Executive Summary of the 2024 Financial Statement

saarstahl

We are Pure Steel+

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Contents*

*)This abridged English-language financial statement is an excerpt from the annual report of Saarstahl for the 2024 financial year. This publication does not constitute the complete form required by law (for this, please see the 2024 Annual Report of Saarstahl in German).

Key figures at a glance

		2023	2024	Change
Hot metal purchase	kt *)	1,474	**1,886**	28.0 %
Crude steel production	kt	1,703	**2,183**	28.2 %
Rolled steel production	kt	1,547	**1,824**	17.9 %
Völklingen	kt	393	**344**	– 12.5 %
Burbach	kt	577	**825**	43.0 %
Neunkirchen	kt	577	**655**	13.5 %
Shipped steel products	kt	1,632	**1,942**	19.0 %
Net sales	€ million	1,846	**1,858**	0.7 %
Germany	€ million	1,013	**1,031**	1.8 %
Other EU countries	€ million	490	**531**	8.4 %
Third countries	€ million	343	**296**	– 13.7 %
Workforce (excluding trainees) as at 31/12		3,434	**3,347**	
Personnel expenses	€ million	266	**269**	
Balance sheet total	€ million	2,251	**2,401**	
Fixed assets	€ million	1,088	**1,115**	
Investments	€ million	40	**55**	
Shareholders' equity	€ million	1,752	**1,704**	
EBITDA	€ million	– 35	**– 18**	
EBIT	€ million	– 75	**– 60**	
Net loss for the year	€ million	– 69	**– 47**	
Operating cash flow	€ million	31	**29**	

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

Hans-Joachim Welsch | Saarlouis
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Chief Technology Officer

Daniël Nicolaas van der Hout
Member of the Board of Management,
Chief Commercial Officer

Jonathan Weber
Member of the Board of Management,
Chief Transformation Officer

Report of the Board of Management

(Management Report)

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 a variety of grades and for a wide range of technical applications. The most important business areas include automotive, general mechanical engineering and the construction industry, although other steel processing sectors are also supplied. 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 companies 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 Ascoval 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. Following acquisition of Saarstahl Rail and Saarstahl Ascoval from SHS – Stahl-Holding-Saar on 1 January 2024, the two companies are now direct subsidiaries of Saarstahl.

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 the Montan-Stiftung-Saar Trust.

Financial report

Overall economic and sector-related conditions

The global economy proved resilient in 2024. Inflation has fallen further in the direction of targets set by the central banks, while growth has remained stable and international trade has picked up again. The OECD therefore expects global GDP growth of 3.2 % in 2024 (2023: + 3.2 %).

The performance of the Chinese economy weakened in the past financial year. The OECD expects a growth rate of + 4.9 % (2023: + 5.2 %).

In the United States, the economy has proved remarkably robust over the past two years in the face of rising interest rates. The OECD forecasts economic growth of 2.8 % (2023: + 2.9 %).

Economic weakness persisted in the eurozone in 2024 due to political uncertainty, inflation, lacking consumer confidence, high energy prices, and the associated problems for goods producers. According to the OECD, annual GDP growth will therefore amount to only + 0.8 % (after + 0.5 % in 2023).

The German economy continued to stagnate in 2024. High interest rates, persistently high inflation and an accompanying decline in private consumption, international conflicts and the continuing weakness of exports – particularly to the important markets of China and the United States – were the main reasons GDP stagnated, according to the OECD (0.0 %, 2023: - 0.1 %).

Steel market
Demand for steel suffered considerably from global overcapacity, unfair trade and, in particular, high energy costs. The outlook for the European steel market progressively worsened as weak demand, a decline in the steel processing sectors and a consistently high proportion of imports weighed on the situation. Germany, where demand fell sharply, was particularly hard hit. The high electricity prices, which are not competitive compared to other European countries, exacerbated the problems.

According to the current forecast, steel consumption in Europe will not increase in 2024 by 1.4 %, as originally expected, but instead is likely to fall again by 1.8 % (2023: - 6 %).
The outlook for production in the steel processing industries has also deteriorated for 2024 (- 2.7 % instead of - 1.6 %). The World Steel Association (worldsteel) forecast a 7 % decline in demand for steel in Germany in October 2024, after a slight increase was expected in the spring. Other drivers of this situation include ongoing geopolitical conflicts and associated economic uncertainties.

Development of main customer industries
The situation in the German automotive industry – Saarstahl's main customer sector – has deteriorated considerably. The industry is struggling with a combination of slow electrification, intense competition from Chinese manufacturers and a weak economy, which is manifesting in sales problems and an investment backlog. The order backlog from the time of the pandemic and supply chain problems has now been processed, but there have not been enough new orders to utilize production capacity. For Europe (EU27 + UK), the production of light vehicles (passenger cars and light commercial vehicles) is forecast to fall by around 7 % in 2024. The decline in Germany is somewhat more moderate at around - 2.0 %, but the sector is still far from a satisfactory production level here as well. A decline in production of around 2 % is also expected at a global level.

The German mechanical engineering sector, another important customer industry, continued the downward trend that began in fall 2022 in 2024. In the first three quarters of the year, price-adjusted production was 7.5 % below the previous year's level. In view of the continued weak order intake, the VDMA revised its forecast downward for real production in 2024 from a decline of 4 % to 8 % at the beginning of December.

In the construction industry, the third main customer sector, the lack of orders in residential construction worsened over the course of 2024. The ECB's interest rate cuts have not yet had any noticeable effect. According to the ifo Institute, however, fewer orders are now being canceled. The commercial sector continued to account for the lion's share of construction investment, where there was also a decline in incoming orders. However, the decline in building permits eased. Civil engineering activity remained stable. The Federation of the German

Construction Industry (HDB) expects a real decline in sales of 4.0 % in 2024, following a drop of 5.2 % in 2023. Residential construction remains particularly problematic (- 12 %) as weakness here cannot be offset by the more stable segments of commercial construction (+ 1.5 %) and public construction (- 0.5 %).

Business performance

With the failure of economic recovery to materialize in 2024, demand for steel in Germany remained at a low level for another year. At the same time, high steel import volumes into the EU from third countries remained unchanged, which in fact led to a continuous increase in the proportion of steel demand being fulfilled over the course of the year. Raw material procurement and energy prices fell for the most part, but energy costs still did not reach an internationally competitive level. Despite these difficult economic conditions, Saarstahl increased its incoming orders compared to the previous year, primarily due to massive reductions in revenue and margin quality.

The increase in customer orders enabled the targeted higher production capacity utilization to be achieved in key operating areas. As a result, plant capacity utilization increased in the current financial year, which led to a significant reduction in the number of block operations in the rolling mills and in the number of employees working short-time. In light of uncertain expectations, the projections in the 2024 forecast were not fully achieved, but production and sales figures increased significantly compared to the previous year; both the hot metal purchase (1,886 kt, 2023: 1,474 kt) and crude steel production (2,183 kt, 2023: 1,703 kt) rose by around 28 % for the year as a whole, while shipments increased by 19 % from 1,632 kt to 1,942 kt.

In the first half of the year, it was largely possible to maintain average revenue at the level of the last quarter of the previous year; higher pressure on revenue in the steel market due to falling demand and growing free capacity at German and European manufacturers, as well as lower market prices for input and procurement prices in the meantime, increasingly intensified the pressure on revenue, which led to continuous adjustments in the average revenue from steel products in the third quarter and even more so in the fourth quarter. Saarstahl was only able to compensate for the decline in average revenues to a limited extent through equivalent cost reductions, which was clearly reflected in the earnings for the second half of the year.

In addition to the lower growth in sales volumes, the noticeably lower average revenue and the associated margin development in particular led to net sales and earnings that were below expectations for the 2024 financial year. Average net sales fell by around 15 % compared to the previous year, while the operating result improved by only around € 16 million compared to the previous year. Saarstahl closed the 2024 financial year overall with a net loss.

Earnings position

Changes in the product mix for quality and special steel and a significant increase in revenue pressure in the second half of the year caused average revenue for steel products to fall by around 15 % overall in the current year 2024. At the same time, the shipped quantities increased by 310 kt or 19.0 % to 1,942 kt, resulting in net sales of € 1,858 million. This slightly exceeded the previous year's net sales (€ 1,846 million), with higher sales volumes in the quality steel product group compensating for both the decline in sales in the special steel product group and the fall in average revenue for quality and special steel. Compared to the previous year, net sales in Germany, the strongest market in terms of sales, and in the rest of the European Union increased by € 18 million and € 41 million respectively, while net sales in non-EU countries fell by € 47 million or 13.7%.

However, the expectations in the projections for 2024 could not be achieved. Efforts to increase production and shipment volumes compared to the previous year increasingly required adjusting revenue-oriented order management in an environment of generally weakened market dynamics, while steel imports into the EU remained high. This enabled sales volumes to be increased considerably compared to the previous year, although average revenues fell much more sharply than projected for the year as a whole.

The increase in the value of finished products and work in process in the current financial year was primarily due to the volume-related change in semi-finished products. Total operating revenue increased accordingly by € 135 million compared to the previous year and amounted to € 1,893 million in the 2024 financial year (2023: € 1,758 million).

In light of the average decline in revenue for steel products, the material intensity measured in relation to total operating revenue increased again, from 78.4 % in the previous year to 80.0 % in the current year. In Saarstahl was often confronted the 2024 financial year with procurement prices that remained at a high level, even though the average prices for the majority of input materials were, as expected, below the respective previous year's figures. This also applied to hot metal, which the company obtains exclusively from ROGESA. Increased production capacity utilization at ROGESA, lower prices for coke and injection coal, and lower prices for ores and pellets caused hot metal costs to fall by around 10 % on average over the year. Persistently high energy costs, particularly for electricity, gas and oxygen, led as expected to considerable expenses for the company. Despite an increase in consumption, energy costs at Saarstahl fell by around € 30 million/14 %. This was offset by the price development for the use of steel scrap. This increased by 35 % compared to the previous year. The price development for alloys was again highly mixed. Purchased services were reduced by 12 % or € 17 million below the previous year's figure, which was almost entirely due to a reduction in expenses for repairs and maintenance.

Personnel expenses increased insignificantly by € 2 million compared to the previous year, so that personnel intensity fell only moderately from 15.1 % to 14.2 % as a result of the change in total operating revenue. Wages and salaries rose as a result of higher production capacity utilization and the reduction of short-time work over long periods; the proportion of short-time work shifts fell by 86 % compared to the previous year. This was offset by discontinuation of the inflation adjustment bonus paid in the previous year, and the transfer of remuneration components to a transformation account to reduce personnel expenses and make them more flexible. In addition, the workforce

was reduced by an average of 86 employees, mainly due to departures from partial retirement.

Other operating income exceeded the previous year's figure, primarily due to higher book profits from asset disposals (€ 17 million) and out-of-period income (€ 8 million) as well as income from the merger of a subsidiary (€ 9 million).

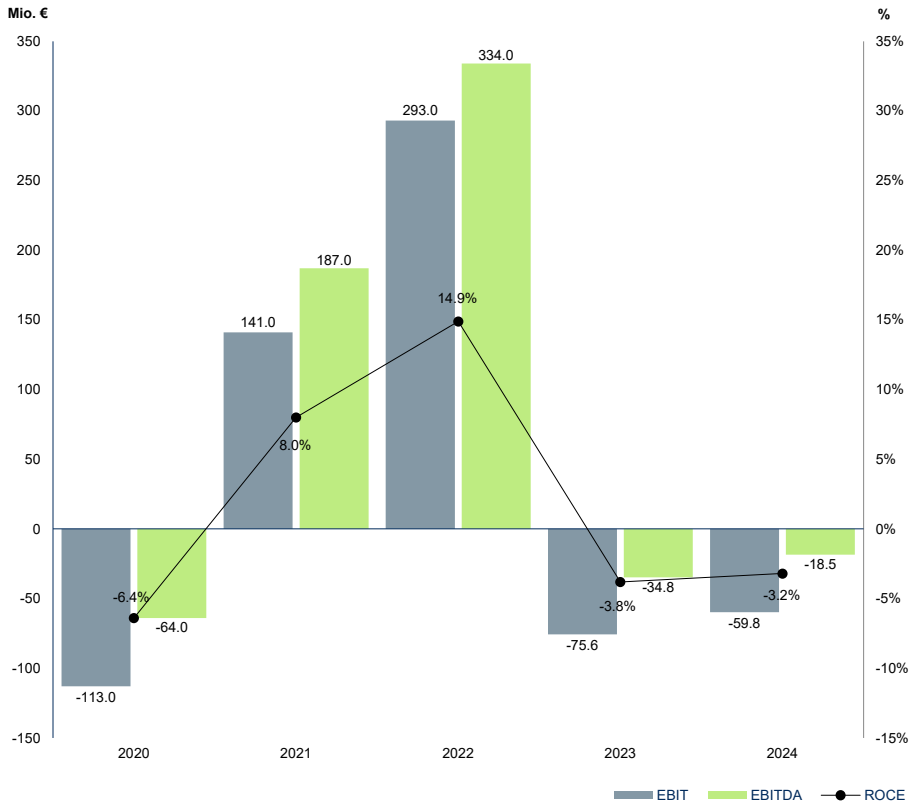
Amortization and depreciation of intangible and tangible fixed assets remained at the previous year's level, in line with the scheduled amortization and depreciation. At the same time, other operating expenses changed in the current financial year, primarily due to higher expenses for freight (€ 10 million) and for administration (€ 4 million), while expenses in connection with possible compensation payments fell by € 8 million compared to the previous year.

The financial result was € 6 million lower than in the previous year. Income from participations decreased by € 8 million; dividend payments from an affiliated company partially compensated for the lower distributions from DHS. At the same time, the development of interest rates led to a € 2 million improvement in interest income in the 2024 financial year.

As a consequence of the very weak economic activity in conjunction with increased negative market momentum in the second half of the year and the difficult and significantly reduced revenue and margin development already anticipated in the projections, the year-on-year improvement in earnings fell short of expectations for the 2024 financial year. In addition to net sales and operating results (EBIT and EBITDA), the key performance indicators include net income for the year. With a net loss for the year of - € 47 million, an EBIT of - € 60 million and an EBITDA of - € 18 million, Saarstahl closed the year with slightly improved earnings figures compared to the previous year; these were, however, significantly below the projections for the financial year.

The business performance in 2024 is also reflected in the key financial figures for the asset and capital structure and for the development of returns. The return on capital employed (ROCE) amounted to - 3.2 % in the financial year (2023: - 3.8 %), while the return on sales (adjusted EBIT margin) was - 3.4 % (2023: - 4.7 %).

Development of EBIT, EBITDA, ROCE



Financial and asset position

Financial position

Saarstahl generated a positive cash flow of € 29 million from operating activities in the 2024 financial year. This resulted from the change in working capital of € 119 million, which was offset by cash outflows for income tax payments (- € 7 million) and EBITDA adjusted for non-cash income items and dividend income (- € 77 million).The change in working capital was primarily due to lower trade accounts receivable as a result of the expansion of factoring and, at the same time, higher trade accounts payable as at the balance sheet date, which were offset by an increase in the value of inventories.

Saarstahl received public funding in 2024 for the Power4Steel transformation program (€ 99 million), which were used to cover large parts of the capital expenditure on tangible fixed assets (€ 154 million). This resulted in a net cash outflow of € 55 million. In addition, payments made as part of the financing activities of subsidiaries in the amount of € 65 million were offset by proceeds from the disposal of financial assets (€ 57 million) and from dividends, interest and from affiliated companies (€ 55 million), resulting in cash flow from investing activities of - € 8 million and free cash flow of € 21 million.

The company met its scheduled loan repayments and interest payments in the 2024 financial year, resulting in a cash flow from financing activities of - € 58 million. No dividends were paid to the shareholders.

Taking into account the impact on liquidity from the merger of a subsidiary with Saarstahl (€ 1 million) and further public funding for the Power4Steel transformation program (€ 121 million), for which the requirements for offsetting against fixed assets were not met on the balance sheet date, cash and cash equivalents increased by € 85 million compared to the previous year and amounted to € 245 million on 31 December 2024.

Net asset position

The predominant increase in the non-current assets of Saarstahl AG is related to the Power4Steel transformation program and the intensified integration of the French companies Saarstahl Ascoval and Saarstahl Rail.

Preparation of the construction site and orders for key aggregates were primarily advanced in the current financial year in the area of tangible assets. This led to additions to assets, advance payments and assets under construction totaling € 154 million, of which investment grants amounting to € 99 million were recognized as a reduction in acquisition costs. Taking scheduled depreciation into account, tangible fixed assets increased by € 14 million. In addition to the acquisition of the two French companies Saarstahl Ascoval and Saarstahl Rail and a capital increase, the change in financial assets was determined, among other things, by disposals of participating interests, repayments of loans and capital withdrawals from affiliated companies, which cumulatively led to a total increase in financial assets of € 13 million. Overall, the non-current assets of Saarstahl AG increased by € 27 million compared to the balance sheet date of the previous year and amounted to € 1,115 million. The

liquidation ratio for fixed assets fell from 161.0 % in the previous year to 152.9 % on 31 December 2024.

Current assets increased by a total of € 123 million. This was mainly due to the € 85 million change in cash and cash equivalents and the € 26 million increase in the net book value of inventories. In light of a planned reduction in hot metal availability in the following year due to the interim relining of ROGESA's blast furnace 4, there was a systematic build-up inventories of semi-finished products, among other measures. In the case of the change in the value of inventories, this goes beyond the reduction in inventories of finished products and reduced acquisition and production costs of inventories due to the drop in procurement prices in many cases or to production costs adjusted due to the development of material and processing costs. The expansion of factoring in the current financial year and lower income compared to the fourth quarter of the previous year led to decreased trade accounts receivable (- € 61 million), while receivables from affiliated companies increased by € 62 million as part of Group financing. In particular, higher tax refund claims led to an increase in other assets (€ 14 million).

The balance sheet total increased by around € 150 million year-on-year to conclude at € 2,401 million. In addition to a reduction in equity due to the net loss for the year (- € 47 million), which led to a lower equity ratio of 71.0 % as at 31 December 2024, the increase in assets was offset by the following developments in borrowed capital items.

Other reserves and liabilities to banks decreased by € 12 million and € 49 million respectively.

Liabilities to banks decreased as a result of scheduled loan repayments in the amount of € 49 million; no new loans were taken out in the reporting year. The debt ratio thus improved on the balance sheet date, falling from 8.7 % in 2023 to 6.0 % in 2024.

Trade accounts payable increased by € 87 million as at the balance sheet date, primarily as a result of increased production and hot metal purchases at the end of the year, while liabilities toward affiliated companies rose by a further € 51 million, mainly as part of Group financing. The increase in other liabilities of € 121 million was more significant; this was due in particular to government funding received for which the conditions for offsetting against the acquisition and production costs in fixed assets had not yet been met on the balance sheet date.

Investments and new construction work

After deducting the funding, the investment volume of Saarstahl AG amounted to € 55 million in the 2024 financial year (2023: € 40 million). In particular, plans for the upcoming transformation of steel production continued to be advanced at a dramatic pace.

Völklingen LD steel plant

The main orders for the construction of the electric furnace were placed at the LD steel plant in Völklingen. Work in the area of construction site preparation and adjustments to the supply infrastructure continued apace. The new slag hall was also completed and put into operation.

Neunkirchen, Nauweiler and Burbach rolling mills

At the Burbach rolling mill, the projects at rolling mill 11 (water boxes and increased cooling fan capacity) were completed in a second construction phase in 2024. A device for automatic crack detection was installed and successfully put into operation at the Nauweiler rolling mill.

Financial key figures in %	2020	2021	2022	2023	2024
Liquidation ratio for fixed assets	118.7	133.5	162.4	161.0	**152.9**
Internal financing capability	–78.6	–4.5	395.7	78.6	**52.1**
Equity intensity	69.9	68.0	76.1	77.8	**71.0**
Return on capital employed (ROCE)	–6.4	8.0	14.9	–3.8	**–3.2**
Debt ratio	17.1	17.9	11.9	8.7	**6.0**
EBIT margin	–9.9	6.7	11.3	–4.7	**–3.4**
EBITDA margin	–5.6	9.0	12.9	–2.2	**–1.0**
Material intensity	74.9	69.5	69.4	78.4	**80.1**
Personnel intensity	20.3	12.5	10.1	15.1	**14.2**

Notes

Liquidation ratio for fixed assets:	Equity in relation to fixed assets
Internal financing capability:	Operating cash flow in relation to net investments in tangible 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:	Liabilities to banks in relation to 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 finished products and work in process 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 low-carbon 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 standards of the Global Reporting Initiative (GRI). An update of the relevant key figures is implemented through annual fact sheets. The Sustainability Report thus contributes 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 completely returned to the industrial cycle. In addition, crude steel produced in Germany sets high standards in terms of environmental and climate protection, not least in a global comparison. This has also been confirmed by an economic study commissioned by the German Steel Federation (WV Stahl).

The SHS Group is also committed to Germany's stricter climate 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 future process-related carbon emissions to a technically necessary minimum by gradually installing and integrating climate-friendly steelmaking technologies.

By transforming 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 way to achieve the carbon reduction targets and passed the corresponding Supervisory Board resolutions for the Power4Steel project in December 2022. In December 2023, the European Commission officially approved the German government aid measure worth €2.6 billion to support SHS – Stahl-Holding-Saar, with its subsidiaries Dillinger, Saarstahl and ROGESA, in decarbonizing its steel production through the use of hydrogen. The funding commitments from the German government were received in January 2024. The next major milestone for Power4Steel followed in October with the order for the direct reduced iron (DRI) plant and electric arc furnaces (EAF).

This is expected to reduce CO_2 emissions by around 55 % by the early 2030s. 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 locations, the French subsidiary Saarstahl Ascoval 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 is being implemented during ongoing operations. The SHS Group aims to start supplying "green" steel from 2028/2029. The capacity of the new plants will then enable a maximum of 3.5 million tons of crude steel to be produced annually from sponge iron (direct reduced iron – DRI) and scrap.

Branding has also been developed to visually illustrate 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 + symbolizes the CO_2-reduced production process for our products.

To establish the 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 forces 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.

EcoVadis, an international provider of business sustainability ratings, again awarded Dillinger a Gold Medal in 2024 for its Corporate Social Responsibility (CSR) activities. The EcoVadis rating confirms the high quality of sustainability management at Dillinger.

The EcoVadis rating is based on a defined scorecard. This includes criteria of the Global Reporting Initiative, the United Nations Global Compact, and the International Organization for Standardization for the areas of environment, labor and human rights, ethics, and sustainable procurement. Specification of defined evaluation criteria enables companies certified by EcoVadis to be compared internationally.

In the rating by the environmental protection organization Carbon Disclosure Project (CDP), SHS was awarded the top "A" rating for the first time in 2024, making it a member of the CDP "A List". This rating highlights the company's exceptionally high sustainability standards and its pioneering role in the steel sector. The Carbon Disclosure Project is based on an international

non-profit organization. Once a year, it records and evaluates companies and organizations according to their voluntarily reported greenhouse gas emissions, strategies with respect to climate change, and handling of risks and opportunities arising from climate change.

Following the official commitment in December 2022 and the subsequent development of Group targets according to sector-specific specifications, Saarstahl and Dillinger received official confirmation of their Group-wide CO_2 reduction targets from the Science Based Target Initiative in December 2024. In particular, the net-zero target for the entire Group in 2050 was validated, as were the short-term targets for 2030. This corresponds to a 37 % reduction in CO_2 emissions within the steel sector reporting limit and a 25 % reduction in all other Scope 3 emissions by 2030.

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, since 2023. The aim of the initiative is to be a driving force worldwide in the socially and environmentally compatible production of climate-neutral steel.

Following successful participation in the development of the Low Emission Steel Standard (LESS), an intensive stakeholder process and the public presentation by Federal Minister of Economics Robert Habeck in April 2024, Saarstahl and Dillinger joined LESS aisbl as founding members. Both companies are aiming to have their products certified to the LESS standard in the near future.

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 UN 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.

Employees

A qualified workforce with a high level of commitment and flexibility forms the foundation of Saarstahl and is essential both for achieving production targets and for continuing development of the company. Social, responsible and far-sighted HR work is in this respect a fundamental corporate philosophy for Saarstahl. Promoting occupational health and safety, targeting recruitment of junior staff and fostering the next generation of specialists are the aim of continuous development and optimization efforts.

The production plants were utilized to varying degrees in 2024. For example, the rolling mills continued to struggle with insufficient capacity utilization at the beginning of 2024, meaning that short-time work had to be announced again in some plants in the second half of the year and further adjustments to operating modes (particularly at the Neunkirchen site) are in preparation for 2025.

This resulted in a headcount of 3,347 employees at the end of the reporting year (2023: 3,434).

Safety and health

A safe and healthy work environment is given top priority at Saarstahl. This was also reflected in numerous programs and measures in 2024, including Steel Safety Days with a focus on noise protection, continuation of the Group-wide “Workplace Safety Hour”, implementation of Board Member visits, and training courses for safety officers carried out with the German Employers’ Liability Insurance Association for Wood and Metal (Berufsgenossenschaft Holz und Metall, BGHM).

As part of the Power4Steel transformation project, the Safety and Health department is involved in the planning and construction phase as well as in preparing for the operating phase of the new plants.

Saarstahl concluded 2024 with 8 lost-time accidents requiring at least one day of leave due to injury (2023: 9) and a lost time injury frequency rate (LTIFR) of 1.6 (2023: 1.9; 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 2024, 69 young people started their careers in the company (2023: 109). As a result, the company trained a total of 257 young workers (2023: 266), when all training class years are included. In addition, there were 42 student interns throughout the year (2023: 11), 10 commercial technical college (FOS) interns, 8 technical FOS interns and 3 university student trainees (2023: 8). The strategic fostering of young talent in the academic field is ensured in particular through employing university student trainees.

Gender Diversity

The overall percentage of women in the total workforce at Saarstahl at the end of 2024 averaged 5.9 %. When considering this ratio, sector-specific and sociocultural circumstances must be taken into account. Saarstahl takes measures at various levels to continuously increase the percentage 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. Saarstahl has once again been certified as a family-friendly company. Women primarily hold management positions in the administrative area, but some management positions in the technical area were also filled by women last year. In the context of the assumption of operating tasks by the majority holding company SHS – Stahl-Holding-Saar, such as in the area of central staff functions, a considerable percentage of female employees and managers are represented in the holding company. Consequently, the percentage of female employees in the total workforce, at 30.1 %, 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 locations. 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 2024, around 1,875 tons of hot metal were delivered to the LD steel plant and 2,183 tons of crude steel (solid) were produced.

Rolling mill

The four rolling mills produced a total of approx. 1,889 kt of rolled products in 2024.

Innovation and quality

Research and development

Efforts to maintain product quality during the transformation process are reflected in a large number of internal and external projects. One of the aims is to study the extent to which the current and often narrow limits for tramp elements can be technologically expanded without any loss of quality. The aim is to ensure that steels can continue to be offered at the customary level of quality even if the use of scrap in steel production increases. The "Study of the suitability of CO_2-neutral steel with a high proportion of tramp elements for the production of high-quality springs (AVIF A 332)" initiated by the German Spring Industry Association (VDFI) focuses on a strategic product for Saarstahl. Together with university research institutes and spring manufacturers, solutions are to be developed to enable the safe production of spring steel and springs for highly dynamic future applications, even with increasing trace element content.

The transfer of metallurgical operations from the LD to the EAF route also poses major challenges during the transformation. For one, new ways must be found to achieve the desired low sulfur content in the steel, such as through suitable slag management. For another, the operations optimized for the LD route must be adapted to the EAF route in such a way that the high level of purity is maintained. Corresponding tests are carried out for this purpose by simulating the "new" boundary conditions both at the LD steel plant in Völklingen and at the EAF steel plant of Saarstahl Ascoval. In Saint Saulve, homologation tests for individual grades are being supervised by R&D with the aim of being able to supply "green" steel from the EAF route now.

The EU-funded project "DiGreeS" (Demonstration of Digital Twins for a Green Steel Value Chain, GA no. 101178079) was launched in November 2024 as part of the HORIZON program. The project aims to develop digital twins for a green value chain in the steel industry and thus simultaneously addresses the megatrends of green steel production and digitalization. Saarstahl Ascoval is also a project partner.

The necessary changeover from the old measured value logging system (MWES) to the more powerful system at Burbach rolling mill line 11 was successfully implemented at the end of the year. The replacement also resulted in the standardization of all rolling mills, so that there is now only one system provider for maintenance and quality control, which also reduces the administrative and financial outlay.

With regard to conventional eddy current testing on line 11, the latest generation of testing equipment was put into full operation during the course of the year. As the project progressed, the eddy current test was further optimized using an imaging process in order to obtain descriptive images synchronously using user-defined events.

Laboratories

Saarstahl's chemical and technical laboratories are accredited in accordance with DIN EN ISO/IEC 17025. The professional competence of the laboratories is regularly checked and ensured by successfully completed proficiency tests and laboratory comparisons as well as by DAkkS monitoring.

Quality management

The audits to maintain certification in the management areas of quality, environment, energy, safety and health were also successfully completed in 2024. 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. Saarstahl Ascoval also received IATF 16949 certification in 2024 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 be supplied with reduced-carbon steel from Saarstahl Ascoval.

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. In addition, Saar Rail is now also required to obtain energy certification by 18 July 2025. A corresponding contract was concluded with the certifier. The certification audit at Saar Rail is scheduled for March 2025.

Raw material procurement and transport

Over the course of 2024, global market prices for premium coal fell from over USD 300/t to USD 200/t. The average price for the year was USD 240/t, which is back at the historical annual average. Prices are currently even at pre-crisis levels (COVID, Russia/Ukraine) of around USD 200/t, which is partly due to the weaker global economy; a renewed exceeding of the historical annual averages is currently not foreseeable, but the downside potential is limited due to the cost structures of the mines.

The iron ore market was again very volatile, ranging between USD 144/t and USD 90/t. The annual average was USD 110/t, which was below the prices in 2023.

The sea freight market recovered again in 2024 compared to the previous year, which was partly due to increased freight rates because of uncertainties in the Suez Canal (Houthi attacks). 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 in the SHS Group transport at least 80 % of their incoming and outgoing goods with environmentally friendly means of transport such as rail and ship. Transportation costs tended to fall slightly over the course of the year, which was almost exclusively due to lower oil prices and, consequently, lower diesel prices. Transport costs in the road sector, on the other hand, have risen due to the renewed increase in tolls. Rising costs were already recorded in the Rail Logistics division over the course of the year. Appropriate measures were taken to counteract the cost increases in some areas.

External risks have increased significantly over the course of 2024 and pose many challenges for logistics. Of particular note here are the floods in Saarland and the surrounding regions over the Whitsun holiday, which led to the suspension of inland navigation for more than 14 days, and damage to the lock gate at the Müden lock on 8 December 2024, which led to the suspension of shipping traffic. Impacts from the latter event lasted well into the new year. Both events required a very intensive rerouting of goods flows to rail and truck transport.

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”). In addition to the day-to-day tasks of the specialist area, the transformation and regulatory requirements arising from the "Green Deal/Fit for 55" are among the key tasks of the financial year.

Transformation

One of the biggest tasks in the Environmental Protection department in 2024 was likely heading up management of the Federal Pollution Control Act (BImSchG) applications at the Dillingen and Völklingen sites. Since additional 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 at the Dillingen site (city of Dillingen and county seat Saarlouis) were successfully completed with the adoption of the resolutions by the city councils.

Environmental management

During the year under review, the conformity of Saarstahl AG with its three locations and the subsidiaries Kalksteingrube Auersmacher GmbH, Saarschmiede GmbH Freiformschmiede, Schweißdraht Luisenthal GmbH, Saar-Blankstahl GmbH and Saar-Bandstahl GmbH with ISO 14001:2015 was successfully confirmed in a recertification audit. The regular IED (Industrial Emissions Directive) inspections also took place in 2024 in the area of the LD steel plant, the rolling mills in Nauweiler, Neunkirchen and Burbach and at Saarschmiede 2.

Determination of product carbon footprints (PCF)

As part of its sustainability strategy, the product-specific carbon footprints in accordance with DIN ISO 14067 / IPCC AR6 GWP100 are made available to the customers of Saarstahl AG for their main product groups. Both the products from the blast furnace route and the 70 % CO_2-reduced products from Saarstahl Ascoval, rolled in the Saarland plants, are shown here. We are already helping our customers achieve their decarbonization targets with our highly CO_2-reduced products via the electric furnace route.

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. 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. In the CCF report, all 15 categories of the upstream and downstream value chain are considered for the first time and all relevant categories are reported accordingly.

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" in 2022 and thus became part of the candidate list for Annex XIV. The European Chemicals Agency continued on its path toward authorizing the use of lead in 2024. 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 2024 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.

Applications were also submitted in summer 2024 to DEHSt for free allowances (EUAs) for the second period of the 4th trading period (2026-2030) for all installations subject to emissions trading.

Most significant shareholdings

Zentralkokerei Saar GmbH, Dillingen
Aktien-Gesellschaft der Dillinger Hüttenwerke and Saarstahl AG each hold an indirect 50 % interest in Zentralkokerei Saar GmbH (ZKS). The ZKS produces coke exclusively for use in the blast furnaces of ROGESA Roheisengesellschaft Saar mbH. Total coke production in 2024, at 1,290 kt, was at a comparable level to the previous year’s production (2023: 1,285 kt). ZKS is a company without employees. Personnel required for operation of the coke plant are provided by Dillinger. Investments at ZKS in 2024 amounted to € 2.5 million (2023: € 4.2 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 3,903 kt, hot metal production by blast furnaces 4 and 5 in 2024 was 10.3 % higher than the previous year's output (3,539 kt). In the reporting year, 2,017 kt (2023: 2,065 kt) were delivered to Dillinger and 1,886 kt (2023: 1,474 kt) to Saarstahl. Investments at ROGESA in 2024 amounted to € 31.4 million (2023: € 7.1 million).

Along with STEAG New Energies GmbH (49.9 %) and VSE AG (25.2 %), on 31 December 2024, ROGESA held a 24.9 % stake in Gichtgaskraftwerk Dillingen GmbH & Co. KG, which leases a 90 MW power plant at the Dillingen site to the operators of the combined heat and power plant, Dillinger, ROGESA, and ZKS, for electricity generation. With effect from 1 January 2025, ROGESA acquired the remaining 75.1 % of the shares in Gichtgaskraftwerk Dillingen GmbH & Co. KG, Dillingen/Saar.

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 alloys made from nickel-based alloys, and the production of ingots and input material. The most important sales markets include energy production, where the products are used in both conventional power plants and in the renewable energies sector. The company produces customized products in a wide variety of machining conditions and material specifications to meet the respective application requirements.

The open-die forges and their product range were again subjected to difficult market conditions in 2024. High energy costs in particular posed significant challenges for the forging industry.

Business performance
With net sales of € 153.7 million (2023: € 148.0 million), the target budget was not reached but was nonetheless again increased year-on-year. The positive development of recent years and successful restructuring within the company are also reflected in the development of earnings and the workforce. Saarschmiede achieved an operating result (EBIT) of € 3.3 million in the 2024 financial year (2023: - € 1.6 million). Net income for the year amounted to € 1.5 million (2023: - € 3.5 million). The number of employees rose slightly from 444 in the previous year to 461 in the current year.

As expected, the positive trend in the power engineering business segment continued in 2024 due to the environmental energy transition, particularly in Europe, and the continued global rise in energy demand. While the share for mechanical engineering continued to decline significantly, there was a marked increase in incoming orders for energy plant engineering, as in 2023. In the area of special alloys, the largest single order in the company’s history was obtained in the 2024 financial year. The area of special alloys as a whole was actively developed further. This is reflected in the development of long-standing customer relationships and the acquisition of new customers. Successful implementation of continuous improvement measures for costs and efficiency, as well as realization of an electricity procurement strategy tailored specifically to Saarschmiede, had a significant influence on the positive company result.

Saarstahl Rail S.A.S
With its wholly owned subsidiary Saarstahl Rail S.A.S., the Saarstahl Group offers steel products for rail transport and supplements the wire and bar steel product range. The shipped quantities increased this year by around 15 % to 311 kt compared to 2023, while net sales revenue rose by around 7 % to € 327 million.

This led to a slightly positive EBITDA in 2024. These improvements as well as improvements in output and availability were achieved through additional continuous process improvements, including investments in fixed assets.

Saarstahl Ascoval S.A.S.

Saarstahl Ascoval S.A.S is a wholly owned subsidiary of Saarstahl AG located in Saint Saulve near Valenciennes in France. An electric arc furnace (EAF) is used in Saint Saulve to produce carbon-reduced billets, which are mainly used for Saarstahl Rail's green rails in Hayange. The electric steel plant Saarstahl Ascoval also recycles scrap from its customers' rail networks and from the rolling mill in Hayange for its steel production in the electric arc furnace using an industrial cycle system.

Saarstahl Ascoval produced 326 kt in 2024, generating net sales revenue of € 234 million. Due to the persistent difficulties in the automotive industry, the decision was made in 2024 to reduce the 5th shift established in 2025 in line with sales targets.

To achieve the budgeted production volume in 2025, the Ascoval sales team was strengthened and customer contacts with third-party customers were intensified. In addition, the marketing of CO_2-reduced steel outside the rail market is also to be amplified.

Aktien-Gesellschaft der Dillinger Hüttenwerke

Aktien-Gesellschaft der Dillinger Hüttenwerke (Dillinger), in which Saarstahl holds a 33.75 % stake, is the most important subsidiary of DHS – Dillinger Hütte Saarstahl AG. 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 including 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 continued to impact the steel and heavy plate market in Europe. The combination of weak investment demand and a continued contraction in the manufacturing sector – particularly in industrial production – as well as a sharp decline in the construction industry exacerbated the weak economic situation in the steel market. With the economic recovery failing to materialize in 2024, demand for steel in Germany remained at a low level for another year. At the same time, high steel import volumes into the EU from third countries remained unchanged, which in fact led to a continuous increase in the proportion of steel demand being fulfilled over the course of the year. Raw material procurement and energy prices fell for the most part, but energy costs still did not reach an internationally competitive level.

Taking into account the economic circumstances and challenges in the European steel market, Dillinger was able to close the current financial year in 2024 with a very successful business performance across the board.

Capacity utilization at the production plants was adjusted to the weakening order situation over the course of the year. Thanks to greater flexibility, Dillinger was able to control the operating modes of the systems to the adapted operating point. Both the hot metal purchase, at 2,017 kt (2023: 2,065 kt), and crude steel production, with 2,302 kt (2023: 2,376 kt), changed slightly from the previous year's levels. In addition to supplying slabs for the rolling mill in Dillingen, steel production also mostly covered the slab requirements of Dillinger France in Dunkirk. Production of heavy plate in the two rolling mills (1,628 kt) changed noticeably by - 11.4 % year-on-year (1,837 kt), with 1,139 kt of heavy plate (2023: 1,288 kt) being produced in Dillingen and 489 kt (2023: 549 kt) in Dunkirk.

Dillinger's net sales amounted to € 2,287 million (2023: € 2,615 million). The company closed the 2024 financial year with positive EBIT of € 273 million (2023: € 321 million) and EBITDA of € 326 million (2023: € 377 million).

The investment volume for Dillinger amounted to € 49 million in the 2024 financial year (2023: € 82 million). As in 2023, the planning and work for the upcoming transformation of steel production in particular was advanced at a dramatic pace.

At the end of the reporting year, 3,600 people were employed at the Dillingen site (2023: 3,523). 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** (including a risk-bearing capacity analysis). 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 Saarstahl 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.

As part of the overall approach to corporate governance, Corporate Auditing is part of the risk management system as stipulated in the German Law on Control and Transparency in Business (KonTraG) and is responsible for setting up an internal management and monitoring system. 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 transparently 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 required for the energy and climate transition, among other things.

The conversion to CO_2-reduced or climate-neutral steel production is now entering the next phase. In the next few years leading up to 2028/29, in addition to the established blast furnace route, the new production line with an electric arc furnace (EAF) will be built at the Völklingen site and an EAF and for the production of sponge iron will be built at the Dillinger plant site. Following the funding commitments from the federal and state governments for Europe’s largest decarbonization project, placement of the order for the central components is a major milestone on the path to a “green” future for Saarland’s steel industry. Saarland’s economy will be connected to the German core network for hydrogen, and the Federal Network Agency has approved the hydrogen core network application. The core network is to be developed in phases by 2032. The connection is a precondition for the “green” transformation of the steel industry, which is dependent on large quantities of hydrogen. In addition, the first initiatives to establish a cross-border local hydrogen infrastructure have already been implemented together with various partners from the energy/hydrogen production and infrastructure sectors. Contracts were concluded for the construction of the cross-border hydrogen network mosaHYc, which is to go into operation at the start of DRI production in Dillingen. mosaHYc is intended to ensure the transport of hydrogen to the Dillingen steel plant site so that the production of CO_2-reduced steel (decarbonization project Power4Steel) can start there.

A tendering process for the procurement of local, renewable hydrogen was launched in the reporting year.
The aim is to secure locally produced hydrogen for the initial phase of DRI production at the Dillinger site. The tendering process should be completed in the first half of 2025. With connection to a superordinate German or European hydrogen network, the hydrogen share is then to be successively increased to up to 120 kt.

With these plans, Saarstahl is seeking to be a pioneer in green steel production in Germany and Europe. We need legislation to protect the steel industry, which is of systemic importance for Germany, and to maintain its international competitiveness by creating reliable framework conditions: Gas, electricity and hydrogen must be available in sufficient quantities and at competitive prices. In addition, legislation to protect against cheap steel imports from third countries, especially from the Asia-Pacific region, as well as to reduce bureaucratic burdens and to introduce green lead markets are absolutely essential in order to protect and support domestic steel production. Such foundations are required to successfully implement the politically desired restructuring of the German (and European) steel industry toward low-carbon steel production.

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, 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 therefore has a unique selling point in Europe. There is also the option of supplying CO_2-reduced steel to automotive customers at short notice. The potential in this area will be capitalized on even further in the future; key topics here are the circular economy and supplying rail companies in other parts of Europe.

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

Saarstahl's focus on the future is underscored by the new brand design approved jointly with Dillinger in the reporting year, in which the central elements of the joint transformation brand Pure Steel+ were adopted. The new brand identities symbolize the strategic realignment of Saarstahl and mark an important milestone in the development of both companies. This increases both the attractiveness of Saarstahl (and Dillinger) to customers and its attractiveness as an employer to young (management) employees.

Operational opportunities

We are positioning ourselves to successfully remain competitive in the medium and long term, concluding long-term energy supply contracts and launching an intensive sales initiative to leverage and develop new sales opportunities. Based on the very tense market situation in the long steel industry in Germany and Europe, an intensive program to secure earnings was launched in autumn 2023. This included a sales campaign to secure business with existing customers and the targeted acquisition of new customers in additional market segments (e.g. wind, defense). In addition, extensive measures were taken to increase efficiency and drastically reduce costs. This is intended to secure earnings in the short term, while at the same time achieving a sustainable reduction in the cost base required in view of the switch to the EAF route from 2028.

A long-term electricity supply agreement was concluded with EnBW Energie Baden-Württemberg AG in 2024. EnBW supplies green electricity from the "He Dreiht" offshore wind farm (planned commissioning at the end of 2025) for the transformation of the Saarland steel industry. The supply of green electricity will enable Saarstahl to transform its business activities sustainably and reduce its own future CO_2 emissions during steel production.

Saarstahl Ascoval has received certification according to IATF 16949:2016. IATF 16949 is a binding international quality management standard for the entire automotive industry supply chain. As a consequence, customers from the automotive industry who stipulate IATF certification as a requirement for their suppliers' quality management systems can 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.

A comprehensive IT & digitization strategy is being implemented in order to further develop from a digital perspective and thus become faster, more efficient and more competitive. This roadmap pursues a consistent modernization of the process & IT landscape and the targeted use of AI in the production environment. In addition, the established IT security measures are being continuously strengthened.

The transmission system operator Amprion is expanding its electricity grid in Saarland to enable it to supply Saarstahl and other industries with more electricity in the future. The plans envisage implementation by 2029. Until then, the necessary lines and systems will be successively built.

In March 2025, the German parliament passed an amendment to the Basic Law that exempts spending on defense and security above a certain level from Germany's "debt brake" (Schuldenbremse). A special fund of EUR 500 billion for infrastructure spending and climate protection was also agreed. The Bundesrat has also already given its approval. This will enable the new federal government to take on billions in debt for defense, infrastructure and climate protection, with the aim of generating significant growth for the economy through economic stimulus and investment programs. We also see this as an opportunity for the steel industry in Germany.

External, market and sector risks

Demand for steel is suffering considerably from global overcapacity, unfair trade and high energy costs in Germany. This is compounded by low demand, which the World Steel Association forecasts will remain at a low level in the coming year.

Prospects for the European steel market are becoming increasingly difficult due to the combination of weak demand for steel, a downturn in the steel processing industries and a persistently high and highly subsidized share of imports. This affects Germany in particular, where demand has fallen especially sharply. The high cost of electricity, which is not competitive even by European standards, does the rest.

According to the current outlook for the European steel market, apparent steel consumption is falling more sharply in 2024 than previously forecast (- 2.3% instead of - 1.8 %), albeit less sharply than the 6 % decline in 2023. Prospects for 2024 for production in the steel processing industries have also deteriorated (- 3.3 %, previously - 1.7 %). Recovery projections for 2025 are more modest for both apparent consumption (+ 2.2 %) and production in the steel processing industries (+ 0.9 %). (Source: https://www.eurofer.eu/publications/economic-market-outlook/economic-and-steel-market-outlook-2025-2026-first-quarter, accessed on 31/03/2025.)

In Germany, the World Steel Association (worldsteel) expects demand for steel to fall by 7 % (forecast in October 2024), after predicting a slight increase in spring 2024. (Source: S&P as at 31/03/2025)

Other drivers of this situation are the ongoing geopolitical conflicts and the associated economic uncertainties. Following the presidential election in the United States, there is a global threat of open trade conflicts. Within two months, the Trump administration announced a wide range of tariffs for all trading partners, including on cars and steel products. Corresponding countermeasures by other countries, which have either already been implemented or are at least being considered, threaten to create an escalation spiral that would hit Germany particularly hard as an export-dependent nation. One ray of hope for the steel industry was the "Steel and Metals Action Plan" announced by the European Union at the end of March, which aims to not only tighten existing safeguard measures but also promises a trade policy successor instrument for the period after the safeguards end in 2026. According to the plan, the Carbon Border Adjustment Mechanism (CBAM) is also to be revised and lead markets for green steel will be created.

The European automotive industry has been in a very difficult situation for several years – and especially since 2024. Persistently weak demand, structural problems caused by overcapacities, the switch to battery electric vehicles, increasing competition from all over the world and declining earnings at OEMs are currently posing enormous challenges for the industry. This is also reflected in the production figures: In Europe (EU27 + UK), 6.2 % fewer light vehicles (passenger cars + light commercial vehicles) were produced in 2024 than in the previous year. Although the decline in Germany was slightly lower (- 1.8 %), the sector is still far from satisfactory production levels. Global light vehicle production fell by 1.1 % compared to 2023. Global production in 2025 is expected to stagnate at the level of 2024; however, this does not apply to the EU region, where a further decline of around 6 % is forecast (Germany: - 2 %). The recently announced US tariffs on car imports will further exacerbate the already difficult situation for European OEMs. S&P expects the number of new registrations to stagnate in the coming year, both in Germany and at EU level. Only in a global context is a slight increase of 1.7 % predicted. It is therefore currently unlikely that the demand side will provide any decisive impetus to help vehicle production out of its slump. (Source: S&P as at 31/03/2025).

The German mechanical engineering sector recorded a 7.2 % decline in machine production in 2024. The outlook for 2025 gives little hope for the situation improving any time soon: the VDMA is forecasting a further decline of 2 % for the current year. (Source: German engineering association VDMA, Economic Bulletin March 2025). After a weak year in 2023, the situation in the German construction industry remained strained in 2024. The Federation of the German Construction Industry (HDB) announced a real decline in sales of 3.5 % for 2024, following a 5.2 % drop in 2023. Residential construction remains the problem child here (- 13 %), as its weakness cannot be offset by the stabilizing segments of commercial construction (+ 1.0 %) and public construction (+ 2.5 %). A further decline of around 1.4 % is expected for 2025. Stability is forecast in the commercial construction and public construction sectors compared to 2024; only net sales in residential construction is expected to fall again (- 5.0%). (Source: Federation of the German Construction Industry (HDB), “Construction Activity Status” from 28/11/2024).

According to current projections, the situation in Europe in the coming year will continue to be characterized by economic weakness, political uncertainty, intensified trade protectionist measures that cannot yet be predicted, and international tensions and conflicts.

For this reason, the risks presented for Saarstahl are considered to be **high**.

Regulatory risks

Amendments to the Climate Protection Act came into force on 17 July 2024. Germany is therefore sticking to its climate targets and aims to become greenhouse gas neutral by 2045. CO_2 emissions are to be reduced by at least 65 % by 2030 and by at least 88 % by 2040 (compared to 1990). The aim is to achieve negative greenhouse gas emissions after 2050. The German government is thus mirroring developments in the EU, where targets and strategies for technical CO_2 sinks have also been implemented with the Net-Zero Industry Act and the Industrial Carbon Management Strategy.

The Climate Protection Act also requires a climate protection program. The Climate Protection Program 2023 was adopted by the cabinet on 14 October 2023. This contains measures for all central economic areas of activity (“sectors”) as well as cross-sector measures. Many of the measures in the current program are now being implemented or have already been implemented. For example, climate protection contracts have been introduced to reduce carbon emissions in energy-intensive industries.

National measures to reduce emissions are supported by the European Union’s reform plans to significantly expand European emissions trading. The trilogue agreement to reform the EU emissions trading system provides for, among other things, an incremental reduction in the quantity of carbon allowances – the emission permits – in the EU Emissions Trading System (ETS-1) by 62 % by 2030 compared to 2005 (previously 43 %). The price of carbon emissions is thus set to increase by this means.

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. At the same time, we are seeing new steel plants being built on the integrated blast furnace route in countries such as China and India. This directly contradicts policy in Germany and Europe and therefore also means a deterioration in the competitive situation of steel manufacturers in Germany and Europe.

However, Dillinger and Saarstahl are pursuing the forward-looking strategy of producing carbon-neutral steel – this path has been mapped out for Europe, and Saarland’s steel industry is expressly aiming to play a leading role on the continent in this area. The extensive investments decided in 2022 (see comments regarding “Strategic opportunities”) are aimed at decarbonizing Saarland’s steel industry. As early as 2029, up to 3.05 million tons of carbon-neutral steel are to be produced annually in Saarland and up to 4.9 million tons of CO_2 will be saved compared to 1990 levels by increasing the amount of hydrogen used.

The risks are being countered operationally through the climate-friendly restructuring of steel production, including the planned use of hydrogen and development of innovative technologies. To maintain international competitiveness, however, reliable framework conditions must be created and ensured: Gas, electricity and hydrogen must be available in sufficient quantities and at competitive prices. In addition – and in particular – protection against cheap imports from third countries and establishment of green lead markets for CO_2-reduced products are required.

However, many of the necessary external framework conditions have not yet been created. To achieve a global carbon reduction that can be derived from the economic activities of SHS, holistic decarbonization measures are required along the entire value chain, over which SHS has little influence or sometimes no influence at all. However, these external measures also have an impact on direct emissions at the locations in Saarland, such as through sufficient availability of hydrogen which can replace fossil natural gas. Accordingly, even in the case of transformed steel production, a high monetary burden is to be expected from

carbon pricing (which does not exist in this form in other countries), which will be noticeably intensified by the expiry of the free allocation by the CBAM, the effectiveness of which must be increased.

In January 2024, the funding commitments were received from the German government and operational implementation of the Power4Steel project began. However, a successful transformation will not be possible without sufficient “green” electricity, and therefore also hydrogen, available at competitive prices. The same applies to the expected cost shift for the expansion of the electricity and natural gas grids. These costs are the result of political requirements and can and must be seen as a communal task. It is not possible for the transforming industry to bear the sole share of the costs, or even a major share. The above-mentioned framework conditions must be established in this respect by legislators.

Implementation of a “green steel premium” is also a precondition for the economic success of the green transformation.

In view of these circumstances, we continue to classify the risks from regulatory requirements, developments and constant new political (bureaucratic) proposals as **high** for Saarstahl.

Risks from operating activities

Production risks

Saarstahl’s production facilities may be subject to operational interruptions, property damage and/or quality risks. 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 systems, systematic methods and innovative diagnostic systems for preventive and condition-based maintenance, as well as the ever-growing use of artificial intelligence. 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. 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, a continuous diversification process has been implemented in the procurement of raw materials with regard to sources and qualities. 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 deteriorated compared to 2023 due to various infrastructure measures, particularly at Deutsche Bahn. The effects of the infrastructure measures relating to climate-neutral transport are coordinated bilaterally and at association level in order to minimize the impact on our industry. New transport systems (e.g. new Innofreight wagons) and the resulting requirements for a new unloading station also initially increase the risk. 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 the implementation of the obligations arising from the Supply Chain Duty of Care Act, SHS identified key business processes in 2023 and subjected its suppliers to a risk analysis. Implementation of the corresponding supply chain management in the internal areas and in relation to suppliers was the subject of the structured risk management process as well as audits by Corporate Auditing in 2024. Preventive measures were subsequently implemented and remedial measures were defined, which will be continued in 2024 or applied as necessary.

The Moselle ship lock in Müden was damaged by a barge in early December 2024. As a result of the incident, this inland waterway had to be closed. The inbound logistics of Saarstahl has been significantly affected by this. A crisis management team was set up at SHS level to initiate and monitor the necessary measures, in particular for alternative transportation routes. This considerably reduced the impact on Saarstahl.

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 risk 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 2024, cyber incidents will continue to be the biggest business risk worldwide (Allianz Report 2024). 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 promote 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.

Development of the information security management system, which is based on the internationally recognized ISO 27001 standard, was stepped up in 2024. The aim is to protect and partially certify Saarstahl with the security measures provided for this purpose. In addition, a Security Operations Center (SOC) was implemented operationally.

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 – including development of the Pure Steel+ employer brand – 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 further processing 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, energy safety and environmental protection with incident management. 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 in the tightening of environmental constraints and regulations with requirements that may not be economically feasible with current technology.

For information on the environmental risks associated with the transformation project, please refer to the Power4Steel section.

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 in the notes to the financial statement and consolidated financial statement under notes to the balance sheet.

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 risks arising from the transformation are offset by a number of mitigating factors that significantly reduce the risk potential:

- Current funding decision
- Established procedure for early drawdown of funding, which allows for largely liquidity-neutral processing of the subsidized disbursements
- Newly established process for funding monitoring

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.

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. 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.

The Human Rights and Environmental Risk Management Unit (BSMU) is responsible for monitoring the SHS Group's specific risk management in accordance with the Supply Chain Due Diligence Act (LkSG), which has been in force since 1 January 2023. The focus in 2024 was on studying efficacy and awareness-raising measures, among other things. Training was also provided on the topics of diversity, equality and inclusion.

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. Online data protection training (e-learning) was carried out during 2024. Further training courses are planned for 2025 and 2026. The data protection coordinators appointed by the divisions were also successfully trained in classroom instruction.

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**.

Transformation process

The interdepartmental "Power4Steel" project group is responsible for managing and monitoring Europe's most ambitious transformation project.

Due to the enormous importance of the transformation to production of "green" steel for Saarstahl, project-related risk management is embedded in the P4S project as a decentralized risk management system, which corresponds to that in the other areas of Saarstahl. Decentralized risk management monitors the P4S-specific risk inventory. The key developments and risks relating to the project are consolidated and reported in this section. The opportunities arising from the transformation are described in detail in the Strategic opportunities section. In the course of the risk assessment, the following risk areas should be mentioned at an aggregated level.

The construction project was officially started in the reporting year. To manage the challenging technical and timeline aspects of implementing the project, the company is cooperating with experienced external business partners.

Extensive funding is being provided by the federal government and Saarland to implement the transformation measures. Various control and monitoring measures have been integrated into the awarding process to ensure that the requirements of the funding providers are met and to counter the risk of repayments. One of these is the continuous, project-related auditing of the procurement process and project awards. We are also in regular contact with the authorities responsible for funding; a reporting system has been established in this regard.

A key building block for the success of the "green" transformation is the use of hydrogen as an energy source and thus the existence of a competitive hydrogen economy. This must ensure that hydrogen is available on time, in sufficient quantities and at economical prices. This requires implementation of extensive infrastructure measures at the national and European level, only a very small proportion of which can be controlled or influenced by us. Our focus here is on the German government's national hydrogen strategy. A tendering process for the procurement of locally produced green hydrogen has already been launched at SHS level. This is aimed at identifying hydrogen suppliers in the "Grand Region". The use of electric arc furnaces as core units in green steel production will multiply the demand for electricity. Here too, the availability of sufficient electricity at competitive prices determines the risk situation.

With regard to the existing regulatory risks, please refer to the comments in the section on regulatory risks.

We consider the risks associated with the transformation process to be **high**. We consider the risks associated with technical implementation of the P4S project to be **moderate**.

Overall assessment of the opportunity and risk situation

The technical implementation that has now begun is an enormous challenge for the operating units involved. However, we rate the strategic challenges arising from the continuing difficult conditions for steel production in Germany, with the economic and geopolitical environment still showing no signs of improvement, to be significantly greater. Nevertheless, we see the transformation program as an opportunity to secure the future viability of Saarland's steel industry. With the approved funding amount of around 2.6 € billion, the necessary support for what is currently the most ambitious transformation project for the decarbonization of steel production in Europe is essentially ensured, although further financial security must be provided through loans and equity capital.

Under these circumstances, there are currently no identifiable risks to the company as a going concern.

Forecast report

General economic conditions

According to the OECD forecast, economic indicators signal little global momentum; the global economy will continue to grow at a stable – but below-average – rate of 3.3 % in 2025 (2026: + 3.3 %). The service sector remains the main driver of this growth, while industrial production continues to be sluggish. The central banks will cut key interest rates more slowly than originally expected, which means that monetary policy will continue to have a dampening effect. Geopolitical uncertainties continue to pose a risk and could lead to a renewed rise in energy and raw material prices. Global trade is under pressure due to the sharp rise in freight rates, trade conflicts and political instability in key regions, particularly following the presidential elections in the United States. Growth in the US (+ 2.4 %), the eurozone (+ 1.3 %) and Germany (+ 0.7 %) will be rather subdued compared to the major Asian economies such as India (+ 6.9 %) and China (+ 4.7 %).

The economic growth forecast for China by the OECD is nonetheless subject to uncertainty. Trump's threats pose a significant risk to Chinese trade. The real estate crisis also continues to harbor potential risks. As the growth forecasts for 2024/2025 are already below the Chinese government's 5 % target, it is possible that additional economic stimulus will be considered by China. The outcome of the US election has improved the outlook for the US economy, at least in the short term. In particular, falling corporate taxes and the planned tariffs could lead to an increase in investment from both domestic and foreign sources.

Economic growth in the EU remains weak, although the EU Commission sees certain factors in its forecast that could enable a slight upturn. Growth in real wages and employment could support private consumption, but there are still uncertainties and structural challenges that are weighing on the manufacturing sector in particular – especially on energy-intensive industry and the automotive sector. A significant risk is the possibility of a tightening of protectionist measures by trading partners, which could lead the export-oriented economy into stagnation. Germany acts as a brake on growth in the EU. In addition to economic factors, structural problems are increasingly coming to the fore. Although real disposable incomes are rising and the ECB is considering further interest rate cuts, the current weakness in growth is primarily structural and not just cyclical. The end of the governing "traffic light coalition" will further increase uncertainty, and a political boost for the economy in the first half of 2025 is not to be expected. Trade restrictions imposed by the United States in particular could place a heavy burden on the export-oriented German economy.

Steel market

In its current short-range economic outlook, the World Steel Association (worldsteel) forecasts a slight recovery in global steel demand of around 1 % in 2025 compared to recent years, which have seen a sharp decline. The economic crisis in China in particular is having a significant impact on the global steel markets. According to worldsteel, the Chinese market will continue to decline in 2025, making it the fifth year in a row. The association expects demand for steel in Germany to increase by just under 6 % in 2025. Despite this increase, however, the volume of demand remains exceptionally low compared to previous years.

The steel processing industries are facing particular competitive challenges, especially the energy-intensive sectors, which are developing much more weakly than the industry as a whole. For 2025, EUROFER expects only a "technical" recovery due to the end of destocking, although volumes will remain far below pre-pandemic levels.

Main customer industries

Global production of almost 89.4 million light vehicles[1] is forecast for the automotive industry, which is almost the same number as in 2023 (88.8 million units). A slight decline is expected for the EU 28 and NAFTA (from 14.2 to 13.8 million units and from 15.5 to 15.3 million units). China, on the other hand, will see a slight increase in production (from 29.7 to 30.1 million units). Germany will remain at a roughly constant production level (at 4.2 million units), as the problems from the previous year will persist in 2025 and there will be a lack of new orders to utilize capacity.

EUROFER expects a slight recovery for the European mechanical engineering sector in 2025 (+ 1%). The situation in mechanical engineering in Germany remains critical and the recession will continue into 2025. Following the low point in the first quarter, production should recover moderately. The VDMA is forecasting a further decline of 2 % for 2025.

The construction industry in Europe anticipates growth of 1.3 % in 2025 due to expected monetary easing. According to the ifo Institute, fewer orders for residential construction will be canceled in Germany in 2025, which offers hope that the interest rate cuts will have an effect. Slightly negative growth (- 0.9 %) is expected in construction investment across all sectors. Projections from the German Institute for Economic Research (DIW), which are more positive than those of the main association, are

[1] Vehicles up to 3.5 t

based in particular on recovery in residential construction (only - 1.1 % in the forecast for 2025, 2024: - 5.5 %) and commercial construction (+ 0.8 %, 2024: - 3.3 %).

Development of Saarstahl

Given the current economic forecasts and foreign trade risks, demand for the steel products wire and bar remains highly uncertain for 2025. As a consequence of the current weak investment demand in Germany, partly due to uncompetitive energy costs and the combination of persistently high steel imports into the EU with announced punitive tariffs on deliveries to the United States, there are currently no signs of far-reaching economic improvement. Proposed changes currently under discussion for safeguard measures to protect the European steel industry, as well as announced political investment initiatives, are welcomed, but will not lead to significant improvement in the short term.

Saarstahl is countering the weak demand for steel by continuing and intensifying the continuous improvement process (CIP). To reduce underutilization of capacity, this also includes making the production network more flexible and adapting the operating modes at the three locations, as well as options for lowering the operating point.

In the first three months, incoming orders are stable at the average level of the previous year and thus above the value for the fourth quarter of 2024 and also above the planned sales volumes. Taking into account an adjusted operating point, the development of the order backlog leads to a higher average production workload range in the first quarter. However, there is uncertainty as to whether incoming orders will remain at this level in the following months, as the consequences of US trade policy and possible effects on steel demand and market supply are currently unclear. Given the current revenue and cost structure, the product portfolio is being further optimized with respect to profitability. Saarstahl currently anticipates declining production and sales volumes for the 2025 financial year for the steel products wire and bar.

To compensate for the temporarily lower hot metal supply as a result of the planned interim relining of blast furnace 4 at ROGESA in 2025, Saarstahl will progressively reduce stocks of semifinished products, which will significantly reduce the capacity utilization of the steel plant compared to the previous year.

In addition to the economic environment and a continuous increase in the market supply of cheap steel products to the EU, the significant price pressure persists in the German and European steel sector. These are also the company's most important sales regions, and the prospects for a significant short-term improvement in revenue, which have fallen continuously since mid-2023, are therefore judged to be rather slim. Under these circumstances, Saarstahl expects average revenues in the majority of business segments to be slightly below the previous year's average.

In addition to the sales initiative launched in the previous year, Saarstahl AG is focusing on reducing overall costs as part of an efficiency program. In the course of this, the company is implementing a comprehensive cost program. Various measures are being developed to this end, with the primary aim of reducing costs in the short term. In addition to operating point adjustments, considerable savings are also being sought using a continuous improvement process (CIP), restrictive cost management and various options for reducing personnel expenses. At the same time, the trend in raw material prices and energy costs is expected to have a positive impact as electricity and gas prices continue to fall.

Integration of Saarstahl Ascoval and Saarstahl Rail, which became direct subsidiaries of the company on 1 January 2024, will enable Saarstahl to optimize the production management for semifinished products in the German and French steel plants.

Although Saarstahl expects significantly lower net sales in 2025, primarily due to a considerable decline in volumes compared to the previous year, it anticipates a moderately improved earnings situation and similar development of the key earnings figures relevant for management. The conditions required for this are that the steel industry gradually recovers from its economic recession and that no further serious distortions occur in the steel market, as well as that planned cost measures are successfully implemented.

After taking into account expected positive but lower income from participations compared to the previous year, the company will close the financial year with a moderately improved, slightly positive EBITDA, although earnings from operations (EBIT) and net income for the year will still be slightly negative overall due to the market environment.

Saarstahl is committed to the Paris climate targets and continues to work together with Dillinger toward the goal of CO_2-reduced steel production. This gigantic project requires a comprehensive change in production and presents the companies with immense challenges. At the same time, the "Power4Steel" project to decarbonize steel production through the use of hydrogen, which is being funded with € 2.6 billion from the German federal government and the Saarland state government, offers opportunities to tap into new growth potential. Until the conversion to low-carbon steel production is complete, the companies are consistently pursuing a reduction strategy.

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, 31 March 2025

STEFAN RAUBER

JOERG DISTELDORF

DANIËL NICOLAAS VAN DER HOUT

MARKUS LAUER

DR. PETER MAAGH

JONATHAN WEBER

Annual financial statement

Balance Sheet

Assets

€ thousand	Notes	31/12/2024	31/12/2023
A. Fixed assets	**(1)**		
I. Intangible assets		526	784
II. Tangible assets		445,862	431,800
III. Financial assets		668,420	655,650
		1,114,808	**1,088,234**
B. Current assets	**(2)**		
I. Inventories			
1. Raw materials and supplies		80,343	88,611
2. Work in process		35,395	33,302
3. Finished goods and merchandise		401,783	369,160
4. Customer advance payments		–1,504	–1,406
		516,017	**489,666**
II. Receivables and other assets			
1. Trade accounts receivable		125,514	167,735
2. Receivables from affiliated companies		334,580	288,774
3. Receivables from companies in which the company has a participating interest		7,063	13,075
4. Other assets		57,143	42,879
		524,300	**512,463**
III. Securities		100	100
IV. Cash and bank balances		245,000	**160,459**
		1,285,417	**1,162,688**
C. Accruals and deferrals		-	56
D. Positive difference from asset allocation	**(3)**	858	265
		2,401,083	**2,251,243**

Shareholders' equity and liabilities

€ thousand	Notes	31/12/2024	31/12/2023
A. Shareholder's equity	**(4)**		
I. Subscribed capital		200,000	200,000
II. Capital reserve		41,313	41,313
III. Other earning reserves		917,730	917,730
IV. Retained earnings		545,169	592,599
		1,704,212	**1,751,642**
B. Accruals and provisions	**(5)**		
1. Accruals for pensions		513	274
2. Tax provisions		-	471
3. Other accruals and provisions		160,613	172,537
		161,126	**173,282**
C. Liabilities	**(6)**		
1. Bank loans and overdrafts		102,844	151,940
2. Trade accounts payable		67,998	53,762
3. Payables to affiliated companies		108,441	44,359
4. Payables to companies in which the company has a participating interest		117,932	57,807
5. Other liabilities		138,293	17,763
		535,508	**325,631**
D. Accruals and deferrals		237	688
		2,401,083	**2,251,243**

Profit and loss statement

€ thousand	Notes	FY 2024	FY 2023
1. Net sales	**(7)**	1,857,886	1,845,875
2. Changes in inventory and other own work, capitalized	**(8)**	34,874	–87,528
3. Other operating income	**(9)**	46,758	10,962
		1,939,518	**1,769,309**
4. Cost of materials	**(10)**	1,515,417	1,378,807
5. Personnel expenses	**(11)**	268,648	266,323
6. Amortization and depreciation of intangible and tangible fixed assets	**(12)**	41,313	40,836
7. Other operating expenses	**(13)**	225,695	219,339
		–111,555	**–135,996**
8. Income from participating interests	**(14)**	54,259	62,247
9. Net interest income	**(15)**	6,114	4,137
10. Taxes on income	**(16)**	–6,253	–2,031
11. Result after tax		**–44,929**	**–67,581**
12. Other taxes		2,501	1,894
13. Net loss for the year		**–47,430**	**–69,475**
14. Profit brought forward from the previous year		592,599	662,074
15. Retained earnings		**545,169**	**592,599**

Change in fixed assets

	Acquisition and production costs					
€ thousand	01/01/2024	Additions, merger	Additions	Disposals	Transfers	31/12/2024
I. Intangible assets						
1. Purchased licenses, industrial property rights and similar rights	1,636	-	19	721	-	934
2. Advance payments made	-	-	24	-	-	24
	1,636	**-**	**43**	**721**	**-**	**958**
II. Tangible assets						
1. Land, land rights and buildings, including buildings on third-party land	415,211	143	7,708	4	177	423,235
2. Technical equipment and machinery	1,299,715	-	19,286	721	8,851	1,327,131
3. Other equipment, plant and office equipment	121,300	1	3,765	2,288	1,566	124,344
4. Prepayments on tangible assets and assets under construction	27,738	-	24,360	-	–10,594	41,504
	1,863,964	**144**	**55,119**	**3,013**	**-**	**1,916,214**
III. Financial assets						
1. Shares in affiliated companies	322,834	-	69,000	19,780	–605	371,449
2. Loans to affiliated companies	74,003	-	500	10,545	-	63,958
3. Participating interests	283,107	-	215	23,620	605	260,307
4. Loans to participating companies	12,500	-	-	-	-	12,500
5. Other loans	42,000	-	-	3,000	-	39,000
	734,444	**-**	**69,215**	**56,445**	**-**	**747,214**
	2,600,044	**144**	**124,377**	**60,179**	**-**	**2,664,386**

	Depreciation and amortization					Net book value	
€ thousand	01/01/2024	Additions, merger	Additions	Disposals	31/12/2024	31/12/2024	31/12/2023
I. Intangible assets							
1. Purchased licenses, industrial property rights and similar rights	852	-	301	721	432	502	784
2. Advance payments made	-	-	-	-	-	24	-
	852	**-**	**301**	**721**	**432**	**526**	**784**
II. Tangible assets							
1. Land, land rights and buildings, including buildings on third-party land	314,570	135	5,993	4	320,694	102,541	100,641
2. Technical equipment and machinery	1,030,567	-	30,599	721	1,060,445	266,686	269,148
3. Other equipment, plant and office equipment	87,027	1	4,420	2,235	89,213	35,131	34,273
4. Prepayments on tangible assets and assets under construction	-	-	-	-	-	41,504	27,738
	1,432,164	**136**	**41,012**	**2,960**	**1,470,352**	**445,862**	**431,800**
III. Financial assets							
1. Shares in affiliated companies	78,794	-	-	-	78,794	292,655	244,040
2. Loans to affiliated companies	-	-	-	-	-	63,958	74,003
3. Participating interests	-	-	-	-	-	260,307	283,107
4. Loans to participating companies	-	-	-	-	-	12,500	12,500
5. Other loans	-	-	-	-	-	39,000	42,000
	78,794	**-**	**-**	**-**	**78,794**	**668,420**	**655,650**
	1,511,810	**136**	**41,313**	**3,681**	**1,549,578**	**1,114,808**	**1,088,234**

Statement of the Group's shareholdings

€ thousand	Share of capital			Shareholder s' equity	Net income for FY 2024	
	Direct	Indirect	Total			
1. Affiliated companies						
Saar-Blankstahl GmbH, Homburg	100.0		100.0	42,022	-	1)
Saar-Bandstahl GmbH, Völklingen	100.0		100.0	10,897	-	1)
Saarstahl-Export GmbH, Völklingen	100.0		100.0	1,585	-	1)
Metallurgische Gesellschaft Saar GmbH, Völklingen	100.0		100.0	5,123	-	1)
Saarschmiede GmbH Freiformschmiede, Völklingen	99.95	0.05	100.0	37,524	1,467	
Drahtwerk St. Ingbert GmbH, St. Ingbert	100.0		100.0	16,791	–4,077	
Saarstahl Beteiligungsgesellschaft mbH, Völklingen	100.0		100.0	6,473	–7	
DWK Drahtwerk Köln GmbH, Köln	100.0		100.0	5,553	1,029	
SIB-Immobiliengesellschaft mbH, Völklingen	100.0		100.0	57	3	
FORGE Saar GmbH, Dillingen	100.0		100.0	206	14	
FORGE Saar Besitzgesellschaft mbH & Co KG, Dillingen	48.0	52.0	100.0	71,576	200	
Schweißdraht Luisenthal GmbH, Völklingen	100.0		100.0	4,315	1,768	
Saarstahl Rail Holding GmbH i.L., Völklingen	100.0		100.0	92	–2	
45. Saarstahl Beteiligungsgesellschaft mbH i.L., Völklingen	100.0		100.0	30	–5	
GreenSteel EAF GmbH, Völklingen	100.0		100.0	92	-	1)
Secosar S.A.S., Bussy-Saint-Georges / Frankreich	99.99	0.01	100.0	12,294	755	
FILMETAL S.A., Bussy-Saint-Georges / France		100.0	100.0	2,480	174	
Conflandey Industries S.A.S., Port-sur-Saône / France	80.0	20.0	100.0	11,739	–40	
Dillinger Saarstahl Spain S.A., Barcelona / Spanien		100.0	100.0	887	64	
Saarstahl AG, Zürich / Schweiz	100.0		100.0	3,961	–686	3) 5)
Acciai della Saar S.r.l., Milan / Italy	100.0		100.0	733	46	2)
Saarsteel Inc. i.L., New York / USA	100.0		100.0	475	7	3)
Saarstahl Shanghai Limited, Shanghai / China		100.0	100.0	478	22	2) 3)
Saarstahl Export India Pvt Ltd, Mumbai / India	1.0	99.0	100.0	150	2	3) 4)
Saarstahl s.r.o. Ostrava / Czech Republic		100.0	100.0	350	19	2) 3)
Saarstahl Rail S.A.S., Hayange / France	100.0		100.0	47,484	–11,880	
Saarstahl Ascoval, Saint-Saulve / France	100.0		100.0	59,534	–2,948	

[1] A profit and loss transfer agreement exists.

[2] No final result was available when the annual financial statement was compiled. The figures are for the previous year.

[3] Currency of the country converted into € thousand using the average spot exchange rate on 31/12/2024.

[4] Last annual financial statement on 31/03/2024.

[5] No final result was available when the annual financial statement was compiled. The figures are preliminary.

€ thousand	Share of capital			Shareholder s' equity	Net income for FY 2024	
	Direct	Indirect	Total			
2. Participating interests						
DHS – Dillinger Hütte Saarstahl AG, Dillingen	33.8		33.8	2,794,998	168,288	6)
Dillinger Hütte und Saarstahl Vermögens-verwaltungs- und Beteiligungs-OHG, Dillingen	50.0		50.0	270,713	5,616	
ROGESA Roheisengesellschaft Saar mbH, Dillingen	24.5	25.5	50.0	301,636	-	1)
Kraftwerk Wehrden GmbH, Völklingen	33.3		33.3	53	17	5)
Dillinger Saarstahl America LLC., Wilmington / USA	50.0		50.0	66	42	2) 3)
Dillinger Saarstahl UK Ltd. Scunthorpe / UK	50.0		50.0	137	–44	2) 3)
Dillinger Saarstahl BeLux SA (formerly: Les Aciers Fins de la Sarre SA), Liège / Belgium	50.0		50.0	8,188	1,231	2)
Dillinger Saarstahl Nordic AB, Alingsås / Sweden	50.0		50.0	176	14	2) 3)
Dillinger Saarstahl Turkey Demir Celik San. ve Tic. Ltd. Şti., Istanbul / Turkey	50.0		50.0	64	8	2) 3)
Dillinger Saarstahl Malaysia Sdn. Bhd, Petaling Jaya / Malaysia	50.0		50.0	67	13	2) 3)
Dillinger Iron & Steel Trade (Shanghai) Co. Ltd., China	50.0		50.0	325	72	2) 3)

[1] A profit and loss transfer agreement exists.

[2] No final result was available when the annual financial statement was compiled. The figures are for the previous year.

[3] Currency of the country converted into € thousand using the average spot exchange rate on 31/12/2024.

[4] Last annual financial statement on 31/03/2024.

[5] No final result was available when the annual financial statement was compiled. The figures are preliminary.

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

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