



EXECUTIVE SUMMARY  
OF THE FINANCIAL STATEMENT  
2021

## KEY FIGURES AT A GLANCE

		2020	2021	Change
Hot metal purchase	Tt	1,633	2,279	+39.6 %
Crude steel production	Tt	1,879	2,638	+40.4 %
Rolled steel production	Tt	1,668	2,430	+45.7 %
• of which Völklingen	Tt	338	447	+32.2 %
• of which Burbach	Tt	711	1,026	+44.3 %
• of which Neunkirchen	Tt	619	957	+54.6 %
Shipped steel products	Tt	1,754	2,418	+37.9 %
sales revenues by region				
• of which Germany	Mio. €	659	1,107	+68.0 %
• of which other EU countries	Mio. €	354	647	+82.8 %
• of which other exports	Mio. €	205	360	+75.6 %
Total turnover	Mio. €	1,218	2,114	+73.6 %
Workforce (excluding trainees) as at 31/12				
Personnel costs	Mio. €	250	275	
Balance sheet total				
Fixed assets	Mio. €	1,206	1,169	
Investments	Mio. €	42	22	
Shareholders' equity				
EBITDA	Mio. €	-64	187	
EBIT	Mio. €	-113	141	
Net income/loss for the year	Mio. €	-132	130	
Operating cash flow	Mio. €	-33	-1	

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## MEMBERS OF THE SUPERVISORY BOARD

**REINHARD STÖRMER, Völklingen**

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

**JÖRG KÖHLINGER, Frankfurt**

1st Deputy Chairman  
*Trade Union Secretary and District Manager  
of IG Metall Central Region Directorate*

**JOACHIM BRAUN, Le Ban St. Martin**

(as of 29. June 2021)  
2nd Deputy Chairman  
*Member of the Board of the Montan-Stiftung-Saar Trust*

**ARIBERT BECKER, Rehlingen**

(until 29. June 2021)  
2nd Deputy Chairman  
*Sales Director of Saarstahl AG, retired*

**STEPHAN AHR, Wadgassen**

*Chairman of the Group Works Council and  
Chairman of the Works Council of the Völklingen  
Plant of Saarstahl AG*

**JOACHIM DEMMER, Saarbrücken**

(as of 29. June 2021)  
*Auditor and Tax Consultant*

**LARS DESGRANGES, Beckingen**

*Primary Authorized Representative for IG Metall,  
Völklingen*

**ELKE HANNACK, Berlin**

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

**KERSTIN HERRMANN, Sulzbach**

(as of 29. June 2021)  
*Magistrate, Labor Court of Saarbrücken*

**NADINE KLIEBHAN, Illingen**

*Senior Project Manager, INFO-Institut Beratungs-GmbH*

**Prof. Dr. WOLFGANG LEESE, Lindberg**

*Managing Director and Partner  
WGL Verwaltung und Beratung GmbH*

**MARKUS MENGES, Waldbrunn**

*Managing Director Südweststahl AG*

**ANTJE OTTO, St. Ingbert**

(until 29. June 2021)  
*Managing Director  
of the Association of Steelworks in Saarland, Saarbrücken*

**JÖRG PIRO, St. Wendel**

*Chairman of the Works Council  
of the Saarstahl AG Neunkirchen Plant*

**PETER SCHWEDA, Drensteinfurt**

(as of 29. June 2021)  
*Former Member of the Board of Management of SHS – Stahl-  
Holding-Saar GmbH & Co. KGaA as well as Member of the  
Board of Management/Labor Director of Aktien-Gesellschaft  
der Dillinger Hüttenwerke, DHS – Dillinger Hütte Saarstahl AG  
and Saarstahl AG*

**ANGELO STAGNO, Saarbrücken**

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

**KATJA WEBER, Eberbach**

(until 29. June 2021)  
*Entrepreneur, Südweststahl AG*

**HANS-JOACHIM WELSCH, Saarlouis**

(as of 29. June 2021)  
*Member of the Board of the Montan-Stiftung-Saar Trust*

**ERICH WILKE, Königstein (Taunus)**

(until 29. June 2021)  
*Bank Executive, retired*

# MEMBERS OF THE BOARD OF MANAGEMENT

**DR. KARL-ULRICH KÖHLER**

(as of 1. January 2021)

*Chairman of the Board of Management*

**MARTIN BAUES**

(until 31. March 2021)

*Member of the Board of Management, Chief Technical Officer*

**JOERG DISTELDORF**

*Member of the Board of Management, Chief Human*

*Resources Officer and Labor Director*

**MARKUS LAUER**

(as of 1. June 2021)

*Member of the Board of Management, Chief Finance Officer*

**TOM NIEMANN**

(as of 1. October 2021)

*Member of the Board of Management, Chief Sales &*

*Marketing Officer*

**DR. KLAUS JÜRGEN RICHTER**

*Member of the Board of Management, Chief Sales &*

*Marketing Officer (until 30. September 2021),*

*Chief Technical Officer (as of 1. October 2021)*

**JONATHAN WEBER**

(as of 1. April 2021)

*Member of the Board of Management,*

*Chief Transformation Officer*

# REPORT OF THE BOARD OF MANAGEMENT (MANAGEMENT REPORT 2021)

## The company's fundamentals

Specialties of Saarstahl AG (Saarstahl) include the production of wire rod, bar steel and semi-finished products in various qualities and for a wide range of technical applications. Our most important customers include automobile manufacturers and their suppliers, general mechanical engineering companies, the construction industry and other steel processing industries. In addition to an LD steel plant in Völklingen, a considerable part of the production takes place in the rolling mills in Völklingen, Neunkirchen and Burbach. Upstream coke and hot metal production is carried out with Aktien-Gesellschaft der Dillinger Hüttenwerke (Dillinger) through the joint subsidiaries Zentralkokerei Saar GmbH (ZKS) and ROGESA Roh-eisengesellschaft Saar mbH (ROGESA). Since the 2020 financial year, the activities of rail transport operations, technical services and maintenance have also been consolidated in the companies Saar Rail GmbH, Saar Stahlbau GmbH and Saar Industrietechnik GmbH, which will be jointly managed from now on by Saarstahl and Dillinger. Restructuring at Saarstahl and Dillinger also led to the consolidation of further activities in the 2021 financial year. As a result of partial transfers between operations, employees – mainly from the IT and Process Control departments – transferred to SHS – Stahl-Holding-Saar GmbH & Co. KGaA (SHS).

## LEGAL PARAMETERS

A control agreement in accordance with Section 291 of the German Stock Corporation Act (AktG) has been concluded between Saarstahl AG as the controlled company and its majority shareholder, SHS – Stahl-Holding-Saar GmbH & Co. KGaA, as the controlling company, which expires on 31 December 2021.

The direct or indirect majority shareholder of Dillinger, as well as of Saarstahl, is SHS – Stahl-Holding-Saar GmbH & Co. KGaA, a wholly owned subsidiary of Montan-Stiftung-Saar, under whose umbrella the two companies work closely together, e.g. via a joint purchasing department or via the SHS sub-sidiary SHS Logistics GmbH, which consolidates the logistics activities of the SHS Group with the aim of leveraging synergies in processes and costs.

## Financial report

### OVERALL ECONOMIC AND SECTOR-RELATED CONDITIONS

#### World economy on the path to recovery

The year 2021 continued to be dominated by the coronavirus pandemic, but thanks to continued expansionary economic policies and growing momentum behind vaccination efforts, the economy recovered in almost all countries and in many

countries has returned to roughly pre-pandemic activity levels. The OECD estimates global GDP growth in 2021 of + 5.6 % year-on-year (- 3.4 % in 2020). Although global trade shows strong growth (+ 9.3 % in 2021 after - 8.4 % in 2020), global supply chain issues continued to hinder growth in individual sectors. In addition, prices for industrial raw materials, transport and energy in some cases rose rapidly.

In China, the world's second largest economy, the economy grew very strongly at the beginning of 2021. Momentum slowed during the year due to bottlenecks in energy supplies, delivery problems for intermediate products and problems in the real estate market. The OECD forecast a growth rate of + 8.1 % in 2021. The gross domestic product of the United States is expected to grow by + 5.6 % in 2021. A positive growth dynamic developed as the number of vaccinations increased, which was further boosted in the spring by the government's coronavirus stimulus package. Even if the growth is based lower after last year's contraction, this is a level the United States has not reached in almost 40 years.

As restrictions were gradually lifted, economic activity in the eurozone experienced a strong upswing in 2021, with annual GDP growth of + 5.2 % (after - 6.5 % in 2020).

The increase was supported by strong consumption and higher investment, partly due to national and European economic stimulus programs. The economic recovery in Germany, on

the on the other hand, was weaker at + 2.9 %. Global supply bottlenecks are hampering the automotive industry in particular as well as the mechanical engineering and electrical engineering sectors, which account for a large share of GDP in Germany. <sup>1</sup>

## GLOBAL STEEL MARKET AND STEEL PROCESSORS

Global crude steel production from January to November 2021 amounted to 1.753 billion tons, up 4.5 % from the same period the previous year. China's steel output meanwhile fell by - 2.6 % to 0.946 billion tons; conversely, most other steel-producing countries increased their production and capacities were better utilized everywhere. With the increase in demand, the price level also rose noticeably. In June 2021, the EU extended safeguard measures to protect the European steel market for a further three years. The share of steel imports in the European steel supply increased moderately.

High energy and scrap prices in 2021 also weighed on the economic development of the steel industry and steel processors for long products.

Development of the automotive industry, as one of Saarstahl's main customer sectors, was primarily influenced by the chip shortage. In 2021, only slightly more light vehicles were produced globally than in 2020, a year marked by lockdowns (75.5 million units vs. 74.6 million units). In Europe, in fact, fewer were produced (15.7 million units vs. 16.6 million units). <sup>2</sup>

The European and German mechanical engineering sectors – another important customer sector for long products from

Saarstahl – was also clearly impacted by supply chain problems in the second half of 2021. Nevertheless, due to the good order situation, an increase of 10.7 % and 7 %, respectively, was posted. <sup>3</sup>

The German construction industry, the third main customer sector for Saarstahl, achieved zero growth in 2021, with the recent material bottlenecks and in some cases drastic price increases for construction materials having a restraining effect. Europe experienced growth of 6.4 %. <sup>4</sup>

## Business performance

Saarstahl started 2021 with high capacity utilization. Particularly in the first half of the year, catch-up effects and continued improvement in demand from the automotive industry led to very high order in-take, which continued at a solid level in the two subsequent quarters. The short-time work introduced in autumn 2019 was already phased out at the beginning of 2021 due to extremely good demand. Shipped quantities increased substantially – by 664 kt to 2,418 kt – compared to the slump in the coronavirus year 2020. Volatile and sometimes sharp price increases, particularly on the raw material side, were sustained through constant revenue increases over almost the entire year, resulting in a new record level of sales revenues.

Moreover, Saarstahl continues to face structurally difficult conditions, characterized by global protectionism and the associated tariffs as well as high overcapacities of steel. A continuation of the cost-cutting and transformation program al-

ready initiated in 2019 therefore remains imperative and was also further intensified in 2021. Expansion of the Group to include the two companies Saarstahl Ascoval SAS and Saarstahl Rail SAS under the umbrella of the parent company SHS – Stahl-Holding-Saar GmbH & Co. KGaA, and the associated integration of the two plants into the production network, are therefore also intended to substantially optimize the product portfolio, to develop a new business model with respect to ecological mobility solutions, and to produce low-carbon steel.

Overall, Saarstahl closes the financial year with a high net income for the year, with all operating earnings figures significantly exceeding forecasts.

## Earnings position

### ABOVE-AVERAGE DEMAND FOR STEEL FORTIFIES SUCCESSFUL BUSINESS PERFORMANCE

Catch-up effects from 2020 and an encouragingly high overall steel demand in key consumer markets led to a continuous, above-average order intake that stretched beyond the first half of the 2021 financial year. This helped ensure that the forecasts for production and sales volumes, as well as for sales and revenue growth, were not only achieved but significantly exceeded in the course of the financial year.

As a result of this trend, 2021 shipments of 2,418 kt will rank just behind record sales volumes from the 2017 and 2018 fi-

<sup>1</sup> Source for world economy: OECD Economic Outlook, Volume 2021 Issue 2.

<sup>2</sup> Source for automotive industry: VDA Konjunkturbarometer (VDA Economic Barometer).

<sup>3</sup> Source for mechanical engineering: VDMA.

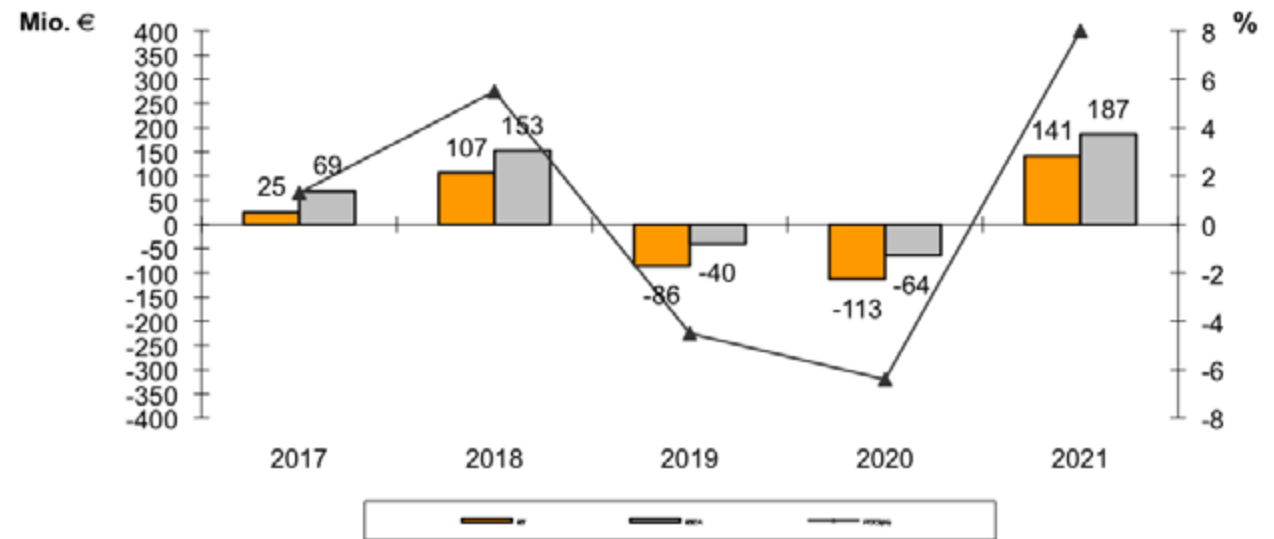
<sup>4</sup> Source for construction industry: Bauindustrie, Baukonjunkturelle Lage (German Construction Industry Association, Construction Economic Conditions), November 2021 and January 2022.

financial years. Sales volumes recovered appreciably, especially in the core wire rod and bar steel business.

Sales revenue achieved a new high of € 2,114 million as a result of both volume growth and a continuing increase in average selling prices for steel products, which was particularly apparent in the second half of the year. The increase in sales revenue of € 896 million was disproportionately high in the European Union, and particularly in Germany, the most important sales market.

Regularly rising and volatile procurement prices, especially raw materials prices that in some cases were higher than forecast, proved challenging in the 2021 financial year. These were offset to an increasing extent in the second half of the year as a result of higher net sales. The restructuring program was also continued in 2021, which helped to significantly exceed the forecast income from operating activities.

As a result of the increase in sales revenues, the change in finished goods and work in process increased total operating revenue by a total of € 967 million to € 2,196 million in 2021, which resulted in a positive development in the form of a more than 5 % reduction in material intensity to 69.5 %. At the same time, expenses for input materials and purchased services were only € 605 million higher. In addition to a significant increase in capacity utilization, this was primarily due to higher input prices, above all significantly higher coking coal, ore and pellet prices, which resulted in significantly higher hot metal costs, and price increases for steel scrap and individual alloying elements.



Development of EBIT, EBITDA, ROCE

The average number of employees at Saarstahl decreased mainly as a result of (partial) transfers between operations and from the development of partial retirement.

The early achievement of high capacity utilization led to the rapid phasing out of short-time work schedules in the main production plants and the loss of the associated government subsidies. In addition to the resulting higher base remuneration, there were also collectively agreed adjustments and regular, additional expenses for overtime, which increased personnel expenses by a total of € 25 million but caused personnel intensity to fall significantly to 12.5 %.

Lower other operating income compared to the previous year is due in particular to lower out-of-period income from the reversal of provisions (-€ 42 million) and income from the disposal of assets and from mergers in the previous year (-€4 million).

Amortization of intangible assets and depreciation of tangible fixed assets decreased by € 2 million to € 47 million.

Higher freight costs resulting from increased sales were the primary reason other operating expenses at Saarstahl were € 40 million higher than in the previous year. Administrative expenses increased slightly in 2021 by a total of € 3 million. Expenses for services provided by SHS and for insurance



meanwhile rose somewhat more sharply (+€ 10 million) than expenses for exchange rate differences (-€ 7 million).

The financial result improved by a total of € 14 million compared to the previous year. Whereas this was impacted in the previous year by write-downs on financial assets amounting to € 18 million, these will no longer apply in 2021. At the same time, net interest income decreased by € 4 million due to lower interest income coupled with higher interest expenditures resulting from additional borrowings in the financial year.

In light of the increasingly positive business performance, the earnings situation improved substantially compared to the previous year. In addition to turnover and operating results (EBIT and EBITDA), the key performance indicators include the net result for the year. With EBIT of € 141 million and EBITDA of € 187 million, Saarstahl reported earnings figures in 2021 which exceeded not only the previous year's figures but even exceeded forecasts. The successful business performance resulted in net income for the financial year of € 130 million, which was also higher than expected and improved year-on-year by more than € 260 million.

The positive business performance in 2021 is also reflected in the key metrics of the asset and capital structure and of the development of returns. The return on capital employed (ROCE) amounted to 8.0 % in the financial year (2020: - 6.4 %), while the return on sales (adjusted EBIT margin) was 6.7 % (2020: - 9.9 %).

## FINANCIAL AND ASSET POSITION

### Financial position

Business performance led to expected high capital commitment. Cash outflows from changes in working capital (-€ 204 million) – mainly due to a higher value of inventories and an increase of receivables – and income tax payments (-€ 3 million) were offset by net income for the accounting period adjusted for depreciation, amortization and other non-cash income and expenses (€ 206 million). As a consequence, the cash outflow from operations in 2021 is -€ 1 million.

Payments were made in the reporting year for investments in property, plant and equipment (-€ 22 million) and for financial assets (-€ 6 million). These were offset in particular by interest and dividends as well as cash inflows and outflows under profit and loss transfer agreements amounting to € 7 million, so that cash flow from investment activities amounts to -€ 21 million and free cash flow to -€ 22 million.

Cash flow from financing activities will net out at € 41 million in 2021. Scheduled loan repayments and interest payments totaling -€ 59 million were offset by higher borrowings and working capital loans of € 100 million. Cash and cash equivalents increased accordingly by € 19 million compared with 31 December 2020 and amounted to € 135 million at 31 December 2021.

### Net asset position

Scheduled amortization of intangible assets and depreciation of tangible fixed assets in the amount of € 47 million far exceeded capital expenditures and the development of financial assets. These declined by around € 12 million, primarily due to repayments of loans to affiliated companies. Accordingly, non-current assets decreased by € 37 million, while at the same time the fixed asset coverage ratio at the reporting date increased significantly from 118.7 % to 133.5 %.

Current assets grew by a total of € 291 million. Inventories changed by +€ 93 million compared to the previous year. This was largely due to significantly higher procurement prices for raw materials and supplies as well as for work in process and finished goods, and to higher manufacturing costs as a result of material cost developments.

With shipments and sales volumes similar to the fourth quarter of the previous year, the € 118 million increase in trade accounts receivable from third parties is mainly attributable to the development of net sales.

Receivables from affiliated companies (+€ 54 million) also increased, mainly due to revenue effects. In addition, higher tax refund claims led to an increase in other assets (€ 6 million).

On the liabilities side, equity increased mainly as a result of the net income of € 130 million. As a consequence of the € 249 million increase in the balance sheet total, the equity ratio decreased slightly to 68.0 % at 31 December 2021.

The increase in assets compared to the previous year was financed by higher equity and borrowed capital in almost equal amounts.

After a high liquidity commitment following the coronavirus year 2020, an expansion of medium-term debt financing was sought. At Saarstahl, this was achieved through taking up € 90 million in liabilities to banks as well as a € 10 million liability to the majority shareholder. After scheduled repayments of € 53 million, liabilities to banks increased by € 37 million compared to the previous balance sheet date, causing the debt-equity ratio to rise slightly to 17.9 %.

In light of the development of procurement prices, trade accounts payable to third parties and affiliated companies increased by € 55 million. Business operations resulted in further, slightly higher current provisions and an increase in liabilities to affiliated companies, mainly in connection with Group financing.

## **INVESTMENTS**

Investments in 2021 were lastingly impacted by the general pandemic situation and the associated challenges, particularly in the area of project management. Nevertheless, the planned projects were successfully completed. The investment volume for Saarstahl itself amounted to € 22 million (2021: € 42 million).

### **Völklingen LD steel plant**

The new continuous casting line S1 was successfully commissioned in 2021. With the S1, Saarstahl is further extending its technological competitive edge. The new plant, with an investment volume of almost € 100 million, is the first plant worldwide with mechanical soft reduction in the casting format 180 mm x 180 mm. The new hot metal crane (investment € 14 million) was also successfully commissioned.

### **Burbach rolling mill**

Two of the three new indoor cranes for semi-finished products have been successfully brought on-line. The total investment volume amounted to around € 12 million.

### **Subsidiaries in Luisenthal and Homburg**

The systems for expanding the heat treatment capacity of Saar-Blankstahl GmbH in Homburg were successfully put into operation. Total investment amounts to € 17 million. In addition, renovation work on the electrical energy supply system at the Homburg site totaled € 1.7 million. The new continuous copper plating line was installed at the site of Schweißdraht Luisenthal GmbH. The amount of the investment in the reporting year is around € 4.4 million; the total investment volume will be around € 5 million.

## KEY FIGURES

		2017	2018	2019	2020	2021
Liquidation ratio for fixed assets	in %	123.1	129.5	122.5	118.7	133.5
Internal financing capability	in %	- 136.6	- 28.3	127.3	- 78.6	- 4.5
Equity intensity	in %	71.7	74.9	71.4	69.9	68.0
Return on capital employed (ROCE)	in %	1.3	5.5	-4.5	- 6.4	8.0
Debt ratio	in %	14.1	11.7	15.4	17.1	17.9
EBIT margin	in %	1.4	5.6	-5.9	-9.9	6.7
EBITDA margin	in %	4.0	8.0	-2.7	-5.6	9.0
Material intensity	in %	72.1	69.0	72.9	74.9	69.5
Personnel intensity	in %	15.3	15.7	19.1	20.3	12.5

### Notes:

- Liquidation ratio for fixed assets:** Equity in relation to fixed assets
- Internal financing capability:** Operating cash flow in relation to the net investments of the fixed assets
- Equity intensity:** Equity in relation to the balance sheet total
- ROCE:** EBIT in relation to capital employed (average long-term capital employed)
- Debt ratio:** Liabilities to banks in relation to shareholders' equity
- EBIT / EBITDA margin:** EBIT / EBITDA in relation to total operating revenue. In addition to sales revenues, the changes in inventories of finished goods and work in process are also taken into account in determining total operating revenue. In addition, revenues are reduced by the amount that are passed on to Group companies at cost in accordance with the terms of the agreement.
- Material and personnel intensity:** Cost of materials and personnel expenses in relation to total operating revenue

## Changes in important non-financial performance factors

### SUSTAINABILITY

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

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

The companies of the SHS Group document their achievements in the areas of economy, ecology and society with a joint sustainability report. The report is based on the GRI standards of the Global Reporting Initiative (GRI). An update of the relevant key metrics is implemented through annual fact sheets.

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

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

Sustainability is also an important part of the ongoing transformation process. The companies of the SHS Group want to produce steel using a carbon-neutral process by 2045 at the latest.

Saarstahl and Dillinger are ready and technologically capable of shaping the green transformation. In their transformation program, the companies have defined specific steps for the total conversion of their production to low-carbon steel and thus for the transformation to carbon-neutral steel production. This changeover is to take place in three key steps. Suf-

ficient green electricity or green hydrogen as well as a suitable infrastructure must be made available for these processes.

This conversion will take place in various phases, so that the SHS Group companies aim to achieve a potential carbon reduction of ~55-60 % relative to the reference year 2020 by as early as 2030 and to achieve carbon-neutrality by 2045.

In the first phase that began in mid-2020, Saarstahl and Dillinger are already significantly reducing their emissions by optimizing the existing blast furnace process. This is achieved by injecting coke oven gas and other gases with high hydrogen content. The H2SYNGas project, which is also designated as an IPCEI project, is important in this phase.<sup>5</sup>

In addition, Saarstahl Ascoval SAS, which was acquired by SHS – Stahl-Holding-Saar in August, can already supply initial quantities of carbon-reduced steel with its existing electric arc furnace (EAF) production capacity.

Plans for the next phases include construction and operation of additional electric arc melting furnaces (EAF), the first of which is scheduled to come on stream as early as 2027. Expansion of EAF capacity will be accompanied by a corresponding shutdown of blast furnace capacity. Producing our high-quality steel products using this climate-friendly EAF route requires significant quantities of direct reduced iron (DRI) in addition to higher volumes of scrap. We are currently conducting mul-

<sup>5</sup> Sources: Press releases from 8 March 2021 (Cross-border hydrogen project on the Saar seeks IPCEI funding) and 29 April 2021 (Green steel initiative: cutting carbon with H2SYNGas).

tiple feasibility studies – including with potential partners – to establish a production base that ensures the future supply of these important DRI volumes.<sup>6</sup>

The SHS Group companies, together with other leading companies, also constitute the European economic interest grouping (EEIG) “Greater Hydrogen Region,” which aims to link cross-sector projects that produce, use and transport hydrogen in order to establish a sustainable and integrated cross-border energy system.<sup>7</sup>

One constant focus of the investment activities of Saarstahl and Dillinger is on proactive measures for environmental and climate protection. The new dedusting system for the circular cooler with an integrated heat recovery system at ROGESA’s sinter plant 3 was commissioned at the beginning of 2021 and is contributing significantly to improving environmental protection at the Dillingen site. The heat recovery generates an additional energy benefit of 82,000 MWh, which equals a reduction of approx. 25,000 tons of carbon emissions per year. The circular cooler dedusting itself also significantly reduces dust emissions at the circular cooler. With this € 28 million investment, Saarstahl and Dillinger are making an important contribution to improving environmental protection.<sup>8</sup>

After earning a gold medal in 2020 from EcoVadis, an international provider of sustainability ratings, Saarstahl once again received the honor in the year under review. This places Saarstahl in the top three percent of companies in its industry category. The CSR rating by EcoVadis confirms that responsible

action and sustainable management are central components of Saarstahl’s corporate policy.

The EcoVadis rating is based on a defined scorecard. This includes criteria of the Global Reporting Initiative, the United Nations Global Compact, and the International Organization for Standardization for the areas of environment, labor and human rights, ethics, and sustainable procurement. The definition of specific evaluation criteria enables worldwide comparison of the companies certified by EcoVadis. The EcoVadis assessment covers the following areas:

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

- Procurement with a focus on secure supply and environmentally compatible modes of transport.
- Economically efficient and resource-saving operation through numerous environmental protection measures for the efficient use of energy.
- Long-standing cooperation with universities, research institutes and customers for the development and improvement of materials.<sup>9</sup>

The companies of the SHS Group also participated in the 2021 sustainability ranking of the Carbon Disclosure Project (CDP) and achieved an overall grade of B in the “Metal smelting, refining & forming” sector. In addition, CDP has included SHS in the CDP Supplier Chain Leaderboard. Inclusion on the list demonstrates that companies are proactively working with their suppliers to show responsibility throughout the value chain. Once a year, the non-profit organization CDP documents and assesses the voluntarily provided data and information and, in particular, assesses the climate protection strategy. The CDP assessment is based on eleven different categories: business and financial planning, supply chain responsibility, governance and energy, the subject of energy, and emissions reduction initiatives.

Support for the ten principles of the Global Compact in the areas of human rights and labor standards, environmental and climate protection, and anti-corruption is an integral part of the long-term sustainability concept of the SHS Group. Membership in the UN Global Compact since 2020 demonstrates that the companies are firmly integrating the principles of the

<sup>6</sup> Sources: Press releases from 22 February 2021 (LIBERTY, Paul Wurth and SHS – Stahl-Holding-Saar partner to develop a large hydrogen-based direct reduction plant in France) and 16 February 2021 (Rio Tinto, Paul Wurth and SHS – Stahl-Holding-Saar cooperate on feasibility study for low-carbon iron in Canada).

<sup>7</sup> Source: Press release from 25 October 2021 (For a hydrogen economy in the Greater Region – companies from France, Germany and Luxembourg form European economic interest grouping).

<sup>8</sup> Source: Press release from 17 March 2021 (More energy and fewer emissions – the environment benefits from new circular cooler dedusting system).

<sup>9</sup> Sources: www.ecovadis.com, press release dated 13 January 2022 (Gold for Dillinger’s sustainability strategy).

Global Compact into their corporate strategy and culture as well as into their daily business practices, thereby applying and fostering the general goals of the United Nations – particularly the sustainable development goals – in all areas of the company.<sup>10</sup>

The subsidiaries ROGESA and ZKS also continue to consistently implement the sustainability strategy. As part of a supplier management system introduced in 2019, the companies have presented the TOP Supplier Awards annually in the “Fuels” and “Iron ores” categories.

## EMPLOYEES

After the short-time work schedules from 2020 were discontinued, production was adjusted to the newly defined operating points. Together with the further intensified implementation of the cost-cutting program and due to the ongoing coronavirus pandemic, high demands have been placed on employees.

Previously implemented measures for the coronavirus pandemic such as hygiene, social distancing and mobile working measures were further advanced and expanded. In addition, numerous places for vaccination and testing were set up so that the “3G rule” (for persons who are recovered from COVID, fully vaccinated or tested) and a high vaccination rate could be implemented without problems at the company sites.

As part of the cost-cutting program, many additional measures for the planned workforce reduction were defined and to a large extent have also already been implemented. This resulted in a headcount of 3,738 employees at the end of the reporting year (2020: 3,827). A total of 1,504 people were employed at Saarstahl subsidiaries and affiliated companies (2020: 1,546). Implementation of the program will continue in 2022.

### Safety and health

A safe and healthy work environment is given top priority at Saarstahl. In line with the corporate principles, numerous programs and measures including the Group-wide introduction of the “Workplace Safety Hour,” implementation of Board of Management inspections, and the online event about the “Bradley Curve” contributed to further improving our systems in 2021. The coronavirus pandemic was once again a key component of work in the area of safety and health in 2021. The corresponding working group discussed the constantly changing requirements and defined an implementation strategy for the Group.

Saarstahl concluded 2021 with 13 lost-time injuries of one day or more (2020: 9) and a lost-time injury frequency rate (LTIFR) of 2.3 (2020: 1.8; number of lost-time injuries per 1 million hours worked).

### COVID-19

At the start of 2020, COVID-19, an acute respiratory illness caused by a novel coronavirus (SARS-CoV-2) spread worldwide. The World Health Organization (WHO) declared a public

health emergency of international concern (PHEIC) on 30 January 2020.

To contain the risk of infection among employees, Dillinger and Saarstahl jointly introduced precautionary measures at an early stage. The aim of the measures is to protect the health of all people at the sites as fully as possible, to safeguard orderly business operations, and to guarantee the safety of employees as well as the neighborhood surrounding the company, even under restricted conditions. A Group-wide pandemic working group has been formed for this purpose, which initiated and coordinated the necessary measures in consultation with the crisis management team. All measures are continuously adapted to the situation.

In 2021, a total of 19,352 rapid tests were carried out by specially trained personnel on SHS Group employees at the Burbach, Neunkirchen, Völklingen and Dillingen sites as part of the company testing program, as well as 3,023 rapid tests for cross-border workers within the workforce. At the in-house vaccination centers established at the Dillingen and Völklingen sites, 2,632 coronavirus vaccinations were performed between June and December 2021 (of which 1,237 in Dillingen and 1,395 in Völklingen).

### Fostering young talent

Saarstahl continues to invest in training and fostering young talent and provides training at a consistently high level in order to counter a possible shortage of skilled workers resulting from demographic change. In 2021, 64 young people started

<sup>10</sup> Source <https://www.globalcompact.de/en/about-us/our-participants>

their careers in the company (2020: 72). As a result, the company trained a total of 227 young workers (2020: 253), when all training class years are included. In addition, there were four high school student interns and five university student trainees throughout the year. The instrument of employing university student trainees in particular ensures the strategic fostering of young talent in the academic area.

## PERCENTAGE OF WOMEN

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

Overall, the percentage of women in the total workforce at Saarstahl averaged 5.8 % in 2021. When considering this proportion, industry-specific, historical and socio-cultural circumstances must be taken into account. Saarstahl is taking measures at various levels to continuously increase the percentage of women: for example, by continuously increasing the percentage of female trainees, a wide range of part-time employment and the possibility of childcare in the daycare center supported by the company. Women occupy leadership positions primarily in the administrative area. As part of the assumption of operational tasks by the majority holding com-

pany SHS – Stahl-Holding-Saar, such as in the area of central staff functions, a considerable percentage of female employees and managers are represented in the holding company. Consequently, the percentage of female employees in the total workforce, at 29.2 %, is significantly higher than at Saarstahl.

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

Within the framework of Section 76 (4) of the German Stock Corporation Act (AktG), the Saarstahl Board of Management has set a target quota of 12 % for the percentage of women in management functions. The analysis relates to senior executives and includes the first and second levels of the hierarchy as well as the functions equivalent to the two top levels of management in terms of their importance for the company.

## PRODUCTION

As the core facilities, the production division of Saarstahl AG includes the LD steel plant in Völklingen as well as four rolling mills located at the Völklingen (Nauweiler), Burbach and Ne-

unkirchen sites. The preliminary stages of production, i.e. the production of coke and hot metal, take place at the Dillingen plant with the two companies Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA) (Saarstahl share 50 % each).

## LD steel plant

2,279 kt of hot metal was delivered to the LD steel plant in 2021 and 2,638 kt of crude steel was produced.

## Rolling mills

In 2021, the four rolling mills produced a total of approx. 2,523 kilotons of rolled products. The distribution in detail was as follows: The Burbach rolling mill produced a total of 1,035,467 tons of rolled products in the reporting year; the Nauweiler rolling mill produced 508,591 tons, of which 467,923 tons was rod and 40,668 tons was rebar. The Neunkirchen rolling mill produced approximately 978,497 tons of rolled products on rolling trains 31 and 32, of which 504,659 tons were produced on rolling train 31 and 473,838 tons on rolling train 32.

## INNOVATION AND QUALITY

Use of Mechanical Soft Reduction (MSR) on 54SiCr spring steels has significantly increased the ductility of the wire rod. Consequently, higher quenching and tempering strengths can be achieved with the spring steels currently in use, which offers potential for reducing the weight of the finished component. The process has also meanwhile been transferred to the

highest-strength spring steels (60SiCrV7, 65SiCrV7). The first homologation volumes are already underway for the 60SiCrV7. Double thermomechanical rolling is also used here. This further expands the potential for lightweight construction. In the case of cold heading steel grades, the strength on the wire rod was reduced through double thermomechanical rolling on rolling train 32 in Neunkirchen. This eliminates the need to anneal the wire prior to further processing, which reduces energy use and thus lowers carbon emissions.

In April 2021, the surveillance audit for accreditation based on DIN EN ISO/ IEC 17025 (2018) took place in the chemical laboratories. The German Accreditation Body (DAkkS) verified the complete process of sampling, analysis and quality management via remote assessment. The competence of the laboratory was confirmed. In addition to the normative requirements regarding data processing and laboratory automation, this third-party confirmation also includes the legal requirements for wastewater testing within the scope of self-monitoring.

By including the test bases in Burbach and Neunkirchen in the accreditation of the technical laboratories, the specialist expertise of the test areas and thus the quality of the certified product properties is ensured.

The audits for Saarstahl to maintain the certifications in the quality, environment, energy, safety and health management areas were successfully completed in February 2021. The audits were largely carried out remotely. These were recertification audits for the management areas of quality, environment and energy, and a surveillance audit for the area of safety and

health. The importance of the certifications for Saarstahl is high: The certifications are a basic requirement for delivery of our products to our customers and there is a legal obligation to carry out energy audits. With the energy management certification, we as electricity cost-intensive companies also have the opportunity to limit the EEG surcharge for electricity and thus mitigate the high energy costs.

#### **RAW MATERIAL PROCUREMENT AND TRANSPORT**

Iron ore prices took a virtual roller coaster ride in 2021, peaking at record price levels in the middle of the year. After that point, production cuts imposed on crude steel by the Chinese government had a growing impact and prices practically halved by the end of the year. Both crude steel production and iron ore import volumes increased only slightly in 2021. A plateau has therefore been reached for the time being in these important key metrics.

With respect to coal, the Chinese government maintained its ban on imports of Australian coal; at the same time, domestic coal mines fell well short of production targets. As Mongolia was also unable to supply the expected import volumes due to COVID-19, China was faced with a veritable energy crisis, especially in the second half of 2021, and the steel industry was hardly capable of meeting the demand for reducing agents while production was rising. The global supply side was unable to keep pace with demand following massive capacity reductions in the previous year. Coupled with equipment supply problems lack of personnel and logistical bottlenecks, coals for steel production

were quoted at a historic record price level, mainly in the second half of 2021, after a still-moderate first half.

Due to a very high demand for shipping space combined with port congestion, various regional quarantine measures and significantly increased fuel prices, the ocean freight market was subject to intense momentum last year, resulting in freight reaching levels last seen more than 10 years ago. To counter-act this momentum, the mix of freight rates agreed for the medium to longer term, while at the same time taking advantage of opportunities on the spot market, has proven to be a dependably successful method for ROGESA and ZKS.

The "sustainability in procurement" topic will continue to be implemented. In order to comply with the Supply Chain Due Diligence Act (LkSG), a risk assessment of all suppliers was carried out at ROGESA and ZKS.

#### **Reduced shipping volume**

Due to extensive infrastructure measures in rail freight transport, our raw material transports in inbound logistics have lost resilience and have had to be stabilized through substitution measures. A total of 2.42 million tons were shipped in the 2021 financial year, a considerably higher quantity compared to 2020. Inland waterway transport has shown itself to be a reliable mode of transport at this juncture, both in terms of inbound and outbound logistics. The impacts of the coronavirus pandemic were clearly experienced during the last year at a wide range of seaports around the world as well as by our service providers, customers and suppliers.



## ENVIRONMENT AND ENERGY

Saarstahl gives high priority to environmental and climate protection, in line with its corporate guide-lines. Continuous improvement processes for sustainable, environmentally friendly and resource-saving production are part of this. Extensive investment in state-of-the-art technologies helps reduce environmental impacts and continuously improves energy efficiency. Not least because innovative product solutions made from steel contribute in important ways to environmental protection (see the section on "Sustainability").

### Environmental management

During the year under review, Saarstahl AG with its three locations were successfully certified in accordance with ISO 14001:2015, as were Kalksteingrube Auersmacher GmbH, Saarschmiede GmbH Freiformschmiede, Schweißdraht Luisenthal GmbH and Saar-Bandstahl GmbH.

In 2021, Industrial Emissions Directive (IED) inspections took place for the Burbach rolling mill, Neunkirchen and for the forge.

### Participation in the Carbon Disclosure Project (CDP)

In 2021, Stahl-Holding-Saar again successfully participated in the Carbon Disclosure Project, under the leadership of Saarstahl's Environmental Protection department. The Carbon Disclosure Project is based on an international non-profit organization. Once a year, it records and evaluates the greenhouse gas emissions reported by companies and organizations on a voluntary basis, the strategies with respect to climate change,

and the handling of risks and opportunities arising from climate change.

### Determination of product carbon footprints (PCF)

As part of its sustainability strategy, the product carbon footprint for the three main groups crude steel, wire rod and bar steel was determined for the first time as sustainability indicators in accordance with the DIN ISO 14067/IPCC AR5 GWP100 standard and in the future will be communicated annually to customers.

### REACH

In the context of the mandatory information requirements of Article 33 of the Registration, Evaluation, Authorization and Restriction of Chemicals Regulations (REACH), all products containing substances on the REACH Candidate List in concentrations of > 0.1% must be reported both to customers and to the European Chemicals Agency (ECHA). In addition to informing the customer, which has been mandatory since 2018, now the ECHA must also be informed. This notification of our free-cutting steels was realized via a SCIP database provided by ECHA, an electronic database of the European Chemicals Agency, and was completed in December 2020. In December 2021, ECHA initiated the inclusion of lead in Annex XIV of the regulation; lead was included in the "11th recommendation for REACH Authorisation".

### Carbon emissions trading

As part of the ongoing process of annual emissions reporting to the German Emissions Trading Authority (DEHSt), the mon-

itoring plans for plants subject to emissions trading for the fourth trading period in particular (2021-2030) were updated in 2021.

In addition, the allocation data reports (ZDB) for the years 2019 and 2020 were prepared and submitted to the DEHSt for verification for all plants subject to emissions trading. Based on the data from the allocation data reports, the dynamically adjusted allocation of free allowances is accomplished in this trading period.

The likewise annual applications for aid for indirect carbon costs (electricity price compensation) for Saarstahl and Saarschmiede Freiformschmiede were approved at the end of 2021. The effects of the national fuel emissions trading system, starting in 2021, were also examined and action plans were drafted with the departments involved.

## MOST SIGNIFICANT SHAREHOLDINGS

### Zentralkokerei Saar GmbH

Saarstahl and Aktien-Gesellschaft 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. Total coke production in 2021, at 1,314 kt, was higher than the previous year (1,154 kt). ZKS is a company without employees. Personnel required for operation of the coking plant are provided by Dillinger. Investments at ZKS in 2021 amounted to € 4 million (2020: € 6 million).

### **ROGESA Roheisengesellschaft Saar mbH**

ROGESA Roheisengesellschaft Saar mbH, in which Saarstahl holds a 50 % interest (indirect and direct), produces hot metal exclusively for its shareholders Saarstahl and Dillinger. Management of ROGESA, as a company without employees, is handled by Dillinger.

At 4,260 kt, hot metal production from blast furnaces 4 and 5 in 2021 was above the previous year's output (2020: 3,194 kt). In the year under review, 1,981 kt were delivered to Dillinger (2020: 1,561 kt) and 2,279 kt to Saarstahl (2020: 1,633 kt). Investments at ROGESA in 2021 amounted to € 7 million (2020: € 19 million). Along with STEAG New Energies GmbH (49.9 %) and VSE AG (25.2 %), ROGESA holds a 24.9 % stake in Gichtgaskraftwerk Dillingen GmbH & Co. KG, which leases a 90 MW power plant at the Dillingen plant to the operators of GWK, Dillinger, ROGESA and ZKS, for the production of electricity.

### **Saarschmiede GmbH Freiformschmiede**

The core business of Saarschmiede GmbH Freiformschmiede is the production of premium open-die forged components with a focus on power engineering, general mechanical engineering, tool steel and special materials made from nickel-based alloys. One of its most important markets is power generation, where the products are used both in conventional power plants and for the generation of renewable energies. The Saarschmiede plant produces customized products in a wide variety of machining conditions and material grades for the respective applications.

### **General market situation**

The market situation remained strained in the market segments in which the Saarschmiede plant operates, especially in the first half of the year. The reasons for the lower demand level are the cyclical weakness of the industry and effects from the COVID-19 pandemic.

The market situation improved slightly in the second half of 2021. The power generation machinery sector in particular has benefited from an easing of the COVID-19 situation.

The tool steel and special materials market segment, as well as the heavy mechanical engineering segment, continued to suffer from the uncertainties and earnings problems in individual customer sectors. In addition, expansion of offshore wind farms will gain considerable momentum in the coming years and generate higher demand for special input material grades and forged mechanical engineering products.

### **Business performance**

The planned sales target for 2021 could not be achieved. The low order backlog at the turn of 2020/21 and weak order intake in the first half of 2021 were particularly problematic. The decline in demand and sales was due to the negative impact of the COVID-19 pandemic. Conversely, the second half of 2021 saw an increase in demand activity, which led to rising order intake by the end of the year.

The power generation machinery segment performed positively in 2021 and exceeded expectations. Special materials remained below plan due to the pandemic, as orders in the aerospace sector mostly failed to materialize. Planned offshore wind orders only became relevant toward the end of 2021.

The 2021 financial year was primarily defined by an extensive refurbishment project. In the second quarter of 2021, a refurbishment plan was drafted for the open-die forge, focusing on cost reduction, efficiency enhancement, sales potential and personnel measures. Implementation of the measures was started in the second half of the year and the first cost effects have already been realized.

Turnover decreased to € 92 million (2020: € 105 million) while earnings were on a par with the previous year at around -€ 14 million (2020: -€ 13 million). The number of employees went from 454 to 430 in the reporting year.

### **Outlook**

The economy is expected to recover in 2022, resulting in positive momentum for individual demand segments. Consistent implementation of the measures from the refurbishment project is the core task for 2022. An optimized cost structure produces a significantly improved competitive position. This will have a positive impact on market opportunities and the further expansion of new business segments in 2022.

Counteracting these positive developments from the rehabilitation project will be the effects of higher energy prices and developments in alloy and scrap prices. Confronting this issue will be a demanding task and a challenge for 2022.

Under the given conditions, the Saarschmiede plant expects total turnover to increase compared to the previous year to result in a balanced net income for the year.

### Aktien-Gesellschaft der Dillinger Hüttenwerke

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

The European heavy plate market was buoyed by a steep rise in demand in the first half of 2021. Distributors drove apparent consumption sharply upward in the first months of the year, with demand coming from nearly all customer segments as the months progressed. Construction machinery manufacturers, steel construction and heavy machinery benefited from infrastructure projects and an increasing willingness to invest.

However, increasing problems in global supply chains since the summer impacted production in the steel processing sectors. Demand has thus diminished slightly since then.

Although import volumes of heavy plate from third countries into the EU grew slightly compared with the previous year, the significantly stronger growth in volumes from European producers meant that imports decreased as a share of the total market supply. The capacity utilization situation of European producers steadily improved in the first half of the year. This development lost some momentum during the remaining course of the year. In conjunction with growing demand and enormous earnings pressure on manufacturers, prices developed very positively until mid-year; from July the market experienced a slight downward trend but nevertheless remained at a high level until the end of the year.

Purchases of hot metal, at 1,981 Tt (2020: 1,561 kt), increased by 26.9 % and crude steel production, at 2,281 kt (2020: 1,816 kt), increased by 25.6 % compared with the quantities in 2020. As in previous years, steel production levels satisfied the slab requirements for the rolling mill in Dillingen as well as most of the requirements of Dillinger France S.A. in Dunkerque. Production at both rolling mills together (1,782 kt) grew by a total of 26.7 % compared to the previous year (2020: 1,406 kt), with 1,237 kt of heavy plate (2020: 1,000 kt) being produced in Dillingen and 545 kt (2020: 406 kt) in Dunkerque.

Total turnover rose accordingly from € 1,430 million in the previous year to € 1,714 million (+ 19.9 %) in the reporting year. EBIT increased significantly to € 112 million compared with -€ 119 million in 2020; EBITDA increased similarly to € 173 million (2020: -€ 50 million).

Capital expenditures and replacement purchases continued to be dominated in the 2021 reporting year by the coronavirus situation. Projects that were halted in 2020 due to the coronavirus pandemic were resumed and continued. Measures to protect the environment and reduce carbon emissions were like-wise continued. In the area of ROGESA, for example, the circular cooler dedusting system with heat recovery was constructed at sinter plant 3 (investment € 28 million). Here, the project was completed with the final inspection and approval in September 2021. Two torpedo heating stations (investment € 0.75 million) were installed and commissioning was completed in the area of stockhouse 3 (Möllerung 3). At blast furnace 5, performance tests were run on the coke gas injection

system (investment € 14 million) in February 2021. The same was done at blast furnace 4 in March 2021. The final inspection and approval of the coke gas injection system is planned for the beginning of 2022. In the area of ZKS, the high-pressure coke gas scrubber (investment € 15 million) was commissioned in August 2021. To improve emissions, the extraction hood on coke transfer machine 1 (investment € 0.9 million) was renewed and put into operation in October 2021. In addition, two DC and two AC charging stations were installed and commissioned in the area of the old lumber yard in 2021.

At the end of the reporting year, 3,565 people were employed at the Dillingen site (2020: 3,925). These employees worked at Dillinger itself as well as – in the context of plant management – at ZKS and ROGESA.

## Risk and opportunity report

Saarstahl has implemented a Group-wide risk management system, which was supplemented in the reporting year by a risk-bearing capacity analysis. The methods and tools are continuously developed and are based on recognized standards.

### Organization of risk management

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

### Methods and structure of risk management

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

- Risk transparency: The aim of corporate risk management is to identify and highlight the main risks associated with business activities at the earliest possible stage. A systematic and consistent method of analysis and evaluation is used for this purpose.
- Risk manageability: We define this as avoiding, minimizing or transferring identified risks through new or existing risk control instruments. Transfer of risk is handled through the corporate service provider SHS Versicherungskontor GmbH, which is responsible for arranging adequate insurance coverage.

- Risk communication: The Board of Management is informed about the current risk situation at regular intervals and with regard to specific events. Moreover, key risk management issues are discussed with the Supervisory Board.

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

As part of the integrated governance, risk and compliance concept, the risk coordinators collect additional information for early identification of compliance risks (preventive risk analysis). Deriving measures is part of the compliance program.

Corporate Auditing, as part of the comprehensive corporate management concept for establishing an internal management and monitoring system, is a component of risk management as defined by the German Corporate Sector Supervision and Transparency Act (KonTraG). In this capacity, it is also responsible for the systematic and effective internal auditing of the risk management system.

### Organization of opportunity management

Opportunity management at Saarstahl involves the systematic handling of opportunities and potentials. It is directly embedded into the work carried out by the Board of Management of Saarstahl. The transformation program launched in 2020 is making an important contribution. The key opportunities for Saarstahl are discussed in more detail in the following sections.

### Strategic opportunities

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

The Saarland steel industry is committed to the goals of the Paris Climate Agreement and is focused on working toward the transformation to green steel. Saarstahl therefore supports the German government's Steel Action Plan. One of the key points of the concept is to enable the switch to low-carbon, in the long term, carbon-neutral steel production, and to take advantage of the opportunity to become a pioneer of innovative climate protection technologies.

The conversion to carbon-neutral steel production is a central issue in the company's own transformation program. Saarstahl developed various scenarios early on for switching to carbon-reduced or carbon-neutral steel production. As a first measure, for example, coke gas injection with the first-ever use of hydrogen as a reducing agent has already been implemented at an industrial scale. For more extensive use of hydrogen in the blast furnace, the H2SYNGas project was launched, for which government funding under IPCEI has been applied for in 2021. Additional steps including the installation of electric arc furnaces and direct reduction plants are currently being studied and evaluated for feasibility. This includes exploring opportunities to establish a local, cross-border hydrogen infrastructure together with various partners from the energy/hydrogen production and infrastructure sectors.

In addition, the acquisition by SHS of the Ascovall steel mill in Saint-Saulve, France, which was completed in August 2021, offers Saarstahl the opportunity to supply carbon-reduced or carbon-neutral steel to automotive customers already in the short term.

The joint transformation program for Saarstahl and Dillinger also serves to consistently develop new growth potential and to position our company with our products in promising new business segments. A substantial contribution can be made here by the rolling mill in Hayange, France, also acquired in 2021, which has enabled the company to enter the attractive and long-term growing market for steel rails.

#### **Operational opportunities**

Saarstahl sees business opportunities in the growth strategy derived from the transformation program and in the cost-cutting program. Implementation of the measures developed in 2020 relating to increasing productivity, eliminating duplicate structures, consolidating sales activities and closing and relocating divisions was further advanced in 2021.

Digitalization is likewise a core component of the corporate strategy. In order to continue developing from a digital perspective and thus become faster, more efficient and more competitive, development of an overall concept for digitalization for the Saarland steel industry has been initiated. To achieve this target, the digitalization roadmap, which maps all areas of the company in detail, was adopted in 2020.

All of this is aimed at securing the future viability of the Saarland steel industry.

#### **External, market and sector risks**

Although the global economy has recovered from the coronavirus effects of 2020, it has by no means recovered to the extent that had been forecast at the beginning of the year. This was primarily due to a resurgence of the global pandemic and the aftermath of the turmoil in 2020, which impacted global supply chains and led to massive raw material shortages in some areas. The automotive industry was especially impacted by this issue and suffered from a drastic shortage of semiconductors like few other sectors of the economy. This situation will continue well into 2023 and will, at best, moderate some-what. In addition, energy prices are in some cases rising rapidly. Global trade conflicts, particularly between the United States and China, continued in 2021.

The German mechanical engineering sector also clearly felt the impact of supply chain problems in the second half of 2021. For the German construction industry, the recent material bottlenecks and in some cases drastic price increases for construction materials had a restraining effect. The industry is optimistic about 2022, also in view of the good order situation, provided that the problems described above at least ease.

According to the projections, the two factors coronavirus and supply bottlenecks will continue to slow economic recovery in 2022. Moreover, the steel industry continues to face big challenges: The automotive industry, a major worldwide user

of steel, is undergoing a restructuring process, and the weights in the global steel market are shifting further in the direction of China. One risk that should not be under-estimated is the pending carbon pricing and carbon footprint verification. Switching to "green" steel production requires major investment.

In view of a moderately positive forecast for overall economic conditions, the risks identified for Saarstahl are to be assessed as moderate.

#### **Regulatory risks**

The path pursued by policymakers and business toward a climate-neutral economy was reaffirmed and the climate targets were once again raised. This is associated with high long-term risks for the steel industry. Long-term planning security is required to achieve the climate targets, and in particular to initiate the necessary investments. The basis for this is reliable forecasts based on appropriate political decisions. The German government's Steel Action Plan represents a first step.

The risks are being countered operationally through the climate-compatible restructuring of steel production, including the use of hydrogen and the development of innovative technologies. Saarstahl is pursuing a forward-looking strategy of carbon-neutral steel manufacturing. The first measures have already been implemented toward initially reduced-emission and later emission-free production. However, there are additional, enormous investments associated with the climate targets that apply for us. These cannot be managed by the steel companies

concerned on their own. Due to its high importance, the issue is being handled by a separate carbon strategy team at the SHS level. Given the high importance of the topic, a separate Board of Management executive portfolio for "Transformation" has also been formed to consolidate and deal in a structured way with the wide-ranging issues involved in the sustainable transformation of climate-neutral steel production.

The market stability reserve introduced in conjunction with the emissions trading directive for the fourth trading period and the tightening of carbon-reduction targets have led to a reduction in the quantities of allowances and caused the price of emissions allowances to rise enormously. For Saarstahl, this entails a significant additional financial burden due to the certificates that must be acquired. The amendment to the Renewable Energy Sources Act (EEG) and the Climate Protection Act presented by the German government provide for a faster increase in greenhouse gas-neutral electricity and a more rapid reduction in greenhouse gas emissions. Germany is to have only greenhouse gas-neutral electricity by 2045 at the latest. The financial impact on the energy-intensive steel industry cannot be quantified at this stage. No changes are expected to the current regulations for self-generated electricity. In the coalition talks, the transfer of the costs for the EEG surcharge to the federal budget was agreed and is to be implemented from 2023. If this occurs as planned, the situation here would improve.

We classify the risks from regulatory developments for Saarstahl as moderate.

#### **Risks from operating activities**

Stoppages, property damage and/or quality risks may occur in the production facilities of Saarstahl. These may be due to the complexity of the manufactured products, to the complexity of the manufacturing processes and technical operating facilities, to human error, or to force majeure. Risks are countered through continuous investment in state-of-the-art equipment and through systematic methods and innovative diagnostic systems for preventive and condition-based maintenance. In addition, the quality assurance system, which is certified in accordance with international standards, is being consistently improved.

#### *Procurement risks*

The raw materials for the bulk goods required for hot metal production are procured worldwide. The many geopolitical crises and the current coronavirus pandemic may therefore have a negative impact on the procurement situation. To minimize risk, an ongoing diversification process with respect to sources and properties has been implemented in the procurement of raw materials. Long-term supply contracts are also concluded to secure supplies. In order to minimize price risks caused by volatile markets, contractual hedging of quantities and prices is used with the respective supplier/trader (natural hedge) or with derivatives, depending on the market situation. In addition, alternative possibilities for making the use of raw materials more flexible are constantly being tested and evaluated.

Due to problems with external logistics providers, especially Deutsche Bahn, there were bottlenecks in the inflow in the second half of 2021. Solutions were developed together with

the logisticians. The in-flow situation has stabilized. Replacement measures have been initiated and are taking effect.

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

#### *IT and cyber risks*

Information processing contributes in important ways to Saarstahl's competitiveness. The availability of correct data and information flows is of central importance. Specific information technology areas are consolidated centrally. Risks exist in the interruptions in key production and management systems within the value chain. The risk of unavailability or to integrity can in particular arise due to system access by unauthorized third parties. In addition, the confidentiality of our data and information may be compromised, for example, through spying by competitors and industrial espionage or sabotage. There are also general threats from cybercrime and cyberfraud. Saarstahl counters these risks by continuously monitoring and updating the software used and the information technology protection systems by Group IT.

The existing information security management system and the responsible area are constantly being developed further. Along with various internal and external concepts to achieve IT security, modern technologies and adapted IT operating processes are used to identify and defend against threats, including new ones, at an early stage. Emergency plans and exercises are part of the IT security concept. Close cooperation between departments and data protection officers ensures that personal data

is always processed in accordance with the regulations of German Data Protection Law.

#### *Human resource risks*

For Saarstahl as a manufacturer of products with high technological standards and quality, qualified specialists and executives and their strong commitment to the success of the company are of primary importance. In view of this, Saarstahl places great importance on being an attractive employer. There is a general risk of losing skilled employees, and with them, expertise. The company counters this risk by providing training in various vocational fields. To come into contact with suitable people, Saarstahl engages in a wide range of recruiting efforts. The company also promotes collaboration across multiple generations of employees to ensure systematic knowledge transfer to those who will succeed retiring experts and managers. These efforts are supported by specially trained coaches who help to systematically record the knowledge critical to success and transfer it by means of a transfer plan to the successors of employees leaving the company.

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

#### *Environmental risks*

The production processes in hot metal and steel production as well as in further processing involve innate process-related environmental risks including contamination of air and water. Saarstahl therefore does everything it can to exclude damage

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

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

We assess the risks from cyber threats as moderate (previous year: low) due to increased momentum in this area, and the other risks from operating activities as low.

#### **Financial risks**

It is of central importance for Saarstahl to ensure the financial independence of the company by coordinating its financial requirements. To do so, the financial risks are actively controlled and limited. This is supported by integrating the financial departments under the umbrella of SHS. Use of an IT-supported treasury system simplifies control and enables processes to be mapped more efficiently. Price, volume and currency risks on the procurement side result from concluded delivery obligations for the future. To effectively contain these risks, we use financial instruments such as forward contracts and/or derivatives as over-the-counter (OTC) or exchange-traded instruments. The company concludes financial instruments only with counterparts that have an excellent credit rating. Receivables in the area of deliveries and services are continuously monitored. Transactions are

generally secured by means of credit insurance. The resulting risk of default can therefore be considered low.

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

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

In general, hedging instruments are not employed separately from the underlying performance-related hedged item. They are regularly monitored and analysis is generated for control purposes. The results are incorporated into the risk management system. Any residual risk is considered low. The financial reporting of the listed hedging instruments listed is presented in detail under notes to the balance sheet in the notes to the financial statement.

Overall, the financial risks are considered to be low.

### **Legal risks and compliance risks**

The company is currently involved in various proceedings, the outcome of which are open. A major case was concluded in 2018. It is likely that various civil proceedings will follow this. In another proceeding, a leading decision by the Federal Supreme Court has resulted in a general worsening of the legal position. Saarstahl and a subsidiary are affected here. A general risk exists for Saarstahl that, due to the increasing internationalization and expansion of business activities, Saarstahl AG could face legal uncertainties as a consequence of contact with numerous fields of law and legal systems. For very specific issues that reach beyond German and French jurisdictions, Saarstahl also procures the expertise of external legal practitioners. This is also true for issues that carry a high risk of uncertainty.

The compliance program of the SHS group and thus of Saarstahl was continued with greater intensity during the past financial year by the Compliance Committee. The focus in 2021 was on money laundering prevention and continued to be on the important areas of antitrust and competition law as well as corruption. Informational events and publications specifically about the topic are used preventively to encourage conduct that is compliant and that exhibits integrity. Use of an eLearning tool makes it possible to access the training content worldwide and in various languages. A stand-alone, structured process by which tips are reported and acted upon was already implemented in 2020.

A Group data protection officer (eDSB) has been appointed for the practical implementation of the General Data Protection Regulation, which came into force in May 2018. In addition, local data protection officers are appointed where necessary, particularly abroad.

The risks are classified as moderate.

### **Overall assessment of the risk situation**

The impact on financial and economic markets associated with the spread of the coronavirus continued to affect Saarstahl's operations in 2021. However, negative consequences such as declines in demand and sales, employee absences and production risks on the asset, financial and earnings position have decreased significantly. As a result, the economic situation for Saarstahl improved significantly in 2021.

The acts of war in Ukraine are impacting the international economy and supply chains. The consequences are difficult to calculate at the moment.

It is therefore not possible to provide a reliable and quantifiable forecast of the risks. Nevertheless, the risks are assessed as best as possible. On the raw materials side, volumes from Russia are being discontinued. Various immediate and long-term measures to substitute Russian iron carriers and fuels have already been initiated and are intended to secure supplies.

For Germany, complete substitution of Russian gas is not possible in the short term. However, various measures and scenarios have already been developed internally to mitigate the effects of a drastic reduction in availability for Saarstahl.

If the supply of natural gas were to cease completely, sustained production cuts would be unavoidable. These would inhibit the current positive growth expectations.

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



## Forecast report

### GENERAL ECONOMIC CONDITIONS

#### Global growth not balanced

Despite the pandemic and the resulting risks, the global economy should continue to grow steadily in 2022 and on the whole reach pre-crisis levels. According to the OECD, we can expect global GDP growth of + 4.5 %. The speed and extent of the recovery is likely to vary from region to region. The euro zone (+ 4.3 %) as well as Germany (+ 4.1 %) could overtake the United States (+ 3.7 %), and China (+ 5.1 %) could grow more slowly than in 2021. In developed countries, government investment, large-scale government programs, higher immunization rates, and private consumption helped and continue to help the economies emerge from the depths of the first coronavirus shock. Once the global supply chain problems have been resolved, exports should also make a greater contribution to growth again. But precrisis levels will not be reached in low-income countries, where vaccination rates are low. Rising coronavirus infections will require economic restrictions that dampen recovery, and the latitude for government support is often limited.

Although each new virus variant also increases the risk of a setback for global growth, it should be noted that in the past, the economic damage with each new wave of the virus has been less than feared.

Environmental policy issues – such as the global discussion of carbon pricing – will continue to gain importance in 2022.

This topic is now of paramount importance, especially for steel manufacturers. Establishing a general “green” energy infrastructure will incur high costs, but ultimately will have positive effects on economic development.<sup>11</sup>

#### Recovery of the steel market

Worldsteel forecasts that global steel demand will grow by + 2.2% to 1,896.4 million tons in 2022. A reduction in supply chain bottlenecks, continued pent-up demand, and rising business and consumer confidence will intensify the momentum of the recovery in 2022.

No growth in steel demand is expected in China (+/- 0%), as the real estate sector remains under pressure. Some restocking activities could support apparent steel use.

Steel demand in the United States is expected to increase by + 5.7%. While growth in the automotive and durable goods sectors is slower due to a shortage of components and in the construction sector with the end of the boom in residential construction, the recovery in oil prices is facilitating a recovery in investment in the energy sector. In the EU, recovery in steel demand is gaining momentum (+5.5%), with all steel-processing sectors set to report a positive recovery. Steel demand in Germany (+ 13.3%) will benefit from a high order backlog in the manufacturing sector, while the construction sector should continue to grow after already exhibiting relatively high growth during the pandemic.<sup>12</sup>

The semiconductor shortage is expected to persist into 2023 but will gradually moderate. Increased prices for energy will continue to burden the economy in 2022 and present companies with immense economic challenges.

Although the outlook for 2022 promises a clear recovery for the automotive sector, the forecast of just under 82 million vehicles produced worldwide is only an approximation of the figures for the last „normal year“ 2019 (just under 89 million units). Production is also expected to increase in Europe (18.6 million units). Moderate growth of + 2.8 % is expected for the mechanical engineering sector in Europe. The German mechanical engineering sector has revised its forecast for 2022 upwards to + 7 %. This can be attributed to the prospect of being able to work off the high order backlog in 2022. In light of a good order situation, particularly in residential construction, the German construction industry is optimistic about 2022 (+ 5.5 %). The construction industry in Europe expects growth of 4.2 %, partly due to government subsidies. Problems such as material shortages and price increases for construction materials are expected to at least ease in the course of the year.

#### Development

Given the general economic uncertainties resulting from the coronavirus pandemic and the Russia-Ukraine war, as well as the ongoing, demanding tasks on the steel market, Saarstahl faces a 2022 financial year with a number of challenges. By adapting and making the operating point more flexible, in conjunction with a sales campaign and cost-cutting program, an effective instrument has been created for managing and quickly adapting to changes in the market.

The order backlog was at a solidly high level at the end of the year, with an average production range of considerably more than two months. Order intake at the beginning of 2022

<sup>11</sup> Source for global growth: OECD.

<sup>12</sup> Source: worldsteel, EUROFER.

even exceeded the monthly average of the very successful past financial year. Based on the order backlog and the high level of incoming orders at the beginning of the year, plant capacity utilization has already been very good since the start of the year. Overall, Saarstahl expects sales volumes to be at the previous year's level and capacity utilization at the steel mill and the rolling mills in Völklingen, Burbach and Neunkirchen to remain good. Saarstahl also plans to gradually qualify semi-finished products from Saarstahl Ascoval more strongly for the production of products with a reduced carbon footprint and to expand the purchase volumes accordingly in the course of the year.<sup>13</sup>

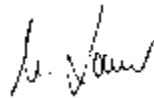
From today's perspective, it is expected that order intake and thus production and sales volumes overall will match the high levels of the previous year, and that sales revenue will increase noticeably as a result of significantly higher average selling prices. Saarstahl continues to face the challenge of volatile, sometimes dramatic price increases on the procurement side. In addition, the measures identified as part of the strategy process – a sales campaign combined with a cost-cutting program – will be rigorously pursued and will again have a positive impact on business performance. In light of this, the company expects further significant improvements in earnings in 2022 compared to the previous year, i.e., a very high positive operating result (EBIT) and EBITDA as well as a clearly positive overall result.

Saarstahl is fully committed to the Paris climate targets and is continuing to work towards the goal of carbon-neutral steel production. The company is prepared and technologically capable of providing the solutions for this. Until the political framework is in place for decarbonization under competitive conditions, the company is pursuing an intensified reduction strategy together with Dillinger. Further projects aimed at reducing or avoiding carbon emissions are being expedited and various feasibility studies are underway.

Völklingen, 31 March 2022



Dr. KÖHLER



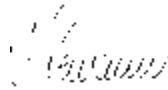
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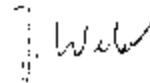
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NIEMANN



WEBER

<sup>13</sup> Sources: worldsteel, EUROFER, Prognos, IHS, VDMA.



## BALANCE SHEET FOR THE YEAR ENDING

<b>Assets</b>			
in T €	Note	31/12/2021	31/12/2020
<b>A. Fixed assets</b>			
<b>I. Intangible assets</b>	(1)	459	690
<b>II. Tangible assets</b>	(2)	451,312	476,061
<b>III. Financial assets</b>	(3)	717,477	729,324
		<b>1,169,248</b>	1,206,075
<b>B. Current assets</b>			
<b>I. Inventories</b>	(4)		
1. Raw, auxiliary and operating materials		87,910	74,524
2. Unfinished products		24,789	29,693
3. Finished goods and merchandise		366,412	279,080
4. Advanced payments received on account of orders		-2,560	-
		<b>476,551</b>	383,297
<b>II. Accounts receivable and other assets</b>			
1. Trade accounts receivable		321,331	203,074
2. Receivables from affiliated companies	(5)	175,810	121,445
3. Accounts receivable from companies where a participatory interest exists	(5)	1,456	1,662
4. Other assets		18,008	11,872
		<b>516,605</b>	338,053
<b>III. Cash balance and credit with financial institutions</b>		<b>134,968</b>	116,159
		<b>1,128,124</b>	837,509
<b>C. Accruals and deferrals</b>		<b>34</b>	190
<b>D. Debit differences in assets</b>		<b>-</b>	4,247
		<b>2,297,406</b>	2,048,021

<b>Liabilities</b>			
in T €	Note	31/12/2021	31/12/2020
<b>A. Equity</b>	(6)		
<b>I. Subscribed capital</b>		<b>200,00</b>	200,000
<b>II. Capital reserve</b>		<b>41,313</b>	41,313
<b>III. Other retained profit</b>		<b>917,730</b>	917,730
<b>IV. Balance sheet profit</b>		<b>401,970</b>	272,176
		<b>1,561,013</b>	1,431,219
<b>B. Reserves</b>			
1. Reserves for taxes	(7)	<b>11,128</b>	6,283
2. Other reserves	(8)	<b>182,144</b>	174,808
		<b>193,272</b>	181,091
<b>C. Verbindlichkeiten</b>			
1. Liabilities to banks	(9)	<b>280,126</b>	243,599
2. Advanced payments received on account of orders		-	1,063
3. Trade accounts payable	(10)	<b>57,925</b>	49,453
4. Liabilities toward affiliated companies	(11)	<b>78,552</b>	61,321
5. Liabilities toward companies where a participatory interest exists	(12)	<b>104,625</b>	57,614
6. Other liabilities	(13)	<b>21,288</b>	22,097
		<b>542,516</b>	435,147
<b>D. Accruals and deferrals</b>		<b>605</b>	564
		<b>2,297,406</b>	2,048,021

## Profit and loss statement

in T €	Note	FY 2021	FY 2020
1. Sales revenues	(14)	<b>2,113,592</b>	1,217,972
2. Changes in inventory and internally produced and other activated assets	(15)	<b>82,582</b>	11,552
3. Other operating income	(16)	<b>18,470</b>	64,679
		<b>2,214,644</b>	1,294,203
4. Material costs	(17)	<b>1,525,867</b>	921,086
5. Personnel costs	(18)	<b>274,929</b>	250,179
6. Depreciation and amortization on intangible and tangible fixed assets		<b>46,510</b>	48,662
7. Other operating expenses	(19)	<b>230,956</b>	191,000
		<b>136,382</b>	-116,724
8. Income from participations	(20)	<b>6,920</b>	-11,263
9. Interest income	(21)	<b>-5,087</b>	-1,036
10. Taxes on income and earnings	(22)	<b>6,013</b>	335
11. Result after tax		<b>132,202</b>	-129,358
12. Other taxes	(23)	<b>2,408</b>	2,411
13. Net income		<b>129,794</b>	-131,769
14. Profit brought forward from the previous year		<b>272,176</b>	403,945
15. Balance sheet profit		<b>401,970</b>	272,176

## CHANGE IN FIXED ASSETS 2021

in T€	GROSS VALUE					WRITE-DOWNS					NET VALUE	
	01.01.2021	Additions	Disposals	Transfers	31.12.2021	01.01.2021	Additions	Disposals	Transfers	31.12.2021	31.12.2021	31.12.2020
<b>I. Intangible assets</b>												
1. Purchased concessions, industrial property rights and similar rights	1,234	27	116	5	<b>1,150</b>	544	263	116	-	<b>691</b>	<b>459</b>	690
2. Advance payments made	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1,234</b>	<b>27</b>	<b>116</b>	<b>5</b>	<b>1,150</b>	<b>544</b>	<b>263</b>	<b>116</b>	<b>-</b>	<b>691</b>	<b>459</b>	<b>690</b>
<b>II. Tangible assets</b>												
1. Land, rights equivalent to land and buildings, including buildings on third-party land	409,674	2,127	101	2,136	<b>413,836</b>	297,254	6,294	84	-	<b>303,464</b>	<b>110,372</b>	112,420
2. Technical equipment and machinery	1,248,932	11,347	558	17,331	<b>1,277,052</b>	942,221	35,226	45	1	<b>977,403</b>	<b>299,649</b>	306,711
3. Other property, plant and equipment	116,392	1,894	928	514	<b>117,872</b>	81,617	4,726	928	-1	<b>85,414</b>	<b>32,458</b>	34,775
4. Advance payments and assets under construction	22,155	6,675	11	-19,986	<b>8,833</b>	-	-	-	-	-	<b>8,833</b>	22,155
	<b>1,797,153</b>	<b>22,043</b>	<b>1,598</b>	<b>-5</b>	<b>1,817,593</b>	<b>1,321,092</b>	<b>46,246</b>	<b>1,057</b>	<b>-</b>	<b>1,366,281</b>	<b>451,312</b>	<b>476,061</b>
<b>III. Financial assets</b>												
1. Shares in affiliated companies	396,213	-	21,430	-	<b>347,783</b>	91,074	-	3,380	-	<b>87,694</b>	<b>260,089</b>	278,139
2. Loans to affiliated companies	132,289	-	12,608	-	<b>119,681</b>	2,900	-	-	-	<b>2,900</b>	<b>116,781</b>	129,389
3. Participating interests	264,296	18,811	-	-	<b>283,107</b>	-	-	-	-	-	<b>283,107</b>	264,296
4. Loans to participating companies	12,500	-	-	-	<b>12,500</b>	-	-	-	-	-	<b>12,500</b>	12,500
5. Other loans	45,000	-	-	-	<b>45,000</b>	-	-	-	-	-	<b>45,000</b>	45,000
	<b>823,298</b>	<b>18,811</b>	<b>34,038</b>	<b>-</b>	<b>808,070</b>	<b>93,974</b>	<b>-</b>	<b>3,380</b>	<b>-</b>	<b>90,594</b>	<b>717,477</b>	<b>729,324</b>
	<b>2,621,685</b>	<b>40,881</b>	<b>35,752</b>	<b>-</b>	<b>2,626,813</b>	<b>1,415,610</b>	<b>46,509</b>	<b>4,553</b>	<b>-</b>	<b>1,457,566</b>	<b>1,169,248</b>	<b>1,206,075</b>

**STATEMENT OF THE GROUP'S SHAREHOLDINGS**

	Capital share %	Equity 31.12.2021 in T€	Result for FY 2021 in T€
<b>Affiliated companies</b>			
<b>a) In Germany</b>			
Saar-Blankstahl GmbH, Homburg	100.000	42,022	0 <sup>1)</sup>
Saar-Bandstahl GmbH, Völklingen	100.000	10,897	0 <sup>1)</sup>
Saarstahl-Export GmbH, Völklingen	100.000	1,585	0 <sup>1)</sup>
Metallurgische Gesellschaft Saar GmbH, Völklingen	100.000	5,123	0 <sup>1)</sup>
Saarschmiede GmbH Freiformschmiede, Völklingen	100.000	33,739	-13,775
Drahtwerk St. Ingbert GmbH, St. Ingbert	100.000	21,695	693
Saarstahl Beteiligungsgesellschaft mbH, Völklingen	100.000	6,495	-7
DWK Drahtwerk Köln GmbH, Köln	100.000	8,963	3,162
SIB-Immobilien-gesellschaft mbH, Völklingen	100.000	46	-24
Neunkircher Eisenwerk Wohnungsgesellschaft mbH, Völklingen	100.000	8,926	19
Gewerbe- und Wohnpark Heubügel GmbH, Völklingen	100.000	230	184
FORGE Saar GmbH, Dillingen	100.000	166	12
FORGE Saar Besitzgesellschaft mbH & Co KG, Dillingen	100.000	125,129	170
Schweißdraht Luisenthal GmbH, Völklingen	100.000	2,065	358
Saarstahl Rail Holding GmbH, Völklingen	100.000	96	-2
45. Saarstahl Beteiligungsgesellschaft mbH, Völklingen	100.000	46	-5
Stahlguss Saar GmbH, St. Ingbert (in Liquidation)	100.000	-5,669	-6

<sup>1)</sup> A profit and loss transfer agreement exists.

<sup>2)</sup> Currency of the country converted into €.

<sup>3)</sup> No final result was available when the annual financial statement was compiled. The figures are preliminary. (1-12)

<sup>4)</sup> No final result was available when the annual financial statement was compiled. The figures are for the previous year.

<sup>5)</sup> Last annual financial statement on 31/03/2021.

<sup>6)</sup> Consolidated financial statement – DHS holds 10 % of own shares.



	Capital share %	Equity 31.12.2021 in T€	Result for FY 2021 in T€
<b>b) Abroad</b>			2)
Secosar S.A.S., Bussy-Saint-Georges	100.000	11,702	-1,842
Secosar Etirage S.A.S., Bussy-Saint-Georges	100.000	-6,110	27
Quinofer S.A.S., Bussy-Saint-Georges	100.000	1,546	371
Saarstahl AG, Zürich	100.000	16,412	13,430 2)3)
Les Aciers Fins de la Sarre S.A., Liège	100.000	6,184	1,097 3)
Acciai della Saar S.r.l., Milano	100.000	788	195 3)
Saarsteel Inc., New York	100.000	533	137 2)3)
Saarstahl (S.E.A.), Petaling Jaya/Malaysia	100.000	60	14 2)3)
Conflandey Industries S.A.S., Port-sur-Saône	100.000	10,104	3,353
Saarstahl Ibérica S.A., Sant Just Desvern Barcelona	100.000	751	8
FILMETAL S.A., Bussy-Saint-Georges	99.800	1,902	291
EUROFIL Polska sp. z.o.o., Warsaw	98.000	-5	71 2)4)
Saarstahl Shanghai Limited, Shanghai	100.000	602	108 2)3)
Saarstahl Export India Pvt Ltd, Mumbai	100.000	143	5 2)5)
Saarstahl Demir Celik, Istanbul	100.000	71	10 2)
Saarstahl s.r.o., Ostrava	100.000	318	11 2)
Saarstahl UK Limited, Scunthorpe	100.000	111	3 2)3)

1) A profit and loss transfer agreement exists.

2) Currency of the country converted into €.

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

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

5) Last annual financial statement on 31/03/2021.

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

	Capital share %	Equity 31.12.2021 in T€	Result for FY 2021 in T€
<b>2. Participating interests</b>			
DHS - Dillinger Hütte Saarstahl AG, Dillingen	33.800	2,252,664	<b>100,833</b> <sup>6)</sup>
Dillinger Hütte und Saarstahl Vermögensverwaltungs- und Beteiligungs-OHG, Dillingen	50.000	267,104	<b>1,620</b>
ROGESA Roheisengesellschaft Saar mbH, Dillingen	50.000	301,636	<sup>1)</sup>
Dillinger Saarstahl America LLC, Wilmington	50.000	18	<b>-4</b>
Kraftwerk Wehrden GmbH, Völklingen	33.333	104	<b>1</b> <sup>4)</sup>

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<sup>1)</sup> A profit and loss transfer agreement exists.

<sup>2)</sup> Currency of the country converted into €.

<sup>3)</sup> No final result was available when the annual financial statement was compiled. The figures are preliminary. (1-12)

<sup>4)</sup> No final result was available when the annual financial statement was compiled. The figures are for the previous year.

<sup>5)</sup> Last annual financial statement on 31/03/2021.

<sup>6)</sup> Consolidated financial statement – DHS holds 10 % of own shares.

# IMPRINT

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**Print:**

GBQ, Völklingen

