

Executive Summary of the Financial Statement 2022

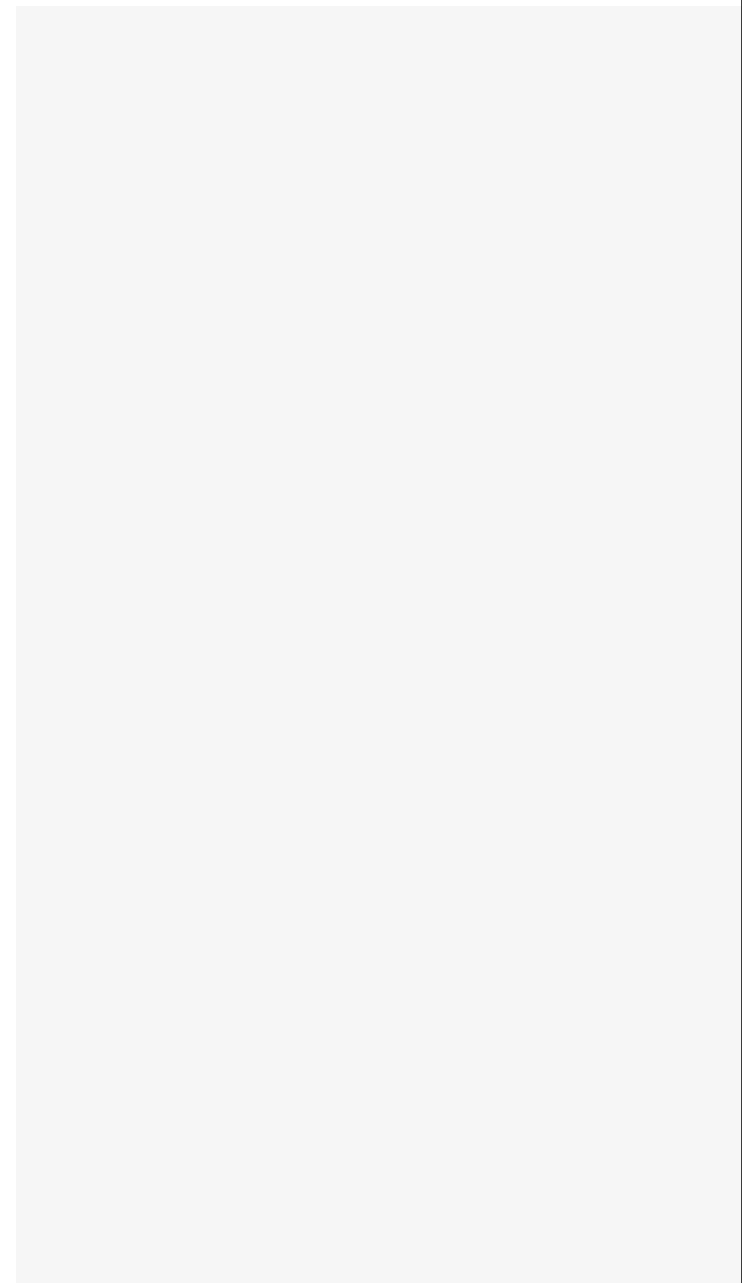
DILLINGER 

Contents*

*) This abridged English-language financial statement is an excerpt from the annual report of Dillinger 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 Dillinger in German).

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Key figures at a glance



		2021	2022	Change
Hot metal purchase	kt *)	1,981	1,975	- 0.3 %
Crude steel production	kt	2,281	2,299	+ 0.8 %
Total production of heavy plate	kt	1,782	1,841	+ 3.3 %
of which in Dillingen	kt	1,237	1,261	+ 1.9 %
of which in Dunkirk	kt	545	580	+ 6.4 %
Total shipped	kt	1,711	1,822	+ 6.5 %
of which heavy plate, prime grade	kt	1,659	1,818	+ 9.6 %
of which semi-finished product	kt	52	4	- 92.3 %
Sales revenues by country	Mio €			
Germany		879	1,329	
France		124	144	
Other EU countries		488	765	
Other exports		223	424	
Total sales		1,714	2,662	+ 55.3 %
Total workforce (excluding trainees) as of 31 Dec.		3,565	3,525	
Personnel expenses	Mio €	280	329	
Balance sheet total	Mio €	2,808	3,018	
Fixed assets	Mio €	1,904	1,853	
Investments	Mio €	7	29	
Shareholders' equity	Mio €	1,394	1,544	
EBITDA	Mio €	173	408	
EBIT	Mio €	112	347	
Net profit (result for the accounting period)	Mio €	91	328	
Operating cash flow	Mio €	- 47	172	

*) Total production ROGESA: 3,916 kt (previous year: 4,260 kt)

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der Dillinger Hüttenwerke

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(until 8 July 2022)

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Independent Consultant Net-Zero Industries,
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Lars Desgranges | [Beckingen](#)

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Senior Project Manager, INFO-Institut Beratungs-GmbH

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WGL Verwaltung und Beratung GmbH

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ArcelorMittal, Luxembourg

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(Saalhütten Association) – VDS
(as of 8 July 2022)

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Professor, HTW Saar

Stefan Rauber | [Marpingen](#)

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Former Vice Chairman of DGB Rheinland-Pfalz/Saarland

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der Dillinger Hüttenwerke

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of Aktien-Gesellschaft
der Dillinger Hüttenwerke

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temporary Chief Technology and Sales Officer

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

Dr. Günter Luxenburger

Member of the Board of Management,
Chief Sales & Marketing Officer
(until 31 March 2022)

Jonathan Weber

Member of the Board of Management,
Chief Transformation Officer

Report of the Board of Management

(Management Report 2022)

The company's fundamentals

The core business of Aktien-Gesellschaft der Dillinger Hüttenwerke, in the following referred to as Dillinger, is the manufacture and sale of heavy plate in the form of normal plate and linepipe plate. This entails the activities of an integrated blast furnace route, including the production of coke and hot metal through the subsidiaries Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisengesellschaft Saar mbH (ROGESA), jointly held with Saarstahl AG (SAG), and the production of liquid steel and semi-finished products. In downstream stages, trading, flame-cutting and fabricating companies offer additional services and customized solutions in sales, the processing of heavy plate, and in other steel products.

Also affiliated with Dillinger are transport and logistics companies that are involved in both raw materials transport and the shipping of finished products.

Dillinger holds an interest in Saarstahl AG, Völklingen, and EUROPIPE GmbH, Mülheim/Ruhr. Beyond this, these companies are also involved in operating business activities with Dillinger – either through involvement in the hot metal production and buying phase or as a buyer and processor of heavy plate steel.

The wholly owned subsidiary Steelwind Nordenham GmbH, which manufactures monopile foundation systems for the offshore wind market in a plant on the Weser river estuary, offers products in a processing depth that extends beyond heavy plate.

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

Financial report

Overall economic and sector-related conditions

As in previous years, the global economy faced a multitude of challenges in 2022. The biggest energy crisis since the 1970s, resulting from Russia's war of aggression against Ukraine, caused a rapid rise in global inflation to levels not seen in many years 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 %).

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. The OECD projects a growth rate of just +3.3 % for 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.

Bottlenecks and price increases in energy supplies resulting from the Ukraine war were particularly notable in the euro area 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 from January to November 2022 was 1.691 billion tons, down 3.7 % compared to the previous 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.

Heavy plate market experiences turbulent year

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.³ 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.⁴ 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

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

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

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

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

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.

Business performance at Dillinger

Based on a very high order backlog at the beginning of the financial year with an average production schedule range well into the second quarter (Q2) of 2022 and an order intake that even slightly exceeded the average level of the previous year, especially in the first half of the year, Dillinger has started the new year in 2022 with high capacity utilization. This was also maintained throughout the rest of the year. Project-related volatility in the consumer offshore wind segment and efforts to maintain revenue and margin levels led to lower customer orders in the second half of the year, causing overall order intake to fall short, as expected, of last year's 5-year high.

In addition to structurally unfavorable conditions including overcapacities in the heavy plate market, high third-country imports into the EU, and trade restrictions imposed by the United States as well as the resulting price pressure in the European market, Russia's war in Ukraine shaped the steel and heavy plate market in Europe. After February 24, 2022, high imports of plate and slab from Russia and Ukraine failed to materialize, which caused steel and plate prices to temporarily rise dramatically, especially in the first half of the year. The heavy plate market returned to

normal in the second half of the year due to the return to pre-war levels for imports from Asia and, in the case of slabs as a starting product, from Asia, Brazil and Russia. Prices normalized. Contrary to this general market trend, Dillinger succeeded in maintaining its revenue level in the second half of the year through progressive management of the shipment structure.

Dillinger's shipments increased again by 159 kt to 1,818 kt in 2022 compared to the previous year. Volatile and in some cases sharp cost increases, particularly on the raw material and energy side, were passed on to the markets.

In conjunction with the effects of the cost-cutting and transformation program, Dillinger was able through its consistently very successful business performance to significantly exceed the expectations from the previous year's forecast for the 2022 financial year and to substantially improve the key financial metrics used for corporate management compared with 2021. The increase in sales revenue, which was mainly price-related, and improved material and personnel intensity resulted in a significant improvement on the prior-year EBIT and EBITDA figures. Overall earnings likewise exceeded the previous year's figure, with improved income from interest and investments.

Continued high utilization of plant capacity

The financial year was characterized by a largely uniformly high level of capacity utilization, resulting in increased plate production over the course of the year. Both hot metal purchases, at 1,975 kt (2021: 1,981 kt), and crude steel production with 2,299 kt (2021: 2,281 kt) changed slightly from the previous year's levels. In addition to supplying slabs for the rolling mill in Dillingen, steel production also essentially covered the slab requirements of Dillinger France in Dunkirk. Production of heavy plate at the two rolling mills (1,841 kt) increased overall by 3.3 % compared

with the previous year (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. The product mix has become increasingly complex with a high proportion of thick plate and a high proportion of high-strength and wear-resistant steels. The share of edge-milled plate likewise increased significantly compared with the previous year.

Based on an adjusted operating point developed as part of the cost-cutting and transformation program, Dillinger succeeded in adapting the operating modes of the plants to the improved order situation through greater flexibility. The improved quality level was maintained in 2022. In light of difficult logistical conditions due to the war in Ukraine and considerable restrictions on inland water freight transport due to low Rhine levels in late summer, delivery reliability remained at a solid level overall but fell short of the previous year's figure.

Earnings position

Higher average selling prices lead to increase in sales revenue

In 2022, shipments of prime grade heavy plate increased by 159 kt (+ 9.6 %) to 1,818 kt (2021: 1,659 kt), which was exclusively attributable to the normal plate product segment. Sales of tube plate remained at the low level of the previous year. In addition to higher volumes, however, price adjustments with improved selling prices were the main factor contributing to the significant increase in sales. The increase in net sales continued into the third quarter before a slight decline set in during the fourth quarter, in line with the market. With only minor shifts in the individual geographical markets, sales growth from project business in 2022 was mainly in non-EU countries and in EU countries outside Germany and France.

2022 earnings exceed expectations

In the past financial year, significant margin and earnings improvements or a high positive operating result (EBIT) and EBITDA and a clearly positive overall result were forecast for 2022. Earnings figures were expected to be significantly higher than in 2021. The war in Ukraine also had an impact in various ways on supply, including imports and demand for steel products, on steel price developments, on changes in supply chains – particularly in raw material procurement – and on energy cost developments. Under these volatile and at times challenging market conditions, Dillinger again improved its results from operations by more than € 200 million and closed the 2022 financial year with positive EBIT of € 347 million (2021: € 112 million) and EBITDA of € 408 million (2021: € 173 million).

Other operating income exceeded the previous year's amount by € 5 million and resulted primarily from higher income unrelated to the accounting period and from the merger of MSG Mineralstoffgesellschaft Saar mbH (MSG) with Aktien-Gesellschaft der Dillinger Hüttenwerke effective 1 January 2022.

The year-on-year increase in earnings was primarily due to a significant rise throughout the year in average selling prices and margins per ton of heavy plate, as well as higher sales volumes and slightly improved production volumes combined with restrictive cost management.

The slight increase in the production of semi-finished products and heavy plate was accompanied by a rise in the crude steel production volume of only 0.8 % or 18 kt. More significant for the increase in material costs was the development of procurement prices for hot metal, alloying elements and steel scrap. Higher expenses were in addition incurred for energy and maintenance. The cost management initiated in 2019 meanwhile contributed to

savings. The margin between total operating revenue and cost of materials improved commensurately year-on-year by around € 315 million. Material intensity improved by almost 3 percentage points compared to the previous year and amounted to 69.1 %.

The decrease in the average number of employees, mainly as a result of the part-time work program for older employees, reduced expenses for wages and salaries and social security contributions.

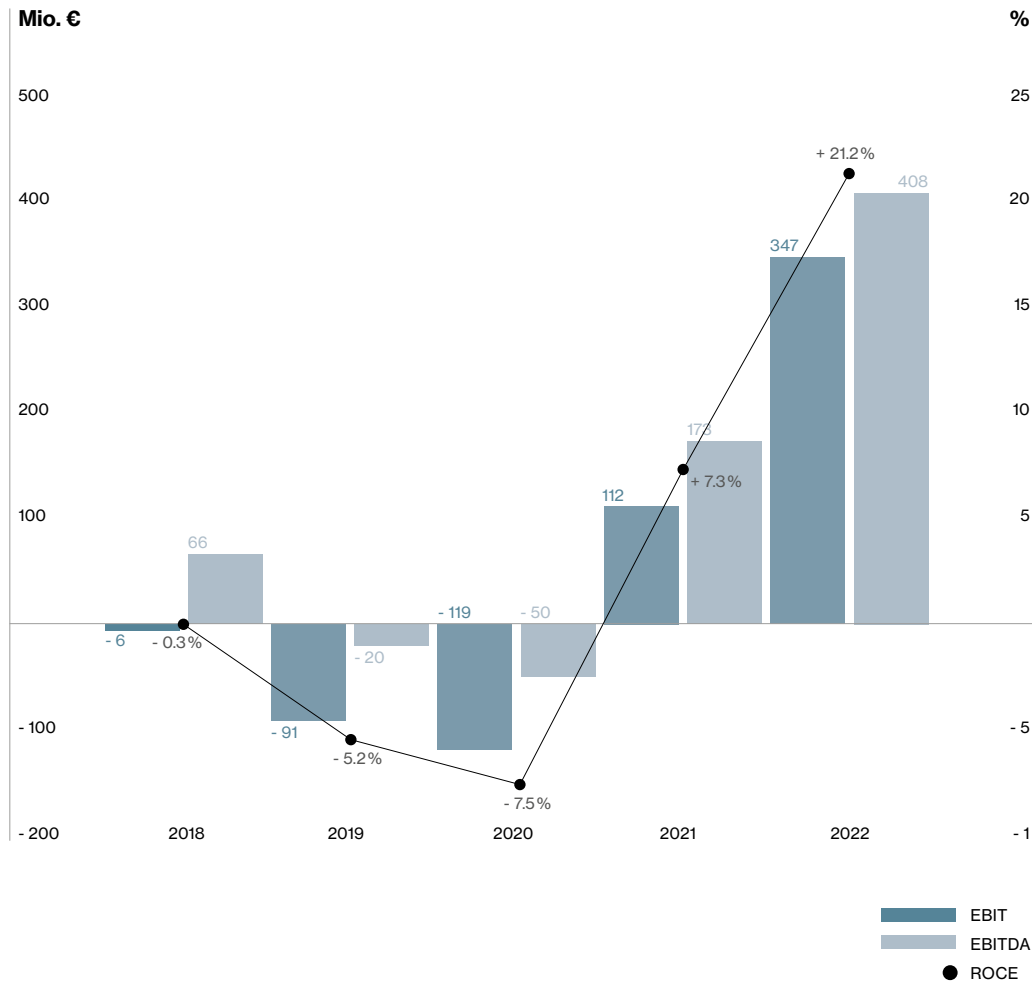
Offsetting effects are primarily collectively agreed and individual wage and salary adjustments in the current financial year and special payments as part of a tax- and social security-free inflation compensation premium of € 5 million. On balance, this results in a reduction of only € 2 million in expenses for wages and salaries as well as social security contributions.

In addition to collectively agreed as well as individual wage and salary adjustments, the rapid rise in inflation in 2022 in particular had an impact on retirement pension benefits. In the assessment of existing pension obligations, for example, adjustments were made not only for salary and pension increases but also for increases in pension benefits resulting from the expected development of the consumer price index, which accounts for the majority of the € 51 million increase in expenses for retirement pension benefits and other employee benefits. Personnel expenses thus rose by a total of 17.5 % to € 329 million (2021: € 280 million), while personnel intensity fell from 14.3 % in 2021 to 11.8 % in the past year.

Amortization of intangible assets and depreciation of tangible fixed assets decreased by € 1 million as a result of the scheduled depreciation pattern. Other operating expenses increased by a further € 52 million compared with

the previous year, mainly as a result of higher freight costs due to the increase in sales volumes and costs, as well as higher selling and administrative expenses due, among other things, to higher allocations within the Group.

Change in EBIT, EBITDA and ROCE



Financial and asset position

Positive operating cash flow despite continued high capital commitment as a result of business performance

The cash inflow from profit for the period adjusted for non-cash income and expenses (€ 369 million) exceeded the change in working capital (-€ 192 million) – primarily due to a higher value of inventories and increased trade accounts receivable. As a result, operating cash flow was € 172 million in the year under review.

Cash inflows from affiliated companies, proceeds from disposals of non-current assets and interest received totaling € 63 million were offset by moderate cash outflows for investments in property, plant and equipment amounting to € 29 million. In particular, the settlement of the existing profit and loss transfer agreements from the previous year (€ 20 million) and higher cash inflows than outflows in the context of short-term financial resource management (€ 27 million) were the main reasons for the high cash inflows. This resulted in positive cash flow from investment activities of € 34 million and free cash flow of € 206 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). In particular, planning for the upcoming transformation of steel production was dramatically advanced.

Exemplary individual investments in the past financial year included the expansion of slab pusher furnace 2 to a size of 600 mm with an investment of € 7 million. In the CNC machining area, a new plate edge milling machine was ordered and advance payments of € 4 million were made for assets under construction. A new plasma flame-cutting system has been ordered for steel plate processing and, in the course of increasing thick plate capacities, the expansion of effusion hopper capacities began. Construction of an effusion box was completed and two new bunkers were ordered. Around € 2 million has been invested at the steel mill to date for the procurement of a new converter vessel. The replacement of the vessel top on the second converter has also been ordered and a new steel ladle ordered.

Payments for scheduled financing measures (€ 34 million) including interest (€ 8 million) and the pro-rata repayment (€ 75 million) of a loan received from the majority shareholder DHS in the previous year were offset by borrowings of € 20 million, resulting in a cash outflow from financing activities of € 99 million in 2022.

As a result, cash and cash equivalents increased by € 107 million compared with 31 December 2021 and amount to € 183 million at 31 December 2022.

Long-term assets decreased in 2022 by a total of € 51 million to € 1,853 million. This was primarily due to the fact that depreciation and amortization far exceeded moderate capital expenditure and additions to fixed assets. Financial assets decreased as a result of the merger of MSG into Dillinger and the sale of securities held as fixed assets in the amount of € 9 million.

At the same time, current assets grew by a total of € 260 million to € 1,164 million. From operating activities – after offsetting advance payments received – inventories increased by € 84 million and trade accounts receivable from third parties, affiliated companies and holding companies by a further € 93 million. The higher inventories are almost entirely due to significantly increased procurement prices and processing costs. Cash and cash equivalents increased by € 107 million compared with the previous year and amounted to € 183 million at the end of the year.

Total assets increased accordingly by € 210 million year-on-year to € 3,018 million. As a result of allocations to earnings reserves of € 150 million, equity amounted to € 1,544 million at 31 December 2022; at the same time, the equity ratio will increase from 49.6 % in the prior year to 51.2 % in the reporting year.

Due to higher provisions, total borrowed capital increased by € 66 million. The assessment of pension obligations as of 31 December 2022 was a major factor in this. These increased by around € 48 million, mainly as a result of changes in actuarial assumptions and discounting. Liabilities as a whole decreased only slightly. While other liabilities to affiliated companies increased by € 155 million – in particular due to the recognition of the profit transfer to the parent company – and trade accounts payable to third parties by € 17 million, other liabilities were reduced across the board.

Scheduled repayments of liabilities to banks were offset by a short-term term loan of € 20 million, resulting in a reduction in liabilities to banks of € 14 million. Loans received from affiliated companies amounting to € 90 million were reduced as further liabilities of a financing nature.

Trade accounts payable from current business to affiliated companies and companies in which the company has a participating interest are held decreased by € 55 million, and the settlement of pension obligations transferred to other Group companies in the previous year resulted in a € 15 million reduction in other liabilities.

Key figures

Key figures in %	2018	2019	2020	2021	2022
Liquidation ratio for fixed assets	78.4	73.4	66.9	73.2	83.3
Internal financing capability	100	170.4	- 7.7	NA	NA
Equity intensity	57.1	53.6	50.5	49.6	51.2
Return on capital employed (ROCE)	- 0.3	- 5.2	- 7.5	7.3	21.2
Debt ratio	11.6	13.6	16.3	12.5	10.4
EBIT margin	- 0.4	- 6.4	- 11.5	6.5	13.6
EBITDA margin	4.7	- 1.4	- 4.8	10.0	16.0
Material intensity	74.6	72.9	73.3	72.3	69.1
Personnel intensity	18.3	19.4	21.8	14.3	11.8

Notes:

Liquidation ratio for fixed assets:

Internal financing capability:

Equity intensity:

ROCE:

Debt ratio:

EBITDA and EBIT margin:

Material and personnel intensity:

Equity in relation to fixed assets

Operating cash flow in relation to the net investment in tangible assets

Equity in relation to the balance sheet total

EBIT in relation to capital employed (average long-term capital employed)

Liabilities to banks in relation to shareholders' equity

EBITDA or EBIT in relation to total operating revenue.

In addition to sales revenues, changes in inventories of finished goods and work in process are also taken into account in determining total operating revenue.

Sales revenues include only revenues for heavy plate products.

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 Dillinger and Saarstahl 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 makes a significant contribution 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.⁵

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 Saarstahl 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 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.

5) 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.⁶

To establish a sustainable and integrated cross-border energy system that will be required to produce green steel in the region, the companies of the SHS Group have joined with other well-known companies to form the “Grande Region Hydrogen” European Economic Interest Grouping (EEIG). The aim of the initiative is to link cross-sector projects for hydrogen production, use and transport.⁷

EcoVadis, an international provider of business sustainability ratings, has awarded Dillinger a Gold Medal for its Corporate Social Responsibility (CSR) activities. The EcoVadis rating confirms the high quality of sustainability management at Dillinger. Responsible operation and sustainable business management have been firmly anchored in the corporate policy of the Saarland-based steel company for many years.

Dillinger has in recent years been able to successfully position itself in the CSR rating of EcoVadis as a sustainable and responsibly operating company. In the current evaluation, Dillinger was able to further improve on its good result from the previous year and, with 68 points, is among the top 3 percent of companies in its industry category.

The EcoVadis rating is based on a defined scorecard. This includes criteria of the Global Reporting Initiative, the United Nations Global Compact, and the International Organization for Standardization for the areas of environment, labor and human rights, ethics, and sustainable

procurement. The definition of specific evaluation criteria enables international comparison of the companies certified by EcoVadis.⁸

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 Saarlust 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.⁹

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!¹⁰

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

The production plant capacities were utilized in 2022 in accordance with the defined operating points. In the course of the first half of the year, additional short- and medium-term demand for thick plate became apparent. Corresponding additional requirements for personnel were identified and fulfilled so that the associated quantities could be achieved.

The strategic program launched in 2019 has been finalized and the associated personnel measures implemented or scheduled. This resulted in a headcount of 3,525 employees at the end of the reporting year (2021: 3,565). These employees worked at Dillinger itself as well as – in the context of plant management – at ZKS and ROGESA. A total of 2,070 people were employed at Dillinger subsidiaries and affiliated companies (2021: 2,080).

6) 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).

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

8) Source: Press release dated 13 January 2022 (Gold for Dillinger’s sustainability strategy).

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

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

Safety and health

A safe and healthy work environment is given top priority at Dillinger. 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 occupational safety initiative, a Bradley curve was designed for the entire Saarland steel industry and introduced across the board.

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 roll-out is planned for 2023.

Dillinger concluded 2022 with 8 lost-time accidents requiring at least one day of leave due to injury (2021: 19) and a lost time injury frequency rate (LTIFR) of 1.5 (2021: 3.5; 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), had spread worldwide. The World Health Organization (WHO) declared a public health emergency of international concern (PHEIC) on 30 January 2020.

To contain the risk of infection among employees, Dillinger, Saarlust 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 coordinates and organizes the 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 dissemination 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 Corona vaccinations were performed in the established internal vaccination centers. These were 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. Saarland's Minister of Health at the time, Monika Bachmann, visited the vaccination campaigns and also viewed the on-site coronavirus protection measures implemented within the Group, which had previously been shown to her during a video conference by Chief Human Resources Officer Joerg Disteldorf and representatives of the pandemic workgroup.

The "3G" checks (mandatory presentation of proof of vaccination, convalescence or testing as a prerequisite for access to the workplace) temporarily required in 2022 under the Infection Protection Act were implemented immediately at all company sites and carried out until the lifting of the corresponding 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

Dillinger continues to invest in training and fostering young talent and provides vocational training at a consistently high level in order to counter a possible shortage of skilled workers resulting from demographic change. In 2022, 62 young people started their careers in the company (2021: 64). As a result, the company trained a total of 217 young workers (2021: 246), when all training class years are included. For many years now, the company has also maintained partnerships with universities in order to help support young university graduates. Currently, a total of 20 students are completing cooperative studies at the company with the Saarland University of Applied Sciences (HTW) and the University of Saarland (UdS). 15 of the 20 students attend a technical program and five attend a commercial program.

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 Dillinger at the end of 2022 averaged 7.4 %. When considering this proportion, industry-specific, historical and socio-cultural circumstances must be taken into account. Dillinger takes measures at various levels to continuously increase the proportion of women, such as by continuously increasing the proportion of female trainees, offering a wide range of part-time employment, the option of mobile working and the possibility of childcare through the company-supported daycare center. In the newly introduced talent management system for levels 1 and 2 in particular, attention is being paid to targeting and promoting women in preparation for future management 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 here, at 30.9 %, is significantly higher than at Dillinger.

Within the framework of Section 111 (5) of the German Stock Corporation Act (AktG), the target quota of 30 % was set for the percentage of women on the supervisory boards for all companies in Saarland steel industry (SHS – Stahl-Holding-Saar, Dillinger and Saarstahl). The Supervi-

sory Board of Dillinger 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 Dillinger Board of Management has set a target quota of 15 % for the percentage of women in management positions. The analysis relates to senior executives and includes the first and second levels of the hierarchy as well as the positions equivalent to the two top levels of management in terms of their importance for the company.

Research and development

The projects of the research and development departments contribute decisively to maintaining a leading position in the global competition among heavy plate manufacturers. Research activities along the value chain – from coke and hot metal production to steel and heavy plate production – focused in 2022 primarily on expanding the product portfolio, process and product improvements as well as on optimizing quality and reducing costs.

One key issue is the work surrounding the transformation of the current steel production route towards carbon-neutral steel production. To be able to significantly reduce carbon emissions in steelmaking in the near future (2027), the new route consisting of direct reduction of iron ores with hydrogen and melting of the sponge iron produced during direct reduction in electric arc furnaces was devised and applied for as a funding project as part of the "Important projects of common European interest on hydrogen" (IPCEI Hydrogen). Extensive preliminary studies were carried out in preparation for this project. The focus here was on modeling the metallurgical conditions of the

new route and studying the required raw material mix, i.e. the ratio of scrap to DRI needed to meet the high quality requirements for our heavy plate products.

In the area of coke and hot metal production, the focus was on both cost and quality optimization of the input materials for the coke plant and sinter plant and on process improvement by means of model development and application. As of February 2022, a key challenge was the complete replacement of Russian injection coals/coking coals and iron ore pellets. Together with ROGESA/ZKS purchasing, alternative coals and pellets as well as other iron carriers as pellet substitutes were requested within a very short time, evaluated from a process/metallurgical point of view, procured, and finally tested in operational trials. The alternative coking coal blends were studied in the coke pilot plant furnace with regard to their operational suitability. As a result, the coke pilot plant furnace is operating at 100 % capacity.

In addition to intensive involvement in the transformation project, the focus of the steel plant technology and research was on increasing continuous casting capacity for the CC5 and CC6 plants, such as by increasing the casting or discharge speed. In addition, tests were carried out and adjustments made to enable the flame-cutting machines of the continuous casters to be operated with coke gas.

Product-oriented research and development has consistently pursued microstructure-based materials development, work in the field of data-based forecasting models with neural networks and of data mining in various projects, and has developed these for practical use, also with the involvement of external institutes. Customer needs have been translated into product developments that could be used on an industrial scale. Development work

on the foundations necessary for this has continued, while also drawing on strategic cooperation with universities and research institutions at the national and international level. Ten publications and seven presentations resulted from these partnerships in 2022.

Of special note in this context is the project funded by the German Federal Ministry of Economics and Climate Protection (BMWK) to develop steels for high-performance welding of monopiles (“HL plate”).¹¹

Innovation management

In addition to continuously developing new and improved products and technologies, Dillinger is also always looking for new, innovative solutions that enable the company to proactively meet customer expectations. Innovation management therefore focuses on customer-centered innovation: The goal is to better understand not only the current needs of our customers but also their future needs and to offer the appropriate solutions.

In the targeted further development of its core business, Dillinger is guided by specific strategic innovation fields that were redefined in 2021 and remain in place. In 2022, the work packages clearly prioritized the future topics of “decarbonization” and “circular economy (recycling),” which are extremely important for the industry. To assist in the challenging transition to climate-friendly steel production technology, innovation management supports the development of new, complementary technology, product and service solutions through focused brainstorming processes.

Additive manufacturing has also been identified as another potential field for expanding the existing core business, and initial ideas for developing this future market have been developed.

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/ton. Prices settled at around USD 300 per ton only later, over the course of the year. 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.

Environmental protection

In keeping with its corporate vision and its environmental guidelines, Dillinger consistently strives for sustainable and ecologically sound resource management and production throughout the company. 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”).

¹¹ Source: Press release, 27 April 2021 (Joint research project: Researchers want to further develop monopile production for offshore wind farms with Dillinger).

Investments and emission control

Environmental management/IED inspections and emission control

As part of the European Industrial Emissions Directive (IED) environmental inspections, the official inspection of the basic oxygen furnace (BOF) steelmaking plant, the corrosion protection plant, the sinter plants 2 and 3, the blast furnace plants and the central coke plant (Zentralkokerei) took place in 2022. There were no deviations.

Incident inspection at ZKS and at ROGESA

The annual incident inspection at ZKS and at ROGESA was carried out in 2022 by the State Office for Environmental Protection and Occupational Safety (LUA). There were no deviations.

The safety reports and related documents of ZKS and ROGESA will be finalized in 2023 in coordination with LUA.

Minerals

The quality assurance system of the plant production control for slag products again successfully passed external audits by the "Institut Français des Sciences et Technologies, des Transports, de l'Aménagement et des Réseaux" and the "Güteschutz Beton" monitoring company in the 2022 financial year. The sales markets for mineral by-products were stable or even showed a positive trend in some cases.

Determination of product carbon footprints (PCF)

As part of the sustainability strategy, a product-specific CO₂-equivalent value was determined for the heavy plate product in accordance with the DIN ISO 14067/IPCC AR6 GWP100 standard (based on data for the year 2021) as a sustainability indicator.

REACH, self-generated hazardous substances

The processing tasks in the area of self-generated substances/mixtures involved the classification of substances/mixtures and the subsequent preparation of the associated safety data sheets/safety information sheets (SDSs/SIBs) with the corresponding characterization documentation in coordination with the plants and departments. Ongoing cooperation with the European Confederation of Iron and Steel Industries (EUROFER) also continued.

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 hold an indirect 50 % interest in Zentralkokerei Saar GmbH (ZKS). The ZKS produces coke exclusively for use in the blast furnaces of ROGESA Roheisengesellschaft Saar mbH. At 1,330 kt, total coke production in 2022 was again significantly higher than the previous year (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 (2021: 1,981 kt) were delivered to Dillinger and 1,941 kt (2021: 2,279 kt) to Saarstahl. 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.

Dillinger France S.A., Dunkirk

Dillinger France S.A. is a wholly owned subsidiary of Dillinger and operates a heavy plate mill in Dunkirk. The products are marketed almost exclusively through Dillinger. Dillinger France primarily uses semifinished products from Dillinger as input material.

After three years of uncertainty due to coronavirus, total production recovered from 545 kt in the previous year to 580 kt. The tonnage of the normal program remained stable at 427 kt (2021: 421 kt), while tube plate production

increased again to 157 kt (2021: 123 kt). Production in 2022 mainly involved plate for the offshore wind market, HIC plate for the normal program, tube plate as well as Dillimax and Dillidur plate. 2022 was a year of positive change. The investments made in the previous year paid off and enabled 159 kt of plate to be produced for the offshore wind power market.

As in the previous year, € 12 million was invested. The first investment: renovation and modernization of pusher furnace 2, which increases the efficiency of the conduits and emits less carbon. The second investment was the purchase of a plasma system, which enables higher plate production.

Shipments from Dunkirk amounted to 566 kt in 2022 (501 kt in 2021). Dillinger France generated sales of € 153.3 million in the financial year (2021: € 155.1 million). The slight decline in sales is due in particular to the change in the billing method (contract manufacturing) with Dillinger.

In the past financial year, Dillinger France improved its results compared to the previous year, resulting in higher shareholders' equity as of 31 Dec. 2022 (€ 74.5 million): EBITDA amounted to € 19.5 million (2021: € 11.5 million); EBIT was +€ 4.6 million (2021: € 2.0 million). Gas and electricity prices fluctuated widely throughout the year. Dillinger France has responded with an energy management program.

The number of employees increased slightly from 510 to 527 in the previous year. Nine workplace accidents occurred at Dillinger France in 2022. A concept was developed to increase safety in the workplace and reduce the number of workplace accidents.

Steelwind Nordenham GmbH, Nordenham

Steelwind Nordenham GmbH is a wholly owned subsidiary of Aktien-Gesellschaft der Dillinger Hüttenwerke that operates a plant in Nordenham for the production of foundation elements for offshore wind farms (monopiles, mega monopiles and monopiles beyond XXL). Heavy plate steel in the required grades and dimensions is delivered by Dillinger and its subsidiary Dillinger France in Dunkirk.

Monopiles are cost-effective foundation systems whose supporting structure is assembled using heavy plates in thicknesses up to 150 mm. The structural elements have diameters of up to 11 meters, unit weights of up to 2,400 tons and lengths of up to 120 meters.

The first half of the 2022 financial year for Steelwind was marked by the completion and delivery of 28 monopiles for the Arcadis Ost 1 Parkwind project. In parallel, production started for the Ørsted Revolution Wind and South Fork Wind projects in the United States. In the second half of the year the start of production of piles for Ørsted, for the Borkum Riffgrund 03 and Gode Wind 03 wind farms, followed.

The total operating revenue of Steelwind Nordenham amounted to € 256.8 million in 2022 (2021: € 78.0 million). EBITDA for the 2022 financial year increased to €12.3 million (2021: -€ 5.8 million), while EBIT amounted to -€ 1.0 million (2021: -€ 15.2 million). At the end of the financial year, the company employed 294 people.

EUROPIPE GmbH, Mülheim an der Ruhr

The EUROPIPE Group manufactures and sells welded large-diameter linepipe made of steel. The diameters of the large-diameter linepipe range from 24 inches (610 mm) to 60 inches (1,524 mm). As a corporate group, EUROPIPE GmbH and its affiliated companies are among

the world's leading corporations in this market segment. Dillinger holds a 50 % share of EUROPIPE.

In Europe, the large-diameter pipes are manufactured on a production line (18-meter line) in Mülheim an der Ruhr. The pipe is coated by EUROPIPE subsidiary MÜLHEIM PIPECOATINGS GmbH, Mülheim an der Ruhr. Closure activities of the former second European production site at Dunkirk are largely completed.

In the United States, the operating companies of the EUROPIPE Group are consolidated under the holding company, BERG EUROPIPE Holding Corp. BERG Pipe Panama City Corp. in Panama City, Florida, primarily supplies the North American market with longitudinally welded pipes, while BERG Pipe Mobile Corp. in Mobile, Alabama, supplies spiral pipes. Both plants have facilities to coat the pipe.

The EUROPIPE Group recorded sales in 2022 of € 270 million (2021: € 316 million). The sales volume stems predominantly from the business of EUROPIPE GmbH, which, however, was not quite able to match the sales level of the previous year. Due to the continued weak market situation in the United States during the financial year, sales of the US group remained at a low level. Shipments of EUROPIPE fell significantly year-on-year, with a volume of 150 kt (2021: 208 kt). For the US companies, this is significantly below the comparable prior-year period, at 26 kt (2021: 74 kt).

The order intake of the EUROPIPE Group was at a significantly higher level compared to the previous year. This was primarily due to the Southeast Gateway Pipeline and Fortis Energy projects booked at EUROPIPE and the Williams LEG, Mammoth Carbon and Atmos projects booked at the US companies. On this basis, the EUROPIPE

PE Group's order backlog is at a significantly higher level than in the comparable prior-year period and amounted to 728 kt as of 31 December 2022 (2021: 368 kt). The net loss for the year of the EUROPIPE Group of € 73.7 million fell in comparison with the previous year's level (2021: -€ 50.2 million). The EUROPIPE Group employed a total of 768 people at the end of 2022 (2021: 799). Of these, 385 employees worked for EUROPIPE GmbH (2021: 418).

The EUROPIPE Group invested € 7.7 million (2021: € 5.3 million) during the financial year for tangible and intangible assets. Expenditures at EUROPIPE GmbH for further development of its products and the continuous improvement of production and quality assurance methods amounted to € 0.8 million (2021: € 0.7 million).

The market for EUROPIPE is very positive due to the development of new gas sources as a substitute for Russian gas, and the associated network expansion in Europe, which is being pursued under high political pressure. At the same time, the competitive situation has eased significantly as a result of the elimination of the Russian suppliers and one Japanese competitor. The market is expected to pick up in the United States as well, and with it good opportunities for booking commercial orders for the US companies.

Saarstahl AG, Völklingen

Based on a solidly high order backlog at the beginning of the 2022 financial year and a subsequent order intake into Q2 which was above the monthly average of the successful previous year, Saarstahl was initially able to continue the high level of capacity utilization from the previous year. However, the strong demand for steel at the beginning of the year did not continue in the further course of the year. Order intake increasingly levelled off from the end of Q2, followed by a likewise reduced production workload starting from Q3. In parts of production, short-time work schedules were even necessary at the end of the year. As a result, the forecasts for production and sales could not be achieved, but the expectations for sales and revenue development were more than exceeded. Saarstahl's crude steel production in 2022 was 2,261 kt, down around 14 % compared to the previous year. Shipped quantities decreased from 2,418 kt to 2,117 kt. Sales revenue rose by 24.5 % from € 2,114 million in the previous year to € 2,631 million. Earnings before interest and taxes (EBIT) for Saarstahl amounted to € 293 million (2021: € 141 million) and earnings before interest, taxes, depreciation and amortization (EBITDA) was € 334 million (2021: € 187 million).

Investments in 2022 were dominated 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 nonetheless succeeded in noticeably increasing the volume of planned investments. For Saarstahl itself, the investment volume amounted to € 23 million. In particular, planning for the upcoming transformation of steel production was dramatically advanced.

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 Saarstahl subsidiaries and affiliated companies (2021: 1,504).

Risk and opportunity report

Risk report

Dillinger 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 Dillinger consists in part of the risk coordinators and officers in the departments and subsidiaries. In addition, the central risk management department of SHS handles the coordinating, supporting and consolidating tasks for Dillinger.

Methods and structure of risk management

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

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

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

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

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

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

Organization of opportunity management

Opportunity management at Dillinger involves the systematic handling of opportunities and potentials. It is directly embedded into the work of the Board of Management of Dillinger. The transformation program launched in 2020 is making an important contribution. The key opportunities for Dillinger 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. Dillinger is already producing the steels today that are needed for the energy transition and climate reversal. Examples of steel applications include offshore wind power as well as onshore wind power, hydraulic steel structures, and steels for exacting infrastructure projects.

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. Dillinger 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. Dillinger 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 already implemented on an industrial scale in 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.

The joint transformation process for Dillinger and Saarstahl also serves to consistently develop new growth potential and to position our company with our products in promising new business segments. This includes in particular the expansion of the offshore wind business field, in which Dillinger has been active in the production of monopiles for more than 10 years with its subsidiary Steelwind Nordenham, in addition to the actual plate production.

Operational opportunities

Dillinger 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.

The offshore wind industry can make a significant contribution to achieving Germany's ambitious national carbon reduction targets. Dillinger is contributing its part by expanding its capabilities with heavy plate and with Steelwind Nordenham. Dillingen heavy plate is in high demand and the possible dimensions for Steelwind Nordenham's monopiles are at the top of the industry. For example, Steelwind supplies the next generation of monopile foundations: the so-called "beyond XXL" monopiles, with a diameter of up to 15 meters, a total length of up to 120 meters and a weight of around 2,400 tons each. These one-piece monopile foundations are the largest monopiles for German wind farms to date. Integrating parts of the transition piece into the monopiles, despite the already very large dimensions, offers purchasers new opportuni-

ties for cost reductions.

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

Triggered by the Russian war of aggression on Ukraine, the global economy weakened significantly in the course of 2022 under the impact of skyrocketing energy prices and great uncertainty. Monetary policy, which is being tightened very quickly in view of high inflationary pressure across the board, is now also having a curbing effect. Positive impetus for production came from gradually easing supply bottlenecks and a further normalization of activities in the economic sectors particularly affected by the coronavirus pandemic. However, there was an initial mutual concession in the smoldering trade dispute between the USA and the EU. A quota system (tariff quotas) was introduced on 1 January 2022.

As a result of the continued impairment of the EU economy by the Russian invasion of Ukraine and the energy crisis, the outlook for the overall steel market for the coming year has deteriorated further. A sharper decline in steel demand than previously forecast is now expected. A worsening of all downside factors, especially energy costs, has led to a further decline in apparent steel consumption and a significant downward revision of production in the steel processing sectors in the EU. This is expected to continue in H1 2023, according to EUROFER Director General Axel Eggert. Particularly worrying in this context, he said, was the continuing high level of distorting steel

imports into the EU. If no action is taken, there is a risk of significant destruction of industrial capacity in Europe.

With the Wind Energy at Sea Act (effective 1 January 2023), the German government has created the conditions for advancing the expansion of offshore wind energy. The share of renewable energies in the electricity supply is expected to almost double by 2030 and to grow continuously from that point. Offshore wind energy is an essential component for the success of this goal. The installed capacity of offshore wind energy is therefore set to increase to at least 30 gigawatts by 2030 and to at least 70 gigawatts by 2045. The monopile foundation, which is advantageous for us, continues to dominate the market, especially in Europe. Sales risks from increasing competition are very low, particularly in heavy plate and also in view of the growing market. Dillinger will continue to invest in the growing offshore wind segment and is expanding production of super heavy plate for this market.

Due to the Ukraine crisis, the linepipe market has developed positively in 2022 after some extremely poor years. New pipeline projects are being initiated around the world. In Europe, for example, there has been a significant revival in the large-diameter linepipe market. There are equally positive market developments in offshore gas production in the Middle East, Southeast Asia and Australia, as well as in North and South America. In addition, our tube plate customers improved their business, particularly in the high-quality segment, due to the closure of Japanese pipe mills. Other integrated steel mills have switched their plate production to other product segments such as hot-rolled strip or heavy plate products with higher yields than tube plate, so that the supply of higher-grade tube plate has also been reduced. The linepipe segment will in the future perform a "breathing" function for Dillinger.

Dillinger is continuing and intensifying its focus on attractive market segments in the development of its customer and product mix. However, Russia's attack on Ukraine and the resulting war and current high inflation may cause a massive slowdown in economic development and have an impact on the companies.

In view of the lukewarm growth prospects, the risks for Dillinger are to be 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.

This means a significant additional financial burden will be created for Dillinger due to the allowances that must be acquired.

The amendment to the Renewable Energy Sources Act (EEG) and the Climate Protection Act presented 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).

Dillinger is pursuing the proactive strategy of climate-neutral steel manufacturing. The extensive investments decided in 2022 (see comments regarding "Strategic opportunities") are aimed at decarbonizing Saarland's steel industry. From as early as 2027, up to 3.5 million metric tons of carbon-neutral steel are to be produced annually in Saarland and 4.9 million metric tons of CO₂ will be saved.

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, well 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.

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

Risks from operating activities

In Dillinger's production facilities, operational disruptions, property damage and/or quality risks may occur. 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 the 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 Dillinger'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.

Dillinger 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 Dillinger 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, Dillinger 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, Dillinger 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. Dillinger therefore does everything it can to exclude damage caused by the product or its production 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

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

Price, volume and currency risks on the procurement side result from concluded delivery obligations for the future. To effectively contain these risks, we use financial instruments such as forward contracts and/or derivatives as over-the-counter (OTC) or exchange-traded instruments. The company concludes financial instruments only with counterparts that have an excellent credit rating. Receivables in the area of deliveries and services are continuously monitored. 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 Dillinger.

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. Dillinger 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

There is a risk after major proceedings have already been concluded that further civil proceedings will follow or that further settlement discussions will have to be held.

For very specific issues that reach beyond German and French jurisdictions, Dillinger 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 Dillinger was continued in 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 Dillinger in 2022 improved significantly.

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 Dillinger.

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.

Extensive government programs are helping combat inflation in the economically strong countries. It continues to be a negative factor, but will subside 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 2024.¹² The situation in exports could brighten significantly due to the easing of disruptions in supply chains and a healthy order backlog.¹³

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 2023.¹⁴

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.

Mixed prospects on the heavy plate market

Demand for heavy plate will continue to develop positively in 2023 in Dillinger's core areas – offshore wind, linepipe, steel construction, and construction equipment. Other areas continue to be strongly influenced by uncertainties, at least at the beginning of 2023.

The order backlog at the end of the year was at a normal level. In addition, significant production volumes have already been secured with offshore wind projects in H2

2023. As a result, Dillinger on the whole expects very high sales volumes and capacity utilization in 2023. After record-setting years in 2021 and 2022, trading and flame-cutting companies are cautiously looking ahead to 2023.

Development of Dillinger

Given the general economic uncertainties due to a possible impending recession, high inflation, and ongoing supply chain problems as well as continuing strains on the steel market, Dillinger faces a 2023 financial year with some challenges. At the same time, the motivation of an ecological energy transition is resulting in strong demand for heavy plate – especially for production of offshore wind farms. By adapting and making the operating point more flexible, in conjunction with a cost-cutting program and targeted investment and sales measures in promising business areas, effective instruments have been created for managing and quickly adapting to changes in the market.

The order backlog at year-end was at a very stable, high level, with an average production workload range beyond the first quarter of 2023. In addition, there are longer-term framework agreements in individual consumer segments which already specify corresponding heavy plate deliveries after 2023. Orders received at the beginning of 2023

¹² Sources for general economic conditions: German Steel Federation (WV Stahl), "Background information on the steel market" („Hintergrundinformation zur Stahlkonjunktur"), January 2023.

¹³ 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.

¹⁴ Worldsteel (2022), worldsteel short range outlook October 2022: <https://worldsteel.org/media-centre/press-releases/2022/worldsteel-short-range-outlook-october-2022/>

slightly exceeded the monthly average of the successful 2022 financial year. Based on the order backlog and the high level of incoming orders at the beginning of the year, plant capacity utilization has already been very good since the start of the year. Overall, Dillinger expects sales volumes to be slightly higher than in the previous year and capacity utilization at the steel mill and the rolling mills in Dillingen and Dunkirk to once again be very good. In light of a longer-term framework agreement extending beyond the 2023 financial year, capacity utilization at the subsidiary Steelwind Nordenham in 2023 will match the high level of the previous year. Based on the economic indicators, the greater price sensitivity coupled with high inventories mean the trading and flame-cutting companies are expected to see a moderate to significant decline in sales volumes and a noticeable weakening of earnings in 2023. There is uncertainty as to whether the steel market will consistently bear the higher energy costs and increased material expenses.

Accordingly, the company expects slightly higher sales in 2023 but moderate year-on-year declines in margins and earnings, which will however continue to lead to a high positive operating result (EBIT) and EBITDA. The expected overall earnings will be slightly below the previous year's figure.

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

Dillingen, 31 March 2023
The Board of Management



DR. KARL-ULRICH KÖHLER



JOERG DISTELDORF



MARKUS LAUER



JONATHAN WEBER

Annual financial statement

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Balance Sheet

Assets

€ thousand

	Notes	12/31/2022	12/31/2021
A. Fixed assets	(1)		
I. Intangible assets		978	1,457
II. Tangible assets		589,545	615,754
III. Financial assets		1,262,857	1,286,926
		1,853,380	1,904,137
B. Current assets	(2)		
I. Inventories			
1. Raw materials and supplies		55,291	58,769
2. Work in process		218,697	170,195
3. Finished products		288,437	217,017
4. Customer advance payments		- 35,226	- 2,358
		527,199	443,623
II. Receivables and other			
1. Trade accounts receivable		106,424	67,452
2. Receivables from affiliated companies		198,912	240,766
3. Receivables from companies in which the company has a participating interest		105,115	36,796
4. Other assets		42,930	38,565
		453,381	383,579
III. Cash and bank balances		182,966	75,963
		1,163,546	903,165
C. Positive difference from asset allocation	(3)	1,230	438
		3,018,156	2,807,740

Balance Sheet

Liabilities

€ thousand

	Notes	12/31/2022	12/31/2021
A. Shareholders' equity	(4)		
I. Subscribed capital		178,500	178,500
II. Capital reserve		378,574	378,574
III. Earnings reserves		986,898	836,898
		1,543,972	1,393,972
B. Reserves	(5)		
1. Accruals for pensions and similar obligations		531,977	483,799
2. Reserves for taxes		374	424
3. Other accruals and provisions		190,844	172,711
		723,195	656,934
C. Liabilities	(6)		
1. Liabilities to banks		160,036	174,087
2. Trade accounts payable		57,570	40,561
3. Liabilities toward affiliated companies		433,465	372,264
4. Payables to companies in which the company has a participating interest		63,107	118,207
5. Other liabilities		36,811	51,715
		750,989	756,834
		3,018,156	2,807,740

Profit and loss statement

Aktiengesellschaft der Dillinger Hüttenwerke, Dillinger/Saar for the period from 1 January to 31 December 2022.

€ thousand	Notes	FY 2022	FY 2021
1. Sales revenues	(7)	2,661,854	1,714,427
2. Changes in inventories and other own work, capitalized	(8)	119,982	248,176
3. Other operating income	(9)	23,779	18,740
		2,805,615	1,981,343
4. Material costs	(10)	1,921,874	1,418,152
5. Personnel costs	(11)	328,878	280,042
6. Amortization and depreciation of intangible and tangible fixed assets		60,844	61,557
7. Other operating expenses	(12)	181,049	128,783
		2,492,645	1,888,534
8. Income from participations	(13)	35,490	20,073
9. Net interest income	(14)	- 18,242	- 19,111
10. Taxes on income and earnings		187	187
11. Result after tax		330,031	93,584
12. Other taxes		1,162	1,188
13. Compensatory payment to minority shareholders		1,004	1,004
14. Profit transferred based on a profit and loss transfer agreement	(15)	177,865	1,392
15. Net income/loss for the year		150,000	90,000
16. Transfer to/from earnings reserves		150,000	90,000
17. Balance sheet profit		0	0

Cash flow statement

€ thousand	FY 2022	FY 2021
1. Profit/(Loss) for the period	328,869	92,396
2. Write-downs/(Write-ups) on fixed assets	57,499	55,191
3. Increase/(Decrease) in provisions	50,206	- 56,707
4. Increase in inventories, trade accounts receivable and other assets not allocated to investment or finance activities	- 178,007	- 209,528
5. Increase/(Decrease) in trade accounts payable as well as other liabilities not allocated to investment or finance activities	- 63,746	74,575
6. Increase in assets and liabilities attributable to mergers	- 1,284	0
7. Profit from the disposal of fixed assets	- 440	- 1,136
8. Interest expenses not allocated to investment or finance activities	17,816	18,382
9. Other income from shareholdings	- 35,490	- 20,073
10. Income tax expense	187	187
11. Income tax payments	- 4,077	- 620
12. Operating cash flow	171,533	- 47,333
13. Payments for investments in intangible assets	- 15	- 44
14. Proceeds from disposals of tangible fixed assets	1,055	3,670
15. Payments for investments in tangible fixed assets	- 28,966	- 6,812
16. Proceeds from disposals of financial assets	10,412	526
17. Payments for investments in financial assets	- 58	- 8,027
18. Proceeds/(Payments) due to financial investments as part of short-term financial resource management	26,587	- 41,187
19. Interest received	5,849	31,622

€ thousand	FY 2022	FY 2021
20. Received dividends and profit and loss transfers	35,982	2,797
21. Payments due to compensation obligations	- 16,409	- 8,766
22. Cash flow from investment activities	34,437	- 26,221
23. Free cash flow	205,970	- 73,554
24. Proceeds from loans	20,000	0
25. Payments from the amortization of bonds and loans	- 34,051	- 38,071
26. Interest paid	- 7,520	- 6,561
27. Proceeds/(Payments) due to financial investments as part of short-term financial resource management	- 75,000	95,000
28. Dividends paid to shareholders	- 2,396	- 1,004
29. Cash flow from financing activities	- 98,967	49,364
30. Net change in cash and cash equivalents	107,003	- 24,190
31. Cash and cash equivalents at the start of the period	75,963	100,153
32. Cash and cash equivalents at the end of the period	182,966	75,963

Offsetting and reconciliation of cash and cash equivalents

€ thousand	12/31/2022	12/31/2021	12/31/2020
Cash and bank balances	182,966	75,963	100,153
Other securities	0	0	0
Cash and cash equivalents	182,966	75,963	100,153
Change in cash and cash equivalents	107,003	- 24,190	

Development fixed assets

€ thousand	Historic cost and production cost					12/31/2022	Write-downs				12/31/2022	Asset value	
	01/01/2022	Additions	Disposals	Transfers	Merger		01/01/2022	Additions	Disposals	Merger		12/31/2022	12/31/2022
I. Intangible assets													
Purchased licenses, computer software	27,396	15	5,532	0	0	21,879	25,939	494	5,532	0	20,901	978	1,457
II. Tangible assets													
1. Land and structures	385,466	2,095	73	113	3,810	391,411	277,736	9,200	72	3,108	289,972	101,439	107,730
2. Technical equipment and machinery	1,885,658	3,215	279	1,074	20,594	1,910,262	1,414,659	45,278	279	15,181	1,474,839	435,423	470,999
3. Other property, plant and equipment	195,171	2,851	6,416	81	2,652	194,339	166,618	5,872	5,362	2,537	169,665	24,674	28,553
4. Advance payments made and assets under construction	8,472	20,805	0	- 1,268	0	28,009	0	0	0	0	0	28,009	8,472
	2,474,767	28,966	6,768	0	27,056	2,524,021	1,859,013	60,350	5,713	20,826	1,934,476	589,545	615,754
III. Financial assets													
1. Shares in affiliated companies	255,767	31	17,500	0	0	238,298	0	0	0	0	0	238,298	255,767
2. Loans to affiliated companies	14,000	0	500	0	0	13,500	0	0	0	0	0	13,500	14,000
3. Participating interests	254,951	0	0	0	0	254,951	0	0	0	0	0	254,951	254,951
4. Loans to companies in which the company has a participating interest	57,500	0	0	0	0	57,500	0	0	0	0	0	57,500	57,500
5. Securities held as fixed assets	616,560	0	9,454	0	0	607,106	6,877	0	3,344	0	3,533	603,573	609,683
6. Other loans	95,026	27	18	0	0	95,036	1	0	0	0	1	95,035	95,025
	1,293,804	58	27,472	0	0	1,266,391	6,878	0	3,344	0	3,534	1,262,857	1,286,926
	3,795,967	29,039	39,772	0	27,056	3,812,291	1,891,830	60,844	14,589	20,826	1,958,911	1,853,380	1,904,137

List of shareholdings

	Currency	Share of capital in %		Shareholders' equity	Results 2022	
		direct	indirect		total	
1. Affiliated companies						
Companies in Germany:						
Saarlux Stahl GmbH & Co. KG, Stuttgart	€ thousand	53.0		53.0	10,152	- 294
Dillinger Hütte Vertrieb GmbH, Stuttgart	€ thousand	100.0		100.0	4,210	1)
Ancofer Stahlhandel GmbH, Mülheim/Ruhr	€ thousand	100.0		100.0	26,031	1)
Jebens GmbH, Korntal-Münchingen	€ thousand	100.0		100.0	19,838	1)
Cargo-Rail GmbH i.L., Dillingen	€ thousand	100.0		100.0	37	0 2)
Steelwind Nordenham GmbH, Nordenham	€ thousand	100.0		100.0	91,662	1)
Ausländische Unternehmen:						
Dillinger France S.A., Grande-Synthe	€ thousand	100.0		100.0	74,529	3,973
Eurodécoupe S.A.S., Grande-Synthe	€ thousand		100.0	100.0	5,267	2,252
AncoferWaldram Steelplates B.V., Oosterhout	€ thousand	100.0		100.0	82,368	24,675
Ancofed S.A.R.L., Grande-Synthe	€ thousand		100.0	100.0	54	14
Trans-Saar B.V., Rotterdam	€ thousand	100.0		100.0	1,897	877
Dillinger Nederland B.V., Dordrecht	€ thousand	100.0		100.0	602	267
Dillinger International S.A., Paris	€ thousand	100.0		100.0	1,452	127
Dillinger Middle East FZE, Dubai	€ thousand	100.0		100.0	36,586	9,549 3)
Dillinger America Inc., New York	€ thousand	100.0		100.0	222	- 29
Dillinger Nordic AB, Alingsås	€ thousand	100.0		100.0	151	20 3) 4)
Dillinger Italia S.R.L., Mailand	€ thousand	100.0		100.0	165	28 4)
Dillinger Espana S.L.U., Madrid	€ thousand	100.0		100.0	152	32
Dillinger Hutte U.K. Ltd., London	€ thousand	100.0		100.0	151	6 3) 4)

1) A profit and loss transfer agreement exists.

2) Company is in liquidation.

3) Figures are translated into € thousand using the average spot exchange rate as of 31 December 2022.

4) Previous year's figure

	Currency	Share of capital in %			Shareholders' equity	Results 2022	
		direct	indirect	total			
2. Participating interests							
Companies in Germany:							
Dillinger Hütte und Saarstahl Vermögensverwaltungs- und Beteiligungs-OHG, Dillingen	€ thousand	50.0		50.0	256,611	- 8,867	
Zentralkokerei Saar GmbH, Dillingen	€ thousand		50.0	50.0	137,212		1)
ROGESA Roheisengesellschaft Saar mbH, Dillingen	€ thousand	24.5	25.5	50.0	301,636		1)
ROGESA Beteiligungsgesellschaft mbH, Dillingen	€ thousand		50.0	50.0	2,980	24	
Saar Industrietechnik GmbH, Dillingen	€ thousand		50.0	50.0	66		1)
Saar Rail GmbH, Völklingen	€ thousand		50.0	50.0	5,200		1)
Saar Stahlbau GmbH, Völklingen	€ thousand		50.0	50.0	950		1)
Dillinger Saarstahl America LLC., Wilmington	€ thousand	50.0		50.0	20	- 4	3) 4)
EUROPIPE GmbH, Mülheim/Ruhr	€ thousand	50.0		50.0	3,490	- 28,184	
EUROPIPE France S.A., Grande-Synthe	€ thousand		50.0	50.0	- 116	0	
BERG EUROPIPE Holding Corp., New York	€ thousand		50.0	50.0	152,906	- 20,167	3) 5)
MÜLHEIM PIPECOATINGS GmbH, Mülheim/Ruhr	€ thousand		50.0	50.0	20,311	1,209	
Saarstahl AG, Völklingen	€ thousand	25.1		25.1	2,533,401	409,236	5)

1) A profit and loss transfer agreement exists.

2) Company is in liquidation.

3) Figures are translated into € thousand using the average spot exchange rate as of 31 December 2022.

4) Previous year's figure

5) Consolidated profit

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