

Executive Summary of the Financial Statement

2017



Key figures at a glance

		2016	2017	Change
Hot metal purchase ROGESA	kt	2,059	2,408	16.95 %
Hot metal purchase SSF	kt	21	0	
Hot metal purchase total	kt	2,080	2,408	15.77 %
Crude steel production	kt	2,451	2,785	13.63 %
Sales revenues per region				
Germany	million €	1,204	1,430	
Rest of the EU	million €	513	633	
Third party countries	million €	311	377	
Total turnover	million €	2,028	2,440	
Workforce (not incl. trainees)				
	31.12.	6,554	6,366	
Personnel costs	million €	443	448	
Balance sheet total				
	million €	3,325	3,264	
Fixed assets				
	million €	1,887	1,818	
Investments	million €	101	56	
Equity				
	million €	2,336	2,394	
EBITDA	million €	-26	230	
EBIT	million €	-155	110	
Net income for the year	million €	-215	85	
Operating cash flow				
	million €	93	-23	

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Members of the Supervisory Board

Dr. Michael H. Müller, Saarbrücken Chairman	Chairman of the Management Board of the Curatorship for the Montan-Stiftung-Saar trust
Jörg Köhlinger, Frankfurt First Deputy Chairman	Trade Union Secretary / District Manager of IG Metall, central regional management
Reinhard Störmer, Völklingen 2nd Deputy Chairman	Deputy Chairman of the Management Board of the Curatorship of the Montan Stiftung-Saar trust
Stephan Ahr, Wadgassen	Chairman of the Central Works Council of Saarstahl AG and Chairman of the Works Council of the Völklingen Plant of Saarstahl AG
Aribert Becker, Rehlingen	Former Member of the Management Board of the Curatorship for the Montan-Stiftung-Saar trust
Prof. Dr. Heinz Bierbaum, Saarbrücken, until 30.04.2018	Director of the INFO-Institute Saarbrücken
Elke Hannack, Berlin	Trade Union Secretary / Deputy Chairwoman of the German Confederation of Trade Unions
Robert Hiry, Rehlingen-Siersburg	Primary Authorized Representative of IG Metall Administrative Unit Völklingen
Markus Menges, Waldbrunn	Managing Director Südweststahl AG
Eleonore Neumann, Ottweiler until 31.12.2017	Member of the Central Works Council of Saarstahl AG and Chairwoman of the Neunkirchen Works Council of Saarstahl AG
Antje Otto, St. Ingbert	Managing Director of the Association of Steelworks in the Saarland, Saarbrücken
Angelo Stagno, Saarbrücken	Member of the Central Works Council of Saarstahl AG and Chairman of the Works Council of the Burbach Plant of Saarstahl AG
Katja Weber, Eberbach	Entrepreneur, Südweststahl AG
Erich Wilke, Königstein (Taunus)	Bank Manager, retired
Henner Wittling, Ottweiler until 31.12.2017	Member of the Management Board of the Curatorship for the Montan-Stiftung-Saar trust

Members of the Board of Directors

Fred Metzken

Spokesperson for the Board of Management
and Chief Financial Officer

Martin Baues

Chief Technology Officer

Dr. Klaus Richter

Chief Sales & Marketing Officer

Peter Schweda

Chief Human Resources Officer / Labour Director



Dr. Klaus Richter, Fred Metzken, Martin Baues, Peter Schweda

Report of the Board of Directors (Abridged)

Overall economic and sector related conditions

Noticeable acceleration of economic growth

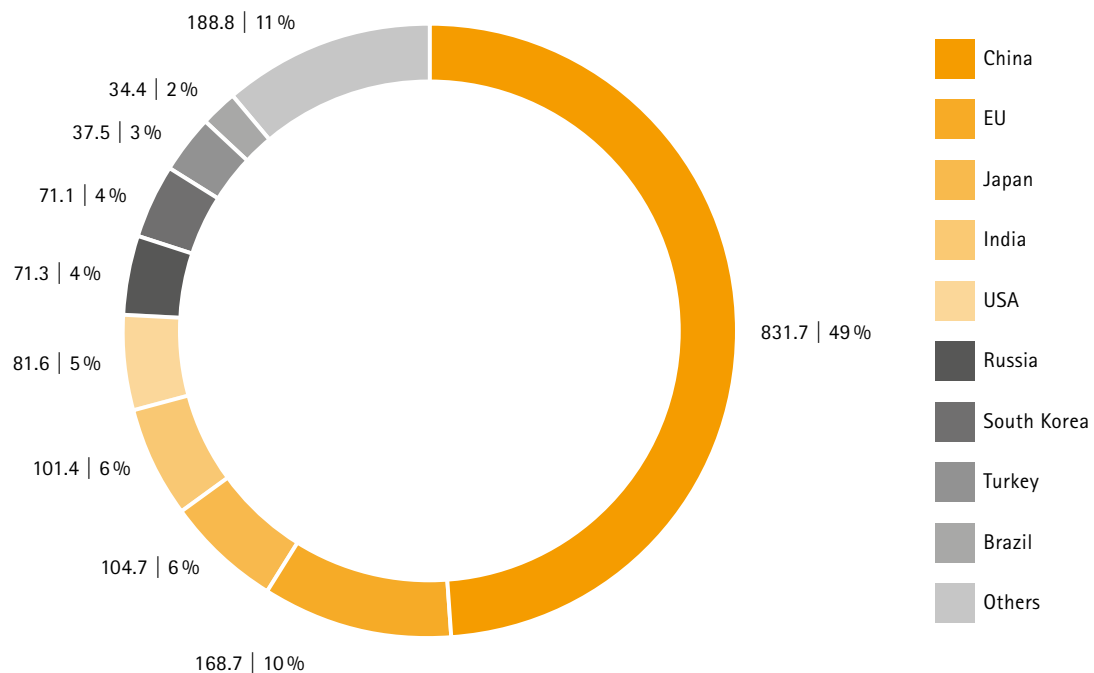
The global economy was in the midst of a strong recovery in 2017, supported by almost all major economies. According to the IWF¹, a 3.7% increase in world production (GDP) was observed for 2017 as a whole (2016: 3.2%). Global trade volume also showed a clear upward trend with an increase of 4.7% (2016: 2.5%). This was mainly due to the expansion of foreign trade in Asia and a worldwide increase in investment volume. The eurozone was able to achieve 2.4% economic growth in 2017 (2016: 1.8%). A comparison of countries showed a broad basis for growth, with dynamic growth in Spain particularly worthy of note. Germany (+2.5%) as well as France (+1.8%) also grew robustly; economic activity in the United Kingdom was more subdued (+1.7%).

¹ Source: All data taken from publications by IWF, Eurofer and World Steel Association.

Crude steel production increases worldwide

The improved global economy also had an impact on the international steel markets: Global crude steel production experienced an increase of around 5.3% in 2017, amounting to 1.7 billion metric tons. Half of this annual volume was once again produced in China. The European Union was the second largest producer with a market share of 10%, followed by Japan and India with 6% each. Although global capacity utilisation rose by 3% to 75%, the global structural crisis has not yet been overcome despite this six-year high and there are still severe overcapacities in the steel market.

Global steel exports, at 346 million metric tons, declined slightly in 2017 but remain at a high level. Due to government cuts of overcapacities, Chinese steel exports fell in 2017 by around 30 million metric tons to 79 million metric tons. The moderate recovery of the steel market in the EU continued. Crude steel production grew by 3%, but net imports also remained at a high level despite the imposition of anti-dumping duties.



World crude steel production – distribution by country and share in %.

Course of Business

The course of business of the Saarstahl group is essentially shaped by the companies Saarstahl AG and Saarschmiede GmbH Freiformschmiede.

Saarstahl AG

The steel market for wire rod and bar products, which is relevant for Saarstahl, continues to be characterised by over-capacities with the result that pressure on volumes and prices remains high. As a supplier of steel grades in a quality range to meet the highest demands, Saarstahl was again able to benefit from the robust development in the automotive industry and in other steel processing companies. Thanks to high demand, sales volumes for bar steel and wire rod were on a very high level at 2.53 million tons. As was already the case in the previous year, the degree of capacity utilisation in Saarstahl facilities was very good and record quantities could be achieved at all locations. In addition, sales prices could be successfully increased in all product segments and it was therefore possible to achieve an increase in turnover. In spite of the difficult situation on the market, Saarstahl nonetheless closed the year 2017 with a significantly better result than in the previous year.

Saarschmiede GmbH Freiformschmiede

There was no change to the situation at Saarschmiede in 2017, which remained critical. The market factors described led to a considerable reduction in orders from the sector for power generation machinery but also from the sector for general machinery. At 148 million euros, the turnover for the business year 2017 decreased significantly (previous year: 185 million euros). The result for Saarschmiede amounted to -8 million euros in 2017 (previous year: -63 million euros).

Since no change is to be expected in this trend on the energy market within a foreseeable period of time, it was necessary to implement a comprehensive restructuring programme in the summer of 2017. As part of this redimensioning, operations in the manufacture of large components for power generation machinery and the corresponding machining aggregates were temporarily ceased. The programme also entails the reduction of the workforce at Saarschmiede by approximately half. All of the personnel affected were transferred within the group by the end of the year or received offers of compensation or partial retirement.

Earnings position

Sales and revenues at record level

The high sales of the previous years could once again be notably exceeded within the Saarstahl group in 2017; shipping volumes rose by 9.5% to 2,532 thousand tonnes, thus achieving a new record level. The decisive factor for the increase in turnover from 2,028 million euros to 2,440 million euros as well as in the total performance from 1,963 million euros to 2,477 million euros was, as to be expected, the rise in sales revenues. The higher revenues are due, in particular, to the development in the prices of raw materials which have increased regularly since the end of 2016; simultaneously, the price pressure, which is specific to the industry, continued and the market for high-quality forge products remained extremely difficult in 2017.

The geographical distribution of sales revenues shows that, in the year 2017, the Saarstahl group experienced growth in all regions and that there was a slight shift in revenues from the domestic area to other EU states and third-party countries. The portion of turnover generated in Germany remained just below 60%.

The increase in overall performance in 2017 amounting to 514 million euros is to be seen alongside higher expenses for raw materials during the same period – above all, the significantly higher cost of hot metal – of 433 million euros. Largely due to tariff adjustments and expenses in connection with restructuring measures at Saarschmiede, with a simultaneously smaller average workforce of around 150 employees, the personnel costs for the Saarstahl group, at 5 million euros, were higher than those of the previous year.

In 2017, Saarstahl was able to acquire a liability of a subsidiary for less than the nominal value and this resulted in income amounting to 45 million euros in the group, which is reported under other operative income. Besides this, it was, above all, non-period income such as the release of provisions which resulted in the overall increase in other operational income from 33 million euros by 75 million euros to 108 million euros.

As a consequence of investments made, scheduled depreciation and amortisation were, once again, below the level of the previous year. In 2016, additional unscheduled depreciation and amortisation amounting to 44 million euros meant that the amount of depreciation and amortisation of intangible assets, fixed assets and property, plant and equipment significantly exceeded the figure for 2017. Other operating expenses fell by 80 million euros in the year under report to a total of 208 million euros (previous year: 288 million euros). The lower expenses in 2017 are essentially due to the creation of a reserve for legal affairs in the previous year for which there was no equivalent financial burden in 2017. However, there was an increase in individual expense items in other operating expenses in the reporting year. Shipping expenses/sales expenses were in line with the increase in sales. Administration expenses essentially remained constant.

The Saarstahl group therefore closed the business year 2017 with an EBIT (Earnings before income and tax) of 110 million euros (previous year: -155 million euros) and an EBITDA (Earnings before income, taxes, depreciation and amortisation) of 230 million euros (previous year: -26 million euros).

The financial result made up of income from participating investments and the interest result lay at -4 million euros in 2017 (previous year: -27 million euros). While the interest result was somewhat lower at -13 million euros (previous year: -11 million euros), there was a shift in income from participating investments from -16 million euros in 2016 to 9 million euros in 2017. After incurring a loss in the previous year, it was again possible, in 2017, to record a positive interest effect from an equity valuation adjustment in the participation in DHS – Dillinger Hütte Saarstahl AG; this resulted in income amounting to around 9 million euros in 2017.

With due consideration to tax from income and earnings (11 million euros) as well as other taxes (4 million euros), the Saarstahl group closed the year with a result after tax of 89 million euros (previous year: -212 million euros) or an annual result of 85 million euros, respectively (previous year: -215 million euros).

Financial Position

Significant outflow of liquidity in spite of a positive consolidated result and moderate investments in 2017

As a result of the change in working capital, in 2017, cash outflows were around 20 million euros higher than the cash inflows from the consolidated financial statement not adjusted for non-cash depreciation. The cash outflow from operating activities amounted to a total of -23 million euros in 2017 and was therefore around 115 million euros lower than in the previous year, in which a positive cash flow from operating activities amounting to 92 million euros was achieved. The cash flow from operating activities was followed by funding requirements for investments of -36 million euros (previous year: -79 million euros). Consequently, the free cash flow amounted to -59 million euros (previous year: 13 million euros). When including the cash flow from financing activities amounting to -102 million euros (previous year: 29 million euros), mainly due to higher repayments than taking out short term and long term loans including their interest payments and dividend payments to the shareholders of Saarstahl AG, cash funds were reduced by 161 million euros to 149 million euros and liquid funds by 150 million euros to 176 million euros.

Investments

The investments in intangible assets and in property, plant and equipment amounted to 56 million euros (previous year: 101 million) in the group's business year. These investments were focused on the LD steelmaking plant in Völklingen and on the rolling mill in Neunkirchen. Furthermore, on the balance sheet date, there were obligations due to order commitments from investment and repair projects amounting to 44 million euros (previous year: 38 million euros).

For Saarstahl AG itself, the volume of investment amounted to 41 million euros (previous year: 58 million euros). For the two indirect subsidiaries ROGESA and ZKS, investment expenses amounted to 14 million euros in total, of which Saarstahl AG bears half according to its share in the companies.

LD Steelmaking Plant, Völklingen

At the beginning of September 2017, the Supervisory Board approved a new continuous casting line S1 for the LD steelmaking plant in Völklingen to replace continuous casting line S4. The investment amounts to around 100 million euros. Saarstahl was the first steel manufacturer in the world to use the technology of mechanical soft reduction (MSR) in the casting format 150 mm x 150 mm. The highly complex MSR technology improves the internal microstructure of the steel. With the new S1, Saarstahl AG is now extending this leading edge in technology. The new system will be the first in the world to have MSR with the casting format 180 x 180 mm. It is planned to put the new continuous casting plant into operation at the end of 2019.

Rolling mill Neunkirchen

In autumn 2017, the second construction phase of the 30 million euro investment "New wire rod outlet of rolling mill train 32" in the rolling mill in Neunkirchen could be handed over. With the aid of a track switch, it was possible to carry out rolling on the old wire rod outlet as well as on the new one (dimensions >13.5 mm) so that there were no interruptions to production. In the last phase of building, during the winter shutdown 2017/2018, the existing finishing block could be moved into the new line so that all sizes are now rolled on the new wire rod outlet exclusively. The new high-bay warehouse for surface treated coils went into operation as planned in October 2017.

Rolling mill Burbach

In the summer of 2017, approval was given for refurbishing washroom 45 in the Burbach works with a budget of 1.75 million euros. The work will have been completed by the end of 2018.

Asset Position

Equity ratio significantly over 70%

The balance sheet total decreased again compared with the previous year. In 2017, it fell by around 60 million euros to 3,264 million euros. The financial position regarding the use of funds was thereby characterized, above all, by a reduction in fixed assets amounting to 69 million euros, by available liquid funds of 149 million euros while, at the same time, there were higher inventories as well as receivables from ongoing business activities totalling 158 million euros.

Equity essentially increased by a total of 57 million euros to 2,394 million euros. This was essentially due to the positive consolidated annual result of 85 million euros which is to be seen against the dividend payments to the shareholders of Saarstahl AG (25 million euros). With regard to external funds, there was an almost continual reduction compared with the previous year. Thus, other provisions (-27 million euros), liabilities towards credit institutions (-45 million euros) and, in particular, other liabilities (-65 million €) were reduced.

Key Figures for the Saarstahl Group

The course of business of the Saarstahl group in 2017 is also reflected in the most important key figures of the asset and capital structure as well as the development of returns. An overall very positive development of the Saarstahl group with different effects on the asset, financial and earnings position resulted in an increase in capital intensity of 70.3% in 2016 to 73.3% in 2017. As a result of a reduction in tangible assets, which was largely due to scheduled depreciation, and a change in financial assets with simultaneously higher equity, the scope of fixed assets financed by equity was considerably greater than in the previous year.

The development of earnings of the Saarstahl group in the business year 2017 is reflected in all of the earnings indicators; based on an annual net profit amounting to 85 million euros, there was an improvement in EBIT as well as in EBITDA by 265 million euros and 256 million euros, respectively, compared to the values for the previous year. The ROCE (Return on Capital Employed) amounted to 4.0% in the year under report and the profit margin (EBIT margin: 4.5% and EBITDA margin: 9.4%).

Financial key figures

		2013	2014	2015	2016	2017
Equity intensity						
Equity	million €	2,577	2,608	2,573	2,337	2,394
Balance sheet total	million €	3,614	3,485	3,400	3,325	3,264
	in %	71.3	74.8	75.7	70.3	73.3
Fixed Assets						
Coverage Ratio						
Equity	million €	2,577	2,608	2,573	2,337	2,394
Fixed assets	million €	2,170	2,055	1,982	1,887	1,818
	in %	118.8	126.9	129.8	123.8	131.7
Debt						
Liabilities to banks	million €	447	404	362	373	328
Equity	million €	2,577	2,608	2,573	2,337	2,394
	in %	17.3	15.5	14.1	16.0	13.7
EBIT Margin						
EBIT	million €	-131	80	2	-155	110
Product sales	million €	2,280	2,361	2,159	2,028	2,440
	in %	-5.7	3.4	0.1	-7.6	4.5
EBITDA Margin						
EBITDA	million €	19	233	138	-26	230
Product sales	million €	2,280	2,361	2,159	2,028	2,440
	in %	0.8	9.9	6.4	-1.3	9.4
Return On Capital Employed (ROCE)						
EBIT	million €	-131	80	2	-155	110
Equity, provisions for taxation, Liabilities subject to interest (average)	million €	3,244	3,109	3,063	2,899	2,750
	in %	-4.0	2.6	0.1	-5.3	4.0
Internal financing capability						
Operating cash flow	million €	46	162	193	92	-23
Net investments in tangible assets	million €	78	34	89	99	55
	in %	58.7	476.5	216.9	92.9	-41.8
Expense structure in % of the overall performance						
Material intensity	in %	72.2	67.7	67.3	64.7	68.8
Personnel intensity	in %	17.2	17.7	19.4	22.6	18.1



The training centre at the Völklingen site offers state of the art plant and machinery.

Non-financial Performance Indicators

Sustainability

The efficiency and success of the Saarstahl group are determined by its sustainable and responsible behavior toward employees, the environment, the public and the region. Responsible and sustainable practices are a key element of corporate policy.

Key areas include:

- Human resources that are geared to continuity and high social standards,
- Company internal improvement processes that bring the principles of sustainable and reliable conduct to each workplace and each employee,
- Pooling expertise and service for the sustained success of the customers in the economic implementation of unusual and innovative projects,



- Safeguarding and expanding our technological capabilities by investing in new facilities and modernizing of existing facilities and by developing innovative products and processes,
- A procurement system that is based on procurement reliability and environment friendly means of transport,
- Economical and resource saving conduct using numerous environmental protection measures for the efficient use of energy, such as the introduction of a certified energy management system and
- Long-term partnerships with universities, research institutions and customers in the development and improvement of materials

Steel, the material itself, and the product of the Saarstahl group, correspond more clearly than any other material with the principle of sustainability:

Through numerous applications and uses, steel provides a valuable contribution to environmental and climate protection. No other material is produced in such an environment friendly manner than steel. When it has fulfilled its purpose after a few decades or generations of use it has become scrap and is therefore a valuable raw material which can be fully recycled over and over again without any loss of quality and returned completely to the economic cycle.

Innovative products made of steel, such as wind turbines and power plant turbines save six times more CO₂ than is used in their production, according to a study by Boston Consulting Group. In automotive engineering, high-strength steels reduce vehicle weight to ensure significant fuel and emissions savings. The use of advanced steels in structures that are subject to high stress loads can in many cases reduce the amount of materials used by up to 50%, thus helping to conserve valuable resources and boost environmental protection.

Employees

With their skills, performance and commitment, our employees make a decisive contribution to the success and development of the Saarstahl group. For this reason, we continue to make targeted investments in the areas of occupational health and safety, sustainable promotion of health and promotion of young talents.

As at 31.12.2017, the workforce of the Saarstahl group is made up of 4,040 employees of Saarstahl AG, 736 employees of Saarschmiede and 1,590 employees of further companies within the group.

	31.12.2017	31.12.2016
Wage earners	4,972	5,089
Salary earners	1,394	1,465
Total	6,366	6,554

Apprenticeship and Training

The group continues to invest in the promotion of young talents to prevent a possible shortage of skilled workers resulting from demographic change.

	31.12.2017	31.12.2016
Trainees	289	281

Improvement processes and Cost Management

For many years now, Saarstahl has been using a multitude of instruments in order to drive the internal improvement processes and to remain competitive in the long term. In principle, the company is following the strategy of compensating fluctuation in demand due to economic cycles by having a high degree of flexibility so that an adequate result is consistently attained.

Within the framework of the cost reduction programme, possible savings potentials were also identified in 2017 and corresponding measures were implemented. Consequently, there was another considerable increase in savings in 2017 compared to the previous year 2016. The Cost Management department thereby guarantees the necessary sensitivity for costs in all technical areas as well as ensuring precise control of expenditure depending on the particular revenue situation. Using the SixSigma method, further key areas for process optimization and quality improvements are being elaborated.

The aim of the optimisation approach "Production system" is to implement a continuous improvement process in all areas. The method was introduced in further operations in the rolling mills and in further processing in 2017. Saarstahl has managed to increase its reliability of supply (On-TimeInFull) significantly since 2013. In 2017, too, in spite of a tense situation regarding the supply of primary materials due to large production volumes, the high level of reliability of supply could be maintained. This was reflected in the positive feedback which Saarstahl received from customers.

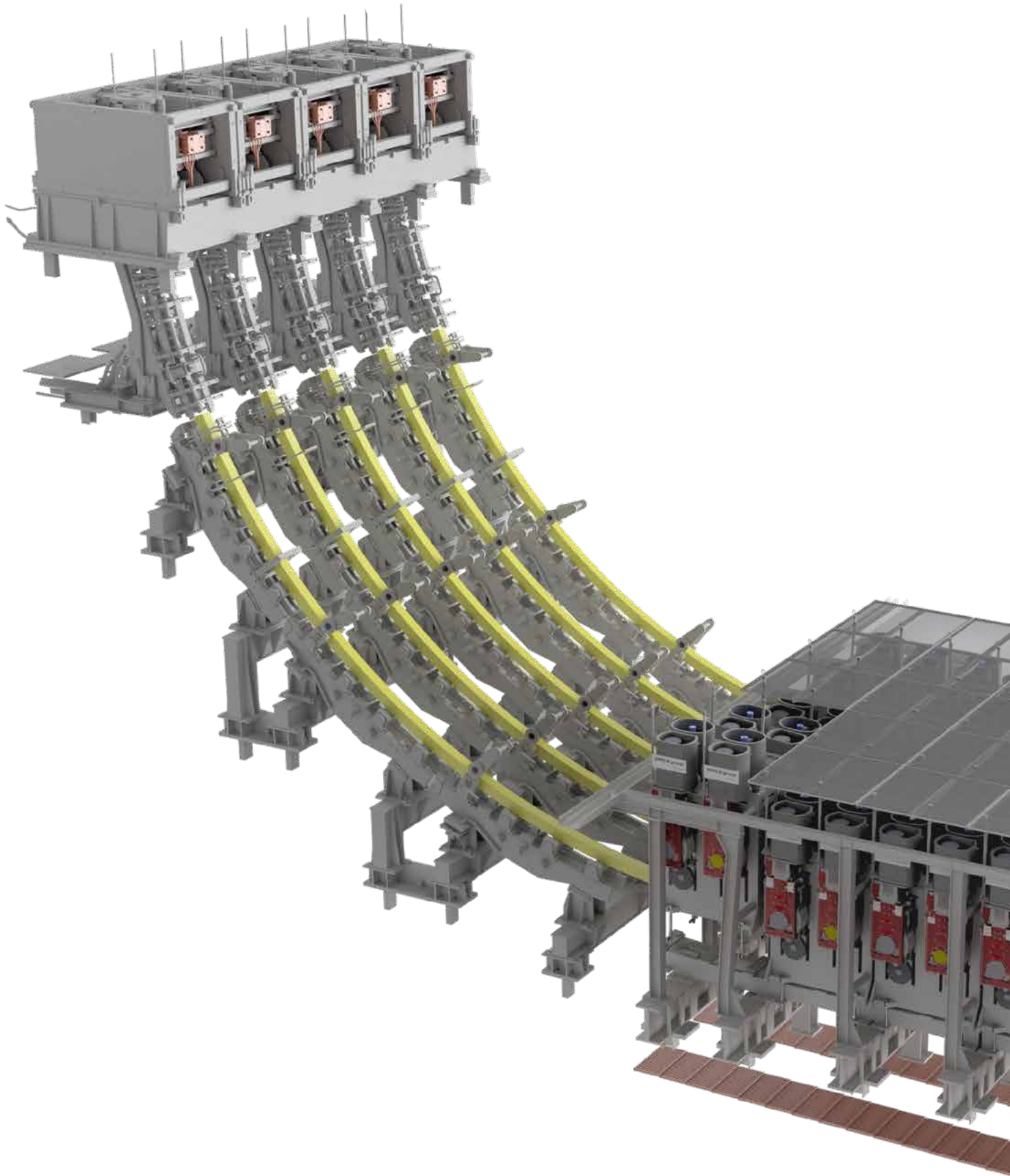
Innovation and Quality

Within the context of worldwide reduction in CO₂ emissions, the further development of saw wires plays a significant role in the manufacture of solar panels. The objective is to achieve a reduction in the diameter of the wire from 50 to 100 µm with strength values of 4,000 to 5,000 mega-pascal (MPa). At Saarstahl, this process is successfully being driven forward by development in metallurgy and process engineering for hypereutectoid wires, which fulfill increased demands regarding the degree of purity and microstructure.

In July 2017, the initiative Massive Lightweight Construction III commenced, to which Saarstahl has made an active contribution since the project was launched in 2013. In this phase, a hybrid vehicle, a truck transmission and truck drive axle were taken apart and investigated as to their potential for lightweight construction. At the same time, there are projects by the research network "Massive Lightweight Construction" in which, besides steels which can withstand greater stresses and new surface treatments, new approaches to the design of vehicle components are also being developed or investigated.

Together with the subsidiary DWK Drahtwerk Köln, trials in the manufacture of technical spring steels in the wire rod dimensional range of 19.0 to 23.5 mm could be carried out without any additional complex heat treatment (patenting). Here, targeted use of the significantly more powerful blowers in the new coil cooling transport on rolling mill train 32 presents a considerable step forward with regard to improving the drawing properties.

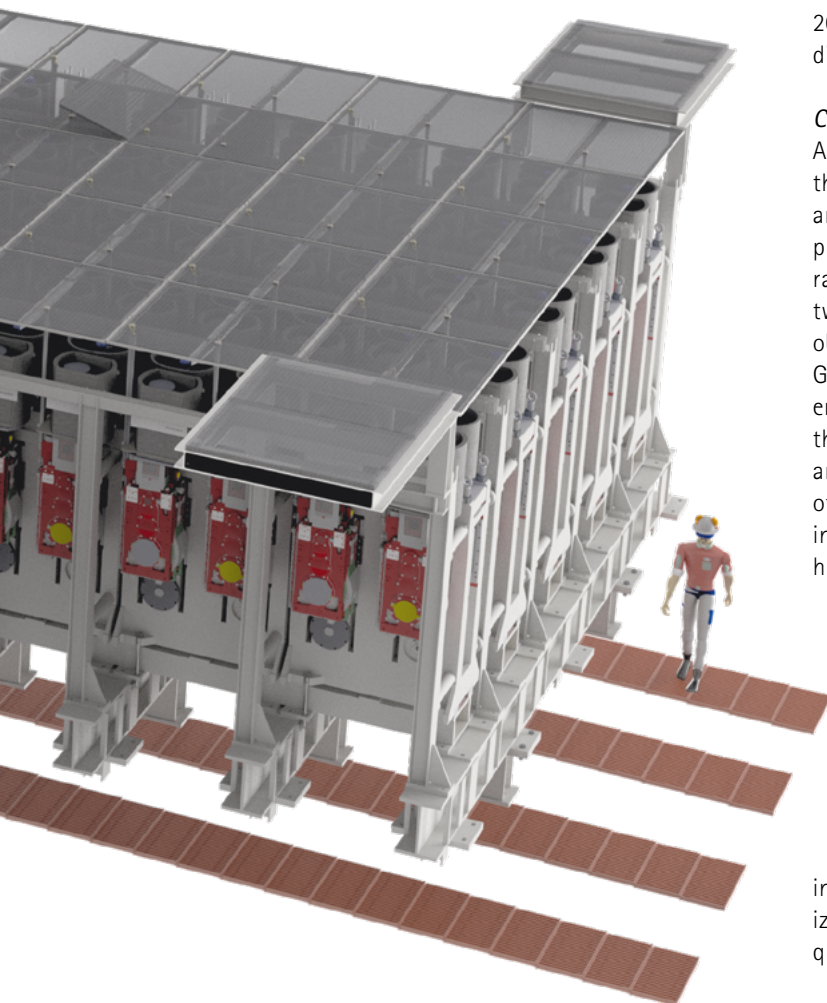
In the field of process development, the recording of measurement values in the new rolling mill train 32 in Neunkirchen was adapted to the iba-system and the existing access-archiving of process data was further developed to create an operator-friendly Qlik-View-Dashboard. This development serves as a template for uniform recording of measurement data and visualisation of all rolling mill trains and, once the planned changeover has taken place on rolling mill train 31 in Neunkirchen, it will be transferred to the next rolling mill train there.



A new continuous casting line is being built at the steelmaking plant. The investment amounts to around 100 million euros (Source simulation: SMS Concast AG).

In order to improve the desulphurization effect in grades with the lowest sulphur content, various trials were carried out in the steelmaking plant using the ladle furnace. As a result, it was possible to increase the accuracy to 100% of the batches with grades with a sulphur target lower than 30 ppm. Furthermore, for the first time, it was possible to create melts with a sulphur content of <10 ppm. The objective is to be able to achieve such low sulphur contents reproducibly.

With special focus on the coating of the cold-heading wire rod, Saarlustahl has created a new lubricating substance called "SAG-Composite" which, combined with a phosphatized surface, promises better friction properties and the greatest pressure stability in the temperature window for cold forming. This product has been in use since October 2017 in the surface coating plant in the wire rod mill in St. Ingbert.



Certification and Approvals

The existing certification in the fields of quality, environment and energy were successfully continued in the year 2017.

Since the standards for quality and environment have been comprehensively revised by external committees, a newly formed workgroup was given the assignment to analyse the requirements in 2017 and implement these in the integrated management system at Saarlustahl AG. Important components of the new standards are a unified structure known as "High Level Structure" and a consideration of opportunities and risks at all levels. Especially the additional requirements of the automotive industry according to IATF 16949 far exceed the previous requirements of TS 16949. Certification in compliance with these new requirements will be carried out in February 2018. In addition, further approvals are necessary in order to fulfil customer requirements or to continue supplying certain markets. For example, in 2017, the required approvals for supplying the Indian and Malaysian markets were obtained.

Chemical Laboratory (CL)

At the beginning of 2017, the CL was involved in the approval process. Within this context, the analytics which accompany the process could be presented during on-site audits in the new laboratory of the LD steelmaking plant. In October, a two-day monitoring audit took place in order to obtain accreditation. The auditor appointed by the German accreditation body, Deutsche Akkreditierungsstelle GmbH (DAkkS), in particular reviewed the work procedures regarding sample-taking and documentation as well as the traceability of analysis assignments, successful participation in national and international ring tests and the high level of specialised skill of the employees.

Technical Laboratory (TL)

In a two-day monitoring audit in September 2017, accreditation according to DIN EN ISO / IEC 17025, which has been applicable since 1995, was confirmed by the DAkkS. The audit also covered the inspection centres in Burbach and Neunkirchen. The involvement of the inspection centres in qualifying tests and ring tests also ensures the specialized skill of the testing departments and thus the quality of the certified product characteristics.

Raw materials procurement and transport

The trend towards rising raw material prices that emerged in the first half of 2016 continued in 2017. Sustained high demand for raw materials in Asia – especially China – and high demand from other regions made an impact following a phase of lacking investment in new mining and processing capacities.

While Europe, and Germany in particular, continue to push ahead with "decarbonization," Asia and other regions increasingly rely on energy generation from fossil fuels – and in Asia, primarily coal – to meet their growing energy needs. China is once again underscoring its position as the most important customer for iron ores and coking coal traded at sea and thus is having a decisive influence on raw material prices.

Ore prices markedly higher – pellet market strained

China was again the main driver on the ore market. Ore prices remained high. In particular, prices for high-quality fine ores and ore pellets rose. The supply situation for ore pellets remains strained, as Brazilian producer Samarco, with an original market share of 25% of the seagoing world market, has still not resumed production. The strategy pursued by ROGESA and ZKS, involving diversification and continuous optimization of the blast furnace charge and coking coal mixture, allowed for optimal supply of the blast furnaces at all times in terms of quality and costs, even under the highly volatile conditions in 2017.

Fuels: high demand – prices volatile and rising

The coal market was characterized by increasing volatility in 2017. The primary reasons for this included a combination of the oligopolistic supplier structure, the increasing number of political crises – often combined with sanctions – increasing price speculation and bad weather. Cyclone Debbie, for example, effectively brought to a standstill exports from Australia, the most important supplier country for coking coal. The prevailing trend toward price indexes and shorter fixed-price cycles in the metallurgical coal market continued in 2017.

Limestone supply: changeover to imported limestone completed

The primary focus in the limestone supply sector during 2017 was the scheduled commissioning of the processing and loading plant built exclusively for ROGESA in Dugny (France), which will guarantee the long-term supply of ROGESA with limestone, given the restricted production in terms of quality and quantity of the Auersmacher limestone mine at the end of 2017.

Shipping: rising cargo rates starting in the second half of the year

In line with developments in the bulk goods markets, the volatility of freight rates continued in 2017. In the second half of the year, rates rose steadily and reached their highest levels in three years. The combination of favourably priced cargo rates that are secured long-term and the simultaneous use of opportunities on the spot market continued to prove fruitful for ROGESA and ZKS. New opportunities and methods were also generated and conditions were improved with regard to bulk handling companies.

In order to counteract the threat of monopoly in the bulk handling capacity sector posed by further takeovers and consolidation, ZKS began obtaining coal through the German deep-sea port of Wilhelmshaven for the first time during the financial year.

Successful supply strategy

The strategy of intensive market research, further technical and commercial flexibility combined with the possibility of rapid geographical diversification was continued in the fiscal year. For ZKS, for example, various alternative compounds have been tested in a structured process to optimize flexibility and expand options for action with regard to supplier and product selection. As part of innovation management, ZKS also initiated the procurement of its own pilot furnace to accelerate and expand this optimisation process.

Saar Rail GmbH

One special challenge in the year 2017 was the seven-week closure of the Rhine valley railway line near Rastatt, which was followed, almost immediately, by the severe storms "Xavier" and "Herwart". As a consequence, DB Cargo was temporarily unable to provide Saarstahl AG with empty wagons for direct loading. However, Saar Rail was able to keep direct loading running on the customary level by using its own freight wagons. As part of the cooperation between Saar Rail and DB Cargo, plans are currently being elaborated for putting wagons at each other's disposal if such events should occur in future. Quantities of hot metal transported were also on a favourable level. At the end of 2017, the Supervisory Board of Saarstahl AG approved the purchase of three new electric locomotives.

Environment and Energy

Matters of energy generation and of energy utilisation as well as those of climate protection are meanwhile closely interwoven with the globalised economy and with the principle of sustainability in its ecological, economic and social dimension. The Saarstahl group gives high priority to environmental protection in its company guidelines.

Emission Protection

After various noise protection measures had been carried out on, among other places, the facades of the electric furnace hall, at Saarschmiede GmbH Freiformschmiede an additional type of housing known as a "doghouse" was implemented for the electric furnace in 2017. As a result, noise emissions in the electric steelmaking plant have been decisively reduced. Furthermore, in future, the emissions which occur during the tapping process will be extracted directly at the "doghouse". This makes a vital contribution to eliminating diffuse dust emissions.

Environmental Management

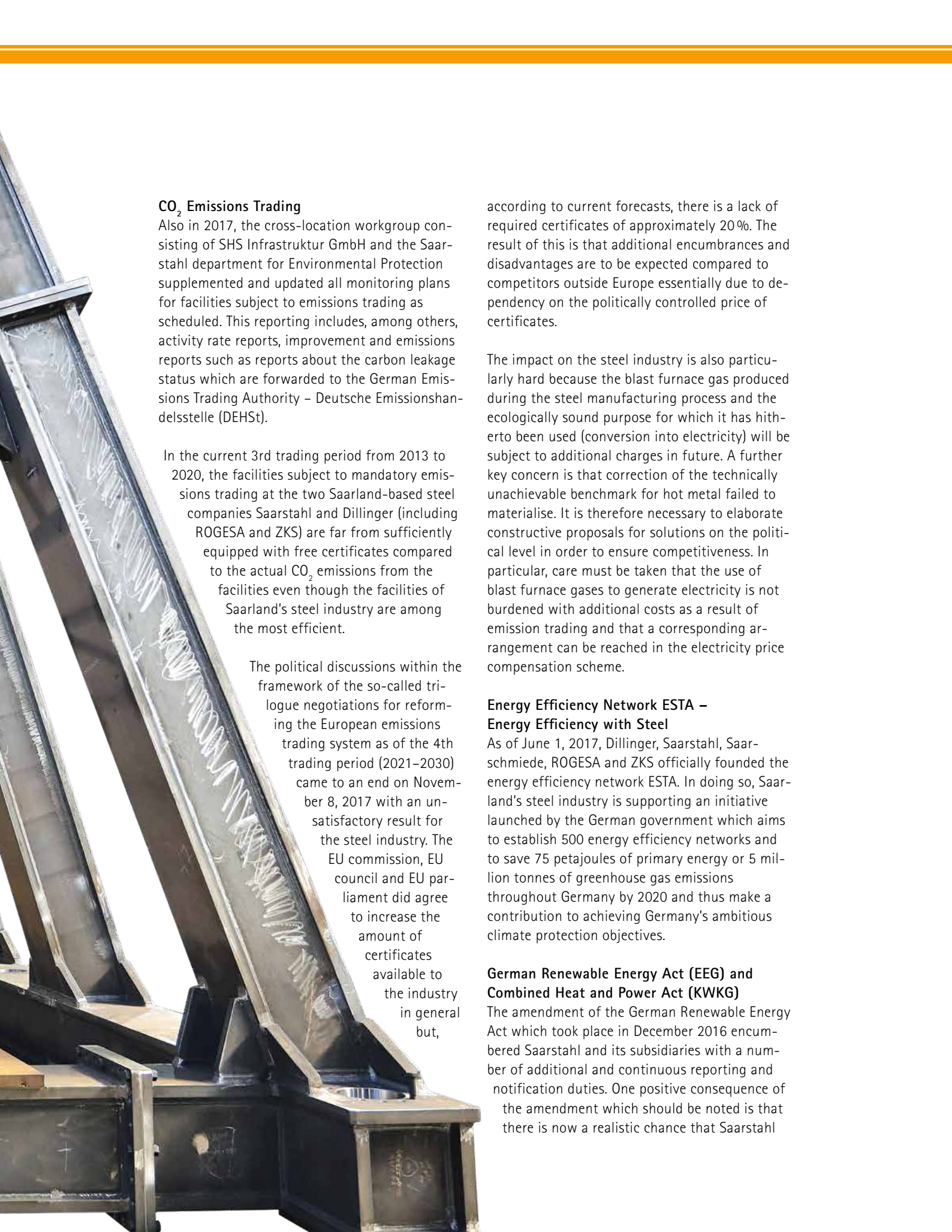
In 2017, Saarstahl AG, the limestone mine Kalksteingrube Auersmacher and Saarschmiede GmbH Freiformschmiede were once again successfully certified according to the international environmental management standard ISO 14001:2004. This certification documents the continuous efforts to reduce the consumption of resources and to sustainably minimize the dust and noise emissions as well as the amount of waste.

Industrial Emissions Guideline 2010/75/EU

In 2017, the facilities of Saarschmiede GmbH Freiformschmiede and of Quenching and Tempering department 5 of the rolling mill in Völklingen were audited by the monitoring authority in accordance with the IE guideline on the environmental issues of air pollution control, noise and recycling. The legal requirements regarding monitoring have therefore been fulfilled by all of the affected facilities at Saarstahl AG and Saarschmiede GmbH Freiformschmiede. The relevant reports on this have been published on the internet by the regional government office for environmental and industrial protection. As of 2018, the new interval for monitoring by the authorities commences.



Saarstahl subsidiary Saar Stahlbau supplied crucial components for the „Museum of Modern Art“ in New York.



CO₂ Emissions Trading

Also in 2017, the cross-location workgroup consisting of SHS Infrastruktur GmbH and the Saarlustahl department for Environmental Protection supplemented and updated all monitoring plans for facilities subject to emissions trading as scheduled. This reporting includes, among others, activity rate reports, improvement and emissions reports such as reports about the carbon leakage status which are forwarded to the German Emissions Trading Authority – Deutsche Emissionshandelsstelle (DEHSt).

In the current 3rd trading period from 2013 to 2020, the facilities subject to mandatory emissions trading at the two Saarland-based steel companies Saarlustahl and Dillinger (including ROGESA and ZKS) are far from sufficiently equipped with free certificates compared to the actual CO₂ emissions from the facilities even though the facilities of Saarland's steel industry are among the most efficient.

The political discussions within the framework of the so-called trilogue negotiations for reforming the European emissions trading system as of the 4th trading period (2021–2030) came to an end on November 8, 2017 with an unsatisfactory result for the steel industry. The EU commission, EU council and EU parliament did agree to increase the amount of certificates available to the industry in general but,

according to current forecasts, there is a lack of required certificates of approximately 20%. The result of this is that additional encumbrances and disadvantages are to be expected compared to competitors outside Europe essentially due to dependency on the politically controlled price of certificates.

The impact on the steel industry is also particularly hard because the blast furnace gas produced during the steel manufacturing process and the ecologically sound purpose for which it has hitherto been used (conversion into electricity) will be subject to additional charges in future. A further key concern is that correction of the technically unachievable benchmark for hot metal failed to materialise. It is therefore necessary to elaborate constructive proposals for solutions on the political level in order to ensure competitiveness. In particular, care must be taken that the use of blast furnace gases to generate electricity is not burdened with additional costs as a result of emission trading and that a corresponding arrangement can be reached in the electricity price compensation scheme.

Energy Efficiency Network ESTA – Energy Efficiency with Steel

As of June 1, 2017, Dillinger, Saarlustahl, Saarschmiede, ROGESA and ZKS officially founded the energy efficiency network ESTA. In doing so, Saarland's steel industry is supporting an initiative launched by the German government which aims to establish 500 energy efficiency networks and to save 75 petajoules of primary energy or 5 million tonnes of greenhouse gas emissions throughout Germany by 2020 and thus make a contribution to achieving Germany's ambitious climate protection objectives.

German Renewable Energy Act (EEG) and Combined Heat and Power Act (KWKG)

The amendment of the German Renewable Energy Act which took place in December 2016 encumbered Saarlustahl and its subsidiaries with a number of additional and continuous reporting and notification duties. One positive consequence of the amendment which should be noted is that there is now a realistic chance that Saarlustahl

and Saarschmiede will be able to utilise the so-called "special compensation arrangement" (BesAR) as of 2018. The relevant applications were submitted in 2017 in due time for 2018. The Combined Heat and Power Act (KWKG) was amended in the same legislative process. The reduced cogeneration levy will gradually run out for many companies in future. According to the Act, as of 2017, the CHP levy will be doubled annually for companies previously privileged until they have also reached the level of CHP levy which generally applies. Only companies which are allowed to utilise the special compensation scheme are exempted from this. If the applications submitted by Saarstahl and Saarschmiede in this regard are accepted then both companies will be able to avoid the cost increases resulting from this amendment as of 2018.

Termination of the lease of block 3 of Ensdorf Power Station

After intense examination of the existing situation and of the future economic efficiency of producing their own electricity in Ensdorf power station, Saarstahl and Saarschmiede terminated the lease of block 3 of Ensdorf power station, which was commenced in 2011, in the early summer of 2017 in due time for the end of the year 2017.

Parent Company Saarstahl AG

Human Resources

Safety on a record level

In 2017, the best ever performance with regard to safety was achieved, thus continuing the positive trend of the last few years. The number of accidents with days of absence fell to 19 (previous year 20). The frequency of internal accidents has therefore decreased to 2.8 accidents per 1 million working hours (previous year 3.1).

The projects adopted by the steering committee for safety and health were advanced according to schedule in 2017. The focus here was on elaborating a new form of site inspection. As of 2018, such inspections will be transformed into an internal safety and health audit which consists of an organisational check (theoretical part) and a site inspection (practical part). In addition, the safety standards which had been established so far were transferred into work safety guidelines and published on the intranet. There are comprehensive aids available in the operations to assist action for correct implementation of these guidelines. At Saarstahl, the workshop for safety representatives continued in 2017 with the focus on the topic of fire protection.

Number of employees remains constant

At Saarstahl AG, the number of employees was 4,040 at end of the year under report (previous year: 4,009).

Promotion of young talent

Saarstahl continues to invest in promoting its own young talents. In the reporting year, 73 new trainees were hired, bringing the total number to 273.

Further training

In 2017, at 4,272, the number of participants in further training at Saarstahl and Saarschmiede was significantly higher than in the previous year (2016: 2,700). Above all, there was a considerable increase in technical training. In the traditionally strongest field of work safety, employees in the operations were sensitised at shift level in one day training courses. This qualification measure was also transferred to the subsidiaries.

Production

As its core facilities, the production department at Saarstahl AG comprises the steelmaking plant in Völklingen and three rolling mills located in Völklingen, Burbach and Neunkirchen. The preliminary stages of production, i. e. the production of coke and hot metal, take place at the Dillingen location with the two companies (share of Saarstahl AG 50% each) Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA).

LD steelmaking plant

After the relining of blast furnace 4 in 2016 and the associated lower hot metal requirements, the two furnaces continued to run throughout the whole year 2017 with a high output. In the converters in Völklingen, 2,404 kt of hot metal were blown, which corresponds to an increase of 17% compared to the previous year. As far as solid production is concerned, the steelworkers achieved a production record of 2,785 kt in 2017.

The continuous casting plants produced 76% billets and 24% ingots in 2017. At SO, the trend towards casting the square 180 mm format continued, 42% of billets were generated in the large format, which corresponds to 11% of production. Besides the higher coil weights and greater output, the emphasis is increasingly on qualitative aspects in the form of soft reduction and hard reduction of the strands.

Rolling mill Völklingen

The rolling mill in Völklingen produces high-quality bar steel in round, square, hexagonal and flat dimensions on a semi-open line.

In 2017, capacity utilisation of rolling mill trains 14 and 15 was higher than the basic amount normally rolled. The total hot rolled production of 616,782 t including remelted ingots increased by 18.6% compared to the previous year (520,000 t). Thus, for the first time, a quantity greater than 600,000 t was rolled. The output, at 94.2%, was slightly over the level of the previous year of 94.1%.

Rolling mill Burbach

The hot rolled production was 1,008 kt in 2017 and was therefore on a high level. The single-strand roughing mill, which was extended by two additional stands in summer 2016, created the prerequisites necessary for implementing a new billet geometry (180 x 180) which was successfully put into operation last year.

In addition to the conversion measures in the mill, modifications were carried out in the walking beam furnace during the last fiscal year. In order to continually improve processes and to sustainably ensure quality standards, a new furnace model was put into operation this year, and final acceptance is scheduled for the end of March 2018.

Rolling mill Neunkirchen

In the Neunkirchen plant, with the two rolling mill trains and the downstream further processing facilities, a total of approximately 968,000 t of rolled products were produced in 2017. This tonnage represents a production record for the Neunkirchen location and exceeds the production volume of the previous year at approx. 852,000 t by 13.6%.

The investment and conversion measures on the single-strand wire rod mill in Neunkirchen were continued further in 2017. In total, in a ramp-up curve, approx. 125,000 t of wire rod were produced in all common types of steel using the new high-speed section of rolling mill train 32 in the past year. The investment was completed during the winter shut-down. With the new strand, the complete dimensional range from 7 to 27 mm can be produced with improved properties. In spite of the investment measures, approx. 438,000 t of wire rod were produced on the single strand wire rod mill within one year.

Due to the increased performance of the light steel mill combined with higher demand on the market, a production record was also achieved on this rolling mill train in Neunkirchen in 2017 with hot rolled production of approx. 530,000 t (Previous year: 435,000 t).

Most significant shareholdings

Zentralkokerei Saar GmbH, Dillingen

Saarstahl AG and AG der Dillinger Hüttenwerke each hold an indirect 50% interest in Zentralkokerei Saar GmbH. ZKS produces coke intended exclusively for use in ROGESA's blast furnaces. ZKS is a company without employees. Operational management is handled by Dillinger.

Total coke production in 2017, at 1,315 kt, remained high and consistent with the previous year's production (1,312 kt). Investments at ZKS in 2017 amounted to € 3 million (2016: € 4 million). Key investments during the year under review included new soil sealing on the white side. Furthermore, a new vacuum cleaning system was installed in the mixing and grinding building and the coke gas line in the vacuum unit was renovated. These investments contribute significantly to improving environmental protection at the site.

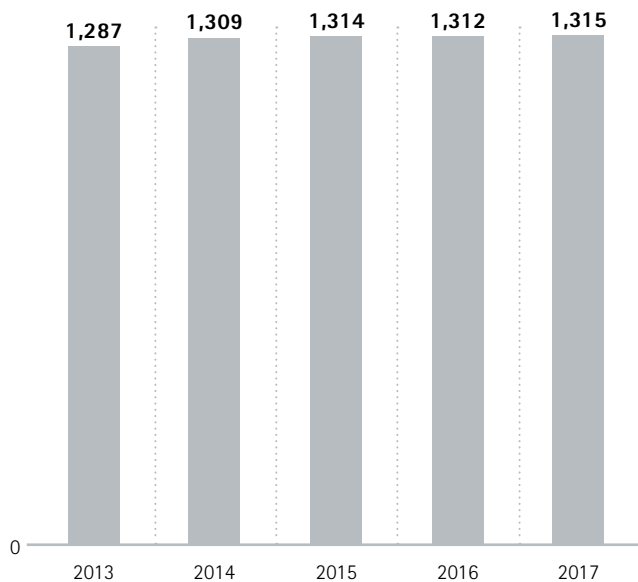
ROGESA Roheisengesellschaft Saar mbH, Dillingen

ROGESA, in which Saarstahl holds a 50% interest (indirect and direct), produces hot metal exclusively for its shareholders, Saarstahl and Dillinger.

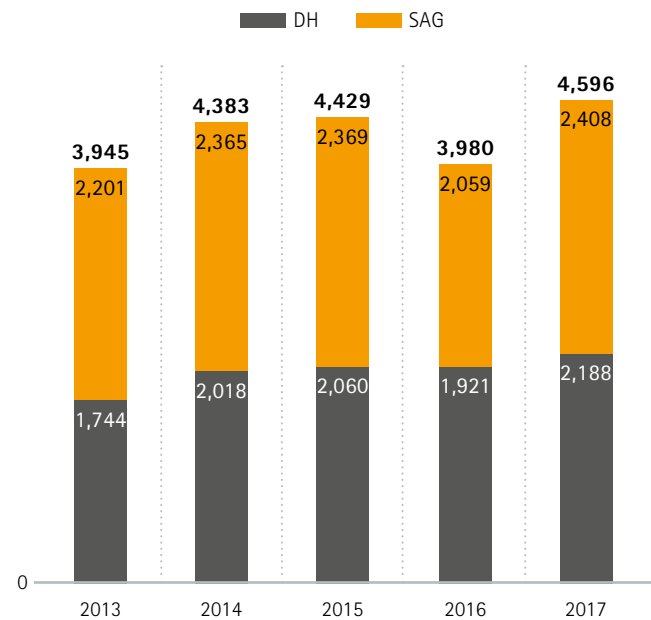
Operational management of ROGESA, as a company without employees, lies in the hands of Dillinger.

Hot metal production in 2017 was generated as planned by blast furnaces 4 and 5, and, at 4,596 kt, was 15.5% higher than in the previous year (3,980 kt) due to continuous operation of both blast furnaces throughout the year. During the year under review, 2,188 kt (previous year: 1,921 kt) was supplied to Dillinger and 2,408 kt (previous year: 2,059 kt) went to Saarstahl.

Investments at ROGESA in 2017 amounted to € 11 million (2016: € 57 million). Following the fourth relining of blast furnace 4 during the previous year, further repair work was carried out for this project. A test plant for coke gas injection was installed and commissioned in blast furnace 5 and the front section of the casting hall in the area of the slag outlet was renovated using steel construction methods.



ZKS coke production (in kt)



Hot metal production by ROGESA (in kt)

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

Metallurgische Gesellschaft Saar GmbH (MGS)

Due to the high level of capacity utilisation of the LD steelmaking plant, also MGS was able to significantly increase its sales volumes in the year 2017. With the demand for quantities, the selling prices for scrap also increased. These may not have reached the level of the years 2011 (highest average annual price to date) or 2008 (highest price ever) but, overall, MGS was able to significantly increase its turnover compared to the previous year. The steelmaking plants in Völklingen and Dillingen could always be supplied with the amount of scrap required for steel production with 534 kt (previous year: 428 kt).

Subsidiaries in the field of further processing

In 2017, around 397 kt of wire rod and bar products were shipped. Sales volumes were thus higher than the level of the previous year and above the long-term average.

None of the usual product-specific differences among the subsidiaries could be observed. The wire rod sector with the companies Drahtwerk St. Ingbert, Drahtwerk Köln, Conflandey Industries and Schweißdraht Luisenthal as well as the bright steel sector with the companies Saar-Blankstahl and Secosar Étirage and the cold rolled strip steel from Saar-Bandstahl were able to exceed the sales level of the previous year overall. Furthermore, by buying approx. 350 kt of rolled products from Saarstahl AG, the subsidiaries represent a major sales channel for the parent company.

The focus in 2017 was on investments for restructuring the bright steel sector. Due to the termination of production activities at Secosar Étirage at the Lyon location with simultaneous continuation of the storage location Marignier with products from Saar-Blankstahl, there was realignment of the activities in the field of bright steel in particular in France. Furthermore, the further expansion of the wire rod service centre in St. Ingbert will continue.

With its independent companies, the further processing sector at Saarstahl AG achieved sales revenues amounting to 402 million euros in 2017 (previous year: 360 million euros) with a shipping volume of 397 kt (previous year: 387 kt). The EBT of all further processing subsidiaries before the profit and loss transfer agreement amounted to 5.9 million euros (previous year: 5.2 million euros).

For 2018, the further processing companies are planning to stabilise the high level of sales volumes in general and to improve the annual result.

Sales Companies

Within the framework of its strategy of internationalisation, Saarstahl founded a new sales company in Great Britain under the name of "Saarstahl UK Ltd." on April 1, 2017. Moreover, it is planned to open a new company in Mexico in the course of the year 2018. In order to further extend the international sales organisations, an active survey of the Russian market is currently being carried out. The sales companies generated earnings before tax of approximately 4 million euros in 2017 (previous year: 3 million euros).

Saarschmiede GmbH Freiformschmiede

Most market segments in which Saarschmiede operates continued to be subject to extreme tension. Due to the large overcapacities worldwide and numerous under-utilised competitors, who are competing with very aggressive pricing strategies, every order was fiercely contested.

Course of Business at Saarschmiede

There was no change in the critical situation at Saarschmiede in 2017. The market factors described led to a considerable decrease in orders from the sector for power generation machinery but also for general machinery. There was a sharp decline in turnover in the fiscal year 2017 at 148 million euros (previous year: 185 million euros). The result at Saarschmiede amounted to -8 million euros (previous year: -63 million euros).

Since no change is to be expected on the energy market within a foreseeable period of time, it was necessary to commence a comprehensive restructuring programme in summer 2017. Within the context of this redimensioning, the manufacture of large components for power generation machinery and the corresponding machining aggregates were temporarily taken out of operation. The programme also includes reducing the workforce of Saarschmiede by approximately half. All of the employees affected could be transferred within the group by the end of the year or received offers for compensation and part-time retirement. For the size of the workforce, a new target of 411 employees was set.

Outlook

In 2018, too, the market environment for Saarschmiede will be characterised by intense competition from players that are already established as well as from emerging competitors from low-cost threshold countries. The global overcapacities, the continuing trend towards renewable energy sources and the immense pressure on the price of forged products are most likely to continue in 2018. The slow recovery in oil prices could have a positive effect by reviving the oil and gas business and therefore easing the tension with regard to the overcapacity situation.

When the restructuring has been implemented, it is the declared aim to reduce the dependency on the sector for power generation machinery and to have greater diversification in future through the addition of new business fields.

Aktien-Gesellschaft der Dillinger Hüttenwerke

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

The market for heavy plate in Europe also continued to be subject to fierce competition in 2017. Based on the European anti-dumping measures introduced in 2016, there has been a considerable reduction in imports, in particular from China. However, other countries increased their volumes so that import levels remained high. Capacity utilisation among European manufacturers of heavy plate remained largely unsatisfactory.

Against this background, Dillinger did well in the fiscal year 2017. There was very good utilisation of capacity in facilities in all stages of production. The production of the previous year could be greatly exceeded and it thus reached the highest level in the past five years. Shipping could also be significantly increased. Thanks to the rise in volumes and earnings, it was possible to achieve a considerable improvement in the turnover and result compared with the previous year.

After the relining of blast furnace 4 in 2016, the purchase of hot metal increased compared with the previous year by 13.9% at 2,188 kt (2016: 1,921 kt) as well as the production of crude steel by 11.2% at 2,521 thousand tonnes (2016: 2,267 kt). The production in both rolling mills (2,043 kt) increased by a total of 8.5% compared with the previous year (2016: 1,882 kt) whereby 1,391 kt of heavy plate (2016: 1,284 kt) were produced in Dillingen and 652 kt (2016: 598 kt) were produced in Dunkerque.

Sales revenue increased by 19.7% from 1,636 million euros in the previous year to 1,958 million euros. EBIT amounted to -3 million euros (2016: -98 million) and EBITDA to 70 million euros (2016: -37 million euros). ROCE (Return on Capital Employed) amounted to -0.2% in the year under report (2016: -5.0%),

The investments amounted to 35 million euros in 2017 (2016: 69 million euros) and affected, among others, the further development of the continuous casting plant CC 6, with which Dillinger is strengthening its leading position in technology for the production of high quality continuous cast slabs to fulfill the most complex requirements in heavy plate specifications. Another worldwide novelty is the "eddy current testing facility", which was installed in 2017, and with which the company can now examine plates automatically for local surface hardness differences.

At the end of the year under report, a workforce of 4,932 employees was employed (2016: 5,109). In 2017, 66 youngsters (2016: 80) successfully qualified for the start of their careers.

Risks and Opportunities Report

For the Saarstahl group, as a globally operating manufacturer of wire rod, bar steel and semi-finished products in various grades, it is of central importance to deal with entrepreneurial opportunities and risks in a structured and responsible manner. This applies, in particular, against the background of the challenging economic conditions which are to be expected according to the forecast report. Within this context, Saarstahl already introduced a group-wide risk management system years ago, which is embedded into the risk management system of the SHS group. The methods and tools of risk management are constantly undergoing further development.

Organisation of Risk Management

The risk management at Saarstahl consists, on the one hand, of risk coordinators and responsible staff in the departments and subsidiaries. They are responsible for the operative risk management tasks integrated into the processes of the individual areas of the company and its subsidiaries as well as for the scheduled and ad-hoc risk reporting to the central risk management of SHS. On the other hand, the central risk management takes on coordinating, supporting and consolidating tasks for the company. The risk coordinators and SHS risk management thereby work together in partnership.

Mode of Operation and Structure of the Risk Management System

The risk management system of the Saarstahl group comprises all of the measures in total which ensure systematic dealings with risk and bring risk transparency, risk manageability and risk communication into focus.

- Risk transparency: Risk management pursues the aim of identifying and pointing out the essential risks connected with the business activities at the earliest possible stage. For this purpose, a systematic and uniform method of analysis and evaluation is used.

- Risk manageability: A further aim of risk management is to avoid, to reduce or to transfer the risks which have been identified through risk management instruments which have already been implemented or which are to be newly set up. The transfer of risks is carried out by the central service provider SHS Versicherungskontor GmbH, which is responsible for ensuring that there is insurance cover of a suitable scope.
- Risk communication: The management is informed about the current risk situation at regular intervals as well as based on events. Furthermore, the main questions regarding risk management are also discussed with the Supervisory Board.

A regular risk management procedure forms the basis of the risk management system of the Saarstahl group. In order to carry out an operative risk management process, a global network of risk coordinators was set up. Besides risk identification and risk evaluation, this operative risk management process also includes risk control. To supplement this, ad-hoc risk reporting was already introduced in 2016. This forms part of the risk management system and allows a current overview of the risk situation to be generated at any time. Besides the risk management process, risk analyses are a further component of the risk management system. Risk analyses are carried out for the Saarstahl group by SHS risk management on assignment and according to special topics. The content, set-up and results of the risk management system are documented in a reviewable form according to the German law on corporate control and transparency (KonTraG).

In the year under report, the compliance management system of the SHS group was organisationally linked with the risk management system, and a compliance module was integrated into the existing risk management process. This element was developed within the context of the Compliance Management System and based on the group-wide compliance hazard analysis. With the module, information regarding implementing the compliance culture, compliance organisation and communication is collected together with the compliance risk areas identified during the hazard analysis.

The retrieval and subsequent evaluation of the processed modules are used to conduct a preventive risk analysis. The aim of this is to identify compliance risks at an early stage and, consequently, to derive measures from it (Compliance Programme). As of June 30, 2017, the compliance module was integrated into the reporting process of SHS risk management for the first time. It is processed by the risk coordinators.

Within the framework of the overall approach by the management to setting up an internal guidance and monitoring system, the Corporate Audit department is an integral part of risk management in accordance with the German law on corporate control and transparency (KonTraG). Corporate Audit is also responsible for the systematic and target-orientated internal auditing of the risk management system.

External, market and sector risks

The Saarstahl group is a global player. Furthermore, its customer structure is characterized by companies which have global operations, in particular from the automotive and mechanical engineering industries. This implies that there is a dependency both on the future overall economic development as well as on the development of individual customer sectors. Moreover, there are complex framework conditions and an extreme situation regarding competition. The global economy is currently subject to a boom which is being sustained by almost all large national economies at the same time. The economies within the euro zone and Germany are also undergoing very positive development. Global trade has picked up considerably but there are still economic risks. The very hard competition which exists worldwide is characterised by large steel overcapacities and – in connection with this – increased pressure from imports.

In addition, there are the effects of national state politics on open and rule-based global economic structures. Influencing and decision-making motivated by power-politics are on the overall increase. Political instability, a lack of legal basis and the rise in protectionist tendencies are having a detrimental effect on global economic activities. Moreover, there is uncertainty as to the future

impact of the negotiations regarding Great Britain leaving the European Union.

The internal risks mentioned above can lead to restrictions in the market perspective for the group. In order to offset these risks, the company is constantly monitoring the overall economy and the country-specific sales markets. In addition, Saarlöhne has reduced its dependency on the mass market by manufacturing wire rod, bar steel and semi-finished products from high-grade steels and has continuously extended its product portfolio by having its own further processing companies. Strategic decisions within this context have the effect of reducing risk in the sense of risk diversification.

From a global point of view, the automotive industry is a growth sector. However, we are at the start of a transformation process in drive technology. Against the background of the climate objectives, there will be an increase in the market share of the electric car. A shift in market share away from the combustion engine toward electric and hybrid vehicles is to be expected. Developments in the automotive sector have an impact on the Saarlöhne group as a supplier to the automotive industry.

Procurement Risks

In order to manufacture high-quality products, the Saarlöhne group requires raw materials, energy and logistic capacities of sufficient quality and quantity. For this reason, besides the already established procurement department of ROGESA and ZKS for the procurement of raw materials, ores, coal and coke, specific procurement and logistics departments have been bundled under the umbrella of SHS Services GmbH and SHS Logistics GmbH respectively.

In order to ensure supply, the procurement of the bulk goods required for the production of hot metal is largely based on long-term framework supply contracts.

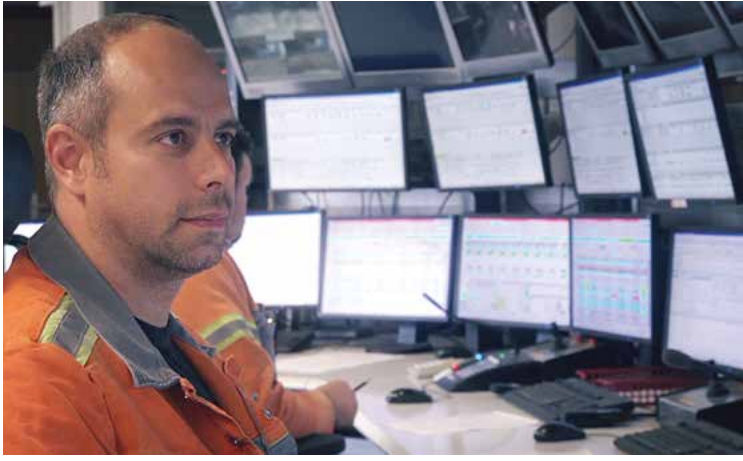
Nonetheless, the numerous current geopolitical crises can have a negative effect on the procurement situation because individual raw materials are also procured from corresponding regions. The further development in the crisis areas will therefore be monitored closely and there is continuous

active support through the work of associations and relevant political forums. Risks are discussed with suppliers and are mutually minimized in agreement with suppliers.

Furthermore, a continuous diversification process has been implemented for the procurement of raw materials which ensures that a technically suitable substitute from alternative sources can be made available if a supplier should experience a stoppage due to a crisis.

The raw materials for the manufacture of iron and steel are increasingly becoming a subject of speculation. As a result, there is more volatility in the prices of raw materials. Purchasing prices can therefore fluctuate greatly and put pressure on the company's cost structures. The development with regard to raw materials is therefore currently strongly affected by price fluctuations. For this reason, options are utilised to ensure basic flexibility in the supply of raw materials, in particular to the affiliated companies ROGESA and ZKS. With corresponding policies regarding stocks, supply buffers are constantly kept (at the transshipment harbours and at the location in Dillingen). In addition, a continuous and systematic search for new procurement sources is conducted. This includes expanding logistical links by diversifying with new, alternative logistic partners in the transshipment area. Moreover, alternative possibilities for the use of raw materials are being tested and evaluated. Besides ensuring the supply, the measures which have been implemented also make a contribution to reducing price risks. Political decisions such as the prevailing tendency, particularly in Europe, toward "decarbonisation" entail risks with regard to the procurement of coal and to coal logistics. The implementation already leads to a series of additional regulating measures by the authorities today and these result in additional risks for logistics and the use of coal.

The reduction in limestone mining in the limestone mine Kalksteingrube Auersmacher at the end of 2017 was replaced both qualitatively and quantitatively by setting up alternative sources from an early stage so that the supply of limestone to ROGESA is ensured both in short and medium term. With regard to the security of



Scenes from Saarstahl's new image film, realised and produced by the SHS communication department.

energy supply and energy costs, the 90 MW blast furnace gas power plant in Dillingen makes an important contribution toward minimizing risk. In total, the medium term security of supply of raw materials, energy and logistic capacities in the required amounts can be seen as ensured.

Risks from Operating Activities

In the production facilities of the Saarstahl group, interruptions to operations, material damage and/or quality risks can occur. These can be caused by the complexity of the products manufactured, the complexity of the manufacturing processes and technical operating facilities or by force majeure. The former causes are dealt with by the company by using innovative diagnostic systems for preventive and future-orientated maintenance as well as by consistently further developing the quality assurance system, which has been certified according to international standards, and especially by continuously investing in state-of-the-art equipment. Saarstahl deals with risks due to force majeure

such as explosions or major fires where the potential for damage is great but where the risk of their occurrence is to be seen as improbable, by having protection facilities, contingency plans and by having its own plant fire brigade. Furthermore, policies offering insurance cover of a suitable scope have been taken out.

Financial Risks

It is of central importance for the Saarstahl group to ensure the financial independence of the company by coordinating its financial requirements. To do so, the financial risks are actively controlled and limited. This is supported by integrating the financial departments under the umbrella of SHS. As a matter of principle, the Saarstahl group only transacts financial instruments with counterparties who have an excellent credit rating. With regard to deliveries and services, outstanding payments are constantly monitored. Deals are safeguarded by credit insurance. The resulting risk of default is therefore to be seen as low. Continuous financial and liquidity planning as well as a comprehensive approach to cash management ensure the company's liquidity at any time. In the long term view, the company has used the liquidity situation on the market to finance planned investments. Furthermore, all main subsidiaries are integrated into the short and medium term financial planning according to uniform standards. Within the context of regular analyses, both the status quo as well as planning are integrated into the risk management system. The financial stability which Saarstahl requires is therefore ensured. Irrespective of this, market risks can have an influence on fluctuations in present value or future cash flows from financial instruments.



The company deals with these risks actively by using currency and interest rate hedging instruments. These instruments limit market price risks significantly or else eliminate them completely. In general, hedging instruments are not used uncoupled from the underlying performance-related basic business. They are regularly monitored and, in order to control them, analyses are created which allow the results to be integrated into the risk management system. Any remaining risks are to be seen as low.

Legal Risks and Compliance Risks

Legal risks can currently be seen as moderate. The company is presently involved in various legal proceedings of which the outcome is still unknown. It is expected that decisions in this respect will be made in 2018. For Saarstahl there is a basic risk that, due to increasing internationalisation and the extension of its business activities, there could be legal uncertainties resulting from the numerous fields of law and legal systems which are involved. For very specific issues and for issues which go beyond German and French jurisdiction, Saarstahl additionally draws upon external legal expertise from renowned sources. The same applies to issues where there is a high level of risk due to uncertainty. Irrespective of this, misconduct – whether it is carried out consciously or unconsciously – by individual persons or groups of people cannot be completely excluded. However, potential misconduct is counteracted by a commitment to preventive compliance. Saarstahl subscribes to the ethical guidelines of the SHS group. This is manifested in both the values and dealings within the group as well as towards customers and external third parties. The compliance commitment of the SHS group and therefore also of the Saarstahl group was continued by the compliance committee in the last fiscal year. Through information events and compliance publications on particular topics, preventive work is being carried out to ensure behaviour which is both compliant and exhibits integrity. Moreover, measures such as audits and individual training courses have been and will continue to be carried out as required. As of 2018, targeted training courses based on E-learning will further complete the compliance programme.

Regulatory Risks

New laws or changes to the basic legal framework on national and international level can imply risks for Saarstahl. This applies, in particular, in cases where new laws or amendments mean that there are higher costs than for competitors. The company therefore accompanies regulatory efforts directly and through working contacts with trade associations. Saarstahl is committed to climate objectives which are expedient. However, regulatory developments regarding climate protection also entail risks for Saarstahl.

In 2016, the German cabinet decided on the climate protection plan 2050. Consistent implementation of the climate protection plan will commit the industry to reducing greenhouse gases based on legal requirements. There is therefore the risk that the targets formulated will increase the burden on the Saarstahl group or lead to distortion of international competition.

After negotiations which lasted for months, EU representatives in November agreed on a reform of European emissions trading in the 4th period of trading from 2021 to 2030. The compromise which was found entails considerable risks for the steel industry and therefore also for Saarstahl. The company is particularly affected by the fact that, in future, it will also not be issued with any free certificates for the blast furnace gases incurred during steel production – and their hitherto environmentally sound use – and that it will therefore be burdened with additional costs. The reduction in the free certificate issued, which cannot be offset through technical measures, means that there will be a significant additional financial burden due to emission allowances which it will become necessary to acquire along with price increases for the certificates which are to be expected for the period after 2021.

IT Risks

Both the complex technical production processes and the administrative processes are supported by modern IT systems. The availability of data and information flow is therefore of central importance for the company. Specific areas of information technology are bundled under the umbrella of SHS Infrastruktur GmbH. Due to human error,

organisational or technical processes and/or gaps in security, risks can occur which endanger the confidentiality, availability, integrity and reliability of IT-supported information and systems. Besides failures of important systems for production and administration within the value chain, in particular risks due to unauthorized third parties accessing the system such as industrial espionage or sabotage should be mentioned. For this reason, the software used is permanently monitored by Saarstahl and SHS Infrastruktur, and the systems are updated as required. In order to protect data and systems from damaging attacks from the internet, an information security representative was appointed in 2017. Furthermore, hardware components such as servers or networks are continuously being extended and adapted in line with technological advances. In 2017, for example, protection against serious impairment of availability was improved by establishing a cross-site data centre network between the locations of Saarstahl in Völklingen and Dillinger in Dillingen. Moreover, employees are preventively made aware of the risks and motivated to be sensitive in their dealings with IT security through publications. Besides the approaches mentioned to achieve IT security, the use of modern technologies aims to identify and to defend against threats, also new ones, at an early stage. Close cooperation between the specialist departments and the data security representative ensures that processing of personal data is only carried out in accordance with the provisions of German laws on data protection. In addition, in 2017, Saarstahl created a project structure to ensure fulfillment of the basic EU regulation on data protection in 2018.

Personnel Risks

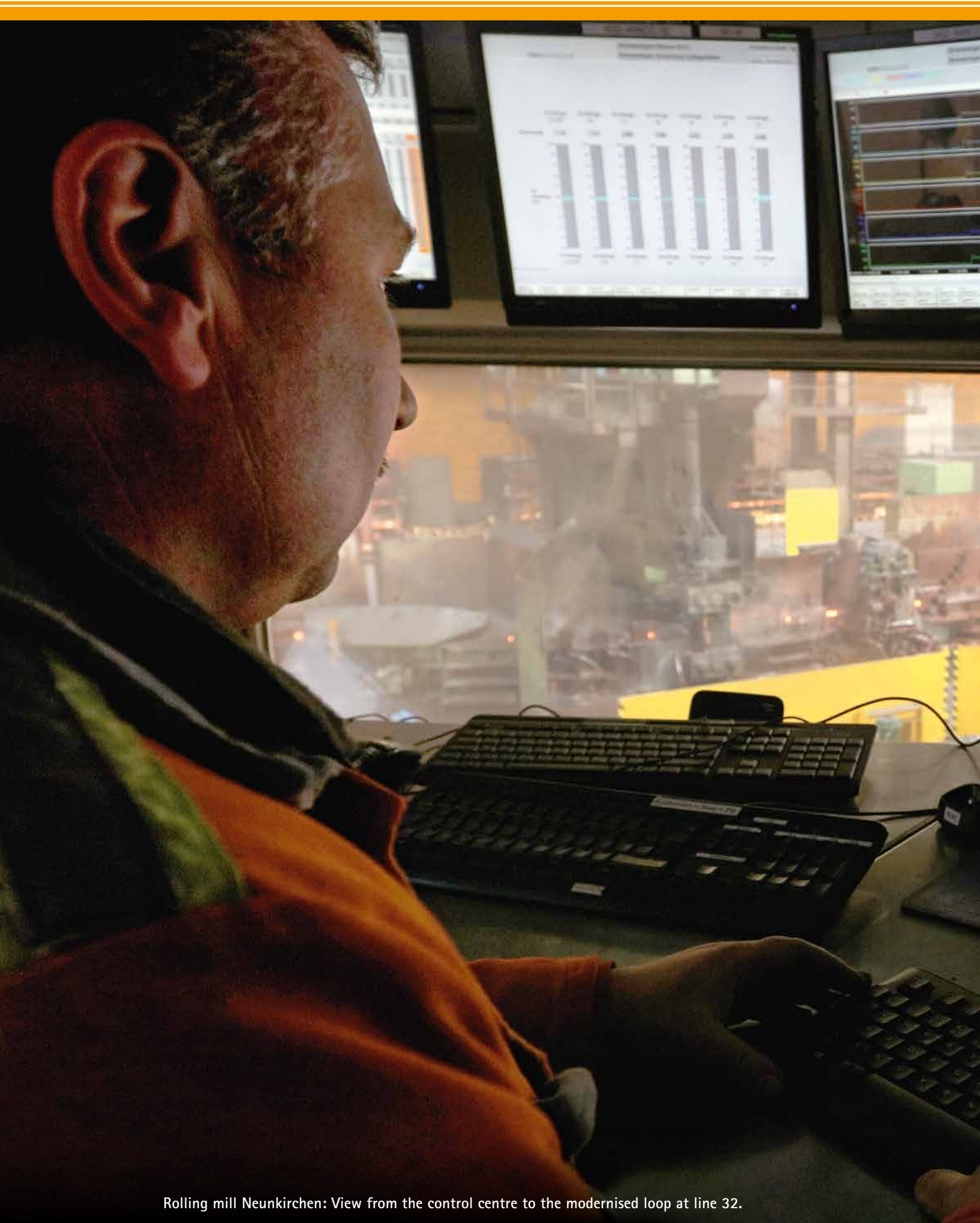
For Saarstahl as a manufacturer of technological-ly and qualitatively high value products, qualified specialists and executives and their high degree of commitment for the success of the company are of primary importance. Against this background, Saarstahl places great importance on being an attractive employer.

There is a basic risk of losing competent employees and therefore also know-how. There can be various reasons for this such as leaving the company on reaching retirement age or personal

re-orientation. The company offsets this by providing training in numerous occupations. In order to come into contact with suitable people, Saarstahl AG engages in numerous recruiting efforts. This commitment also actively prevents the expected lack of specialized employees. In addition, the company offers various opportunities for further training for specialists and executives as well as target-group orientated consultation. Furthermore, the company promotes mutual cooperation between the generations in order to ensure the systematic transfer of knowledge to the successors of experts and executives who are going into retirement. This is supported by specially trained coaches who help to record knowledge critical to the company's success and to transfer this by means of a transfer plan to the successors of employees who are leaving the company.

Environmental Risks

In the processes for the production of hot metal and steel and their further processing, process-related environmental risks such as the contamination of air and water are immanent. Therefore, with intensive quality and environmental management, the Saarstahl group makes every effort to exclude damages which could ensue from the product or its manufacture. Thus, Saarstahl operates an integrated management system which combines quality management, industrial safety, environmental protection and failure management. In addition, the company is monitored (at regular intervals and in close cooperation) by the authorities. Saarstahl continuously invests in measures which increase the effectiveness of environmental protection and fulfill environmental requirements. Nonetheless, there are risks due to tightening of environmental stipulations, the requirements of which may not be economically feasible to fulfill with the current state of the art. Furthermore, on land owned by the company, which is no longer in use or only partially in use today, risks could be incurred as a result of inherited pollution from former business activities. Saarstahl counteracts these risks through continuous monitoring and scheduled redevelopment work.



Rolling mill Neunkirchen: View from the control centre to the modernised loop at line 32.

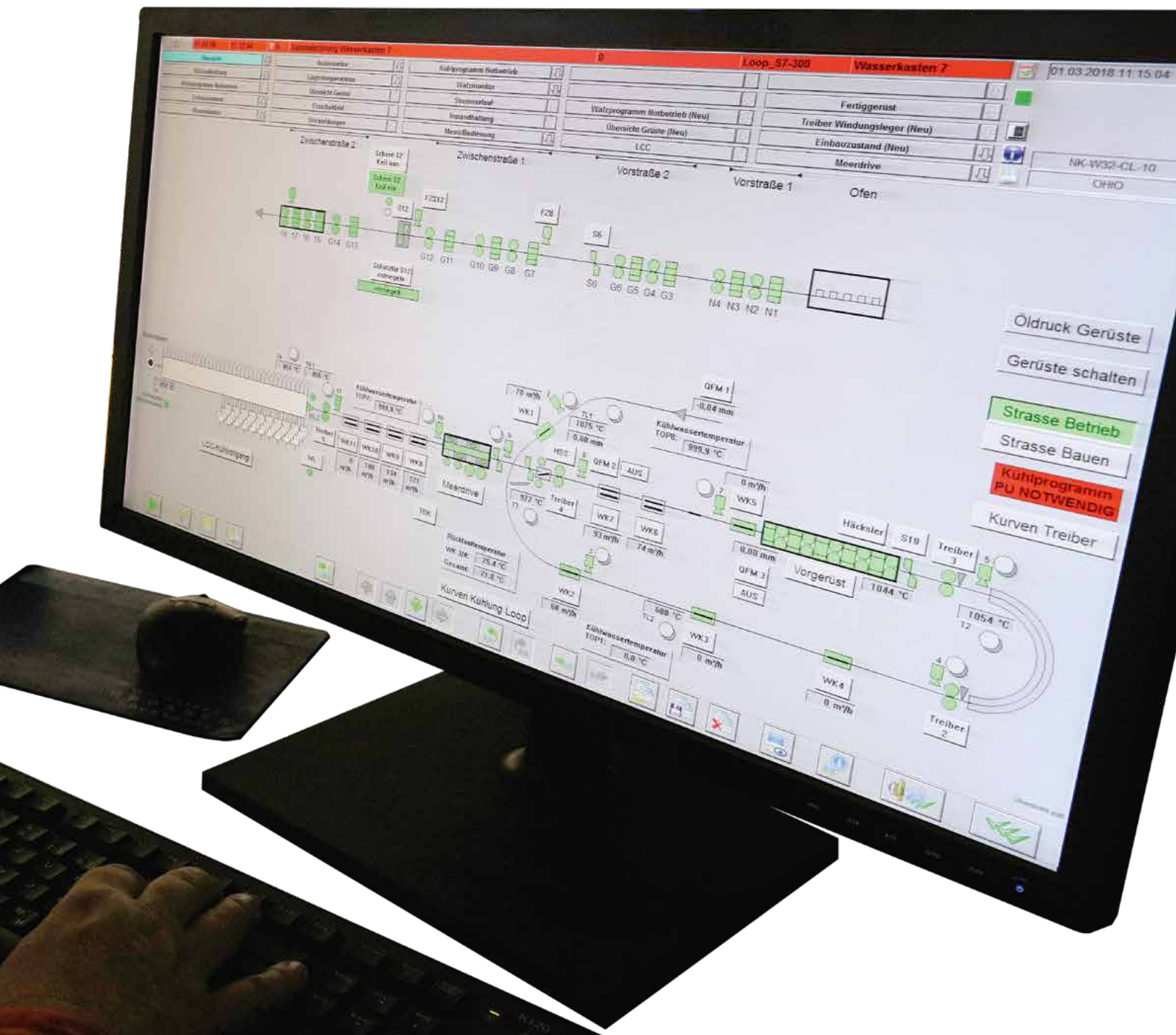
Organisation of Opportunity Management

Opportunity management consists of systematic handling of opportunity and potential. This is directly embedded into the work carried out by the Management Board at Saarstahl. The Board identifies and discusses opportunities and potential and, where necessary, carries out a strategic dialogue about market and technological trends with the affected specialist departments and

subsidiaries. With this strategic work, the Management Board focuses on current global and industry-specific growth drivers and constantly develops the company further, taking these global trends into account.

Strategic Opportunities

The requirements of individual mobility are increasing worldwide and this requirement is



largely fulfilled by the automotive industry. For Saarstahl, as a direct and indirect supplier to the automotive industry, this offers opportunities for growth. This applies to the domestic market in Europe as well as to the markets in Asia and America.

Against this background, the Saarstahl group conceives of the internationalisation of its entrepreneurial activities as simultaneously being a challenge and an opportunity. Many of its customers from the main sales sectors of the automotive and mechanical engineering industries have become international in the past or are currently driving their internationalisation forward. The company therefore sees the opportunity to further strengthen its customer relationships and also to gain new customers by continuing to have an international presence. Within this context, it can also be expedient for Saarstahl to have strategic partnerships and alliances. Corresponding possibilities are regularly probed and evaluated as part of the strategy contemplations for the individual business fields.

In addition, it can be seen as an opportunity to gain customers who have not yet been reached. The company is therefore strengthening its worldwide presence by extending its sales network and is increasing potential especially in new and upcoming markets without neglecting its market position in traditional markets.

A further opportunity for future entrepreneurial commitment lies in the technical competence of the employees. Through new development and further development of products, the company has the opportunity to penetrate market niches. Furthermore, optimized processes and facilities can lead to quality and cost advantages over competitors. The company is therefore striving to continuously extend this technical competence.

One important element in the business model is further processing of the products bar steel and wire rod. This not only allows the company to offer its customers a broad portfolio of high-quality steel products but individual further processing operations also offer the possibility to penetrate

economically attractive niches. In intensifying the promotion of customer loyalty, Saarstahl sees the opportunity to develop further itself as well as to further develop the product portfolio. Through close cooperation with customers and efforts to find the optimum solution, it is possible for the Saarstahl group to simultaneously identify potentials in the products as well as investment potentials. Besides stable product quality, further extension of various services (here customer service and logistic services can be mentioned, in particular), is seen as an opportunity to differentiate the company from its competitors.

The company sees opportunities in the forecast total growth and also in the upcoming change in the automotive market. Even if drive technologies and therefore the quantity structures shift between the business fields, Saarstahl will benefit proportionately. On the one hand, independent of the type of drive, the current products will continue to be required in numerous segments. On the other hand, new products will also be needed in future to be able to successfully support new technologies which the market requires. The Saarstahl group can make its contribution in this field.

Operative Opportunities

Through the permanent optimisation of internal operative processes, the Saarstahl group sees an opportunity for a faster and more efficient work process and therefore also cost savings. Targeted investments in the production facilities offer the opportunity to further differentiate the company from its competitors and to safeguard and improve the earning capacity through cost savings. Regular exchange, mutual assistance and finally also learning from each other are important elements for developing the further processing areas and subsidiaries. In the continuous and binding application of the methods of Cost Management and Cost Controlling, Saarstahl sees the opportunity to increase the cost sensitivity of all of its employees and ultimately to achieve better cost structure. In addition, there are opportunities in the continued amalgamation and bundling of functions and activities of Saarstahl AG and Aktien-Gesellschaft der Dillinger Hüttenwerke in SHS – Stahl-Holding-Saar GmbH & Co. KGaA and its service companies.

There are also numerous areas in which Saarstahl works directly with Dillinger. This intention here is to achieve an increase in synergy effects by harmonising and improving processes and work procedures. We see great potential for the future of our locations if there is even closer cooperation between Saarstahl and Dillinger.

Overall Assessment of the Risk Situation

Overall, no risks can currently be identified which could endanger the continued existence of the group nor are there any signs of developments which could have an essential influence on the asset, financial or earnings situation.

Development of the Saarstahl Group

Thanks to strong demand, Saarstahl started the year 2018 with very good utilisation of capacity. In the important customer segments for the group, a positive picture is emerging for the year 2018: the automotive industry expects a renewed increase in the global production of cars and heavy duty vehicles. The mechanical engineering sector also expects an increase in incoming orders both from the domestic market and from abroad in 2018. Against this background, a constant upward trend is to be expected in the demand for steel in Saarstahl's most relevant product segments, wire rod and bar steel.

In 2018, the market environment for Saarschmiede will also be characterized by intense competition from the players who are already established and from emerging competitors from low-cost threshold countries. Worldwide overcapacities, the continued trend toward renewable energy sources and the immense pressure on forge prices will in all likelihood remain in 2018. There could be an overall positive effect from the slow recovery in oil prices which could result in a revival of the oil and gas business and could relieve the tension regarding the overcapacity situation. After the implementation of the restructuring measures, the declared objective is to reduce dependency on the power generation machinery sector and to diversify more strongly by taking on further business fields.

The Saarstahl group expects a sound development in quantities in 2018. It will continue its strict cost management and undertake further efforts to increase earning capacity. Current investments are aimed at further optimising processes, product quality and customer service. Subject to possible global effects of increased economic protectionism, the group expects no change in the high sales figures, an increase in turnover figures and a clearly positive result, which will be slightly below the level of 2017. There will be a corresponding development in the key figures EBITDA, ROCE and return on sales in 2018.

Consolidated financial statements for the year ending 31. December 2017

Consolidated Balance Sheet

	31. December 2017		31. December 2016	
	million €	million €	million €	million €
Assets				
A. Fixed Assets				
I. Intangible assets	1.4		2.0	
II. Tangible assets	905.2		969.4	
III. Financial assets	911.5		915.5	
		1,818.1		1,886.9
B. Current Assets				
I. Inventories				
1. Raw, auxiliary and operating materials	275.0		234.3	
2. Unfinished products, unfinished services and finished products	448.2		418.3	
3. Advance payments for inventories	0.3		0.1	
4. Downpayments received on orders	-16.7		-4.6	
		706.8		648.1
II. Accounts receivable and other assets				
1. Trade accounts receivable	364.6		270.7	
2. Accounts receivable from affiliated companies	18.8		20.4	
3. Accounts receivable from companies where a participatory interest exists	41.7		46.8	
4. Other assets	137.4		124.9	
		562.5		462.8
III. Cash balance and credit with financial institutions		175.5		324.0
		1,444.8		1,434.9
C. Accruals and deferrals		0.1		0.1
D. Debit differences in assets in the calculation of assets		1.0		3.2
		3,264.0		3,325.1

Liabilities	31. December 2017		31. December 2016	
	million €	million €	million €	million €
A. Equity				
I. Subscribed capital	200.0		200.0	
II. Capital reserve	41.3		41.3	
III. Other retained profit	3.5		9.1	
IV. Balance sheet profit	952.8		892.4	
		2,393.7		2,336.5
B. Reserves				
1. Reserves for pensions	14.2		14.1	
2. Reserves for taxes	19.0		19.2	
3. Other reserves	240.1		266.6	
		273.3		299.9
C. Liabilities				
1. Liabilities towards financial institutions	328.1		373.0	
2. Trade liabilities	169.9		159.9	
3. Liabilities towards affiliated companies	13.1		7.9	
4. Liabilities towards companies where a participatory interest exists	35.1		35.6	
5. Other liabilities	47.0		111.7	
		593.2		688.1
D. Accruals and deferrals		0.5		0.6
E. Deferred tax liabilities		3.3		0.0
		3,264.0		3,325.1

Consolidated Profit and Loss Account

	2017 million €	2016 million €
1. Sales revenues	2,440.3	2,027.8
2. Changes in inventory and internally produced and activated assets	36.5	-64.6
3. Other operating income	108.3	32.7
	2,585.1	1,995.9
4. Material costs	1,703.9	1,270.5
5. Personnel costs	447.9	443.1
6. Depreciation and amortisation on intangible assets of fixed assets and tangible assets	120.3	173.2
7. Other operating expenses	208.4	288.4
	104.6	-179.3
8. Income from participations	9.0	-16.0
9. Interest income	-13.3	-11.0
10. Taxes on income and earnings	10.9	5.4
11. Result after tax	89.4	-211.7
12. Other taxes	4.0	3.7
13. Net result for the year	85.4	-215.4

Consolidated Cash Flow Statement

	2017 million €	2016 million €
Period result	85.4	-215.4
Write-downs on fixed assets	120.5	173.2
(Decrease)/Increase of provisions	-29.5	108.7
Other non-cash expenses	3.1	0.9
(Increase) in inventories, trade accounts receivable as well as other assets not allocated to investment or financing activities	-146.7	-35.4
(Decrease)/Increase in trade accounts payable as well as other liabilities not allocated to investment or financing activities	-49.6	38.5
(Profit) from the disposal of fixed assets	-0.2	-0.1
Interest expenses incl. interest expenses and (interest income) not allocated to investment or finance activities	13.3	10.9
Other income from shareholdings/(loss)	-9.2	15.3
Income tax	10.9	5.5
Income tax payments	-20.5	-10.6
Operating cash flow	-22.5	91.5
Payments for investments in intangible assets	-0.1	-0.2
Proceeds from disposals of tangible fixed assets	0.9	1.4
Payments for investments in tangible fixed assets	-55.9	-100.4
Proceeds from disposals of financial assets	9.5	9.5
Payments for investments in financial assets	-	-0.3
Interest received	8.9	10.1
Dividends received	0.3	1.1
Cash flow from investment activities	-36.4	-78.8
Free cash flow	-58.9	12.7

	2017 million €	2016 million €
Proceeds from loans	40.0	126.7
Payments from the amortization of bonds and loans	-97.3	-55.5
Interest paid	-19.7	-17.6
Dividends paid to shareholders	-25.0	-25.0
Cash flow from financing activities	-102.0	28.6
Net change in cash and cash equivalents	-160.9	41.3
Cash and cash equivalents at the start of the period	310.0	268.7
Cash and cash equivalents at the end of the period	149.1	310.0

Offsetting and reconciliation of cash and cash equivalents

	31.12.17 million €	31.12.16 million €	01.01.16 million €
Cash and bank balances	175.5	324.0	342.9
Liabilities to financial institutions, due at any time	-26.4	-14.0	-74.2
Cash and cash equivalents	149.1	310.0	268.7
Change in cash and cash equivalents	-160.9	41.3	

Statement of the Group's Shareholdings

	Capital share		Equity 31.12.2017 million €	Result for the BY 2017 million €	Ref.
	direct %	indirect %			
1. Affiliated Companies					
a) Inland					
Saar-Blankstahl GmbH, Homburg	100.000		42.0		1)
Saar-Bandstahl GmbH, Völklingen	100.000		8.7		1)
Saarstahl-Export GmbH, Völklingen	100.000		1.6		1)
Metallurgische Gesellschaft Saar GmbH, Völklingen	100.000		5.1		1)
Saarschmiede GmbH Freiformschmiede, Völklingen	99.948	0.052	90.6	-7.8	
Saarstahl Finanzanlagen GmbH, Völklingen	100.00		23.5	0.0	
Drahtwerk St. Ingbert GmbH, St. Ingbert	2.490	97.510	23.7	-3.6	
DWK Drahtwerk Köln GmbH, Köln	3.618	96.382	9.6	-1.4	
Schweißdraht Luisenthal GmbH, Völklingen		100.000	2.1	-0.4	
Stahlguss Saar GmbH, St. Ingbert	100.000		-6.6	-0.5	
Saar Stahlbau GmbH, Völklingen	100.000		5.7	-0.4	
Saar Rail GmbH, Völklingen	100.000		10.0		1)
Saarstahl Beteiligungsgesellschaft mbH, Völklingen	100.000		0.1	0.0	
FORGE Saar GmbH, Dillingen	100.000		0.1	0.0	
FORGE Saar Besitzgesellschaft mbH & Co KG, Dillingen	99.999	0.001	196.6	0.1	
Saarstahl-Vermögensverwaltung GmbH, Völklingen	100.000		8.5	0.3	
SAG Medienversorgungs-GmbH, Völklingen	100.000		16.2		1)
SIB-Immobilien-gesellschaft mbH, Völklingen		100.000	0.1	0.0	
Neunkircher Eisenwerk Wohnungs-gesellschaft mbH, Völklingen	100.000		9.6	-0.1	
Gewerbe- und Wohnpark Heubügel GmbH, Völklingen		89.000	0.0	0.0	
45. Saarstahl-Beteiligungsgesellschaft mbH, Völklingen	100.000		0.1	0.0	
b) Abroad					
Secosar S.A.S., Bussy-Saint-Georges/Frankreich	99.990	0.010	15.6	0.9	
Conflandey Industries S.A.S., Port-sur-Saône/Frankreich	80.000	20.000	5.2	2.0	
S.P.M. Participation S.A.S., Bussy-Saint-Georges/Frankreich	100.000		-11.3	-0.1	
Saarsteel Inc., New York/USA	100.000		0.6	0.1	2) 3)
Sodetal S.A.S., Tronville-en-Barois/Frankreich		100.000	0.0	0.0	4)
Saarstahl Shanghai Limited, Shanghai		100.000	0.8	0.4	2) 3)
Saarstahl (S.E.A.), Petaling Jaya/Malaysia		100.000	0.1	0.0	2) 3)
EUROFIL Polska sp. z.o.o., Warsaw/Polen		100.000	-0.1	0.0	2)
Saarstahl Export India Pvt Ltd, Mumbai/Indien	1.000	99.000	0.1	0.0	2) 5)
Saarstahl Demir Celik, Istanbul/Türkei		100.000	0.3	0.2	2) 3)
Saarstahl s.r.o. Ostrava/Tschechien		100.000	0.8	0.2	2) 3)
Secosar Etirage S.A.S., Bussy-Saint-Georges/Frankreich		100.000	-4.3	-3.0	3)
Quinofer S.A.S., Bussy-Saint-Georges/Frankreich		100.000	1.2	0.0	
Saarstahl AG, Zürich/Schweiz	98.125		2.4	0.1	2)
Les Aciers Fins de la Sarre S.A., Liège/Belgien	95.833	4.167	3.6	-0.4	
Acciai della Saar S.r.l., Milano/Italien	100.000		2.3	0.3	
Saarstahl Iberica S.A., Sant Just Desvern Barcelona/Spanien		100.000	0.7	0.3	

	Capital share		Equity 31.12.2017 million €	Result for the BY 2017 million €	Ref.
	direct %	indirect %			
FILMETAL S.A., Bussy-Saint-Georges / Frankreich		99.170	1.9	0.1	
Saarstahl UK Limited, Scunthorpe	100.000		0.2	0.1	2) 3)
2. Proportionately Consolidated Companies					
Dillinger Hütte und Saarstahl Vermögens- verwaltungs- und Beteiligungs-OHG, Dillingen	50.000		265.5	6.1	
ROGESA Roheisengesellschaft Saar mbH, Dillingen	24.500	25.500	301.6	0.0	1)
Zentralkokerei Saar GmbH, Dillingen		50.000	137.2	0.0	1)
DHS – Dillinger Hütte Saarstahl AG, Dillingen	33.750		2,673.2	42.8	6)
ROGESA Beteiligungsgesellschaft mbH, Dillingen		50.000	3.0	0.0	
GAL Zentralkokerei Saar Besitzgesellschaft mbH & Co. KG, Dillingen		24.500	20.7	0.0	
Kraftwerk Wehrden GmbH, Völklingen	33.333		0.1	0.1	

References

- ¹⁾ A profit and loss transfer agreement exists.
- ²⁾ Currency of the country converted into €.
- ³⁾ Data refers to the previous year as no final result was available when the financial result was drawn up. The figures are preliminary.
- ⁴⁾ The company has been in liquidation.
- ⁵⁾ Consolidated financial statements.
- ⁶⁾ Group financial statement – DHS holds 10% of own shares.



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