

Executive Summary of the Financial Statement 2022

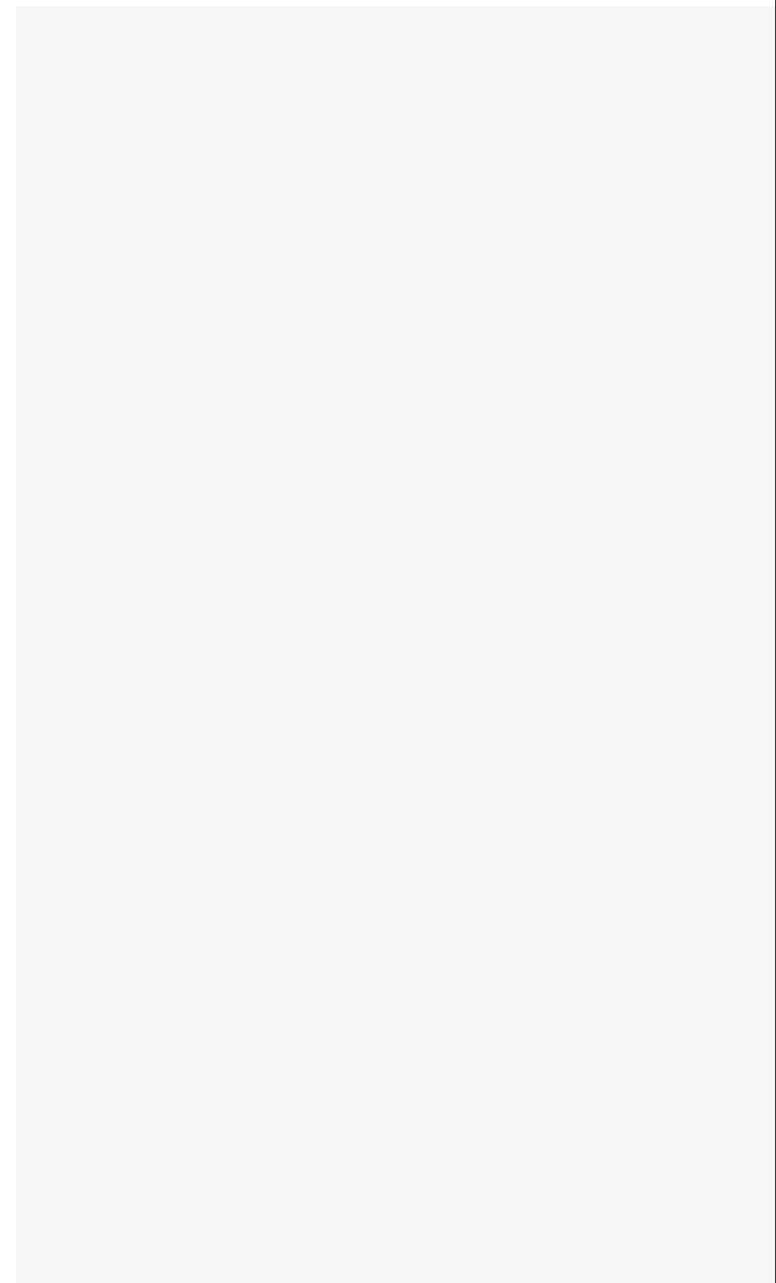


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*) This abridged English-language financial statement is an excerpt from the annual report of Saarstahl for the 2022 financial year.
This publication does not constitute the complete form required by law (for this, please see the 2022 Annual Report of Saarstahl in German).

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Key figures at a glance



		2021	2022	Change
Hot metal purchase	kt	2,279	1,941	- 14.83 %
Crude steel production	kt	2,638	2,261	- 14.29 %
Rolled steel production	kt	2,430	2,081	- 14.36 %
of which Völklingen	kt	447	451	0.89 %
of which Burbach	kt	1,026	868	- 15.40 %
of which Neunkirchen	kt	957	762	- 20.38 %
Shipped steel products	kt	2,418	2,117	- 12.45 %
Sales revenues	€ million	2,114	2,631	24.46 %
of which Germany	€ million	1,107	1,398	26.29 %
of which other EU countries	€ million	647	759	17.31 %
of which other exports	€ million	360	474	31.67 %
Workforce (excluding trainees)	as at 12/31/22	3,738	3,553	
Personnel costs	€ million	275	275	
Balance sheet total	€ million	2,297	2,393	
Fixed assets	€ million	1,169	1,121	
Investments	€ million	22	23	
Shareholders' equity	€ million	1,561	1,821	
EBITDA	€ million	187	334	
EBIT	€ million	141	293	
Net income for the year	€ million	130	260	
Operating cash flow	€ million	- 1	91	

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

Member of the Board of the Montan-Stiftung-Saar Trust
2nd Deputy Chairman

Stephan Ahr | Wadgassen

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

Joachim Demmer | Saarbrücken

Auditor and Tax Consultant

Lars Desgranges | Beckingen

Primary Authorized Representative for IG Metall,
Völklingen

Elke Hannack | Berlin

Trade Union Secretary / Vice Chairwoman
of the German Trade Union Confederation

Kerstin Herrmann | Sulzbach

Vice President of the Saarland Regional Labor Court

Nadine Kliebhan | Illingen

Senior Project Manager, INFO-Institut Beratungs-GmbH

Prof. Dr. Wolfgang Leese | Lindberg

Managing Director and Partner
WGL Verwaltung und Beratung GmbH

Markus Menges | Waldbrunn

Managing Director Südweststahl AG

Jörg Piro | St. Wendel

Chairman of the Works Council
of the Saarstahl AG Neunkirchen Plant

Peter Schweda | Drensteinfurt

former member of the management of
SHS – Stahl-Holding-Saar GmbH & Co. KGaA
and Member of the Board of Management/Labor Director
of Aktien-Gesellschaft der Dillinger Hüttenwerke,
der DHS – Dillinger Hütte Saarstahl AG and
of Saarstahl AG

Angelo Stagno | Saarbrücken

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

Hans-Joachim Welsch | Saarlouis

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

Members of the Board of Management

Dr. Karl-Ulrich Köhler

Chairman of the Board of Management

Joerg Disteldorf

Member of the Board of Management,
Chief Human Resources Officer and
Labor Director

Markus Lauer

Member of the Board of Management,
Chief Finance Officer

Tom Niemann

Member of the Board of Management,
Chief Sales & Marketing Officer
(until 16 September 2022)

Dr. Klaus Richter

Member of the Board of Management,
Technology and Comm. Sales department

Jonathan Weber

Member of the Board of Management,
Chief Transformation Officer

Report of the Board of Management

(Management Report 2022)

The company's fundamentals

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

Legal parameters

The majority shareholder of both Saarstahl and Dillinger is SHS – Stahl-Holding-Saar GmbH & Co. KGaA, a wholly owned subsidiary of Montan-Stiftung-Saar.

Financial report

Overall economic and sector-related conditions

As in previous years, the global economy continued to face a variety of challenges in 2022. The biggest energy crisis since the 1970s, stemming from Russia's war of aggression against Ukraine, is causing a rapid rise in global inflation to long unseen heights and a decline in economic performance worldwide. In addition, disrupted supply chains continued to weigh on economic activity. The OECD nonetheless forecast global GDP growth in 2022 at 3.1 % compared to the previous year (+5.8 % in 2021).

The hoped-for economic growth in China failed to materialize, primarily due to the lockdowns under the country's strict zero-covid policy. Government investments alone reduced growth losses. According to the OECD, a growth rate of just +3.3 % will be achieved in 2022 (2021: +8.1 %). In comparison, US GDP is forecast to grow by only 1.8 % in 2022 (2021: +5.7 %), as restrictive monetary policy aimed at curbing inflation slowed growth.

Energy shortages and price increases as a result of the Ukraine war were particularly noticeable in the euro zone and also fueled inflation here, to which the European Central Bank responded with four interest rate hikes. Although carryover effects from 2021 continued to have a positive influence, annual GDP growth in the euro area will amount to only +3.3 % (after +5.2 % in 2021).

Economic output in Germany is also weakening, with growth of only +1.8 % (2021: +2.9 %). The energy crisis weighed on the economy and triggered a wave of inflation that posed existential challenges not only to private households but above all to industry. Inflation in October

hit a record high of 7.9 %. The disrupted supply chains additionally affected exports, which are important for the German economy.¹

Global steel market and steel processors

Sharply increased electricity and gas prices as well as the ongoing shortage of materials resulted in a high burden for steel producers and processors in 2022. Global crude steel production in 2022 (from January to November) was 1.691 billion tons, down 3.7 % year-on-year. China's steel production decreased in the same period by 1.4 % to 935 million tons, while output actually fell in the European region by more than 10 % to 127 million tons.² Despite the harsh economic conditions, the steel industry as a whole achieved remarkably good results thanks to unusually high steel prices.

Development of the automotive industry, one of Saarstahl's main customer sectors, was affected by the continuing chip shortage. Despite this, 81.8 million light vehicles³ were produced worldwide in 2022, up 5.9 % from the previous year.⁴ However, fewer vehicles were produced in Europe than in 2021 (15.9 million units vs. 15.6 million units). There was an increase in Germany of 11.2 % year-on-year, to 3.6 million units, but the long-term trend over the last 10 years shows a decline of 28.5 % in Germany, 19.1 % in Europe and 4.5 % worldwide.

In the global mechanical engineering sector – another of Saarstahl's main customer industries – the 4 % sales growth forecast in June was revised downward to 2 %. There was also an increase of 2 % in the EU-27 countries.⁵ In Germany, mechanical engineering output in the first eleven months remained at the previous year's level. Production in the first six months was still 1.2 % below the previous year's level, as the high order backlog could not be processed due to numerous bottlenecks.

1) Sources for macroeconomic and sector-related conditions: German Steel Federation (WV Stahl) "Background information on the steel economy" (Hintergrundinformation zur Stahlkonjunktur), January 2023; OECD "Economic outlook – Confronting the crisis," Volume 2022 Issue 2, November 2022; and Handelsblatt "HRI economic forecast – Germany stuck in stagflation" (HRI-Konjunkturprognose – Deutschland steckt in der Stagflation fest), No. 1, 2 January 2023.

2) Handelsblatt (2023), Billions for system change: The outlook for the German steel sector is bleak (Milliarden für den Systemwechsel: Die Aussichten für die deutsche Stahlbranche sind düster): <https://www.handelsblatt.com/unternehmen/industrie/serie-branchenausblick-milliarden-fuer-den-systemwechsel-die-aussichten-fuer-die-deutsche-stahlbranche-sind-duester/28899942.html>

3) Vehicles up to 3,5 t

4) IHS (2022)

5) VDMA (2022) November 2022, Mechanical Engineering Economy International (Maschinenbau Konjunktur International)

However, a slight easing in the supply situation helped production turn positive in recent months (approx. 1 %).⁶

As Saarstahl's third main customer sector, the German construction industry achieved a nominal increase in sales of 10.4 % in the first ten months of the year, but adjusted for prices, recorded a decline of 5.3 %.⁷ Europe reported real growth of 2.6 %.⁸

Business performance

Based on a solidly high order backlog at the beginning of the 2022 financial year and a subsequent order intake into the second quarter that was above the monthly average of the successful previous year, Saarstahl AG was initially able to continue the high capacity utilization from the previous year. Saarstahl early on focused more intensively in its order bookings on improving revenue and margin levels.

However, the strong demand for steel at the beginning of the year did not continue in the further course of the year. Among other things, the onset of the Russia-Ukraine war on February 24, 2022, and associated restrictions such as shifts in supply chains, changes in raw material procurement, and resulting price increases led to major uncertainties for many customers. Order intake increasingly leveled off from the end of the second quarter, followed by a likewise reduced production workload starting from the third quarter. The high level of production and sales figures could not be maintained in comparison to the previous year, nor could the expectations be met from the fall of 2021 for achieving shipments at the previous year's level in 2022; both hot metal purchases (1,941 kt, 2021: 2,279 kt) and crude steel production (2,261 kt, 2021: 2,638 kt) decreased by around 14 % in the year as a whole, and shipments fell from 2,418 kt to 2,117 kt.

In parts of production, short-time work schedules were even necessary at the end of the year.

Finally, a significant increase in average revenues, particularly in the specialties business, and positive margin development led to sales revenues and earnings exceeding expectations for the 2022 financial year. Average net sales in 2022 were more than 40 % higher than the prior-year figure, while operating results improved by around € 150 million compared to the previous year. Overall, Saarstahl closes the financial year with a high net income for the year, with all operating earnings figures exceeding forecasts.

Earnings position

Rapid rise in revenues and margins lead to more positive business performance than expected

The high level of order intake at the beginning of the financial year could no longer be maintained from the end of the second quarter due to the drop in steel demand, which resulted in a delayed continuous decline in the order backlog. Order intake was therefore significantly lower than a year earlier, although up to and including July 2021, it benefited enormously from catch-up effects due to the coronavirus crisis. As a result, the forecasts for production and sales could not be achieved, while the expectations for sales and revenue growth were met.

Although shipments decreased by 301 kt compared to the previous year, from 2,418 kt to 2,117 kt, a continuous increase in average selling prices for steel products lasting into the third quarter and continued high revenue levels in the fourth quarter resulted in sales of € 2,631 million, exceeding both the already positive expectations and the previous year's figures. In addition to systematic margin-focused order management, global events

such as material bottlenecks and supply chain problems, increasing inflation, and concerns about energy price developments and availability also contributed to the strong revenue increases – but at the same time, also to the reduced orders. Sales revenues increased by € 291 million in Germany, the strongest market in terms of volume, and by € 112 million in the rest of the European Union, representing percentage sales growth of 26.3 % and 17.3 %, respectively. The strongest growth in relative terms was recorded by third countries, with € 114 million or 31.7 %. As a result of the increase in sales revenues, the change in finished goods and work in process increased total operating revenue in 2022 by a total of € 534 million to € 2,730 million.

However, Saarstahl was again confronted in the 2022 financial year with regularly rising and volatile procurement prices, especially for raw materials. Considerably higher prices, above all for coking and blown-in coal, caused hot metal costs to rise significantly despite lower volumes purchased as a result of reduced production capacity utilization, but prices for steel scrap and individual alloying elements also increased appreciably. In addition, the development of electricity and gas prices led to sharp cost increases in the course of the third quarter, which also had a negative impact on earnings. The resulting overall increase of € 369 million in expenses for input materials, together with the improvement in total output, resulted in an almost unchanged material intensity of 69.4 % (2021: 69.5 %). However, in the first half in particular, the higher purchase prices were more than offset.

Personnel expenses remained virtually unchanged compared with the previous year thanks to the effects of the strategy program. A reduction in the average number of employees by 142, mainly as a result of departures from partial retirement, was offset by collectively agreed pay

⁶ VDMA (2022) Germany: Economic Bulletin (Deutschland: Konjunkturbulletin) – January 2023

⁷ BAUINDUSTRIE (CONSTRUCTION INDUSTRY) (2023), Sales and New Orders (Umsatz und Auftragseingang): <https://www.bauindustrie.de/zahlen-fakten/aktuelles/umsatz-und-auftragseingang>

⁸ EUROFER (2022), Economic Report – Economic and steel market outlook 2022-2023

increases and various special payments. Personnel intensity nonetheless fell from 12.5 % to 10.1 % as a result of the visible increase in total output.

Other operating income increased only marginally by € 3 million compared with the previous year. Lower income from the reversal of provisions was mostly offset by higher income from disposal of assets and currency conversion.

Amortization of intangible assets and depreciation of tangible fixed assets decreased by € 5 million to € 41 million in line with scheduled depreciation. At the same time, other operating expenses increased by € 30 million; higher expenses for freight, services to Group companies, insurance and exchange rate differences were offset in particular by lower expenses for legal disputes.

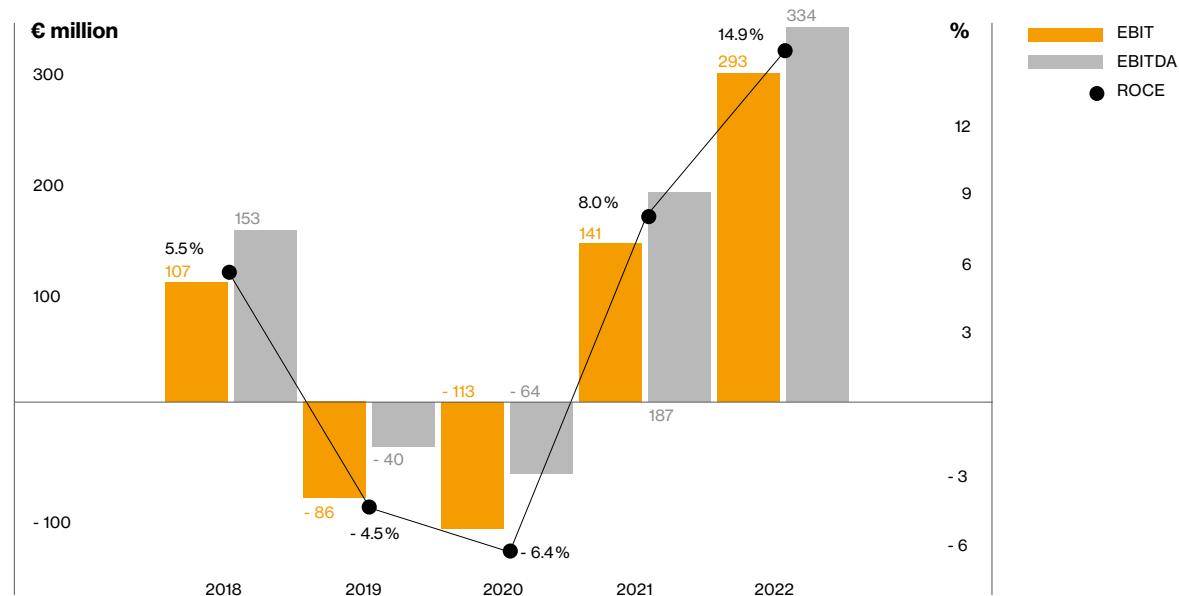
The financial result improved by a total of € 13 million compared to the previous year. This was primarily the result of dividend distributions by DHS, which led to higher income from investments amounting to € 9 million, and a € 4 million improvement in net interest income, mainly due to lower expenses from the discounting of long-term provisions.

In view of the extremely positive revenue and margin development, the earnings situation again improved considerably compared with the previous year. In addition to turnover and operating results (EBIT and EBITDA), the key performance indicators include the net income for the year. With earnings before interest and taxes (EBIT) of € 293 million and earnings before interest,

taxes, depreciation and amortization (EBITDA) of € 334 million, Saarstahl reported earnings indicators in 2022 which once again far exceeded both the prior-year figures and the forecasts. The successful business performance resulted in a net income for the year of € 260 million for the financial year, which was also higher than expected and virtually double that of the previous year.

The positive business performance in 2022 is also reflected in the key financial indicators for the asset and capital structure and the development of returns. The return on capital employed (ROCE) amounted to 14.9 % in the year under review (2021: 8.0 %), while the return on sales (EBIT margin) was 11.3 % (2021: 6.7 %).

Development of EBIT, EBITDA, ROCE



Financial and asset position

Financial position

Positive operating cash flow despite continued high capital commitment

Net income for the accounting period adjusted for depreciation, amortization and other non-cash income and expenses (€ 353 million) was offset by cash outflows from changes in working capital (-€ 232 million) – primarily due to a higher value of inventories and a reduction in liabilities – and income tax payments (-€ 30 million). Consequently, the cash inflow from operating activities in 2022 is € 91 million.

In the 2022 financial year, cash inflows from asset disposals, interest and dividends, and cash inflows from affiliated companies totaling € 26 million were offset by only moderate cash outflows for investments in tangible fixed assets amounting to € 23 million. As a result, cash flow from investment activities was almost balanced at the end of the year at € 3 million and free cash flow amounted to € 94 million.

Due to scheduled loan repayments and associated interest payments, cash flow from financing activities in 2022 amounted to -€ 70 million. No new loans were taken out in the year under review. Accordingly, cash and cash equivalents increased by € 24 million compared to the previous year and amounted to € 159 million at 31 December 2022.

Net asset position

Scheduled amortization of intangible assets and depreciation of tangible fixed assets amounting to € 41 million far exceeded the investments made by Saarstahl AG and the development of financial assets. These decreased by around € 30 million, primarily due to repayments of

loans to affiliated companies and capital withdrawals from affiliated companies. Non-current assets decreased correspondingly by € 48 million, while at the same time the liquidation ratio for fixed assets increased significantly from 133.5 % to 162.4 % at the balance sheet date.

Current assets increased by a total of € 143 million. Inventories changed by € 110 million compared with the previous year. This was primarily due to a further significant increase in procurement prices for raw materials and supplies as well as for finished goods and work in process, and to higher manufacturing costs as a result of material cost developments.

In contrast, trade accounts receivable declined year-on-year as a result of lower shipments and sales volumes in the fourth quarter, falling by € 85 million to € 236 million, while receivables from affiliated companies and companies in which participations are held increased by € 96 million. Lower tax refund claims also led to a reduction in other assets (€ 3 million). Cash and cash equivalents increased by € 24 million to € 159 million.

The balance sheet total increased by around € 95 million compared to the previous year to conclude at € 2,393 million. The increase in assets was almost exclusively financed by a € 260 million increase in equity as a result of the positive net income, while liabilities decreased by € 169 million. Consequently, the equity ratio increased from 68.0 % to 76.1 %.

Liabilities to banks decreased in the reporting year as a result of scheduled loan repayments amounting to € 64 million. The debt ratio thus improved as of the balance sheet date, falling from 17.9 % in 2021 to 11.9 % in 2022.

Other liabilities also decreased almost across the board. The € 10 million reduction in trade accounts payable to third parties and the € 74 million reduction in trade accounts payable to affiliated companies – with procurement prices often rising significantly in the course of the year – were primarily the result of reduced production and hot metal purchase at the end of the year.

Investments/new construction work

Investments in 2022 were influenced by the impact of the overall geopolitical situation as well as the weakening pandemic. An ongoing impact on supply chains with accompanying delivery difficulties was also clearly noticeable in 2022.

The company was nonetheless able to noticeably increase the volume of planned investments. Plans for the upcoming transformation of steel production in particular was dramatically advanced.

For Saarstahl itself, the investment volume amounted to € 23 million.

Völklingen LD steel plant

The concept and planning phase for the construction of a new electric furnace at the LD steel mill in Völklingen continued with intensity. This planned investment is expected to be the key investment of the coming years and will have a lasting impact on the future of the steel industry in the Saarland. Work to enlarge the size capacity of the S3 continuous caster was also commissioned and carried out in parts. The conversion work will be completed at the beginning of 2023. Another project being implemented is the converter brick lining machine, which is in production, and for which advance payments have already been made. It will be completed and installed in 2023.

Neunkirchen, Nauweiler and Burbach rolling mills

Construction was successfully completed at the rolling mill in Neunkirchen on the hall of the new ring blasting system. The ring blasting system will be installed in early 2023.

A robot-assisted deburring system is being installed at the rolling mill in Nauweiler. In addition, surface inspection equipment will be installed at the Neunkirchen, Nauweiler and Burbach rolling mills.

Financial key figures

in %	2018	2019	2020	2021	2022
Liquidation ratio for fixed assets	129.5	122.5	118.7	133.5	162.4
Internal financing capability	- 28.3	127.3	- 78.6	- 4.5	395.7
Equity intensity	74.9	71.4	69.9	68.0	76.1
Return on capital employed (ROCE)	5.5	- 4.5	- 6.4	8.0	14.9
Debt ratio	11.7	15.4	17.1	17.9	11.9
EBIT margin	5.6	- 5.9	- 9.9	6.7	11.3
EBITDA margin	8.0	- 2.7	- 5.6	9.0	12.9
Material intensity	69.0	72.9	74.9	69.5	69.4
Personnel intensity	15.7	19.1	20.3	12.5	10.1

Notes

<i>Liquidation ratio for fixed assets:</i>	Equity in relation to fixed assets
<i>Internal financing capability:</i>	Operating cash flow in relation to net investments in fixed assets
<i>Equity intensity:</i>	Equity in relation to the balance sheet total
<i>ROCE:</i>	EBIT in relation to capital employed (average long-term capital employed)
<i>Debt ratio:</i>	Liabilities to banks in relation to shareholders' equity
<i>EBITDA- / EBIT-Marge:</i>	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. Furthermore, revenues that are passed on to Group companies at cost under the terms of the agreement are deducted
<i>Material and personnel intensity:</i>	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 Saerstahl 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.

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. The Sustainability Report thus contributes significantly to improving the international transparency and comparability of activities in the field of sustainability and environmental protection.

Steel fulfills the principle of sustainability more explicitly than virtually any other material. Steel is the most widely used basic industrial material and it contributes signifi-

cantly to environmental and climate protection through a wide range of applications. At the end of their service life, steel products can be recycled completely and as often as required, with virtually no loss of quality, and returned to the economic cycle without residue. In addition, crude steel produced in Germany sets high standards in terms of environmental and climate protection, not least in a global comparison. This is also confirmed by an economic study commissioned by the German Steel Federation (WV Stahl). The IW Consult study published in 2022 examines the sustainability of the steel value chain in Germany and the largest competitor countries along four key UN Sustainable Development Goals. The result of the study describes German steel production as having a high degree of fulfillment in the selected criteria in its supply chains. This has a positive impact on downstream industries such as mechanical engineering and the automotive industry. The study uses the example of the carbon footprint to show specific figures for the industries: If the mechanical engineering sector were to replace its German steel supplies with imports from China, carbon emissions in the corresponding value chain would increase by 13 million tons. The situation is similar in the automotive industry. Here, carbon emissions would increase by 8.4 million tons.⁹

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

Through the transformation of the existing blast furnace/converter route to direct reduction plants and electric arc furnaces, and by using hydrogen and carbon-free electri-

city in production, the goal of carbon-neutral steelmaking can be achieved by 2045 at the latest.

Massive investments in the aforementioned technical facilities are required to achieve the ambitious carbon reduction targets. The SHS Group has defined a path to achieve the carbon reduction targets and passed the corresponding Supervisory Board resolutions – subject to public funding – in December 2022. In view of the technical challenges, the Group, like all steel producers, relies on support from subsidies.

The defined transformation path is divided into two phases in terms of time. In phase 1, which will last until around 2030, an EAF (electric arc furnace) will be built at the Völklingen site and another EAF and a DRI plant will be built at the Dillingen site. This should already reduce carbon emissions by around 55 percent by 2030. The ramp-up of EAF capacity will be accompanied by a corresponding reduction in blast furnace capacity. In addition to the planned measures at the German sites, the French subsidiary Saerstahl Ascoval is already able to provide initial crude steel volumes through its existing EAF production capacities.

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

⁹⁾ Source for the study: IW Consult, Steel Value Chain: Sustainability in international comparison.

Branding has also been developed to visually represent the transformation project: “Pure Steel+”. The message of “Pure Steel+” is that Saarland’s steel industry will retain its long-established global product quality, ability to innovate, and culture, even in the transformation. The “+” refers to the carbon-neutrality of the products.¹⁰

To establish a sustainable and integrated crossborder energy system that will be required to produce green steel in the region, the companies of the SHS Group have joined with other wellknown companies to form the “Grande Region Hydrogen” European Economic Interest Grouping (EEIG). The aim of the initiative is to link cross-sector projects for hydrogen production, use and transport.¹¹

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

The EcoVadis assessment is based on a defined scorecard. This scorecard also incorporates the criteria of the Global Reporting Initiative, the United Nations Global Compact and the International Organization for Standardization for the topics “Environment,” “Labor and Human Rights,” “Ethics” and “Sustainable Procurement”. The definition of specific evaluation criteria enables worldwide comparison of the companies certified by EcoVadis.¹²

The rating by the Carbon Disclosure Project (CDP) environmental protection organization also awarded top marks to the SHS Group’s sustainability management. The SHS Group received Leadership Status with an overall grade of A- in the “Metal smelting, refining & forming” industry category.

The aim of CDP’s annual rating is to create the greatest possible transparency in the environmental data of companies, organizations or cities. For this purpose, CDP collects data and information provided on a voluntary basis and evaluates them according to eleven different categories. These include business and financial planning, supply chain responsibility, governance, and energy savings or emissions reduction initiatives.

The SHS Group with Dillinger and Saorstahl achieved the top grade A in seven of eleven categories. The steel producer achieved an A- rating overall and was thus awarded Leadership Status. This puts SHS above the industry average in Europe (B rating) and worldwide (C rating).

In December 2022, SHS Group companies committed to the goals of the independent Science Based Targets Initiative (SBTi). SBTi is a joint initiative of CDP, the UN Global Compact, the World Resources Institute and the World Wide Fund for Nature. In its collaboration with SBTi, the SHS Group follows the scientifically comparable, cooperative and responsible approach of the initiative to reduce carbon emissions. The SHS Group’s transformation path for Scope 1, 2 and 3 is thus validated against the science-based SBTi criteria.¹³

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 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.¹⁴

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 good utilization of Saorstahl’s production facilities in the first half of 2022, during which production was in line with the defined operating points, a successive decline in the required production shifts was noticeable in the second half of the year. This was initially absorbed by internal flexibility mechanisms such as time accounts, but short-time working had to be announced in December and operated under in the first production units.

The strategic program launched in 2019 has been concluded and the associated personnel measures implemented or scheduled. This resulted in a headcount of 3,553 employees at the end of the reporting year (2021: 3,738). A total of 1,539 people were employed at Saorstahl subsidiaries and affiliated companies (2021: 1,504).

Safety and health

A safe and healthy work environment is given top priority at Saorstahl. In line with the corporate principles, numerous programs and measures such as continuation of the Groupwide “Occupational Safety Hour” and implementation of Board of Management inspections again contributed to the improvement of our systems in 2022. The key component of efforts in the area of safety and health in 2022 was the implementation of “Occupational safety through good communication” training. As part of the new AS initiative, a new Bradley curve was designed for the entire Saarland steel industry and introduced across the board.

¹⁰⁾ Source: Press release, 2 December 2022 (Investment of historic proportions for more climate protection: Supervisory boards approve investment of EUR 3.5 billion for green steel from the Saar region).

¹¹⁾ Source: Grande Region Hydrogen website <https://grande-region-hydrogen.eu/>.

¹²⁾ Sources: www.ecovadis.com, press release of 17/06/2022 (Saorstahl earns platinum status in EcoVadis sustainability rating).

¹³⁾ Source: Press release dated 2 February 2023 (Sustainably well positioned: CDP Leadership Status for SHS Group).

¹⁴⁾ Source <https://www.globalcompact.de/en/about-us/our-participants>

In addition, the risk assessment of mental stress at the workplace was completed in the pilot companies using the PsyCheck tool from the BGHM wood and metal industry trade association. The rollout is planned for 2023.

Saarstahl concluded 2022 with 10 lost-time accidents requiring at least one day of leave due to injury (2021: 13) and a lost time injury frequency rate (LTIFR) of 1.8 (2021: 2.3; number of accidents requiring at least one day of leave due to injury 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, Saarlustahl, Dillinger and SHS jointly took precautionary measures at an early stage. The aim of the measures was and is to protect the health of all people at the sites as much as possible, to ensure orderly operations and to guarantee safety for employees and 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 necessary measures in consultation with the crisis management team. All measures have been and will continue to be continuously adjusted according to the situation.

In contrast to previous coronavirus years, in 2022 it was also possible to use the newly introduced employee app to communicate both coronavirus protection measures and general coronavirus information to the workforce, in addition to the previously used media (posters, notices, intranet, employee newspaper, information dissemina-

tion via managers, etc.). The app significantly increased the reach, especially among production workers without computer access, and simplified and accelerated communication.

In 2022, a total of around 6,100 rapid tests were carried out on SHS Group employees at the Saarland sites by specially trained personnel as part of the company's operational testing program.

In addition, 677 coronavirus vaccinations were performed at the established internal vaccination centers. These included both initial and booster vaccinations. 256 of the 677 vaccinations were administered during two special vaccination campaigns by the mobile vaccination team of the Saarland Ministry of Health. The then Saarland Minister of Health, Monika Bachmann, visited the vaccination campaigns and also saw for herself on site the implementation of the Corona protection measures taken in the Group, which had already been presented to her in a video conference by the Chief Human Resources Officer, Joerg Disteldorf, and representatives of Pandemic AG.

The 3G controls temporarily required in 2022 under the Infection Act (mandatory presentation of proof of vaccination, convalescence or testing as a prerequisite for access to the workplace) were implemented immediately at all company sites and carried out until repeal of the associated legal basis. In some cases, external personnel were also deployed at specific sites in order to cover as many gatehouses and other access points as possible and to ensure that procedures ran as smoothly as possible when shifts changed or work began. Employees who did not have proof of vaccination or convalescence were able to have the alternatively required rapid tests performed at internal test centers at the Burbach, Neunkirchen, Völklingen or Dillingen sites mentioned above.

Negative effects on production were avoided thanks to the sometimes extensive coronavirus protection measures that included internal contact tracing and which were always adapted to the infection and legal situation.

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 2022, 68 young people started their careers in the company (2021: 64). As a result, the company trained a total of 220 young workers (2021: 227), when all training class years are included. In addition, there were 13 student interns throughout the year (2021: 4), 5 commercial FOS interns and 9 student trainees (2021: 5). The instrument of employing university student trainees in particular ensures the strategic fostering of young talent in the academic area.

Percentage of women

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

The overall percentage of women in the total workforce at Saarlustahl at the end of 2022 averaged 5.4 %. When considering this proportion, industry-specific, historical and sociocultural circumstances must be taken into account. Saarlustahl takes measures at various levels to continuously increase the proportion of women, such as by continuously increasing the proportion of female trainees, offering a wide range of parttime employment, the option of mobile

working and the possibility of childcare through the company-supported daycare center. In the newly introduced talent management system for levels 1 and 2 in particular, attention is being paid to targeting and promoting women in preparation for future management functions. Women occupy leadership positions primarily in the administrative area. As part of the assumption of operational tasks by the majority holding company SHS – Stahl-Holding-Saar, such as in the area of central staff functions, a considerable percentage of female employees and managers are represented in the holding company. Consequently, the percentage of female employees in the total workforce, at 30.9 %, 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 Germany's law regarding equal participation of women and men in executive positions (FüPoG II).

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

Production

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

LD steel plant

Approximately 1,941 kt of hot metal was delivered to the LD steel mill in 2022 and 2,261 kt of (solid) crude steel was produced. The total production was distributed among the casting plants with 584 kt (S0), 584 kt (S1), 360 kt (S2), 600 kt (S3) and 133 kt (S4).

Rolling mills

In 2022, the four rolling trains produced a total of approx. 2,081 kilotons of rolled products. The distribution in detail was as follows: The Burbach rolling mill produced a total of 868 kt of rolled products in the reporting year. In 2022, 451 kt were produced at the Nauweiler rolling mill. The Neunkirchen rolling mill produced approximately 762 kt of rolled products on rolling trains 31 and 32, of which 387 kt were produced on rolling train 31 and 375 kt 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 mean-

while also been transferred to the highest-strength spring steels (60SiCr6, 60SiCrV7, 65SiCrV7). The first homologation volumes are already underway for 60SiCrV7. For the 54SiCr6 and 60SiCr6 brands, the MSR is currently being developed in the 180 mm square casting format. Double thermomechanical rolling is also used, which further increases the lightweight design potential.

At the Neunkirchen and Völklingen locations, the APCon system from Würth is being implemented on blasting systems for semi-finished products and bars. With its own sensor technology and software, the system offers the possibility of monitoring and controlling the blasting process online, enabling productivity to be permanently increased and making the process especially efficient.

The competence of the chemical laboratory was again confirmed during the surveillance audit by the German accrediting body DAkkS. Important pillars here are the competence of the employees and the successful participation in interlaboratory ring trials. The quality of the analysis results is routinely ensured with a variety of quality assurance measures.

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 expert assessment by DAkkS was performed on 27 and 28 June, with the result confirming that the accreditation can be maintained without restriction.

The audits to maintain certifications in the management areas of quality, environment, energy, safety and health were also successfully concluded in 2022. The coronavirus pandemic and the associated lack of auditors meant that the certification process had to be stretched out over

a longer period. All the companies demonstrated great commitment and flexibility. As in the previous year, the audits were largely carried out remotely. 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. As energy-intensive companies sensitive to electricity costs, we also have the opportunity to limit the surcharges for electricity and thus mitigate the high energy costs with the energy management certification.

Raw material procurement and transport

In 2022, trade distortions (an ongoing ban on imports of Australian coal to China) also led to changes in the flow of goods. Russia's war in Ukraine also had a severe impact on the price of coal, in particular due to the sanctions introduced by the European Union against the import of Russian coal. Prices for premium coal, for example, doubled at the beginning of March 2022, peaking at almost USD 700/t. Only in the course of the year did prices settle around 300 USD/t. This remains well above the long-term average.

The iron ore market was again volatile but did not reach the previous heights from 2021. The war in Ukraine only briefly had price-increasing effect, as demand concerns and COVID lockdowns coupled with production cuts in China had a price-dampening effect.

The ocean freight market continued to be subject to very strong dynamics last year due to extremely high demand for shipping space combined with port congestion, various regional quarantine measures and significantly increased fuel prices. To counteract this momentum, the mix of freight rates agreed for the medium to longer term,

while at the same time also 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. As part of this, a questionnaire was created and sent to all suppliers.

The companies of the SHS Group transport at least 80 % of their incoming and outgoing goods by environmentally friendly means of transport such as rail and ship.

The past year was marked by disruptive political (war in Ukraine), infrastructural and climatological factors as well as an enormous shortage of personnel (e.g. a driver shortage) in truck transport. There were also massive disruptions to rail traffic.

Energy policy in particular was a major influencing factor, including the decision to reactivate coal-fired power plants, which led to additional restrictions on the availability of equipment (trains and wagons). Low water on the Rhine presented another challenge; the effects of the coronavirus pandemic were barely felt in this country. Despite the variety of disruptive factors on all modes of transport described above, the SHS Group was able to successfully counteract these challenges through robust transport logistics. The permanent shortage of transport supply resulted in a significant increase in transport demand (war, power plant transports, etc.), which was accompanied by exploding transport costs.

Environment and energy

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

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. Industrial Emissions Directive (IED) inspections were conducted in 2022 for the Völklingen LD plant, the Nauweiler – Völklingen rolling mill, the Neunkirchen pickling line, the Saarschmiede vacuum steel plant and electric steel plant as well as the Hostenbach waste rock pile.

Participation in the Carbon Disclosure Project (CDP)

SHS – Stahl-Holding-Saar again successfully participated in the Carbon Disclosure Project in 2022 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 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-specific CO₂-equivalent values according to DIN ISO 14067/IPCC AR6 GWP100 standards (based on data for 2021) were determined as sustainability indicators for the two main groups wire and rod, and were communicated 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, since 2021 the ECHA must also be informed. This notification regarding our free-cutting steels was accomplished via the electronic SCIP database. In December 2021, ECHA initiated the inclusion of lead in Annex XIV of the regulation; lead was included in the "11th recommendation for inclusion in the Authorization List" for REACH in 2022. There was an on-line consultation by ECHA on this topic; evaluation of this consultation is expected in the first quarter of 2023. Saarstahl continues to monitor this process very closely.

Carbon emissions trading

As part of the ongoing process of annual emissions reporting to the German Emissions Trading Authority (DEHSt), the monitoring plans for plants subject to emissions trading for the fourth trading period in particular (2021–2030) were updated in 2022 and the corresponding emissions reports were prepared.

Furthermore, the annual allocation data reports (ZDB) for all installations subject to emissions trading were

prepared on the basis of the underlying method plans and submitted to the DEHSt for verification. Based on the data from the allocation data reports, the dynamically adjusted allocation of free allowances is accomplished in this trading period.

Most significant shareholdings

Zentralkokerei Saar GmbH, Dillingen

Aktien-Gesellschaft der Dillinger Hüttenwerke and Saarstahl AG each indirectly hold a 50 % interest in Zentralkokerei Saar GmbH (ZKS). ZKS produces coke intended exclusively for use in the blast furnaces of ROGESA Roheisengesellschaft Saar mbH. Total coke production in 2022 was again significantly higher than the previous year at 1,330 kt (2021: 1,314 kt). ZKS is a company without employees. Personnel required for operation of the coke plant are provided by Dillinger. Investments at ZKS in 2022 amounted to € 3 million (2021: € 3.8 million).

ROGESA Roheisengesellschaft Saar mbH, Dillingen

ROGESA Roheisengesellschaft Saar mbH (ROGESA), in which Dillinger holds a 50 % interest (indirect and direct), produces hot metal exclusively for its shareholders, Aktien-Gesellschaft der Dillinger Hüttenwerke and Saarstahl AG. Operational management of ROGESA, as a company without employees, lies in the hands of Dillinger. At 3,916 kt, hot metal production by blast furnaces 4 and 5 in 2022 was slightly down, by -8.1 %, from the previous year's output (4,260 kt). In the year under review, 1,975 kt were delivered to Dillinger (2021: 1,981 kt) and 1,941 kt to Saarstahl (2021: 2,279 kt). Investments at ROGESA in 2022 amounted to € 3.6 million (2021: € 7 million). Along with STEAG New Energies GmbH (49.9 %) and VSE AG (25.2 %), ROGESA holds a 24.9 % interest 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 effects of the war in Ukraine had a strong impact on the market situation in the market segments in which Saarschmiede operates, especially in the first half of 2022. Energy demand has risen sharply, the defense industry is investing heavily and the availability of raw materials and alloying elements has become scarcer. The power engineering and special materials market segments benefited most. The tool steel and heavy engineering segments continued to suffer from uncertainties and revenue 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.

Saarschmiede business performance

The order backlog continued to develop well in the course of the financial year thanks to orders received in the offshore wind segment and special materials, while general

engineering activities were below target. In individual cases, revenues fell short of expectations and were slightly below the forecast. However, significantly higher energy costs resulted in additional charges against earnings.

Only in individual cases was it possible to pass these on to customers.

Sales increased to € 129 million (2021: € 92 million), while costs rose for raw materials, for charging on services, for energy costs and for the formation of provisions for anticipated losses, with the result that earnings were on a par with the previous year at around -€ 14 million. The workforce was still 422 employees at the end of 2022 (2021: 430).

The 2022 financial year was primarily influenced by the successful implementation of the measures of the refurbishment project. The cost-cutting potential with regard to material costs, efficiency enhancement, sales potential and personnel measures was leveraged.

Outlook

A good and stable economy is expected for 2023, which will result in positive impetus for individual demand segments at Saarschmiede. Work continues on the consistent implementation of the measures of the refurbishment project. The optimized cost structure will lead to a significantly improved competitive position. This will have a positive impact on market opportunities. An expansion of the product portfolio will lead to higher capacity utilization at the steel plant.

A particularly demanding task and challenge for the year 2023 will be dealing with energy: procurement, the associated adjustment and flexibilization of the production process, and passing on the costs to the market.

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 Dunkirk, France, is the world leader in this market segment.

The consequences of Russia's war of aggression shaped the European steel and heavy plate market in 2022. After February 24, 2022, high imports of plate from Russia and imports of plate and slabs from Ukraine abruptly ceased. These supply bottlenecks caused steel and plate prices to rise dramatically in the following months.¹⁵ The supply of heavy plate normalized in the second half (H2) of 2022 due to additional imports from Asia and to slab imports from Brazil and China as well as from Russia.¹⁶ Prices fell to roughly pre-war levels. As a result of the continuing disruption of the EU economy caused by the Russian invasion and the energy crisis, the outlook for the overall steel market has deteriorated for both H2 2022 and for the coming year. EUROFER expects steel demand to decline by 3.5 % in 2022 and by 1.9 % in 2023. A worsening of all downside factors, especially energy costs, led to a further decline in apparent steel consumption and a significant downward revision of production in EU steel-consuming sectors. This is expected to continue in the first half (H1) of 2023, EUROFER forecasts. Steel distributors acted very cautiously in H2 2022, which further depressed apparent consumption. Inventories reported by the German Steel Trade Association (BDS) have now fallen significantly as a result of this consumer restraint.

The offshore wind industry is becoming a mainstay of the energy transition in the EU. After a weak phase, the line-pipe market has regained attractiveness with the change in energy supply and with new projects. The construction equipment and steel construction sectors are also very

stable as a result of government investment in (green) infrastructure. The mechanical engineering sector, and in particular distribution, already felt clear effects from the economic slowdown and uncertainties in the second half of the year.

Purchases of hot metal, at 1,975 kt (2021: 1,981 kt), decreased by 0.3 %, while crude steel production, at 2,299 kt (2021: 2,281 kt), increased by 0.8 % slightly over the quantities in 2021. 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 in Dunkirk. Production at the two rolling mills (1,841 kt) increased by a total of 3.3 % compared with the previous year (2021: 1,782 kt), with 1,261 kt of heavy plate (2021: 1,237 kt) produced in Dillingen and 580 kt (2021: 545 kt) in Dunkirk.

Total turnover rose accordingly from € 1,714 million in the previous year to € 2,662 million (+ 55.3 %) in the reporting year. EBIT increased significantly to € 347 million compared with € 112 million in 2021; EBITDA increased similarly to € 408 million (2021: € 173 million).

Investment activity in 2022 was impacted by the cost-cutting program and by the uncertainties of the pandemic period. An impact on supply chains with accompanying delivery difficulties was also noticeable in 2022. The company nonetheless succeeded in noticeably increasing the volume of planned investments. For Dillinger, the investment volume amounted to € 29 million (2021: € 7 million). Plans for the upcoming transformation of steel production in particular was dramatically advanced.

At the end of the reporting year, 3,525 people were employed at the Dillingen site (2021: 3,565). These employees worked at Dillinger itself as well as – in the context of plant management – at ZKS and ROGESA.

¹⁵⁾ Source for price development: Platts SBB Steel Prices, period 31 Dec. 2021 to 24 Feb. 2023.

¹⁶⁾ Source for the steel market: German Steel Federation (WV Stahl), Background information on the steel market, January 2023.

Risk and opportunity report

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

Organization of risk management

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

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). It is also responsible in this capacity 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 of the European Green Deal with the associated "Fit for 55" package of measures, and is working in a focused way on transforming 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 carbon-reduced – and in the long term, climate-neutral – steel production, and to take advantage of the opportunity to become a pioneer for innovative climate protection technologies.

The conversion to climate-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 climate neutral steel production. For instance, coke gas injection with first-time use of hydrogen as a reducing agent was implemented on an industrial scale as early as 2021.

In 2022, investments of € 3.5 billion have been decided – subject to public funding – to transform the Saarland steel industry toward the production of green steel. As a result, in addition to the established blast furnace route, new production will be established in the next few years up to 2027 with an electric arc furnace (EAF) at the Völklingen site and an EAF and direct reduction plant for the production of sponge iron on the Dillinger plant site. In addition, exploration of possibilities for establishing a local

cross-border hydrogen infrastructure is being carried out together with various partners from the energy/hydrogen production and infrastructure sectors.

In addition, the acquisition by SHS of the Ascoval steel plant in Saint-Saulve, France, which was completed in August 2021, offers Saarstahl the opportunity to supply climate-neutral steel to auto-motive 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 longterm 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. The implementation of the measures developed with regard to increasing productivity, eliminating duplicate structures, bundling sales activities, and closing and relocating areas was advanced in 2022.

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

External, market and sector risks

Hopes for a major upturn in the global economy in 2022 have not been realized due to a variety of influencing factors. The recovery was already slowed at the beginning of the year by Russia's war of aggression on Ukraine. COVID-19 also continued to hamper the economic recovery, although the impact was nowhere near as devastating as in the previous year, thanks to global vaccination campaigns. However, a number of industries continue to suffer from the aftermath of the pandemic, particularly from supply bottlenecks and material shortages. In the course of the war in Ukraine, exploding energy prices and fears about security of supply aggravated the situation, triggering a rise in inflation on a scale not seen for a long time.

In the automotive industry – Saarstahl's most important sales sector by far – the recovery on the production side still has not materialized. The semiconductor shortage has not yet been resolved, and the deteriorating economic situation could also have an increasing impact on consumer behavior and thus also on car sales. However, forecasting institutes such as IHS and associations such as the VDA are predicting a significant expansion in vehicle production for 2023 – both globally and in Germany. Despite a recent weakening in order intake, order books are still full for months to come – at a level never before experienced in the history of the industry.

The same holds true for mechanical engineering, but this sector, which is dominated by SMEs, is heavily impacted by the previously mentioned risk factors (shortage of materials, increased raw material costs, high electricity and gas prices). As a result, the forecast for the German mechanical engineering sector for 2023 has been revised to a negative 2 %, after growth of 1 % is still assumed for 2022, despite all the problems.

In the medium term, the construction sector will be hit hardest by the rapid rise in inflation from early summer. Construction projects are already being postponed or cancelled altogether because financing is being completely reassessed in light of the new interest rate situation, or is having to be put on hold due to a shortage of materials. The German construction industry therefore expects a 7 % decline in the coming year. As in the automotive and mechanical engineering industries, however, order books are still well filled despite all the difficulties and cancellations that have already occurred. Considering the lukewarm growth prospects on one hand, but also the high pent-up demand in the economy on the other, the risks presented for Saarstahl are assessed as moderate.

Regulatory risks

Climate protection targets were adjusted again in 2022. Policymakers see no future for production processes with high carbon emissions.

Emissions of the climate gas carbon dioxide (CO₂) will become more expensive. Negotiators from the EU Parliament and the member states have agreed on a reform of EU emissions trading. By 2030, energy-intensive sectors such as the steel, metal, ceramics and chemical industries will only be allowed to emit 62 percent of the amount of carbon emitted in 2005. The price of carbon emissions is thus set to rise by this means. 117 million allowances for the emission of carbon dioxide are to be canceled. In doing so, the EU aims to make it more cost-effective for companies to convert their production processes to clean technologies. The long-term goal is a climate-neutral economy.

For Saarstahl, this entails a significant additional financial burden due to the allowances that must be acquired.

The amendment to the Renewable Energy Sources Act (EEG) and the Climate Protection Act pre-sented by the German government provides for a faster increase in greenhouse gas-neutral electricity and a more rapid reduction in greenhouse gas emissions. Germany is to have exclusively greenhouse gas-neutral electricity by 2045 at the latest.

All this is associated with high risks for the steel industry in the long term. Long-term planning security is required to achieve the climate targets, and in particular to initiate the necessary investments. The basis for this is reliable forecasts based on appropriate political framework conditions (e.g. climate protection agreements, CAPEX and OPEX funding, hydrogen strategy).

Saarstahl is pursuing the proactive strategy of climate-neutral steel manufacturing. The extensive investments decided in 2022 (see comments on „Strategic opportunities“) are aimed at decarbonizing the Saarland steel industry. Starting as early as 2027, plans call for up to 3.5 million tons of low-carbon steel to be produced annually in Saarland and for carbon emissions to be cut by 4.9 million tons.

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. The steel industry in Saarland is putting forward its investment package, aware that many of the necessary external conditions have not yet been created – and that successful transformation will not be possible without having sufficient “green” electricity, and therefore hydrogen, available at competitive prices. Implementation of a “green steel premium” is also a precondition for the economic success of the green transformation.

Due to its high importance, decarbonization is managed by a separate strategy team at the SHS level.

We classify the risks for Saarlstahl from regulatory developments as high.

Risks from operating activities

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

Procurement risks

The raw materials for the bulk goods required for hot metal production are procured worldwide. The multitude of geopolitical crises, in particular the current Russia-Ukraine conflict, could therefore have a negative impact on the procurement situation. Both availability and price conditions as well as transport capacities can be subject to strong fluctuations depending on current situation and the intensity of the crises.

To minimize risk, an ongoing diversification process with respect to sources and properties has been implemented in the procurement of raw materials. Long-term supply contracts are also concluded to secure supplies. In order to minimize price risks caused by volatile markets, contractual hedging of quantities and prices is used with the

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

The inflow situation has improved significantly compared to 2021. 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 Saarlstahl'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 by industrial espionage or sabotage, for example. There are also general threats from cybercrime and cyberfraud. The changing global boundary conditions in 2022 mean that cyber risks are on the rise.

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 information security concept. This is complemented by business impact analyses which also address IT and ISM topics.

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

Human resource risks

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

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

been initiated and must be continued – especially in the area of vocational training.

Environmental risks

The production processes in hot metal and steel production as well as the heavy fabrication division involve innate process-related environmental risks including contamination of air and water. Saarstahl therefore does everything it can to exclude damage caused by the product or its manufacture through intensive quality and environmental management. For instance, the company operates an integrated management system that combines quality management, workplace safety and environmental protection with incident management. In addition, the company also invests continuously in measures that increase the effectiveness of its protection of the environment and fulfill environmental requirements. However, there are still risks due to the tightening of environmental constraints and regulations with requirements that may not be economically feasible with current technology.

We continue to assess the risks from cyber threats as moderate due to the dynamic 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 Finance department under the umbrella of SHS. Use of an IT-supported treasury system simplifies control and enables processes to be mapped more efficiently.

Price, volume and currency risks on the procurement side result from concluded delivery obligations for the future. To effectively contain these risks, we use financial inst-

uments 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. As a rule, transactions are 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.

The major task of transformation toward the production of green steel and its marketing will result in financing requirements that go far beyond previous financing and will be repaid over a long time horizon. This results in higher exposure to external risks, in particular interest rate and inflation risks, which we will at least partially address by using suitable instruments.

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

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

The hedging relationship for each risk (except loans) is at the level of an anticipatory portfolio hedge.

For hedges in the area of loans, this is done at the micro-hedge level. The variable interest rate of the respective underlying transaction is swapped for a fixed interest rate (SWAP).

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

Legal risks and compliance risks

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

For very specific issues that reach beyond German and French jurisdictions, Saarstahl also procures the expertise of external legal practitioners. This is also true for issues that carry a high risk of uncertainty.

The compliance program of the SHS group and thus of Saarstahl was continued with greater intensity during the

past financial year by the Compliance Committee. Among other things, the focus was on the Group-wide hazard analysis and a risk analysis for the Supply Chain Duty of Care Act (LkSG), which takes effect on 1 January 2023.

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

A Group Data Protection Officer (iDSB) has been appointed for the practical implementation of the General Data Protection Regulation, which came into force in May 2018. This is supplemented by local data protection officers where necessary.

Compliance with international sanctions in connection with the Russia-Ukraine war was granted, especially in connection with the supply of raw materials, but also from a distribution perspective as far as foreseeable on the basis of a strict but justifiable interpretation of these sanctions. Suppliers of the crude steel supplier ROGESA who are affected by this could take legal action against them. Such an action would have no risk-related impact on ROGESA's supply of crude steel to Dillinger.

The risks are classified as moderate.

Overall assessment of the opportunity and risk situation

The adopted transformation program is viewed as a major opportunity to secure the future viability of the Saarland steel industry.

The negative economic impact associated with the spread of the coronavirus declined noticeably in 2022. As a result, the economic situation for Saarstahl improved significantly in 2022.

However, the war in Ukraine continues to impact the international economy and supply chains. Although swift and complete substitution of Russian gas was not considered possible for Germany as recently as summer of 2022, it has been possible to significantly reduce dependence on Russian natural gas at the national level. A number of measures and scenarios have been developed internally at the plant to mitigate the impact in the event of a drastic reduction in the availability of natural gas for Saarstahl.

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

Forecast report

General economic conditions

The global economy will continue to face the challenges of the previous year in 2023 and will grow more slowly than in 2022. According to the OECD, global GDP growth is expected to be +2.2 %, and +2.7 % in 2024. While the Eurozone (+0.5 %), Germany (- 0.3 %) and the United States (+0.5 %) will stagnate, China will be able to post an increase (+4.6 %), which will, however, be lower than in the years leading up to 2022, as the lack of global economic growth and potential problems due to the COVID opening policy will weigh on the economy. Investments in infrastructure projects and government incentive programs in the real estate sector will have a supporting effect.

In the economically strong countries, extensive government programs are helping combat inflation. It remains a burdening factor but will recede over the course of the year. If global supply chain problems continue to diminish, exports should also once again make a greater contribution to growth.

In Germany, recessionary trends will clearly dominate in the first quarter of 2023. Because the German economy will have to adjust to permanently high energy costs, growth is likely to remain under considerable pressure in 2024.¹⁷ The situation in exports could brighten significantly due to the easing of disruptions in supply chains and a healthy order backlog.¹⁸

Steel market

Due to persistent inflation, rising global interest rates, and last year's Chinese economic slowdown, worldsteel revised its April forecast for global steel demand downward from an increase of 2.2 % to 1 % (1,814 million tons) for 2023.¹⁹

In the EU, if the gas situation does not improve, there is a possibility of a decline in steel demand in the event of a hard winter and further interruptions to energy supplies. On the other hand, an unexpected, earlier end to the Russia-Ukraine war could offer high potential for a recovery.

For the automotive sector, global production is forecast at just under 85 million light vehicles²⁰, which is at least close to the approx. 89 million vehicles produced in the last „normal year“. Production is also expected to increase in Europe (16.6 million units). In Germany in particular, growth of over 18 % is expected (4.3 million units). Supply chains will remain under strain in 2023, especially with regard to semiconductors.²¹

Due to the continuing economic risks, mechanical engineering customers have become more cautious with their orders for machinery and equipment. The companies are currently still benefiting from high order backlogs.²² Global mechanical engineering is expected to grow by 1 % in priceadjusted terms, while the EU-27 is forecast to contract by 1 %. In Germany, a decline of 2 % is expected.²³

Difficult times await the construction industry. The shortage of input materials, the turnaround in interest rates and the inflationary trend, particularly for construction materials, are having a negative impact on construction activity. For these reasons, the construction industry forecasts a 7 % decline in real sector sales in Germany.²⁴

Development of Saarlöhle

In light of current economic unpredictability, the demand for the steel products wire and rod in 2023 remains uncertain, which means the company faces some challenges for the 2023 financial year.

The volatile situation on the markets requires a flexibilization of production in all Saarlöhle operations. Due to the bleak economic situation, in particular the weak volumes in the consumer goods market during the first half of the current year, there are considerable risks on the price and volume side. However, with operating point adjustments flanked by sales activities and the continuation of the ongoing cost-cutting program, Saarlöhle AG has developed effective instruments to maintain its position in this volatile and harsh market environment.

Given the general economic uncertainties resulting from a possible impending recession, high inflation and ongoing supply chain problems, as well as the additional difficult work to be done on the steel market, Saarlöhle faces a 2023 financial year with a number of challenges. In particular, weak demand from the most important customer

17) Sources for general economic conditions: German Steel Federation (WV Stahl), Background information on the steel market, January 2023.

18) Sources for general economic conditions: German Steel Federation (WV Stahl), "Background information on the steel market" („Hintergrundinformation zur Stahlkonjunktur“), January 2023 and OECD "Economic outlook – Confronting the crisis," Volume 2022 Issue 2, November 2022.

19) Worldsteel (2022), worldsteel short range outlook October 2022: <https://worldsteel.org/media-centre/pressreleases/2022/worldsteel-short-range-outlook-october-2022/>

20) Vehicles up to 3.5 t

21) IHS (2022)

22) Sources for general economic conditions: German Steel Federation (WV Stahl), Background information on the steel market, January 2023.

23) VDMA (2022) Germany: Mechanical engineering business cycle update – Mechanical engineering doing well in turbulent times (Deutschland: Maschinenbau Konjunktur aktuell – Maschinenbau schlägt sich gut in turbulenten Zeiten)

24) WV Stahl (2023), Background information on the steel economy (Hintergrundinformationen zur Stahlkonjunktur).

sector – the automotive industry – as well as from the construction industry and mechanical engineering sector, has a considerable impact on Saarstahl's business performance.

The sustained moderate or weak development of orders received in the second half of 2022 continued in the first months of the 2023 financial year. After the order backlog at the end of the year almost halved in comparison to the previous year, this backlog merely shows an average production workload range of between five and six weeks. As a result, the existing underutilization of plant capacity also in part continues, necessitating continuation of short-time working since the beginning of the year. Overall, Saarstahl expects sales volumes in 2023 to be significantly lower than in the previous year and capacity utilization at the steel plant and the rolling mills in Völklingen, Burbach and Neunkirchen to be correspondingly lower. At the same time, Saarstahl also plans to gradually qualify semi-finished products from Saarstahl Ascovall 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.

From today's perspective, incoming orders are expected to remain at a moderate level in the coming months and, taking into account the current order backlog, are therefore not expected to significantly change production and sales volumes compared to the current level. An improvement in demand is not expected until the second half of the year. The company will not be able to completely avoid

the pressure on prices in the steel sector, and Saarstahl therefore expects average revenues to remain high but to fall compared with the previous year, resulting in sales revenues being noticeably lower than in the previous year. Saarstahl AG is furthermore confronted with considerable additional cost increases due to the development of electricity and gas prices, which are partly compensated by an energy price cap but which will additionally burden the results.

Under these circumstances, the company expects a significant year-on-year decline in earnings in 2023 and is expected to close the financial year with a break-even operating result (EBIT), a slightly positive EBITDA, and a likewise break-even overall result.

Saarstahl is fully committed to the Paris climate targets and is continuing to work toward 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.

Final statement of the Board of Management on the Dependent Company Report as de-fined in Section 312 of the German Stock Corporation Act (AktG)

In the legal transactions and measures listed in the report on relations with affiliated companies, our company received appropriate financial consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were taken or not taken, and has not been disadvantaged by the fact that measures were taken or not taken.

Völklingen, 31 March 2023



DR. KARL-ULRICH KÖHLER



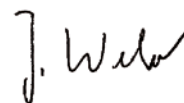
JOERG DISTELDORF



MARKUS LAUER



DR. KLAUS RICHTER



JONATHAN WEBER

Annual financial statement

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Balance Sheet

Assets

€ thousand	Notes	12/31/2022	12/31/2021
A. Fixed assets			
I. Intangible assets	(1)	494	459
II. Tangible assets	(2)	433,496	451,312
III. Financial assets	(3)	687,195	717,477
		1,121,185	1,169,248
B. Current assets			
I. Inventories			
	(4)		
1. Raw, auxiliary and operating materials		98,927	87,910
2. Unfinished products		53,326	24,788
3. Finished goods and merchandise		436,776	366,413
4. Advanced payments received on account of orders		- 2,066	- 2,560
		586,963	476,551
II. Accounts receivable and other assets			
1. Trade accounts receivable		236,117	321,331
2. Receivables from affiliated companies	(5)	259,905	175,810
3. Accounts receivable from companies where a participatory interest exists	(5)	13,899	1,456
4. Other assets		14,864	18,008
		524,785	516,605
III. Cash balance and credit with financial institutions			
		159,339	134,968
		1,271,087	1,128,124
C. Accruals and deferrals			
		29	34
D. Debit differences in assets in the calculation of assets			
		368	-
		2,392,669	2,297,406

Balance Sheet

Liabilities

€ thousand	Notes	12/31/2022	12/31/2021
A. Equity	(6)		
I. Subscribed capital		200,000	200,000
II. Capital reserve		41,313	41,313
III. Other retained profit		917,730	917,730
IV. Balance sheet profit		662,074	401,970
		1,821,117	1,561,013
B. Reserves			
1. Accruals for pensions		19	-
2. Reserves for taxes	(7)	6,310	11,128
3. Other reserves	(8)	191,003	182,144
		197,332	193,272
C. Liabilities			
1. Liabilities to banks	(9)	216,035	280,126
2. Trade accounts payable	(10)	47,538	57,925
3. Liabilities toward affiliated companies	(11)	56,148	78,552
4. Liabilities toward companies where a participatory interest exists	(12)	30,195	104,625
5. Other liabilities	(13)	23,585	21,288
		373,501	542,516
D. Accruals and deferrals		719	605
		2,392,669	2,297,406

Profit and loss statement

for the period from 1 January to 31 December 2022

€ thousand	Note	FY 2022	FY 2021
1. Sales revenues	(14)	2,630,559	2,113,592
2. Changes in inventory and internally produced and other activated assets	(15)	99,059	82,582
3. Other operating income	(16)	21,050	18,470
		2,750,668	2,214,644
4. Material costs	(17)	1,894,763	1,525,867
5. Personnel costs	(18)	274,620	274,929
6. Depreciation and amortization on intangible and tangible fixed assets		41,019	46,510
7. Other operating expenses	(19)	261,335	230,956
		278,931	136,382
8. Income from participations	(20)	16,226	6,920
9. Interest income	(21)	- 1,508	- 5,087
10. Taxes on income and earnings	(22)	30,942	6,013
11. Result after tax		262,707	132,202
12. Other taxes	(23)	2,603	2,408
13. Net income for the year		260,104	129,794
14. Profit brought forward from the previous year		401,970	272,176
15. Balance sheet profit		662,074	401,970

Change in fixed assets 2022

€ thousand	Gross value				Write-downs					Net value		
	As at 01/01/22	Additions	Disposals	Transfers	As at 12/31/22	As at 01/01/22	Additions	Disposals	Transfers	As at 12/31/22	As at 12/31/22	As at 12/31/21
I. Intangible assets												
1. Purchased concessions, industrial property rights and similar rights	1,150	288	281	-	1,157	691	253	281	-	663	494	459
2. Advance payments made	-	-	-	-	-	-	-	-	-	-	-	-
	1,150	288	281	-	1,157	691	253	281	-	663	494	459
II. Tangible assets												
1. Land, rights equivalent to land and buildings, including buildings on third-party land	413,836	790	1,164	362	413,824	303,464	6,402	1,124	-	308,742	105,082	110,372
2. Technical equipment and machinery	1,277,052	8,807	4,056	3,668	1,285,471	977,403	29,678	4,056	-	1,003,025	282,446	299,649
3. Other property, plant and equipment	117,872	5,284	4,388	744	119,512	85,414	4,686	4,369	-	85,731	33,781	32,458
4. Advance payments and assets under construction	8,833	8,442	315	- 4,773	12,187	-	-	-	-	-	12,187	8,833
	1,817,593	23,323	9,923	-	1,830,993	1,366,281	40,766	9,549	-	1,397,498	433,496	451,312
III. Financial assets												
1. Shares in affiliated companies	347,783	-	26,950	-	320,833	87,694	-	8,900	-	78,794	242,039	260,089
2. Loans to affiliated companies	119,681	-	15,132	-	104,549	2,900	-	2,900	-	-	104,549	116,781
3. Participating interests	283,107	-	-	-	283,107	-	-	-	-	-	283,107	283,107
4. Loans to participating companies	12,500	-	-	-	12,500	-	-	-	-	-	12,500	12,500
5. Other loans	45,000	-	-	-	45,000	-	-	-	-	-	45,000	45,000
	808,070	-	42,082	-	765,990	90,594	-	11,800	-	78,794	687,195	717,477
	2,626,813	23,611	52,286	-	2,598,140	1,457,566	41,019	21,630	-	1,476,955	1,121,185	1,169,248

Statement of the Group's Shareholdings

		Capital share	Shareholders' equity 12/31/22	Result for FY 2022
		in %	€ thousand	€ thousand
1. Affiliated companies				
a) In Germany				
Saar-Blankstahl GmbH, Homburg	1)	100.0	42,022	
Saar-Bandstahl GmbH, Völklingen	1)	100.0	10,897	
Saarstahl-Export GmbH, Völklingen	1)	100.0	1,585	
Metallurgische Gesellschaft Saar GmbH, Völklingen	1)	100.0	5,123	
Saarschmiede GmbH Freiformschmiede, Völklingen		100.0	20,088	- 13,651
Drahtwerk St. Ingbert GmbH, St. Ingbert		100.0	23,877	2,182
Saarstahl Beteiligungsgesellschaft mbH, Völklingen		100.0	6,488	- 7
DWK Drahtwerk Köln GmbH, Köln		100.0	9,365	402
SIB-Immobilien-gesellschaft mbH, Völklingen		100.0	50	4
Neunkircher Eisenwerk Wohnungsgesellschaft mbH, Völklingen		100.0	9,156	230
FORGE Saar GmbH, Dillingen		100.0	178	12
FORGE Saar Besitzgesellschaft mbH & Co KG, Dillingen		100.0	107,281	202
Schweißdraht Luisenthal GmbH, Völklingen		100.0	2,205	140
Saarstahl Rail Holding GmbH, Völklingen		100.0	94	- 2
45. Saarstahl Beteiligungsgesellschaft mbH, Völklingen		100.0	41	- 5
b) Abroad				
Secosar S.A.S., Bussy-Saint-Georges	2)	100.0	13,190	1,650
Secosar Etirage S.A.S., Bussy-Saint-Georges	2)	100.0	- 6,085	25
Saarstahl AG, Zürich	3) 4)	100.0	15,979	13,260

		Capital share	Shareholders' equity 12/31/22	Result for FY 2022
		in %	€ thousand	€ thousand
Les Aciers Fins de la Sarre S.A., Liège	3)	100.0	6,009	923
Acciai della Saar S.r.l., Milano	3)	100.0	641	48
Saarsteel Inc., New York	3) 4)	100.0	575	24
Saarstahl (S.E.A.), Petaling Jaya/Malaysia	2) 4)	100.0	60	9
Conflandey Industries S.A.S., Port-sur-Saône		100.0	14,331	3,089
Saarstahl Ibérica S.A., Sant Just Desvern Barcelona	3)	100.0	741	8
FILMETAL S.A., Bussy-Saint-Georges		99.8	2,228	326
EUROFIL Polska sp. z.o.o., Warsaw	3) 4)	98.0	- 10	- 5
Saarstahl Shanghai Limited, Shanghai	2) 4)	100.0	506	3
Saarstahl Export India Pvt Ltd, Mumbai	4) 5)	100.0	161	8
Saarstahl Demir Celik, Istanbul	2) 4)	100.0	61	10
Saarstahl s.r.o., Ostrava	2) 4)	100.0	341	12
Saarstahl UK Limited, Scunthorpe	2) 4)	100.0	140	18
2. Participating interests				
DHS-Dillinger Hütte Saarstahl AG, Dillingen	6)	33.8	2,624,529	393,027
Dillinger Hütte und Saarstahl Vermögensverwaltungs- und Beteiligungs-OHG, Dillingen		50.0	256,611	- 8,867
ROGESA Roheisengesellschaft Saar mbH, Dillingen	1)	50.0	301,636	
Dillinger Saarstahl America LLC, Wilmington	2) 4)	50.0	24	4
Kraftwerk Wehrden GmbH, Völklingen	3)	33.3	71	- 6

- 1) A profit and loss transfer agreement exists.
- 2) No final result was available when the annual financial statement was compiled. The figures are preliminary. (1-12)
- 3) No final result was available when the annual financial statement was compiled. The figures are for the previous year.
- 4) Currency of the country converted into €.
- 5) Last annual financial statement on 31/3/2022.
- 6) Consolidated financial statement – DHS holds 10 % of own shares.

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