kliebhan | Illingen

Senior Project Manager, INFO-Institut Beratungs-GmbH

Prof. Dr. Wolfgang Leese | Lindberg

Managing Director and Partner
WGL Verwaltung und Beratung GmbH
Member of the Board of Trustees of Montan-Stiftung-Saar

Markus Menges | Waldbrunn

Managing Director of Südweststahl AG

Jörg Piro | St. Wendel

Chairman of the Works Council
of the Neunkirchen plant of Saarstahl AG

Peter Schweda | Drensteinfurt

Former Member of the Management Board
of SHS - Stahl-Holding-Saar GmbH & Co. KGaA
as well as Member of the Board of Management/
Chief Human Resource Officer of Aktien-Gesellschaft der
Dillinger Hüttenwerke, DHS – Dillinger Hütte Saarstahl AG,
and Saarstahl AG

Angelo Stagno | Saarbrücken

Deputy Chairman of the
Group Works Council and
Chairman of the Works Council
of the Burbach Plant of Saarstahl AG

Hans-Joachim Welsch | Saarlouis

Member of the Board of Trustees of Montan-Stiftung-Saar

Members of the Board of Management

Stefan Rauber

Chairman of the Board of Management
(as of 8 July 2023)

Dr. Karl-Ulrich Köhler

Chairman of the Board of Management
(until 7 July 2023)

Joerg Disteldorf

Member of the Board of Management,
Chief Human Resources Officer

Markus Lauer

Member of the Board of Management,
Chief Finance Officer

Dr. Peter Maagh

Member of the Board of Management,
Chief Technology Officer
(as of 1 August 2023)

Dr. Klaus Richter

Member of the Board of Management,
Chief Technology Officer
(until 31 July 2023)

Daniël Nicolaas van der Hout

Member of the Board of Management,
Chief Commercial Officer
(as of 1 June 2023)

Jonathan Weber

Member of the Board of Management,
Chief Transformation Officer

Report of the Board of Management

The company's fundamentals

Saarstahl AG (Saarstahl) specializes in the production of wire rod, bar steel and semi-finished products in various qualities and for a wide range of technical applications. Our most important customers include automobile manufacturers and their suppliers, general mechanical engineering companies, the construction industry and other steel processing industries. In addition to an LD steel plant in Völklingen, a considerable part of the production takes place in the rolling mills in Völklingen, Neunkirchen and Burbach. Upstream coke and hot metal production is carried out with Aktien-Gesellschaft der Dillinger Hüttenwerke (Dillinger) through the joint subsidiaries Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA). Since the 2020 financial year, the activities of rail transport operations, technical services and maintenance have also been consolidated in the companies Saar Rail GmbH, Saar Stahlbau GmbH and Saar Industrietechnik GmbH, which have since been jointly managed by Saarstahl and Dillinger. Saarstahl began in 2021 to progressively qualify semi-finished products from Saarstahl Ascovall for the manufacture of products with a reduced carbon footprint in order to be able to meet demand for green steel products in the near future.

Legal framework

The majority shareholder of both Saarstahl and DHS – Dillinger Hütte Saarstahl AG with its most important subsidiary Dillinger is SHS - Stahl-Holding-Saar GmbH & Co. KGaA (SHS), a wholly owned subsidiary of Montan-Stiftung-Saar.

Financial report

Overall economic and sector-related conditions

The global economic recovery in 2023 was slow and inconsistent. Global economic development continued to be restrained by the consequences of the COVID-19 pandemic, the war in Ukraine, and increasing geo-economic fragmentation. The effects of the tightened monetary policy necessitated by persistent inflation, weak trade and gloomy consumer sentiment became increasingly noticeable over the course of the year. The OECD therefore expects global GDP growth of 2.9 % in 2023 (2022: + 3.3 %).

The Chinese economy has increasingly stabilized in the past financial year, but structural problems such as the unresolved real estate crisis continue to cause uncertainty. The OECD expects a growth rate of + 5.2 % for 2023 (2022: + 3.0 %). In contrast, gross domestic product in the United States is expected to grow by just 2.4 % in 2023 (2022: + 1.9 %), as the restrictive monetary policy required to combat inflation dampened economic activity.

Continued economic weakness in the eurozone was primarily due to weak development of consumer spending, as private households suffered from inflation and were reluctant to make purchases despite rising employment, positive wage trends and low unemployment. Annual GDP growth in the eurozone will therefore only amount to + 0.6 % (after + 3.4 % in 2022).

The German economy was also characterized by economic stagnation throughout 2023. High interest rates, declining pri-

vate consumption and persistently weak exports were the primary reasons that GDP fell by 0.1 % compared to the previous year (2022: + 1.9 %).¹

Steel market remains difficult

Serious consequences of the war in Ukraine and a deteriorating macroeconomic outlook also affected the steel market in 2023. The effects were particularly noticeable in the EU and North America. Global crude steel production from January to November 2023 was 1.715 billion tons, which corresponds to a slight increase of just 0.5 % compared to the same period of the previous year. In the same period, steel production in North America fell by 2.5 % to 100.2 million tons, while production in the EU 27 even decreased by 7.8 %. Due to government measures, demand for steel in China was stimulated over the course of the year, which ultimately led to a slight increase of 1.5 % in crude steel production, to 952.1 million tons.²

Development of main customer industries

In the automotive industry, Saarstahl's most important sales sector, car production in Germany recorded a surprisingly strong increase compared to the previous year's figure and rose by 20 % year-on-year in the first three quarters. The reasons for this include meeting pent-up demand and the decreasing distortions in the supply chains. The German Association of the Automotive Industry (VDA) has raised its forecast for passenger car production in 2023 from 9 % to 15 % compared to the previous year (to 4 million passenger cars). Despite this, the 2016 peak (5.7 million cars) was undercut by 30 %. However, domestic production could be dampened in

¹ Sources for macroeconomic and sector-related conditions: BDI (2023) "Global Growth Outlook 11/2023: Global economy growth to remain weak in 2024, November 2023", OECD (2023) "OECD Economic Outlook, Volume 2023 Issue 2, No. 114", EUROFER (2023) "Economic and steel market outlook 2023-2024, Fourth quarter report".

² Worldsteel (2023) "PRESS RELEASE – November 2023 crude steel production".

the future by relocations abroad. Around 90 million light vehicles³ have been produced worldwide in 2023 (2022: 82.3 million units). More vehicles have also been produced in Europe than in 2022 (17.7 million units vs. 15.8 million units.)⁴

In mechanical engineering, another of Saarstahl AG's main customer industries, the price-adjusted production output in Germany increased by 1.2 % in the first eight months, with the resolution of material bottlenecks and the adjustment of the high order backlog contributing to this.⁵ Nevertheless, the weak order situation is clouding the outlook. Order backlogs are no longer likely to be sufficient to buffer production in the second half of the year.⁶

Within the construction industry, the third main customer sector for Saarstahl AG, the rise in building material prices combined with growing economic uncertainty and inflation-related expectations of higher interest rates had a negative impact. Declining demand in residential construction in particular due to higher financing costs is having a negative impact on construction investment. In the German Main construction industry, real net sales is expected to fall by around 5-6 % this year. The construction industry is also in recession in Europe (- 1.7 %).⁷

Business performance

The slowdown in demand for steel at Saarstahl since spring 2022 continued almost entirely throughout 2023. Changes in the procurement of energy and raw materials and the resulting price increases, inflation and prospects of a recession have perpetuated the uncertainties of the previous year. Added to this were economic downturns in individual sectors, which meant that the average new orders for Saarstahl remained at the modestly low level of the previous three quarters of the previous year. The expectation in fall 2022 that an

economic recovery in the second half of 2023 would lead to improved demand did not materialize.

As a result of the low market demand, production capacity utilization fell considerably in key operating areas. At Saarstahl, this made it necessary to manage the operating modes of the plants, such as through block operating modes and the use of short-time work schedules for employees. The level of production and sales figures could not be maintained compared to the previous year, nor could the expectations for 2023; both hot metal procurement (1,474 kt, 2022: 1,941 kt) and crude steel production (1,703 kt, 2022: 2,261 kt) fell by around 25 % over the year as a whole, and the shipped quantities fell from 2,117 kt to 1,632 kt.

In the first half of the year, it was largely possible to maintain a revenue level in line with the high cost level; higher pressure in the steel market, lower market prices for input and procurement prices, especially for energy and in some cases also for raw materials, progressively increased the pressure on revenue, which resulted in adjustments to the average revenue for steel products in the second half of the year. At the same time, Saarstahl was not able to compensate for the decline in average revenues with equivalent cost reductions due to existing conditions in the procurement of raw materials and for securing energy supplies for electricity and gas, which was clearly reflected in the results for the second half of the year.

In addition to the reduction in average revenue, the decline in unit sales and an increasingly negative margin trend led to net sales and earnings that were significantly below expectations for the 2023 financial year. Average net sales fell by around 12 % compared to the previous year, while the operating result decreased by around € 370 million compared to the previous year. Overall, Saarstahl will close the financial year

2023 with a net loss for the year and all key operating earnings figures will fall short of the forecasts.

Earnings position

Operating results well below expectations

A significant decrease in shipment volumes of 485 kt or 22.9 % to 1,632 kt and a continuous decline in average sales for steel products of almost 12 % in the four quarters of the current financial year resulted in sales of € 1,846 million. This not only fell short of the previous year's figure (€ 2,631 million), but also of the cautious expectations in the forecast for 2023. The decline in new orders and therefore also in shipments is due to the general weakening of market momentum in key sectors such as the construction industry and mechanical engineering, as well as to targeted, revenue-focused order management resulting from high raw material and energy costs in the current year.

The drop in sales in the quality steel product group was more pronounced than in the stainless steel segment due to a sharper decline in both sales volumes and average revenues. Net sales fell by € 385 million in Germany – the strongest market in terms of sales – and by € 131 million in non-EU countries, corresponding to a decline in sales of around 27.5 % in each case. The countries making up the rest of the European Union saw the sharpest decline in sales in relative terms, at € 269 million or 35.4 %.

In addition, there was a reduction in work in process and finished products, which resulted from both a reduction in inventories and a lower valuation of products on the reporting date. Total operating revenue therefore decreased by € 971 million compared to the previous year and amounted to € 1,758 million in the 2023 financial year.

³ Vehicles up to 3.5 t, source: S&P.

⁴ S&P (2023), WV Stahl (2023) "Background information on the steel economy November 2023", WV Stahl (2023) "worldsteel Short Range Outlook 2023/2024 – Summary of results – October 2023", EUROFER (2023) "Economic and Market Outlook 2023-2024, Fourth Quarter".

⁵ Germany: Economic bulletin, November 2023

⁶ <https://www.vdi-nachrichten.com/technik/produktion/vdma-senkt-prognose-im-maschinen-und-anlagenbau-fuer-2024/>, WV Stahl (2023) "Background information on the steel economy November 2023".

⁷ EUROFER (2023) "Economic and Market Outlook 2023-2024, Fourth Quarter", WV Stahl (2023) "Background information on the steel industry November 2023"

As a result of the visible decline in total operating revenue, material intensity jumped from 69.4 % in the previous year to 78.4 %. Saarstahl was often confronted during the 2023 financial year with procurement prices that were at a high to very high level, even though the average prices for the majority of input materials were slightly below the respective previous year's figures. This also applied to hot metal, which the company obtains exclusively from ROGESA. Reduced production capacity utilization at ROGESA, higher prices for coking and injection coal and lower prices for ores and pellets in 2023 meant that hot metal costs fell by only around 6 % on average over the year. Prices for steel scrap fell more sharply, while the price trend for alloys was very mixed. In addition, uncertainties in the availability of electricity and gas in the previous year led to severe price distortions on the energy market, which, as expected, also led to significant additional expenses for the company in 2023. Despite lower consumption and the use of the statutory energy price cap, energy costs at Saarstahl rose by almost € 45 million. Purchased services were almost € 7 million higher than in the previous year, which was largely due to higher expenses for repairs and maintenance.

Although personnel expenses decreased by a total of around € 8 million compared to the previous year, personnel intensity increased noticeably from 10.1 % to 15.1 % as a result of the apparent decline in total operating revenue. In addition to a reduction in the workforce by an average of 151 employees – mainly due to departures for partial retirement and transfers to other Group companies – the lower personnel expenses resulted primarily from the reduction in employment over the year as a whole and the associated top-up payments of around € 4 million for short-time working by the Federal Employment Agency. The decrease in personnel expenses was reduced by around € 5 million due to the formation of accruals for irregular cases of partial retirement.

Other operating income, at € 11 million, was almost half the previous year's figure (€ 21 million). This was primarily offset by slightly higher income from the reversal of reserves and, in particular, to lower amounts from other income relating to other periods and from currency conversion.

Amortization of intangible assets and depreciation of fixed assets remained at the previous year's level, in line with the scheduled amortization and depreciation.

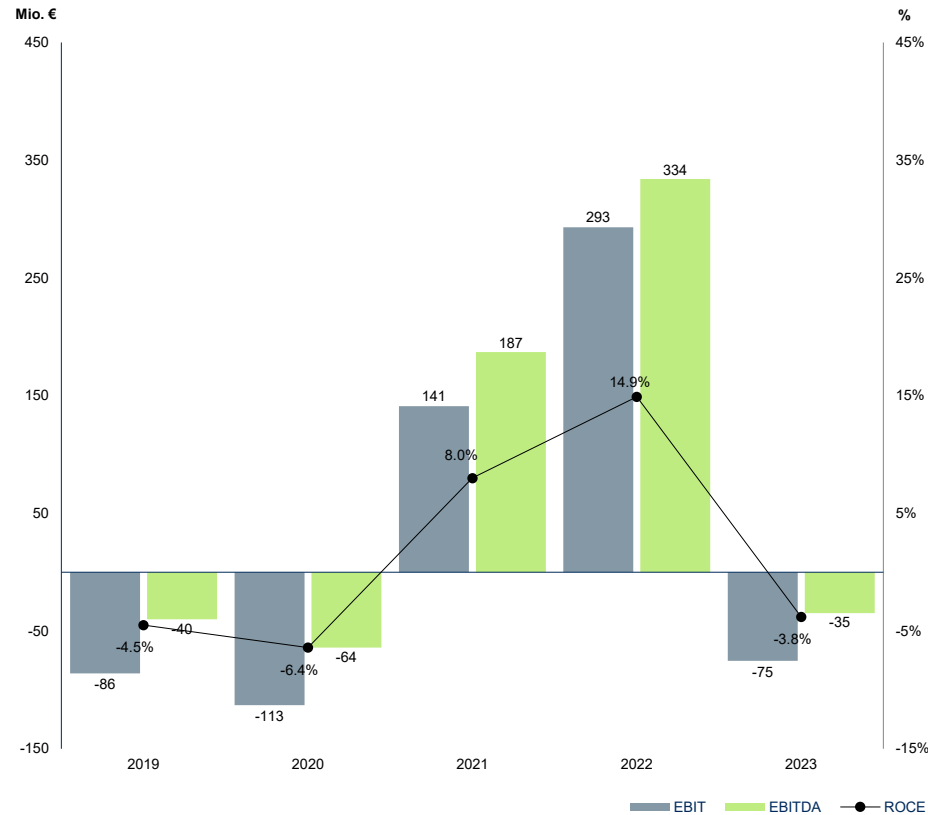
At the same time, other operating expenses decreased by € 42 million, primarily due to lower freight expenses. In addition, expenses for rent and insurance as well as for exchange rate differences decreased to almost the same extent as expenses for services to Group companies and legal and consulting costs increased, which was mainly related to the progress of the substantive planning and implementation of the transformation to a low-carbon steel industry.

The financial result was € 52 million higher than in the previous year. Of this amount, € 46 million was attributable to higher income from participating interests, which mainly resulted from dividend distributions from DHS. However, the results of subsidiaries with which profit and loss transfer agreements exist were also higher than in the previous year. At the same time, the development of interest rates led to a € 6 million improvement in net interest income in the 2023 financial year.

In light of persistently negative market momentum for almost the entire year and a difficult and significantly reduced sales and margin trend that had already been anticipated in the projections, the earnings situation changed considerably compared to the previous year. In addition to turnover and operating results (EBIT and EBITDA), the key performance indicators include the net income for the year. With EBIT of - € 75 million and EBITDA of - € 35 million, Saarstahl recorded key earnings figures in the 2023 financial year that were well below the previous year's figures and also below the forecasts. After extremely successful business performance in the two

previous years, Saarstahl closed the financial year with net income for the year of - € 69 million, which was well below expectations. The negative business performance in 2023 is also reflected in the key financial indicators for asset and capital structure and for the development of returns. The return on capital employed (ROCE) amounted to - 3.8 % in the financial year (2022: 14.9 %), while the return on sales (adjusted EBIT margin) was - 4.7 % (2022: 11.3 %).

Change in EBIT, EBITDA and ROCE



Financial and asset position

Financial position

Saarstahl generated a positive cash flow of € 31 million from operating activities in the 2023 financial year. This resulted from the change in working capital of € 131 million, which was offset by cash outflows for income tax payments (- € 18 million) and EBITDA adjusted for non-cash income items and dividend income (- € 82 million). The change in working capital was primarily due to a reduction in inventories combined with higher write-downs and lower trade receivables resulting from business performance and the expansion of factoring.

At the same time, payments for both investments in fixed assets (€ 40 million) and as part of the financing activities of subsidiaries (€ 8 million) reduced cash inflows, primarily from dividends, interest and from affiliated companies (€ 93 million), with the result that cash flow from investing activities attained a positive figure of € 45 million and free cash flow therefore amounted to € 76 million.

The company met its scheduled loan repayments and interest payments in the 2023 financial year without taking out any new loans, resulting in a cash flow from financing activities of - € 75 million. No dividends were paid to the shareholders in the 2023 financial year.

Cash and cash equivalents increased accordingly by € 1 million compared to the previous year and amounted to € 160 million as at 31 December 2023.

Net asset position

While investments in non-current assets and scheduled amortization of intangible assets and depreciation of tangible fixed assets almost balanced each other out, financial assets classified as non-current decreased by around € 32 million compared to the previous year's reporting date. The development of financial assets was largely characterized by repayments of loans to affiliated companies and capital withdrawals from affiliated companies. Overall, the non-current assets of Saarstahl AG decreased by € 33 million compared to the reporting date of the previous year and amounted to € 1,088 million. The liquidation ratio for fixed assets fell from 162.4 % in the previous year to 161.0 % on 31 December 2023.

Current assets decreased by a total of € 108 million. Inventories changed by - € 97 million and trade receivables by - € 68 million. In addition to a targeted reduction in inventories, the decrease in raw materials and supplies as well as in finished products and work in process is primarily due to lower procurement prices and production costs adjusted to the development of material costs. Trade receivables decreased due to the expansion of factoring in the current financial year and lower revenue compared to the fourth quarter of the previous year, while receivables from affiliated companies increased by € 28 million. In addition, higher tax refund claims and collateral retained in connection with the expansion of factoring led to an increase in other assets (€ 28 million). Cash and cash equivalents increased by € 1 million to € 160 million.

The balance sheet total declined by around € 141 million compared to the previous year and closed at € 2,251 million. The reduction in assets was almost equally offset by a reduction in shareholders' equity due to the net loss for the year (- € 69 million) and a decrease in borrowed capital due to lower reserves and liabilities (- € 72 million). As a result, the equity ratio increased slightly, rising from 76.1 % to 77.8 %.

The change in reserves is mainly due to the utilization of tax reserves and other accruals and reserves.

Bankloans and overdrafts decreased in the reporting year as a result of scheduled loan repayments amounting to € 64 million. The debt ratio thus improved as at the reporting date, falling from 11.9 % in 2022 to 8.7 % in 2023. Trade accounts payable to third parties, affiliated companies and associated companies were € 24 million higher overall, primarily due to increased production and hot metal purchase at the end of the year.

Investments/new construction work

The investment volume for Saarstahl in the 2023 financial year rose to € 40 million (2022: € 23 million). In particular, plans for the upcoming transformation of steel production continued to be advanced at a dramatic pace.

Völklingen LD steel plant

The size capacity enlargement on the S3 continuous casting machine was successfully and completely implemented at the LD steelworks in Völklingen. Maintenance work following damage to the S1 continuous casting machine was successfully completed. The system is back in full production. Plans for construction of an electric furnace at the LD steelworks were finalized and accelerated. Orders for the core components are to be placed promptly.

Neunkirchen, Nauweiler and Burbach rolling mills

In the Burbach rolling mill, the water boxes at rolling mill 11 were replaced and the fan capacity of the cooling fans was increased during 2023. Both measures are the first step of an overall measure that will be completed in the subsequent and planned annual shutdowns of the rolling mill. The total scope of the measures amounts to around € 14 million. A ring blasting system for wire rings was installed and successfully commissioned at the Neunkirchen rolling mill. Surface inspection systems were installed and successfully commissioned in all rolling mills. The total investment for this amounted to around € 4 million.

Key figures in %	2019	2020	2021	2022	2023
Liquidation ratio for fixed assets	122.5	118.7	133.5	162.4	161.0
Internal financing capability	127.3	-78.6	-4.5	395.7	78.6
Equity intensity	71.4	69.9	68.0	76.1	77.8
Return on capital employed (ROCE)	-4.5	-6.4	8.0	14.9	-3.8
Debt ratio	15.4	17.1	17.9	11.9	8.7
EBIT margin	-5.9	-9.9	6.7	11.3	-4.7
EBITDA margin	-2.7	-5.6	9.0	12.9	-2.2
Material intensity	72.9	74.9	69.5	69.4	78.4
Personnel intensity	19.1	20.3	12.5	10.1	15.1

Notes

Liquidation ratio for fixed assets: Equity in relation to fixed assets

Internal financing capability: Operating cash flow in relation to net investments in fixed assets

Equity intensity: Equity in relation to the balance sheet total

ROCE: EBIT in relation to capital employed (average long-term capital employed) EBIT is eliminated by the earnings effect from the associated companies.

Debt ratio: Bankloans and overdrafts in relation to shareholders' equity

EBIT/EBITDA margin: EBIT/EBITDA in relation to total operating revenue. The EBIT/EBITDA is eliminated by the earnings effect from the associated companies. In addition to net sales, the change in inventories of work in process and finished products is also taken into account when calculating total operating revenue. In addition, revenue is reduced by the amount passed on to Group companies at cost, in accordance with the terms of the agreement.

Material and personnel intensity: Material and personnel expenses in relation to total operating revenue

Changes in important non-financial performance factors

Sustainability

Sustainable and responsible operation is firmly embedded in the SHS Group with its two companies Saarstahl and Dillinger and is a traditional key element of corporate policy. In their comprehensive approach to sustainability, the companies acknowledge their responsibility for current and future generations of employees as well as stakeholders and aim to manufacture premium steel products in a sustainable way.

The SHS Group is committed to the goals of the Paris Climate Agreement and wants to help achieve carbon-neutral steel production. In its transformation process for the production of green steel, the focus is on the responsibility to people and the environment – today and in the future. Based on what has been achieved so far and with a view to a livable future for all, the companies are continuously identifying further potential for improvement and redefining ambitious targets.

The companies of the SHS Group document their achievements in the areas of economy, ecology and society with a joint sustainability report. The report is based on the GRI standards of the Global Reporting Initiative (GRI). An update of the relevant key metrics is implemented through annual fact sheets. The Sustainability Report thus contributes significantly to improving the international transparency and comparability of activities in the field of sustainability and environmental protection.

Steel fulfills the principle of sustainability more explicitly than virtually any other material. Steel is the most widely used basic industrial material and it contributes significantly to environmental and climate protection through a wide range of applications. At the end of their service life, steel products can be recycled completely and as often as required, with virtually no loss of quality, and returned to the economic cycle without residue. In addition, crude steel produced in Germany sets

high standards in terms of environmental and climate protection, not least in a global comparison. This is also confirmed by an economic study commissioned by the German Steel Federation (WV Stahl).

The SHS Group is committed to the Paris Climate Agreement and Germany's tightened targets. The companies want to make a decisive contribution to the political and social goal of cutting carbon emissions. The aim of Saarland's steel industry is to reduce process-related carbon emissions to a technically necessary minimum in the future by gradually installing and integrating climate-friendly steelmaking technologies.

Through the transformation of the existing blast furnace/ converter route to direct reduction plants and electric arc furnaces, and by using hydrogen and carbon-free electricity in production, the goal of carbon-neutral steelmaking can be achieved by 2045 at the latest.

Massive investments in the aforementioned technical facilities are required to achieve the ambitious carbon reduction targets. The SHS Group has defined a path to achieve the carbon reduction targets and passed the corresponding Supervisory Board resolutions in December 2022. In December 2023, the European Commission officially announced its approval of the EUR 2.6 billion German aid measure to support SHS - Stahl-Holding-Saar in decarbonizing its steel production through the use of hydrogen. The funding decisions from the German government were received in January 2024.

The timeline for the defined transformation path is divided into two phases. In phase 1, which will last until around 2030, an EAF (electric arc furnace) will be built at the Völklingen site and another EAF and a DRI plant will be built at the Dillinger site. This should already reduce carbon emissions by around 55 percent by 2030. The ramp-up of EAF capacity will be accompanied by a corresponding reduction in blast furnace capacity. In addition to the planned measures at the German sites, the French subsidiary Saarstahl Ascovel is already able

to provide initial crude steel volumes through its existing EAF production capacities.

The roadmap for implementing all the measures is a challenge for the companies, especially because construction of the new facilities and the conversion of numerous production steps will take place during ongoing operations. It is the goal of the SHS Group to start supplying green steel from 2027. The capacity of the new lines in this first phase should allow for a maximum of 3.5 million tons of crude steel per year, obtained from sponge iron (direct reduced iron (DRI)) and scrap. In the second phase, a third EAF will be commissioned by 2045 at the latest and the entire production capacity will be converted to green steel.

Branding has also been developed to visually represent the transformation project: "Pure Steel +". The message of "Pure Steel +" is that Saarland's steel industry will retain its long-established global product quality, ability to innovate, and culture, even in the transformation. The "+" refers to the carbon-neutrality of the products.⁸

To establish a sustainable and integrated cross-border energy system that will be required to produce green steel in the region, the companies of the SHS Group have joined with other well-known companies to form the "Grande Region Hydrogen" European Economic Interest Grouping (EEIG). The aim of the initiative is to link cross-sector projects for hydrogen production, use and transport.⁹

During the reporting year, Saarstahl was once again awarded platinum status by EcoVadis, the international provider of ratings in the area of corporate social responsibility. Saarstahl has thus achieved the highest possible rating, putting it among the top 1 percent of companies assessed in its industry category. The EcoVadis rating confirms the high quality of sustainability management at Saarstahl.

The rating by the Carbon Disclosure Project (CDP) environmental protection organization also awarded top marks to the

⁸ Source: Press release, 2 December 2022 (Investment of historic proportions for more climate protection: Supervisory boards approve investment of EUR 3.5 billion for green steel from the Saar region).

⁹ Source: Grande Region Hydrogen website <https://grande-region-hydrogen.eu/>.

SHS Group's sustainability management in 2023. The SHS Group received Leadership Status with an overall grade of A in the "Metal smelting, refining & forming" industry category.

In December 2022, SHS Group companies committed to the goals of the independent Science Based Targets Initiative (SBTi). SBTi is a joint initiative of CDP, the UN Global Compact, the World Resources Institute and the World Wide Fund for Nature. In its collaboration with SBTi, the SHS Group follows the scientifically comparable, cooperative and responsible approach of the initiative to reduce carbon emissions. The SHS Group's transformation path for Scope 1, 2 and 3 is thus validated against the science-based SBTi criteria.¹⁰

Since 2023, SHS has also been a member of ResponsibleSteel, a global multi-stakeholder initiative for sustainability standards and certification involving various interest groups in the steel industry. The aim of the initiative is to be a driving force worldwide in the socially and environmentally compatible production of climate-neutral steel.

Support for the ten principles of the UN Global Compact in the areas of human rights and labor standards, environmental and climate protection, and anti-corruption is an integral part of the long-term sustainability concept of the SHS Group. Membership in the UN Global Compact since 2020 demonstrates that the companies are firmly integrating the principles of the Global Compact into their corporate strategy and culture as well as into their daily business practices, thereby applying and fostering the general goals of the United Nations – particularly the sustainable development goals – in all areas of the company.¹¹

Employees

Qualified employees contribute decisively to the development of Saarstahl with their know-how and high level of commitment and flexibility. The company therefore invests specifically in socially compatible and responsible HR efforts with a

focus on topics such as improving occupational safety, promoting health and fostering the next generation of skilled workers.

Due to the lack of capacity utilization of the production lines, 2023 was defined by the short-time work already implemented at the end of 2022. This was successively rolled out to all rolling mills and the steel plant and thus served to increase flexibility and compensate for reduced volumes throughout the year. Based on the budget plans, the operating modes in the rolling mills and the steel plant were adjusted towards the end of the year so that the work quantities planned for 2024 can be realized.

This resulted in a headcount of 3,434 employees at the end of the reporting year (2022: 3,553). A total of 1,520 people were employed at subsidiaries and affiliated companies of Saarstahl (2022: 1,539).

Safety and health

A safe and healthy work environment is given top priority at Saarstahl. In line with the corporate principles, numerous programs and measures such as continuation of the Groupwide "Occupational Safety Hour" and implementation of Board of Management inspections again contributed to the improvement of our systems in 2023. A key element of the work in the area of health and safety in 2023 was the "Occupational safety as a management task" training course. An interdisciplinary occupational safety task force was set up by the Board of Management to further develop the occupational safety culture.

Saarstahl concluded 2023 with 9 lost-time accidents requiring at least one day of leave due to injury (2022: 10) and a lost time injury frequency rate (LTIFR) of 1.9 (2022: 1.8; number of accidents requiring at least one day of leave due to injury per 1 million hours worked).

Fostering young talent

Saarstahl continues to invest in training and fostering young talent and provides training at a consistently high level in order to counter a possible shortage of skilled workers resulting from demographic change. In 2023, 109 young people started their careers in the company (2022: 68). As a result, the company trained a total of 266 young workers (2022: 220), when all training class years are included. In addition, there were 11 student interns (2022: 13), seven commercial technical school interns and eight student trainees (2022: 9). The instrument of employing university student trainees in particular ensures the strategic fostering of young talent in the academic area.

Percentage of women

Within the framework of the Second Management Positions Act (FüPoG II of 12 August 2021), the Supervisory Board set appropriate quotas for increasing the percentage of women on the Supervisory Board and the Board of Management, and the Board of Management set appropriate quotas for the first and second levels of management.

The overall percentage of women in the total workforce at Saarstahl at the end of 2023 averaged 5.7 %.

When considering this percentage, industry-specific, historical and socio-cultural circumstances must be taken into account. Saarstahl takes measures at various levels to continuously increase the proportion of women, such as by continuously increasing the proportion of female trainees, offering a wide range of part-time employment, the option of mobile working and the possibility of childcare through the company-supported daycare center. In the newly introduced talent management system for levels 1 and 2 in particular, attention is being paid to targeting and promoting women in preparation for future management positions. Women occupy leadership positions primarily in the administrative area. In the context of the assumption of operating tasks by the majority holding company SHS - Stahl-Holding-Saar, such as in the area of

¹⁰ Source: Press release dated 2 February 2023 (Sustainably well positioned: CDP Leadership Status for the SHS Group).

¹¹ Source <https://www.globalcompact.de/en/about-us/our-participants>

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, at 30.5 %, is significantly higher than at Saarstahl.

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 Saarland's steel industry (SHS - Stahl-Holding-Saar, Dillinger and Saarstahl). The Supervisory Board of Saarstahl will deal with the issue in the case of new appointments at the Board of Management level in accordance with German law regarding the equal participation of women and men in executive positions (FüPoG II).

Within the framework of Section 76 (4) of the German Stock Corporation Act (AktG), the Saarstahl Board of Management has set a target quota of 15 % for the percentage of women in management positions. The analysis relates to senior executives and includes the first and second levels of the hierarchy as well as the positions equivalent to the two top levels of management in terms of their importance for the company.

Production

As the core facilities, the production division of Saarstahl AG includes the LD steel plant in Völklingen as well as four rolling mills located at the Völklingen (Nauweiler), Burbach and Neunkirchen sites. The preliminary stages of production, i.e. the production of coke and hot metal, take place at the Dillingen plant with the two companies Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA) (Saarstahl share 50 % each).

LD steel plant

In 2023, around 1,474 tons of hot metal were delivered to the LD steel plant and 1,703 tons of crude steel (solid) were produced.

Rolling mill

In 2023, the four rolling mills produced a total of approx. 1,609 kt of rolled products. The distribution in detail was as follows: A total of 582 kt of rolled products were produced at the Burbach rolling mill and 437 kt at the Nauweiler rolling mill, of which 411 kt was accounted for by bar steel rolling and 26 kt by primary rolled products for reuse. The Neunkirchen rolling mill produced approximately 590 kt of rolled products on rolling trains 31 and 32, of which about 303 kt were produced on rolling train 31 and 287 kt on rolling train 32.

Innovation and quality

Research and development

Research activities in the financial year included the development of mechanical soft reduction (MSR) in 264 x 340 mm² bloom format for the production of 100Cr6 bearing steels, which leads to a significant improvement in core segregation and density compared to standard production. As part of the preparations for the transformation to "green" steel, preliminary tests were carried out on various steel grades in order to adapt the operations to the future process route via electric arc furnace. These tests are carried out both at the LD steel plant in Völklingen and as part of homologations at Ascovall's electric steel plant.

Furthermore, as part of the European-funded RFCS project "Investigations of Slags from Next Generation Steel Making Processes" (InsGeP), a European consortium investigated the usage properties and possible applications for the slags that will be created by the steel industry in large quantities in the future when using HBI or DRI in the new electric arc furnaces. In addition, the reduction behavior of various ores depending on the hydrogen content of the reducing gas and the usage properties of the various DRI pellets obtained from them are being investigated.

Thanks to the active exchange with Saarstahl Rail, the Qlik-View dashboard developed specifically for the site has been successively expanded. The dashboard is to be gradually completed with all relevant process data, from the furnaces through to the finished rail, in line with the current Saarstahl

standards. This will enable employees from production and quality assurance to have an overview of all essential data, for simple and efficient process control in a single tool. A pilot dashboard was set up in a similar way for the evaluation of drag tests, which will be used in an adapted form for all other walking beam furnaces from Saarstahl. The cooperation with Saarstahl Rail also made it possible to carry out tests previously commissioned externally in the Group's own laboratories.

Laboratories

The technical laboratories and the chemical laboratories of Saarstahl AG are accredited in accordance with DIN EN ISO/IEC 17025. The competence of the laboratories is regularly checked and confirmed in the DAkkS monitoring audits. The employees are certified as having a high level of expertise. This is also proven by the results of the performed ring tests. Future-focused investments in the area of production and testing technology, such as in an automatic sample grinding machine or an additional automatic spectrometer line, as well as continuous training of materials testers and chemical laboratory technicians also create promising prospects for the coming years.

Quality management

The audits to maintain certification in the management areas of quality, environment, energy, safety and health were also successfully completed in 2023. Many Saarstahl customers require a certified management system in accordance with IATF 16949, the internationally binding quality management standard of the automotive industry, which exceeds the usual ISO standards. In 2023, Saarstahl Ascovall also received the declaration of conformity in accordance with IATF 16949 and can now serve customers from the automotive industry who stipulate certification in accordance with IATF as a binding requirement for their suppliers' quality management systems. These automotive customers can now be supplied with reduced-carbon steel from Saarstahl Ascovall. The certification is valid for one year. It can then be extended for a further three years through recertification.

The Energy Efficiency Act of 13 November 2023 requires companies with high energy consumption (more than 7.5 GWh on average) to introduce energy or environmental management systems. Saarstahl and its subsidiaries have been meeting this requirement for many years. With energy management certification, they also have the opportunity, as electricity cost-intensive companies, to limit the surcharges for electricity and thus reduce the high energy costs.

Raw material procurement and transport

Prices for premium coal also hovered around USD 300/t over the course of 2023. This remains well above the historical annual averages. Reaching the pre-Russia-Ukraine-war level of around USD 200/t is also not foreseeable due to cost increases in raw material extraction.

The iron ore market was again volatile and ended the year on average in line with prices in 2022. Announced production cuts in China did not materialize; instead, the previous year's hot metal production was exceeded by 3 %. Supply and demand can therefore be regarded as balanced.¹²

The ocean freight market was less dynamic last year than in the previous year, although freight rates rose significantly toward the end of the year due to uncertainties in the Suez Canal, among other things. To counteract this momentum, the mix of freight rates agreed for the medium to longer term, while at the same time taking advantage of opportunities on the spot market, has proven to be a dependably successful method for ROGESA and ZKS.

The companies of the SHS Group transport at least 80 % of their incoming and outgoing goods by environmentally friendly means of transport such as rail and ship. The high costs in transport logistics at the beginning of 2023 eased in Q4. The main reasons for this were the demand patterns for freight, ending of the COVID pandemic, easing of the situation in the energy sector, improvement in the inflation rate and implementation of optimized logistics concepts. Transport

costs in the road sector have risen due to another increase in the toll that came into effect in December 2023. In the area of rail logistics, costs were maintained and in some cases reduced through the implementation of new concepts. Long-term contracts (in the short sea shipping and rail sectors) generally contribute to predictable freight rates. Geopolitical issues, climatological disruptions (low water/flooding/ice and snow) and rail and road infrastructure measures continue to pose significant challenges to functioning and efficient transport logistics.

Continued development of sustainability in procurement was a clear focus again in 2023. The new Environmental, Social and Governance (ESG) questionnaire was created and expanded to include topics such as diversity, inclusion and the reduction of GHG emissions in the supply chain. With regard to the Supply Chain Duty of Care Act, the risk analysis was expanded to include the origin of the material, the newly created declaration of principles was sent to all suppliers and, if risks identified, preventive measures were taken together with the suppliers in order to meet the human rights and environmental requirements of the law and the SHS Group.

Environment and energy

Saarstahl gives high priority to environmental and climate protection, in line with its corporate guidelines. Continuous improvement processes for sustainable, environmentally friendly and resource-saving production are part of this. 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 contribute in important ways to environmental protection (see the section on "Sustainability").

Transformation

One of the biggest tasks in the Environmental Protection department in 2023 was likely leading management of the Federal Pollution Control Act (BImSchG) applications at the Dillingen and Völklingen sites. One of the main tasks here is

coordinating the flow of information between the New Construction department, a large number of external experts and the national authorities involved. As further areas within the steel plants will be used for the planned new buildings, the work on nature conservation reports and planning of resettlement and replacement measures was supervised. In addition, two development plans were initiated at the Dillingen site (Dillingen and Saarlouis).

Environmental management

During the reporting year, Saarstahl with its three locations as well as Kalksteingrube Auersmacher GmbH, Saarschmiede GmbH Freiformschmiede, Schweißdraht Luisenthal GmbH and Saar-Bandstahl GmbH were successfully certified in accordance with ISO 14001:2015 in the second surveillance audit. In 2023, the regular Industrial Emissions Directive (IED) inspections also took place in the Saarschmiede electroslag remelting process (ESU) plant and forge, including the forging and tempering furnaces.

Participation in the Carbon Disclosure Project (CDP)

once again successfully participated in the Carbon Disclosure Project in 2023. The Carbon Disclosure Project is based on an international non-profit organization. Once a year, it records and evaluates the greenhouse gas emissions, the strategies with respect to climate change, and the handling of risks and opportunities arising from climate change reported voluntarily by companies and organizations.

Determination of product carbon footprints (PCF)

As part of its sustainability strategy, the product-specific carbon values for the two main groups, wire rod and bar steel, were determined as sustainability indicators in accordance with the DIN ISO 14067/IPCC AR6 GWP100 standard (based on 2021 data) and were communicated to customers. To highlight the first reduced-carbon product alternatives, the production route for wire rod and bar steel

¹² Global Market Outlook 2023 und 2022

using the electric steel pre-route of our subsidiary – Saarstahl Ascoval – has been featured in a joint “Carbon Footprint” flyer.

Carbon footprint of the SHS Group (CCF) as a whole

In addition to product-specific emissions, the consolidated balance sheet for the entire Group is an important basis for strategic projects as well as for communication with stakeholders and sustainability indices such as SBTi, CDP and EcoVadis. In 2023, the subsidiaries located outside Saarland in particular were included. As part of the climate protection objectives, the upstream chain, represented by Scope 3 emissions, was examined in greater detail and a screening of upstream chain emissions was carried out.

REACH

In the context of the mandatory information requirements of Article 33 of the Registration, Evaluation, Authorization and Restriction of Chemicals Regulations (REACH), all products containing substances on the REACH Candidate List in concentrations of > 0.1 % must be reported both to customers and to the European Chemicals Agency (ECHA). In addition to informing the customer, which has been mandatory since 2018, since 2021 the ECHA must also be informed. This notification of the free-cutting steels from Saarstahl was accomplished using the electronic SCIP database. ECHA initiated the inclusion of lead in Annex XIV of the regulation in December 2021; lead was included in the 11th Recommendation for REACH Authorization. The European Chemicals Agency continued on its path toward authorizing the use of lead in 2023. Saarstahl continues to follow this process very closely.

Carbon emissions trading

As part of the ongoing process of annual emissions reporting to the German Emissions Trading Authority (DEHSt), the monitoring plans for plants subject to emissions trading for the fourth trading period in particular (2021-2030) were updated in 2023 and the corresponding emissions reports were prepared. In addition, the annual allocation data reports

(ZDB) for all installations subject to emissions trading were prepared on the basis of the underlying and updated methodology plans and submitted to DEHSt for verification. Based on the data from the allocation data reports, the dynamically adjusted allocation of free allowances is accomplished in the current trading period.

Commitment to the goals of the Science Based Targets initiative

Following the official commitment in December 2022, Saarstahl and Dillinger established the necessary conditions for the creation of science-based targets in the 2023 financial year. The targets for short-term and long-term goals based on data from the 2021 reporting year were submitted at the end of the year and are to be validated by the SBTi during the course of 2024.

Most significant shareholdings

Zentralkokerei Saar GmbH

Aktien-Gesellschaft der Dillinger Hüttenwerke and Saarstahl AG each hold an indirect 50 % interest in Zentralkokerei Saar GmbH (ZKS). The ZKS produces coke exclusively for use in the blast furnace of ROGESA Roheisengesellschaft Saar mbH. Total coke production in 2023, at 1,285 kt, was considerably lower than the previous year's production (2022: 1,330 kt). ZKS is a company without employees. Personnel required for operation of the coke plant are provided by Dillinger. Investments at ZKS in 2023 amounted to € 4.2 million (2022: € 3.0 million).

ROGESA Roheisengesellschaft Saar mbH, Dillingen

ROGESA Roheisengesellschaft Saar mbH (ROGESA), 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.

At 3,539 kt, hot metal production from blast furnaces 4 and 5 in 2023 was 9.6 % below the previous year's output

(3,916 kt). During the reporting year, 2,065 kt (2022: 1,975 kt) were delivered to Dillinger and 1,474 kt (2022: 1,941 kt) to Saarstahl. Investments at ROGESA in 2023 amounted to € 7.1 million (2022: € 3.6 million).

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

Saarschmiede GmbH Freiformschmiede

The core business of Saarschmiede GmbH Freiformschmiede is the production of high-quality open-die forgings with a focus on power generation machinery construction, general mechanical engineering, tool steel, special materials made from nickel-based alloys, and the production of ingots and input material. The most important sales markets include energy production, where the forged products are used in both conventional power plants and in the renewable energies sector. Saarschmiede produces customized products in a wide variety of machining conditions and material specifications to meet the respective application requirements.

General market situation

Despite easing supply chain problems and falling energy and raw material costs, the global economy performed weakly in 2023. High inflation rates, rising interest rates and increasing geopolitical tensions had a significant negative impact on the economy in Europe as well as globally. This picture was even more pronounced in Germany. Energy-intensive industries in particular continue to suffer greatly from high energy costs. Even if these are declining slightly, they are still almost twice as high as before the start of the Ukraine-Russia crisis.

Business performance

With net sales of € 148.0 million, Saarschmiede closed the financial year above the level of the previous year (€ 129.5 million) as well as with a net loss for the year of - € 3.5 million (2022: - € 13.7 million), and thus fell short of expectations.

This is partly due to a number of interruptions and, in some cases, longer running times for forgings, particularly in the area of products for energy machine construction. In general, the power generation machinery sector has developed very positively as a result of the transformation to green electricity. Positive impetus is also coming from the input materials area (ingot casting business with Dillinger and nickel-based ingot and bar steel business), for example, and the special materials area. In addition, projects for carbon-neutral energy generation based on nickel-based materials were launched and the first orders were booked. The general mechanical engineering segment declined again, as the price pressure in this market segment continues to be very extreme. The focus here was therefore on contract work and special products.

The 2023 financial year was also characterized by the successful implementation of the measures of the restructuring project. In the area of electricity costs, atypical grid usage helped to contain energy costs. The number of employees went from 422 to 444 during the reporting year.

Outlook

A more stable economy is expected for the 2024 financial year compared to 2023. The positive trend in the power generation machinery sector will continue in 2024 due to the ecological energy transition, particularly in Europe, and the global increase in energy demand. The special materials segment, the nickel-based tools segment and contract forging also provide a positive outlook for 2024. A positive trend is also expected to continue in the input materials segment. The nickel-based ingot and input material business is to be further expanded. In view of these circumstances and on the basis of an improved internal cost structure and lower energy costs compared to the two previous years, Saarschmiede expects net sales to increase in 2024.

Aktien-Gesellschaft der Dillinger Hüttenwerke

Aktien-Gesellschaft der Dillinger Hüttenwerke (Dillinger) is the most important subsidiary of DHS – Dillinger Hütte Saarstahl AG, in which Saarstahl holds a 33.75 % share. Dillinger specializes in the production of high-quality heavy plate and, together with its subsidiary Dillinger France S.A. in Dunkirk, France, is the world leader in this market segment.

In addition to structurally unfavorable conditions such as overcapacity in the heavy plate market, trade restrictions and high third-country imports into the EU, the consequences of Russia's ongoing war in Ukraine impacted the steel and heavy plate market in Europe. The termination of Europe's cooperation with Russia, its most important supplier of energy and raw materials, had far-reaching negative economic consequences. At the same time, there are transitional regulations for Russian deliveries of semi-finished products to the EU that allow the continued import of slabs, which is further exacerbating price pressure on the steel market and leading to inequalities.

A continued contraction in the manufacturing sector – particularly in industrial production – and a sharp decline in the construction industry exacerbated uncertainties in the steel market. In addition, high inflation and the associated interest rate trend led to challenges, particularly for large-scale projects that are integrated into a far-reaching financing structure. This resulted in delays in project execution.

It was largely possible in the financial year to maintain a consistently high level of capacity utilization, resulting in almost identical heavy plate production over the course of the year as in the previous year. Both hot metal purchases, at 2,065 kt (2022: 1,975 kt), and crude steel production, with 2,376 kt (2022: 2,299 kt), changed slightly from the previous year's levels. In addition to supplying slabs for the rolling mill in Dillinger, steel production also essentially covered the slab requirements of Dillinger France in Dunkirk. Production of heavy plate in the two rolling mills (1,837 kt) changed only slightly by - 0.2 % compared to the previous year (1,841 kt) despite significantly higher downtime in Dunkirk due to planned maintenance measures, with 1,288 kt of heavy plate

(2022: 1,261 kt) being produced in Dillinger and 549 kt (2022: 580 kt) in Dunkirk.

Dillinger's net sales amounted to € 2,615 million (2022: € 2,662 million). The company closed the 2023 financial year with positive EBIT of € 321 million (2022: € 347 million) and EBITDA of € 377 million (2022: € 408 million).

The investment volume for Dillinger in 2023 amounted to € 82 million (2022: € 29 million). In particular, planning for the upcoming transformation of steel production was dramatically advanced.

At the end of the reporting year, 3,523 people were employed at the Dillinger site (2022: 3,525). These employees worked at Dillinger itself as well as – in the context of plant management – at ZKS and ROGESA.

Risks and opportunities report

Saarstahl has implemented a Group-wide risk management system, which has been supplemented by a **risk-bearing capacity analysis** since 2021. The methods and tools are continuously developed and are based on recognized standards.

Organization of risk management

The risk management system at Saarstahl 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 Saarstahl.

The risk management system of Dillinger includes all measures aimed at ensuring systematic handling of risk and is focused on risk transparency, risk controllability and risk communication.

- Risk transparency: The aim of corporate risk management is to identify and highlight the main risks associated with 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 Management is informed about the current risk situation at regular intervals and with regard to specific events. Moreover, key risk management issues are discussed with the Supervisory Board.

A network of risk coordinators has been established worldwide to carry out the operational risk management process. Ad-hoc risk reporting has been implemented to supplement the semi-annual risk inventory. This makes it possible to generate a current overview of the risk situation at all times.

The time horizon considered in the risk inventories is not limited. The assessments are generally based on individual assessments by the departments and are not subject to any mathematical/statistical specifications.

The risk topics are analyzed, processed and regularly coordinated with the company management by the corporate risk management department of SHS in coordination with the specialist departments.

As part of the integrated governance, risk and compliance concept, 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 concept for establishing 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.

For external reporting, the information from internal reporting is supplemented and updated. The aim is to reflect the current risk situation. The risk assessment includes quantitative and non-financial, qualitative criteria. Based on this information, the risk is classified as low, medium, high or very high. These categories then reflect the current assessment of the relative extent of risk and are to be understood as a guide to the current significance of the risks for the company.

Organization of opportunity management

Opportunity management at Saarstahl involves the systematic handling of opportunities and potentials. It is directly embedded into the work carried out by the Board of Management of Saarstahl. The transformation program is contributing in important ways. The key opportunities for Saarstahl are discussed in more detail in the following sections.

Strategic opportunities

Steel is indispensable for the sustainable production of renewable energies and for the development of new and climate-neutral mobility solutions. Saarstahl is already producing the steels today that are needed for the energy transition and climate reversal.

The conversion to climate-neutral steel production is the central issue in the company's own transformation program. Saarstahl developed various scenarios early on for switching to reduced-carbon or climate-neutral steel production.

The steel industry in Saarland has set ambitious targets for itself. In 2022, investments of € 3.5 billion were decided – subject to public funding – to transform Saarland's steel industry for the production of green steel. As a result, in addition to the established blast furnace route, new production will be established in the next few years up to 2027 with an electric arc furnace (EAF) at the Völklingen site and an EAF and direct reduction plant for the production of sponge iron on the Dillinger plant site. According to the latest BMWK publication from November 2023, Saarland's economy is expected to be connected to the German core network for hydrogen by the early 2030s. The connection is a precondition for the "green" transformation of the steel industry, which is dependent on

large quantities of hydrogen. In addition, a local, cross-border hydrogen infrastructure is being established upstream together with various partners from the energy/hydrogen production and infrastructure sectors.

With these plans, Saarstahl is seeking to be a pioneer in green steel production in Germany and Europe.

The joint transformation program for Saarstahl and Dillinger also serves to consistently tap into new growth potential and to position themselves with the corresponding products in promising new business areas.

The acquisition of the two plants Saarstahl Ascoval in Saint-Saulve, France, and Saarstahl Rail in Hayange, France, by SHS has made it possible to develop new markets. Saarstahl Ascoval already produces reduced-carbon steel in an electric arc furnace – Saarstahl Rail quality rails – with reduced-carbon steel from Saarstahl Ascoval. As a manufacturer of "green" rails, Saarstahl has a unique selling point in Europe. In addition, SHS gives Saarstahl the opportunity to supply reduced-carbon steel to automotive customers in the near term.

Opportunities also result from Saarstahl's sustainability strategy. The company's activities in the area of Corporate Social Responsibility (CSR) have been repeatedly recognized. The rating confirms the high quality of sustainability management at Saarstahl, which in turn is becoming increasingly important, especially for Saarstahl's business partners.

Operational opportunities

Saarstahl sees business opportunities in the growth strategy derived from the transformation program and in the cost-cutting program. The implementation of the measures developed with regard to increasing productivity, eliminating duplicate structures, bundling sales activities, and closing and relocating areas was again advanced in 2023.

Saarstahl Ascoval has received the declaration of conformity according to IATF 16949:2016. IATF 16949 is a binding international quality management standard for the entire automo-

tive industry supply chain. Customers from the automotive industry who stipulate IATF certification as a requirement for their suppliers' quality management systems can now also be served. Saarstahl Rail has also received approval from the Federal Railway Authority for the modified process route for the production of rails. These rails can therefore now be produced via the "green" electric steel route.

An IT and digitalization strategy was developed in order to further improve from a digital perspective and thus become faster, more efficient and more competitive. To achieve this target vision, a comprehensive IT and digitalization roadmap for modernizing infrastructure, processes and capabilities is being implemented that maps all areas of the company in detail.

External, market and sector risks

Demand for steel is suffering from persistent inflation, high interest rates and high energy prices. Growth in 2023 in the steel processing sectors in Europe is forecast to be just 0.6 %. Apparent steel consumption (= including exports and imports) is expected to fall by 5.3 % in 2023 compared to the previous year. A moderate increase of 0.4 % is expected for 2024.

The already difficult conditions for steel production in Germany are worsening further. The slump is greater in Germany than in the rest of the EU and contrasts with the relatively stable development of demand in other regions outside Europe.

Other drivers of this situation include increasing geopolitical conflicts and the associated economic uncertainties. No agreement has yet been reached in the smoldering trade dispute between the United States and the EU. At their summit on 20 October in Washington, D.C., no agreement could be reached on the Global Arrangement on Sustainable Steel and Aluminum (GSSA). A moratorium agreement concluded in 2021 was extended in December 2023 until 31 March 2025. An escalation of the trade dispute must be avoided here at all costs. After the significant adverse effects of the war in Ukraine, the direct impact of the conflict on Saarstahl has

weakened considerably. In particular, the shortfall in coal and ore deliveries could be offset.

The automotive industry was on course for recovery in 2023. According to forecasts by S&P, light vehicle production will increase by 9 % globally compared to 2022, and by as much as 12 % in Europe. The increase was particularly high in Germany, where an increase in production of 19 % from the previous year is expected. This development was driven firstly by a significant easing of supply chain problems (particularly in the chip sector), and secondly by increased demand with constant double-digit growth rates in the number of new registrations in Europe. For 2024, however, a consolidation of the 2023 level is expected at best. Months of declining new orders, strong international competition for European manufacturers in the electric mobility segment and an increasing reluctance to buy indicate that there will also be no return to the last "normal" year of 2019 in the coming year.

The situation in the European and especially the German mechanical engineering sector is strained with regard to 2024. The cushion of orders that German mechanical engineering companies had been drawing on during 2023 has melted away due to months of declining new orders. The continuing price increases, the uncertain economic outlook in Europe and the resulting reluctance to invest are weighing heavily on the sector. The German engineering association VDMA recently confirmed its forecast of a 2 % year-on-year decline in production for 2023, and a further drop of this magnitude is also expected for 2024.

According to the current forecast, the German construction industry is expecting a decline in net sales of 5.3 % for 2023. The main reasons cited for this were the sharp rise in construction interest rates and persistently high prices for raw materials. A real decline in net sales of 3 % is expected for the coming year. The main driver for the negative outlook is residential construction, while commercial and public construction are expected to stabilize. In the European context, the forecasts are somewhat more optimistic: European construction volume is expected to shrink by only 1 %.

In view of the persistently difficult economic and geopolitical situation as well as of the slight upturn expected by many parties from the middle of next year, the risks for Saarstahl are assessed to be high.

Regulatory risks

Germany is striving to become greenhouse gas-neutral by 2045 and, against this backdrop, to reduce its carbon emissions by 65 % by 2030 compared to 1990.

To further support this transformation and achieve the climate targets, the German government adopted the 2023 Climate Action Program in October. The measures contained in the program are intended to reduce the current gap in climate protection from the 2030 climate target by 80 %.

The federal government's program contains measures for all central economic areas of activity ("sectors") as well as cross-sector measures. It provides a clear transformation roadmap for each of the six largest sectors (including industry) up to 2030. The measures primarily contain a mix of regulatory and subsidy policy instruments as well as measures in the area of training or consulting. Many of the measures in the current program are now being implemented or have already been implemented. For example, the introduction of climate protection contracts to reduce carbon emissions in energy-intensive industries has been initiated.

National measures to reduce emissions are supported by the European Union's reform plans to significantly expand European emissions trading.

In 2023, the European Parliament confirmed the political agreement to reform the EU Emissions Trading System of 18 December 2022. The trilogue agreement provides, among other things, for an incremental reduction in the quantity of carbon certificates – the emission allowances – in the EU Emissions Trading System (ETS-1) by 62 percent by 2030 compared to 2005 (previously 43 percent). The price of carbon emissions is thus set to increase by this means. The rules for the free allocation of allowances have also been extensively revised. The allocation of allowances at no cost for

the aviation sector and for the industrial sectors, which will be protected in the future from the risk of carbon leakage by the carbon border adjustment mechanism in future, is to be phased out. 117 million allowances for the emission of carbon dioxide are to be canceled. In doing so, the EU aims to make it more cost-effective for companies to convert their production processes to clean technologies. The long-term goal is a climate-neutral economy.

For Saarstahl, the stricter rules for emissions trading mean that there will be a significant additional financial burden due to the allowances that have to be purchased.

All of this is associated with high risks for the steel industry in the medium and long term. Long-term planning security is required to achieve the climate targets, and in particular to initiate the necessary investments. The basis for this is reliable forecasts based on appropriate political framework conditions (e.g. climate protection agreements, CAPEX and OPEX funding, hydrogen strategy, industrial electricity price, creation of "green" lead markets to compensate for the higher costs of decarbonized production).

Saarstahl and Dillinger are pursuing the proactive strategy of carbon-neutral steel manufacturing. The extensive investments decided in 2022 (see comments regarding "Strategic opportunities") are aimed at decarbonizing Saarland's steel industry. Starting as early as 2027, plans call for up to 3.05 million tons of carbon-neutral steel to be produced annually in Saarland and for carbon emissions to be cut by 4.9 million tons when compared to 1990.

The risks are being countered operationally through the climate-compatible restructuring of steel production, including the planned use of hydrogen and the development of innovative technologies. Even one year after the investment package adopted by Saarland's steel industry, many of the necessary external framework conditions have not yet been achieved. To achieve a reduction in global carbon derived from the economic activities of SHS, integrated decarbonization measures are required along the entire economic chain,

over which SHS has little or sometimes no influence. However, these external measures also have an impact on direct emissions at the sites in Saarland, such as through the sufficient availability of hydrogen, which can be used to substitute the use of fossil natural gas. A high monetary burden due to carbon pricing is also to be expected in the case of transformed steel production, which will be exacerbated by expiration of the free allowances via the Carbon Border Adjustment Mechanism (CBAM).

The funding decisions from the German government were received in January 2024. In December 2023, the European Commission officially announced its approval of the € 2.6 billion German aid measure to support SHS - Stahl-Holding-Saar in decarbonizing its steel production through the use of hydrogen.

Without the availability of sufficient and competitively priced "green" electricity, and therefore also hydrogen, a successful transformation will not be possible. Implementation of a "green steel premium" is also a precondition for the economic success of the green transformation.

We classify the risks for Saarstahl from regulatory developments as **high**.

Risks from operating activities

Production risks

Stoppages, property damage and/or quality risks may occur in the production facilities of Saarstahl. 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. Risks are countered through continuous investment in state-of-the-art equipment and through systematic methods and innovative diagnostic systems for preventive and condition-based maintenance. In addition, the quality assurance system, which is certified in accordance with international standards, is being consistently improved.

Procurement risks

The raw materials for the bulk goods required for hot metal production are procured worldwide. The multitude of geopolitical crises could therefore have a negative impact on the procurement situation. The effects of the Russia-Ukraine conflict were minimized through allocations of raw materials. However, both availability and price conditions as well as transport capacities may be subject to strong fluctuations depending on the current situation and the intensity of other crises.

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/trader (natural hedge) or with derivatives, depending on the market situation. In addition, alternative possibilities for making the use of raw materials more flexible are constantly being tested and evaluated.

The inflow situation has not changed significantly compared to 2022. The effects of infrastructure measures to achieve climate-neutral transport, particularly at Deutsche Bahn, are coordinated bilaterally and at federation level in order to minimize the impact on our industry. These cannot yet be definitively estimated at the present time, however.

When providing raw materials for the production facilities, any short-term shortages of input materials have varying degrees of impact on the quality and costs of the various production facilities and steps. Operational countermeasures are used to counteract the risks on an individual basis.

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.

As part of implementing the obligations under the Supply Chain Duty of Care Act, SHS has identified relevant business processes and subjected its suppliers to a risk analysis. Preventive measures were subsequently implemented and

corrective measures have been defined and are applied accordingly as needed.

IT and cyber risks

Information processing contributes in important ways to Saarstahl's competitiveness. The availability of correct data and information flows is of central importance. Specific information technology areas are consolidated centrally. Risks exist in the interruptions in key production and management systems within the value chain. The risk of unavailability or to integrity can in particular arise due to system access by unauthorized third parties. In addition, the confidentiality of the data and information may be compromised by industrial espionage or sabotage, for example. There are also general threats from cybercrime and cyberfraud. The changing global boundary conditions in 2022 mean that cyber risks are on the rise.

In 2023, IT security incidents are considered one of the biggest business risks worldwide for the second year in a row. Saarstahl counters these risks by continuously monitoring and updating the software used and the information technology protection systems by Group IT. At the same time, the Information Security department is being strengthened by increasing staffing levels in order to advance the development of an information security management system and respond quickly and appropriately to cyber security events, including threats and incidents.

In addition to the use of modern technologies, emergency planning and drills are part of the information security concept and, alongside practical preparation for possible incidents, serve to continuously optimize IT operating processes. It is essential for effective protection that employees have sufficient knowledge and awareness of cyber risks. The focus in 2023 was therefore placed on these topics and an awareness campaign was launched. Furthermore, business impact analyses are carried out, which also address IT and ISM issues.

Close cooperation between departments and data protection officers ensures that personal data is always processed in accordance with the regulations of German Data Protection Law.

Human resource risks

For Saarstahl as a manufacturer of products with high technological standards and quality, qualified specialists and executives and their strong commitment to the success of the company are of primary importance.

In view of this, Saarstahl 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 risk by providing training in various vocational fields. To come into contact with suitable people, Saarstahl engages in a wide range of recruiting efforts. 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.

As part of the upcoming transformation of the steel industry, highly qualified specialists are increasingly needed and also recruited. Due to the medium- and long-term development of the labor market (including a shortage of skilled workers), a targeted and proactive approach to recruiting potential applicants is a precondition. Corresponding image and advertising campaigns have been initiated and must be continued – especially in the area of training.

Environmental risks

The production processes in hot metal and steel production as well as heavy fabrication involve innate process-related environmental risks including contamination of air and water. Saarstahl 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. 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.

We continue to assess the risks from cyber threats as **moderate** due to the dynamics in this area, and the other risks from operating activities as **low**.

Financial risks

It is of central importance for Saarstahl to ensure the financial independence of the company by coordinating its financial requirements. To do so, the financial risks are actively managed and limited. This is supported by integrating the Finance department under the umbrella of SHS. Use of an IT-supported treasury system simplifies control and enables processes to be mapped more efficiently.

Price, volume and currency risks on the procurement side result from concluded delivery obligations for the future. To effectively contain these risks, Saarstahl uses financial instruments such as forward contracts and/or derivatives as over-the-counter (OTC) or exchange-traded instruments. 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 always secured by means of credit insurance. The resulting risk of default can therefore be considered low.

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 Saarstahl.

The major task of transformation for the production of green steel and its marketing will result in financing requirements that go far beyond previous financing and will be repaid over a long time horizon. This also increasingly concerns the hedging of long-term procurement and sales contracts. This results in a higher exposure to external risks, in particular

interest rate and inflation risks, as well as higher requirements from the monitoring of financing conditions.

To effectively counter these and other fundamental financial challenges of financing the “green” transformation, a project organization was created that continuously monitors the main potential risks and mitigates them with appropriate countermeasures. Key activities in this regard include:

- Securing the business plan and the financing concept based on it and the underlying assumptions
- Designing and acquiring a resilient financing structure including complementary and alternative components
- Creating a financing reserve to secure liquidity requirements for the "green" transformation
- Continuous monitoring and management of liquidity, interest rate and inflation risks

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

In general, hedging instruments are not employed separately from the underlying performance-related hedged item. They are regularly monitored and 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 listed hedging instruments is presented in detail under notes to the balance sheet in the notes to the financial statement and the consolidated financial statement.

The hedging relationship for each risk (except loans) is at the level of an anticipatory portfolio hedge. For hedges in the area of loans, this is done at the micro-hedge level. The variable interest rate of the respective underlying transaction is swapped for a fixed interest rate (SWAP).

Ongoing financial and liquidity plans and a far-reaching cash management concept ensure the company's liquidity at all times.

The financial risks as a whole are considered to be **moderate**.

Legal risks and compliance risks

The company is currently involved in various proceedings, the outcome of which are open. In addition, there is a risk after major proceedings have already been concluded that various civil proceedings will follow or that further settlement discussions will have to be held. In another proceeding, a leading decision by the Federal Supreme Court has resulted in a general worsening of the legal position. Saarstahl and a subsidiary are affected here.

For very specific issues that reach beyond German and French jurisdictions, Saarstahl also procures the expertise of 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 Saarstahl was continued by the Compliance Committee in the past financial year. Among other things, the focus was on the Supply Chain Duty of Care Act (LkSG), which took effect on 1 January 2023. The Compliance Committee is responsible for monitoring risk management as defined in Section 4 (3) LkSG.

Compliance events and publications on specific topics continue to be used preventively to encourage conduct in accordance with the rules and with integrity. Continued use of an eLearning tool makes it possible to access the training content worldwide and in various languages. An independent, structured procedure for reporting and processing tips has been implemented.

A Group Data Protection Officer (iDSB) has been appointed for the practical implementation of the General Data Protection Regulation, which came into force in May 2018. This is supplemented by local data protection officers where necessary. A data protection policy was adopted by the Board of Management in April 2023, and data protection coordinators were appointed and trained throughout the steel plant. Data protection training courses are being prepared.

Compliance with international sanctions in connection with the Russia-Ukraine war was granted, especially in connection with the supply of raw materials, but also from a distribution perspective as far as foreseeable on the basis of a strict but justifiable interpretation of these sanctions. The risk of a lawsuit being filed by affected suppliers of the hot iron supplier ROGESA has decreased.

The risks are classified as **moderate**.

Overall assessment of the opportunity and risk situation

The strategic risks resulting from the difficult conditions for steel production in Germany and the economic and geopolitical conditions pose major challenges. The transformation program is viewed as the biggest challenge as well as a great opportunity to secure the future viability of Saarland's steel industry. Now that the funding amount of around € 2.6 billion has been approved, the support has also been officially authorized.

The interdepartmental Power4Steel project group is responsible for managing and monitoring this ambitious transformation project internally. To manage the challenging technical and timeline aspects of implementing the project, the company is cooperating with experienced external business partners. We are also in regular contact with the authorities responsible for the funding.

Overall, there are no discernible risks that could endanger the company's continued existence.

Forecast report

General economic conditions

In 2024, the global economy will continue to face the challenges of the previous year and is expected to grow more slowly than in 2023. According to the OECD, global GDP growth is expected to be +2.7%, and +3.0% in 2025. The pace of growth in the individual regions is uneven, and the emerging markets are generally developing better than the advanced economies. Growth in the United States (+ 1.5 %), the eurozone (+ 0.9 %) and Germany (+ 0.6 %) will therefore be relatively subdued compared to the major Asian economies such as India (+ 6.1 %) and China (+ 4.7 %).¹³

Nevertheless, the OECD's economic growth forecast for China is also fraught with uncertainty. End-consumers remain anxious, particularly in view of the ongoing crisis on the housing market. It therefore remains to be seen whether the economic policy measures announced in mid-2023 will lead to tangible changes.¹⁴

This uncertainty also influences possible economic development in the EU and in Germany. An unexpected downturn in the domestic economy in China could also have a negative impact on German exports. Other uncertainties are also affecting the potential economic outlook. These include the war in Ukraine, the tightening of monetary policy as a result of high inflation and, finally, further geopolitical tensions in the Middle East in connection with the Israeli-Palestinian conflict, which are likely to put further pressure on economic confidence and energy prices.

Steel market

For 2024, worldsteel expects global demand for steel to grow by 1.9 % to 1.849 billion tons (2023: 1.814 billion tons).¹⁵ In view of the delayed effect of restrictive monetary policy, a rather slow recovery is expected in the advanced economies, while demand in the emerging markets is likely to grow faster.

For the European steel market, EUROFER is forecasting a recovery in steel consumption of + 7.6 % compared to the previous year, assuming positive development in the industrial sector and an associated increase in demand for steel.¹⁶ However, the overall trend in demand for steel is still subject to a great deal of uncertainty.

Main customer industries

Global production of almost 89.4 million light vehicles¹⁷ is forecast for the automotive industry, which is almost the same number as in 2023. Only a minimal decline is also expected for Europe (to 17.4 million units). NAFTA and China, on the other hand, will record a slight increase in production (to 15.7 million UAH and 28.6 million units respectively). A slight increase in production is also expected for Germany (to 4.4 million units). However, import pressure from third countries is growing, particularly in the area of electric vehicles.¹⁸

Due to the ongoing economic risks, mechanical engineering customers have become more cautious with their orders for machinery and equipment. Companies are no longer benefiting from high order backlogs.¹⁹ Sales in the global mechanical engineering sector are expected to stagnate, while a decline of 2 % is forecast for the EU-27. A decline of 4 % is also expected in Germany.²⁰

The situation in the construction industry remains critical and the recession will continue into 2024. The high interest rates are having a negative impact on construction activity, with residential construction being the hardest hit. Civil engineering, which is benefiting from the expansion of infrastructure, is having a stabilizing effect. For these reasons, the main construction industry is forecasting a further 2 % decline in real net sales in Germany.²¹ Minimal growth of 0.2 % is expected in Europe.²²

Development of Saarlust

In view of the current economic uncertainties, demand for the steel products wire rod and bar steel remains uncertain for 2024, meaning that the company faces a number of challenges for the 2024 financial year.

The ongoing uncertainty on the Saarlust side will be countered with an extensive sales campaign initiated in the second half of 2023. The aim is to expand sales volumes through proactive customer campaigns and structural development of business areas and market segments, among other things. In addition, the product portfolio is being expanded through the manufacture of steel products with a reduced carbon footprint; the number of qualified homologations for low-carbon steel products is continuously increasing in line with this expansion. The initiatives are expected to lead to significant improvements in sales volumes in 2024.

The positive trend in new orders from the fourth quarter of 2023 continued at the start of 2024. In the first two months, these are not only slightly above the average level of new orders from the fourth quarter of 2023, but even slightly above the currently planned sales volumes, significantly exceeding

¹³ BDI "Global growth outlook 11/2023: Global economy growth remains weak in 2024, November 2023"

¹⁴ OECD "Economic outlook, Volume 2023 Issue 2, November 2023"

¹⁵ worldsteel "Short Range Outlook", October 2023

¹⁶ EUROFER "Economic and steel market outlook 2023-2024", October 2023

¹⁷ Vehicles up to 3.5 t

¹⁸ S&P (2023), WV Stahl "Background information on the steel industry November 2023"

¹⁹ WV Stahl "Background information on the steel industry November 2023"

²⁰ VDMA (2023): "Mechanical Engineering Economy International November 2023", VDMA (2023): "Germany: Economic bulletin December 2023"

²¹ WV Stahl "Background information on the steel industry November 2023"

²² EUROFER "Economic and Market Outlook 2023-2024, Fourth Quarter", WV Stahl "worldsteel Short Range Outlook 2023/2024 - Summary of results - October 2023"

the weak level of new orders from the first three quarters of the previous year. This has also led to a significant increase in the order backlog and an improvement in the average production workload compared to the previous year.

From today's perspective, new orders are expected to remain at a high level in the coming months and, taking into account the current order backlog, production and sales volumes will improve slightly compared to the current level. However, the company will not be able to completely escape the price pressure and demand volatility in the steel industry, and Saarstahl is therefore expecting average revenues in 2024 in individual business areas to be above the level at the end of 2023, but slightly below the previous year's average overall. In light of the current development of input and raw material costs as well as the demand-supply situation on the steel market, revenue for steel products will not reach the very high average revenue of the first half of 2023.

In addition to the sales campaign, Saarstahl AG is planning to implement a comprehensive cost-cutting program with the aim of improving margins in the short term and strengthening its competitive position in the long term. At the same time, the development of prices for raw materials and energy costs is expected to have a positive impact due to falling electricity and gas prices. This also applies to the operating modes of the plants, which will be utilized to a significantly higher extent and thus will minimize the block downtimes and persistent underutilization that was the case in 2023. The integration of Saarstahl ASCOVAL and Saarstahl RAIL, which became direct subsidiaries of the company on 1 January 2024, will enable Saarstahl to optimize management of the production of semi-finished products in the German and French steel plant.

Saarstahl expects significantly higher net sales in 2024, primarily due to a considerable increase in volumes compared to the previous year. This will significantly improve the earnings situation and the key earnings figures relevant for management. However, this will require a gradual economic recovery and the implementation of the planned cost-cutting measures. After taking into account an expected positive – but lower – income from participating interests compared to the previous year, the company will close the financial year with a significantly improved EBITDA, although earnings from operations (EBIT) and overall earnings will still be negative as a whole due to a very difficult market environment and high raw material and energy prices as well as to follow-on effects.

Saarstahl is fully committed to the Paris climate targets and is continuing to work together with Dillinger toward the goal of carbon-neutral steel production. This gigantic project requires a comprehensive conversion of production and presents the companies with immense challenges. At the same time, the Power4Steel project for the decarbonization of steel production through the use of hydrogen, which is being funded with € 2.6 billion by the federal government and the Saarland state government, offers opportunities to tap into new growth potential. The companies are consistently pursuing a reduction strategy until the complete conversion to carbon-neutral steel production.

Final statement of the Board of Management regarding the Dependent Company Report in accordance with Section 312 of the German Stock Corporation Act (AktG)

With regard to the legal transactions and measures listed in the report on relationships with affiliated companies, our company received appropriate consideration for each legal transaction according to the circumstances known to us at the time

the legal transactions were carried out or omitted and was not disadvantaged by the fact that measures were taken or omitted.

Völklingen, 28 March 2024



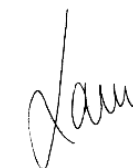
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JOERG DISTELDORF



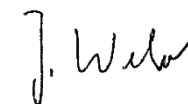
**DANIËL NICOLAAS
VAN DER HOUT**



MARKUS LAUER



DR. PETER MAAGH



JONATHAN WEBER

Annual Financial Statement

Balance Sheet

Assets

€ thousand

	31/12/2023	31/12/2022
A. Fixed assets		
I. Intangible assets	784	494
II. Tangible assets	431,800	433,496
III. Financial assets	655,650	687,195
	1,088,234	1,121,185
B. Current assets		
I. Inventories		
1. Raw materials and supplies	88,611	98,927
2. Work in process	33,302	53,326
3. Finished goods and merchandise	369,160	436,776
4. Customer advance payments	-1,406	-2,066
	489,666	586,963
II. Receivables and other assets		
1. Trade accounts receivable	167,735	236,117
2. Receivables from affiliated companies	288,774	259,905
3. Receivables from companies in which the company has a participating interest	13,075	13,899
4. Other assets	42,879	14,864
	512,463	524,785
III. Securities		
Other securities	100	0
IV. Cash and bank balances	160,459	159,339
	1,162,688	1,271,087
C. Accruals and deferrals	56	29
C. Positive difference from asset allocation	265	368
	2,251,243	2,392,669

Shareholders' Equity and Liabilities

€ thousand	31/12/2023	31/12/2022
A. Shareholders' Equity		
I. Subscribed capital	200,000	200,000
II. Capital reserve	41,313	41,313
III. Earning reserves	917,730	917,730
IV. Retained earnings	592,599	662,074
	1,751,642	1,821,117
B. Accruals and Provisions		
1. Accruals for pensions and similar obligations	274	19
2. Tax provisions	471	6,310
3. Other accruals and provisions	172,537	191,003
	173,282	197,332
C. Liabilities		
1. Bank loans and overdrafts	151,940	216,035
2. Trade accounts payable	53,762	47,538
3. Payables to affiliated companies	44,359	56,148
4. Payables to companies in which the company has a participating interest	57,807	30,195
5. Other liabilities	17,763	23,585
	325,631	373,501
D. Accruals and deferrals	688	719
	2,251,243	2,392,669

Profit and loss statement

€ thousand	FY 2023	FY 2022
1. Net sales	1,845,875	2,630,559
2. Changes in inventory and other own work, capitalized	-87,528	99,059
3. Other operating income	10,962	21,050
	1,769,309	2,750,668
4. Cost of materials	1,378,807	1,894,763
5. Personnel expenses	266,323	274,620
6. Amortization and depreciation of intangible and tangible fixed assets	40,836	41,019
7. Other operating expenses	219,339	261,335
	-135,996	278,931
8. Income from participating interests	62,247	16,226
9. Net interest income	4,137	-1,508
10. Taxes on income	-2,031	30,942
11. Result after tax	-67,581	262,707
12. Other taxes	1,894	2,603
13. Net loss (previous year: net income)	-69,475	260,104
14. Profit brought forward from the previous year	662,074	401,970
15. Retained earnings	592,599	662,074

Change in fixed assets

€ thousand	Acquisition and production cost				Amortization and depreciation				Net book value		
	01/01/2023	Additions	Disposals	Transfers	31/12/2023	01/01/2023	Additions	Disposals	31/12/2023	31/12/2023	31/12/2022
I. Intangible assets											
1. Purchased licences, industrial property rights and similar rights	1,157	143	116	452	1,636	663	305	116	852	784	494
2. Advance payments made	-	-	-	-	-	-	-	-	-	-	-
	1,157	143	116	452	1,636	663	305	116	852	784	494
II. Tangible assets											
1. Land, land rights and buildings, including buildings on third-party land	413,824	1,326	562	623	415,211	308,742	6,366	538	314,570	100,641	105,082
2. Technical equipment and machinery	1,285,471	11,503	2,034	4,775	1,299,715	1,003,025	29,576	2,034	1,030,567	269,148	282,446
3. Other equipment, plant and office equipment	119,512	4,013	3,418	1,193	121,300	85,731	4,589	3,293	87,027	34,273	33,781
4. Prepayments on tangible assets and assets under construction	12,187	22,854	260	- 7,043	27,738	-	-	-	-	27,738	12,187
	1,830,993	39,695	6,274	- 452	1,863,964	1,397,498	40,531	5,865	1,432,164	431,800	433,496
III. Financial assets											
1. Shares in affiliated companies	320,833	20,101	18,100	-	322,834	78,794	-	-	78,794	244,040	242,039
2. Loans in affiliated companies	104,549	-	30,546	-	74,003	-	-	-	-	74,003	104,549
3. Participating interests	283,107	-	-	-	283,107	-	-	-	-	283,107	283,107
4. Loans to companies in which the company has participating interest	12,500	-	-	-	12,500	-	-	-	-	12,500	12,500
5. Other loans	45,000	-	3,000	-	42,000	-	-	-	-	42,000	45,000
	765,990	20,101	51,646	-	734,444	78,794	-	-	78,794	655,650	687,195
	2,598,140	59,939	58,036	-	2,600,044	1,476,955	40,836	5,981	1,511,810	1,088,234	1,121,185

List of shareholdings

€ thousand	Share of capital	Shareholders' equity 31/12/ 2023	Net income for FY 2023	
1. AFFILIATED COMPANIES				
a) Companies in Germany:				
Saar-Blankstahl GmbH, Homburg	100.0 %	42,022		1)
Saar-Bandstahl GmbH, Völklingen	100.0 %	10,897		1)
Saarstahl-Export GmbH, Völklingen	100.0 %	1,585		1)
Metallurgische Gesellschaft Saar GmbH, Völklingen	100.0 %	5,123		1)
Saarschmiede GmbH Freiformschmiede, Völklingen	100.0 %	36,557	- 3,531	
Drahtwerk St. Ingbert GmbH, St. Ingbert	100.0 %	20,869	- 3,009	
Saarstahl Beteiligungsgesellschaft mbH, Völklingen	100.0 %	6,480	- 7	
DWK Drahtwerk Köln GmbH, Köln	100.0 %	4,524	- 4,841	
SIB-Immobilien-gesellschaft mbH, Völklingen	100.0 %	55	5	
Neunkircher Eisenwerk Wohnungsgesellschaft mbH, Völklingen	100.0 %	9,437	281	
FORGE Saar GmbH, Dillingen	100.0 %	192	14	
FORGE Saar Besitzgesellschaft mbH & Co KG, Dillingen	100.0 %	89,476	94	2)
Schweißdraht Luisenthal GmbH, Völklingen	100.0 %	2,548	342	
Saarstahl Rail Holding GmbH i.L., Völklingen	100.0 %	94	0	
45. Saarstahl Beteiligungsgesellschaft mbH i.L., Völklingen	100.0 %	35	- 6	
GreenSteel project GmbH, Völklingen	100.0 %	92	- 4	

¹⁾ A profit and loss transfer agreement exists.

²⁾ The general partner of Forge Saar Besitzgesellschaft mbH & Co.KG is Forge Saar GmbH.

€ thousand	Share of capital	Shareholders' equity 31/12/ 2023	Net income for FY 2023	
b) Foreign companies:				
Secosar S.A.S., Bussy-Saint-Georges / Frankreich	100.0 %	11,386	- 1,793	
Saarstahl AG, Zürich / Schweiz	100.0 %	17,613	592	3) 4)
Les Aciers Fins de la Sarre S.A., Liège / Belgium	100.0 %	6,956	947	3)
Acciai della Saar S.r.l., Milan / Italy	100.0 %	687	46	3)
Saarsteel Inc., New York / USA	100.0 %	432	9	3) 4)
Saarstahl (S.E.A.), Petaling Jaya / Malaysia	100.0 %	51	2	3) 4)
Conflandey Industries S.A.S., Port-sur-Saône / France	100.0 %	11,856	- 1,740	
Saarstahl Ibérica S.A., Sant Just Desvern Barcelona / Spain	100.0 %	788	47	3)
FILMETAL S.A., Bussy-Saint-Georges / France	99.8 %	2,306	78	
EUROFIL Polska sp. z.o.o., Warsaw / Poland	98.0 %	- 17	- 6	3) 4)
Saarstahl Shanghai Limited, Shanghai	100.0 %	457	- 15	3) 4)
Saarstahl Export India Pvt Ltd, Mumbai / India	100.0 %	149	4	3) 5)
Saarstahl Demir Celik, Istanbul / Turkey	100.0 %	37	7	3) 4)
Saarstahl s.r.o. Ostrava / Czech Republic	100.0 %	332	12	3) 4)

³⁾ No final result was available when the annual financial statement was compiled. The figures are for the previous year.

⁴⁾ Currency of the country converted into €.

⁵⁾ Last annual financial statement on 31/03/2023.

€ thousand	Share of capital	Shareholders' equity 31/12/ 2023	Net income for FY 2023	
2. PARTICIPATING INTERESTS				
DHS - Dillinger Hütte Saarstahl AG, Dillingen	33.8 %	2,720,604	202,916	6)
Dillinger Hütte und Saarstahl Vermögensverwaltungs- und Beteiligungs-OHG, Dillingen	50.0 %	272,217	6,922	
ROGESA Roheisengesellschaft Saar mbH, Dillingen	50.0 %	301,636		1)
Dillinger Saarstahl America LLC., Wilmington	50.0 %	23	4	3) 4)
Kraftwerk Wehrden GmbH, Völklingen	33.3 %	36	- 20	7)
Dillinger Saarstahl UK LTD. Scunthorpe, UK (formerly Dillinger Hütte UK LTD.)	50.0 %	127	- 45	7) 4)

¹⁾ A profit and loss transfer agreement exists.

³⁾ No final result was available when the annual financial statement was compiled. The figures are for the previous year.

⁴⁾ Currency of the country converted into €.

⁶⁾ Consolidated financial statement – DHS holds 10 % of own shares.

⁷⁾ No final result was available when the annual financial statement was compiled. The figures are preliminary (1-12).

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