Executive Summary of the 2023 Financial Statement

DILLINGER

We are Pure Steel+

Contents

This abridged English-language financial statement is an excerpt from the annual report of Dillinger for the 2023 financial year. This publication does not constitute the complete form required by law (for this, please see the 2023 Annual Report of Dillinger in German).

Key figures at a glance

		2022	2023	Change
Hot metal purchase	in kt *)	1,975	2,065	+ 4.6 %
Crude steel production	in kt	2,299	2,376	+ 3.3 %
Total heavy plate production	in kt	1,841	1,837	- 0.2 %
of which in Dillingen	in kt	1,261	1,288	+ 2.1 %
of which in Dunkirk	in kt	580	549	- 5.3 %
Total shipped	in kt	1,822	1,768	- 3.0 %
of which prime grade heavy plate	in kt	1,818	1,748	- 3.9 %
of which semi-finished products	in kt	4	20	NA
Net sales by region				
Germany	€ million	1,329	1,352	+ 1.7 %
France	€ million	144	113	- 21.5 %
Other EU countries	€ million	765	815	+ 6.5 %
Other exports	€ million	424	335	- 21.0 %
Total net sales	€ million	2,662	2,615	- 1.8 %
Total workforce (excluding trainees) as of 31 Dec.		3,525	3,523	
Personnel expenses	€ million	329	299	
Balance sheet total	€ million	3,018	3,179	
Fixed assets	€ million	1,853	1,865	
Investments	€ million	29	82	
Shareholders' equity	€ million	1,544	1,744	
EBITDA	€ million	408	377	
EBIT	€ million	347	321	
Net profit (result for the accounting period)	€ million	328	316	
Operating cash flow	€ million	172	381	

*) Total production ROGESA: 3,539 kt (previous year: 3,916 kt)

Members of the Supervisory Board

Reinhard Störmer | Völklingen
Chairman
Chairman of Board of Directors and of the Board of Trustees of Montan-Stiftung-Saar

Jörg Köhlinger | Frankfurt
1st Deputy Chairman
Trade Union Secretary and District Head of the IG Metall Central District

Michel Wurth | Sandweiler (LU)
2nd Deputy Chairman
Chairman of the Board of Directors of Arcelor Mittal Luxembourg S.A.

Michael Becker | Saarwellingen
1st Deputy Chairman of the Works Council of Aktien-Gesellschaft der Dillinger Hüttenwerke

Carl De Maré| De Panne (BE)
Independent Consultant, Net-Zero Industries, ArcelorMittal

Lars Desgranges | Beckingen
Primary Authorized Representative of IG Metall, Völklingen

Michael Fischer | Dillingen
Chairman of the Group Works Council and Chairman of the Works Council of Aktien-Gesellschaft der Dillinger Hüttenwerke

Nadine Kliebhan | Illingen
Senior Project Manager, INFO-Institut Beratungs-GmbH

Prof. Dr. Wolfgang Leese | Lindberg
Managing Director and Partner
WGL Verwaltung und Beratung GmbH
Member of the Board of Trustees of Montan-Stiftung-Saar

Heiko Maas | Berlin
(as of 7 July 2023)
Member of the Board of Directors and of the Board of Trustees of Montan-Stiftung-Saar, Attorney at Law, GSK STOCKMANN

Antje Otto | St. Ingbert
Managing Director, Verband der Saarhütten – VDS

Paul Perdang | Gingelom (BE)
General Manager, Head of Capex, Group Finance Arcelor Mittal, Luxembourg

Prof. Dr. Susan Pulham | Saarbrücken
Professor, HTW Saar

Stefan Rauber | Marpingen
(until 7 July 2023)
Managing Director of Montan-Stiftung-Saar

Eugen Roth | Merchweiler
Former Deputy Chairman of DGB Rheinland-Pfalz/Saarland

Rainer Schwickerath | Nalbach
Member of the Works Council of Aktien-Gesellschaft der Dillinger Hüttenwerke

Members of the Board of Management

Stefan Rauber
(as of 8 July 2023)
Chairman of the Board of Management

Dr. Karl-Ulrich Köhler
(until 7 July 2023)
Chairman of the Board of Management

Joerg Disteldorf
Member of the Board of Management,
Chief Human Resources Officer

Markus Lauer
Member of the Board of Management,
Chief Finance Officer

Dr. Peter Maagh
(as of 1 August 2023)
Member of the Board of Management,
Chief Technical Officer

Daniël Nicolaas van der Hout
(as of 1 June 2023)
Member of the Board of Management,
Chief Commercial Officer

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

Report of the Board of Management

(Management Report)

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 and pipe 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, marketing, flame-cutting and fabricating companies offer additional services and customized solutions in sales, the processing of heavy plate, and other steel products.

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

Dillinger holds a participating 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

The global economic recovery in 2023 was slow and inconsistent. Global economic development continued to be restrained by the consequences of the COVID-19 pandemic, the war in Ukraine, and increasing geo-economic fragmentation. The effects of the tightened monetary policy necessitated by persistent inflation, weak trade and gloomy consumer sentiment became increasingly noticeable over the course of the year. The OECD therefore expects global GDP growth of 2.9 % in 2023 (2022: + 3.3 %).

The Chinese economy has increasingly stabilized in the past financial year, but structural problems such as the unresolved real estate crisis continue to cause unease. The OECD expects a growth rate of + 5.2 % for 2023 (2022: + 3.0 %). In contrast, gross domestic product in the United States is expected to grow by just 2.4 % in 2023 (2022: + 1.9 %), as the restrictive monetary policy required to combat inflation dampened economic activity.

Continued economic weakness in the eurozone was primarily due to weak development of consumer spending, as private households suffered from inflation and were reluctant to make purchases despite rising employment, positive wage trends and low unemployment. Annual GDP growth in the eurozone will therefore amount to only + 0.6 % (after + 3.4 % in 2022).

The German economy was also characterized by economic stagnation throughout 2023. High interest rates, declining private consumption and persistently weak exports were the primary reasons that GDP fell by 0.1 % compared to the previous year (2022: + 1.9 %).[1]

Steel market remains difficult

Serious consequences of the war in Ukraine and a deteriorating macroeconomic outlook also affected the steel market in 2023. The effects were particularly noticeable in the EU and North America. Global crude steel production from January to November 2023 was 1.715 billion tons, which was a slight increase of just 0.5 % compared to the same period of the previous year. In the same period, steel production in North America fell by 2.5 % to 100.2 million tons, while production in the EU 27 actually decreased by 7.8 %. Demand for steel in China was stimulated through government measures over the course of the year, which ultimately led to a slight increase of 1.5 % in crude steel production, to 952.1 million tons.[2]

Heavy plate market experiences year in two parts

Third-country imports of heavy plate into the EU 27 were at a very high level throughout 2023. In addition to imports from Asia and Brazil, significant quantities of Russian slabs continued to be imported unhindered as feedstock, including for heavy plate production, which led to high price pressure on European steel and heavy plate producers.

Conditions for steel demand in Europe deteriorated significantly last year overall as a result of the war, due to the unprecedented rise in energy prices, production costs and inflation since the second half of 2022. Following a significant decline in 2022 (- 7.2 %), EUROFER also expects demand for steel to fall by 5.2 % in 2023. According to the German Steel Trade Association (BDS), steel distributors also increased inventories with imports from third countries in the first half of 2023 due to the generally expected economic upturn. The significant deterioration in the outlook from the second quarter of 2023 on ultimately led to a further significant decline in inventories toward the end of 2023.

Demand for heavy plate for the offshore wind industry was high in 2023, even though there were some postponements and delays to projects due to the generally sharp rise in costs. The line pipe market has regained attractiveness with

[1] Sources for macroeconomic and sector-related conditions: BDI (2023) "Global Growth Outlook 11/2023: Global economy growth to remain weak in 2024, November 2023", OECD (2023) "OECD Economic Outlook, Volume 2023 Issue 2, No. 114", EUROFER (2023) "Economic and steel market outlook 2023-2024, Fourth quarter report".

[2] Worldsteel (2023) "PRESS RELEASE – November 2023 crude steel production".

the change in energy supply and new projects for transporting hydrogen and carbon. The construction equipment and steel construction sectors are also comparatively stable as a result of government investment in (green) infrastructure.

Business performance at Dillinger

Starting from an order backlog at the beginning of the 2023 financial year, with an average production range well beyond the first quarter and a very high level of new orders over the rest of the year, Dillinger was able to build on the very high capacity utilization of the previous year almost across the board. As expected, demand in Dillinger's key core segments was mixed but remained stable overall. After very high customer orders in the first half of the year, project-related demand led to erratic customer orders in the second half, particularly in the alternative and fossil energy market segments, while these were more balanced in the other segments over the course of the year. The difficult economic conditions and price pressure also became increasingly noticeable from the second quarter onward. Contrary to the general market trend, Dillinger succeeded in maintaining a revenue and margin level in line with the current high cost structure.

In addition to structurally unfavorable conditions such as overcapacity in the heavy plate market, trade restrictions and high third-country imports into the EU, the consequences of Russia's ongoing war in Ukraine impacted the steel and heavy plate market in Europe. The termination of Europe's cooperation with Russia, its most important supplier of energy and raw materials, had far-reaching negative economic consequences. At the same time, there are transitional regulations for Russian deliveries of semi-finished products to the EU that allow the continued import of slabs, which is further exacerbating price pressure on the steel market and leading to inequalities.

A continued contraction in the manufacturing sector – particularly in industrial production – and a sharp decline in the construction industry intensified uncertainties in the steel market. In addition, high inflation and the associated interest rate trend led to challenges, particularly for large-scale projects that are integrated into a far-reaching financing structure. This resulted in delays in project execution.

Contrary to the optimistic forecast with slightly higher sales volumes, Dillinger's shipment volumes in the 2023 financial year fell slightly compared to the previous year by 3.9 % or 70 kt, to 1,748 kt. The company succeeded to a considerable extent in passing on some sharp cost increases to customers, particularly on the raw materials and energy side.

Taking into account the economic conditions and challenges in the European steel market, Dillinger was able to close the current financial year with very successful business performance across the board. The key financial figures used to manage the company essentially confirm the original forecast figures, as they are slightly below the previous year's figures for 2022.

In addition to operating earnings effects, this is primarily due to shifts in the timing of income recognition as well as additional non-operating and one-off expenses. The volume-related decline in net sales and the slight change in the cost of material and personnel intensity, combined with improved income from participating interests, meant that EBIT and EBITDA were only slightly below the previous year's figures overall. Taking into account improved net interest income, the company's overall earnings were slightly below the previous year's figure.

Continued high utilization of plant capacity

It was largely possible in the financial year to maintain a consistently high level of capacity utilization, resulting in almost identical heavy plate production over the course of the year as in the previous year. Both hot metal purchases, at 2,065 kt (2022: 1,975 kt), and crude steel production, with 2,376 kt (2022: 2,299 kt), changed slightly from the previous year's levels. In addition to supplying slabs for the rolling mill in Dillingen, steel production also mostly covered the slab requirements of Dillinger France in Dunkirk. Production of heavy plate in the two rolling mills (1,837 kt) changed only slightly, by - 0.2 %, compared to the previous year (1,841 kt), despite significantly higher downtime in Dunkirk due to planned maintenance measures, with 1,288 kt of heavy plate (2022: 1,261 kt) being produced in Dillingen and 549 kt (2022: 580 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 successfully adapted the operating modes of the plants to the order situation through greater flexibility. The improved quality level of the previous years could not be maintained in 2023; higher failure rates in individual projects with special quality requirements caused the calculated average to increase significantly. The delivery reliability situation improved significantly in 2023 compared to the previous year. In contrast to the previous year, the logistical challenges and, above all, the restrictions on inland waterway shipping due to temporarily low Rhine water levels, eased considerably.

Earnings position

Product revenue maintained at a high level – expected results largely achieved
In the current financial year, shipments of heavy plate (prime grade) fell slightly by 70 kt (- 3.9 %) to 1,748 kt (2022: 1,818 kt), which was almost equally attributable to both product areas, normal and pipe plate. The revenue level for heavy plate was very balanced in the four quarters and even led to a slight increase in average revenue for the year as a whole. However, this did not fully compensate for the slight decline in shipments, meaning that Dillinger's net sales was slightly below the previous year's figure. There were slight shifts in the geographical markets: while net sales from project business declined in France and non-EU countries, it increased in Germany and even more so in the other EU countries.

In the past financial year, moderate declines in margins and earnings were forecast for 2023 based on the assumption of a positive sales and revenue forecast, which was expected to lead to a high positive operating result (EBIT) and EBITDA, as well as a correspondingly positive overall result. Earnings figures were expected to be somewhat lower than those in 2022. In particular, the consequences of the war in Ukraine on the European and especially the German economy also had varying effects on the supply, including imports, and demand for steel products, on the development of steel prices, on changes in the supply chains, especially in the procurement of raw materials, and in particular on the development of energy costs. Under these challenging market conditions, income from operating activities fell by € 26 million and Dillinger closed the 2023 financial year with positive EBIT of € 321 million (2022: € 347 million) and EBITDA of € 377 million (2022: € 408 million).

Other operating income was around € 11 million below the previous year's figure, mainly due to lower out-of-period income. In the previous year, there was also income from the merger of MSG Mineralstoffgesellschaft Saar mbH (MSG) with the Aktien-Gesellschaft der Dillinger Hüttenwerke, and a compensation payment from SHS, both of which no longer apply in the current year.

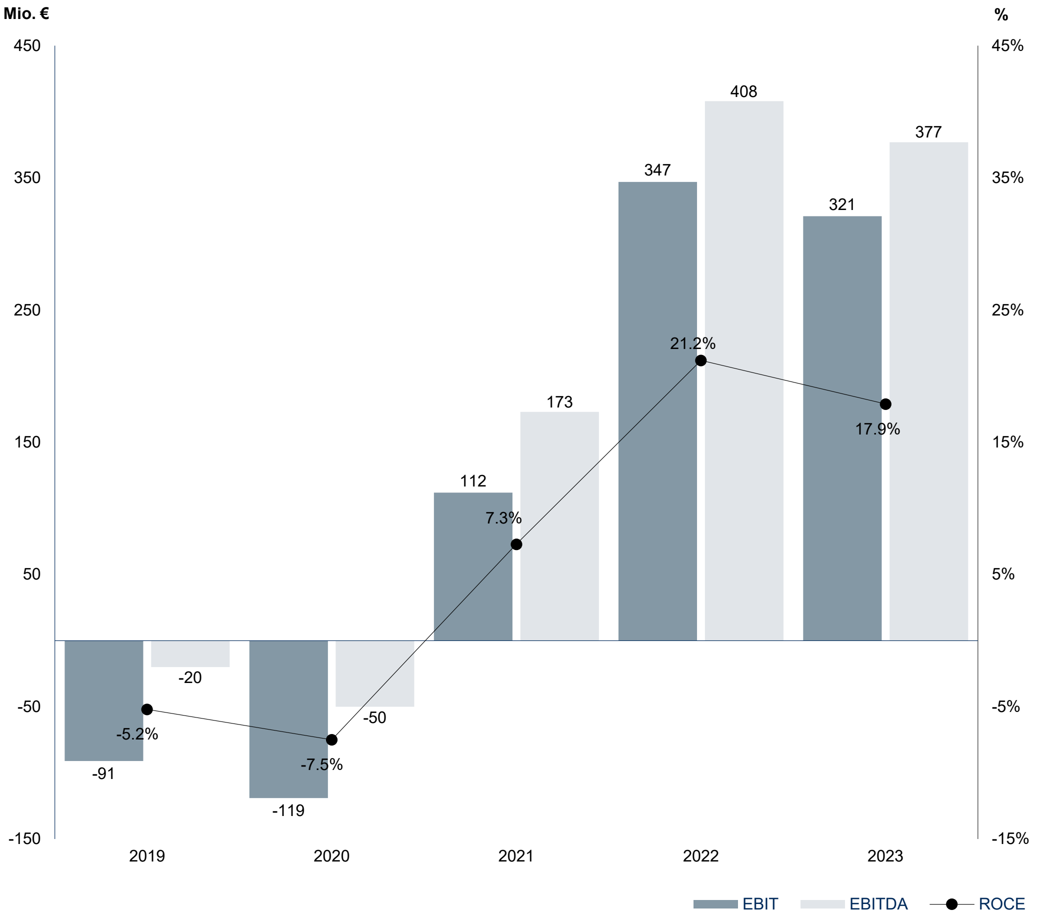
The decline in earnings compared to the previous year is mainly due to the significant increase in material and production costs per ton of heavy plate and the accompanying decline in margins. The slight increase in the production of semi-finished products and heavy plate was associated with a rise in the crude steel production volume of only 3.3 % or 77 kt. More significant for the increase in material costs was the development of procurement prices for hot metal, alloying agents and steel scrap. In addition, energy costs in particular were around 80 % higher. Maintenance and repair expenses also increased. The margin between total operating revenue and cost of materials declined commensurately year-on-year by around € 70 million. Material intensity increased by almost 1 percentage point compared to the previous year and amounted to 69.9 % (2022: 69.1 %).

The full impact of collectively agreed and individual wage and salary adjustments from 2022 as well as the formation of accruals for unregulated early retirement cases primarily account for the increase in expenses for wages and salaries as well as social security contributions. This was offset only slightly by the decline in the average number of employees, mainly due to transfers to other Group companies. Overall, expenses for wages and salaries as well as social security contributions increased by € 26 million.

The valuation of existing pension obligations takes into account salary and pension dynamics as well as the increase in pension payments as a result of increases in the consumer price index. Progressive lowering of inflation toward the middle of 2023 meant that the adjustments were below the value estimated by experts in the previous year, with the result that expenses for pensions and support amounted to - € 1 million and were around € 55 million lower than the previous year's figure. Personnel expenses therefore fell overall by 9.1 % to € 299 million (2022: € 329 million), while personnel intensity decreased from 11.8 % in 2022 to 11.4 % in the past year.

Amortization of intangible assets and depreciation of tangible fixed assets decreased by € 5 million as a result of scheduled depreciation. Other operating expenses increased by a further € 8 million compared to the previous year, primarily due to higher expenses for legal matters as well as legal and consulting costs, while sales expenses and allocations within the Group were lower than in the previous year.

Change in EBIT, EBITDA and ROCE



Financial and asset position

Liquidity and equity ratio improved thanks to successful business performance

Cash inflows from the profit for the period adjusted for non-cash expenses and income (€ 312 million) constitute most of the cash flow from operating activities, which amounted to € 381 million in the reporting year. In addition, there was a change in working capital (€ 69 million) – primarily due to the development as at the reporting date of liabilities to companies in which the company has a participating interest as well as to the increase in accruals and provisions.

Payments for investments in property, plant and equipment amounting to € 82 million were offset by cash inflows from affiliated companies, proceeds from disposals of fixed assets, and interest received totaling € 58 million. This was primarily accounted for by dividend payments (€ 51 million) in the current financial year. This led to negative cash flow from investment activities of - € 24 million and reduced free cash flow to € 357 million.

Investment activity in 2023 continued to be dominated by the effects of the overall geopolitical situation. An impact on supply chains with accompanying delivery difficulties was also still noticeable in 2023. The company nonetheless succeeded in appreciably increasing the volume of planned investments. For Dillinger, investment volume amounted to € 82 million (2022: € 29 million). In particular, planning for the upcoming transformation of steel production was dramatically advanced.

Examples of individual investments in the past financial year include the € 26 million expansion of pusher furnace 2 to handle 600 mm slab thicknesses in the plate rolling area as well as the € 12 million construction and commissioning of a new plate edge milling machine in the CNC processing area. A slab grinding system was ordered to replace the scarfing system for the slab finishing area (€ 10 million). A new, fully automated saw with two robots for rough sectioning of samples has been put into operation in the testing workshop in the final inspection area at a cost of € 3 million.

Around € 7 million was invested in the construction of a new training workshop for the “metal” area of initial technical training with a net floor area of approx. 2,600 m². The building consists of a hall, offices and training rooms for around 100 trainees and their trainers. Construction began in February 2020 and ended at the beginning of September 2023 with the start of the new training year (with a two-year interruption during the COVID pandemic).

The cash outflow from financing activities amounted to € 239 million in the current financial year. Cash inflows from borrowing amounting to only € 25 million were offset by payments to banks for scheduled loan repayments including interest payments of € 51 million. Dillinger also paid € 212 million to its shareholders. In addition to implementation of the 2022 profit and loss transfer agreement to DHS as the majority shareholder, the remaining part of a loan received from DHS in 2021 was also repaid.

As a result, cash and cash equivalents increased by € 118 million compared to 31 December 2022 and amounted to € 301 million as at 31 December 2023. As at 31 December 2023, cash and cash equivalents consisted of bank balances (€ 251 million) and investment in the transformation fund, reported in the investments other than loans (€ 50 million).

Non-current assets increased by a total of € 11 million to € 1,865 million in 2023. This is primarily due to the fact that investments and additions to fixed assets (€ 82 million) exceeded the scheduled amortization of intangible assets and depreciation of fixed assets (€ 56 million) and disposals of fixed assets (€ 1 million). In addition, financial assets decreased (€ 14 million), in particular due to repayments of loans.

At the same time, current assets rose by a total of € 151 million to € 1,314 million, with € 118 million of the increase attributable to cash and cash equivalents, reported under investments other than loans and cash and bank balances, and € 37 million to other receivables from affiliated companies. In particular, the change in short-term loans to subsidiary companies in Germany and abroad (€ 60 million) was higher than the decline in receivables from profit and loss transfer agreements (- € 24 million).

Trade accounts receivable from third parties, affiliated companies and companies in which the company has a participating interest developed heterogeneously but decreased by a total of € 9 million. At the same time, inventories increased slightly by € 2 million compared to the previous year, which was almost entirely due to the increase in inventories of heavy plate and slabs, as the development of procurement prices and processing costs reduced the valuation of inventories. Total assets increased accordingly by € 161 million year-on-year to € 3,179 million.

As a result of allocations to earnings reserves of € 200 million, equity amounted to € 1,744 million at 31 December 2023; at the same time, the equity ratio increased from 51.2 % in the prior year to 54.9 % in the reporting year.

The company's borrowed capital decreased by a total of € 39 million in the current financial year. In the context of cash inflows and outflows from financing activities, bank loans and overdrafts decreased by € 24 million and payables to affiliated companies by € 98 million. Pension reserves fell by a further € 17 million as a result of lower inflation in the current financial year and the associated adjustments to actuarial assumptions and the higher interest rates on which the valuation is based. Other liabilities also fell by € 6 million due to lower outstanding wage and salary payments and the transfer of personnel reserves to other companies in the SHS Group.

Trade accounts payable, which are primarily related to operating activities, increased compared to the previous year's reporting date, in particular to companies in which an equity investment is held (€ 69 million). Other accruals and reserves also increased by € 38 million – due to additions for outstanding obligations for payment in kind, repayment and warranty risks and legal matters, among other things.

Key figures

Key figures in %	2019	2020	2021	2022	**2023**
Liquidation ratio for fixed assets	73.4	66.9	73.2	83.3	**93.5**
Internal financing capability	170.4	- 7.7	NA	> 100	**> 100**
Equity intensity	53.6	50.5	49.6	51.2	**54.9**
Return on capital employed (ROCE)	- 5.2	- 7.5	7.3	21.2	**17.9**
Debt ratio	13.6	16.3	12.5	10.4	**7.8**
EBIT margin	- 6.4	- 11.5	6.5	13.6	**13.5**
EBITDA margin	- 1.4	- 4.8	10	16	**15.9**
Material intensity	72.9	73.3	72.3	69.1	**69.9**
Personnel intensity	19.4	21.8	14.3	11.8	**11.4**

Notes	
Liquidation ratio for fixed assets:	Equity in relation to fixed assets
Internal financing capability:	Operating cash flow in relation to net investments in fixed assets
Equity intensity:	Equity in relation to the balance sheet total
ROCE:	EBIT in relation to capital employed (average long-term capital employed)
Debt ratio:	Bank loans and overdrafts in relation to shareholders' equity
EBITDA and EBIT margin:	EBITDA or EBIT in relation to total operating revenue. In addition to net sales, the changes in inventories of finished products and work in process are also taken into account in determining total operating revenue. Net sales includes only revenue for heavy plate products.
Material and personnel intensity:	Cost of materials and personnel expenses in relation to total operating revenue

Changes in important non-financial performance factors

Sustainability

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

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

The companies of the SHS Group document their achievements in the areas of economy, ecology and society with a joint sustainability report. The report is based on the GRI standards of the Global Reporting Initiative (GRI). An update of the relevant key metrics is implemented through annual fact sheets. The Sustainability Report thus contributes significantly to improving the international transparency and comparability of activities in the field of sustainability and environmental protection.

Steel fulfills the principle of sustainability more explicitly than virtually any other material. Steel is the most widely used basic industrial material and it contributes significantly to environmental and climate protection through a wide range of applications. At the end of their service life, steel products can be recycled completely and as often as required, with virtually no loss of quality, and 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 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 Saarland's 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 electricity in production, the goal of carbon-neutral steelmaking can be achieved by 2045 at the latest.

Massive investments in the aforementioned technical facilities are required to achieve the ambitious carbon reduction targets. The SHS Group has defined a path to achieve the carbon reduction targets and passed the corresponding Supervisory Board resolutions in December 2022. In December 2023, the European Commission officially announced its approval of the € 2.6 billion German aid measure to support SHS - Stahl-Holding-Saar in decarbonizing its steel production through the use of hydrogen. The funding decisions from the German government were received in January 2024.

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

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.[3]

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

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.[4]

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.

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.[5]

The rating by the Carbon Disclosure Project (CDP) environmental protection organization also awarded top marks to the SHS Group’s sustainability management in 2023. The SHS Group received Leadership Status with an overall grade of A in the “Metal smelting, refining & forming” industry category.

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.[6]

Since 2023, SHS has also been a member of ResponsibleSteel, a global multi-stakeholder initiative for sustainability standards and certification involving various interest groups in the steel industry. The aim of the initiative is to be a driving force worldwide in the socially and environmentally compatible production of climate-neutral steel.

Support for the ten principles of the UN Global Compact in the areas of human rights and labor standards, environmental and climate protection, and anti-corruption is an integral part of the long-term sustainability concept of the SHS Group. Membership in the UN Global Compact since 2020 demonstrates that the companies are firmly integrating the principles of the UN Global Compact into their corporate strategy and culture as well as into their daily business practices, thereby applying and fostering the general goals of the United Nations – particularly the sustainable development goals – in all areas of the company.[7]

Employees

Qualified employees contribute decisively to Dillinger’s success with their know-how and high level of commitment and flexibility. The company therefore invests specifically in socially compatible and responsible HR efforts with a focus on topics such as improving occupational safety, promoting health and fostering the next generation of skilled workers.

The production plant capacities continued to be utilized in 2023 in accordance with the defined operating points. Rising volumes in the labor-intensive thick plate segment led to further staff increases at the beginning of the year, which were realized in various ways. By using the agreed flexibility instruments, the planned volumes could be realized throughout the year. With regard to the development of human resource figures, it should be noted that 45 employees of the transport operations were transferred to Saar Rail on 1 May 2023 as a result of a transfer of operations.

This resulted in a headcount of 3,523 employees at the end of the reporting year (2022: 3,525). These employees worked at Dillinger itself as well as – in the context of plant management – at ZKS and ROGESA. A total of 1,812 people were employed at Dillinger subsidiaries and affiliated companies (2022: 2,070).

[4] Source: Grande Region Hydrogen website https://grande-region-hydrogen.eu/.
[5] Source: Press release dated 24 July 2023 (Another Gold rating for Dillinger's sustainability strategy).
[6] Source: Press release dated 2 February 2023 (Sustainably well positioned: CDP Leadership Status for the SHS Group).
[7] 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. This was also reflected in numerous programs and measures in 2023, including continuation of the Group-wide "Occupational Safety Hour", implementation of Management Board inspections, and the "Occupational Safety as a Management Task" training course. To further develop the occupational safety culture, the Board of Management established an interdisciplinary "Occupational Safety Task Force".

Dillinger concluded 2023 with 14 lost-time accidents requiring at least one day of leave due to injury (2022: 8) and a lost time injury frequency rate (LTIFR) of 2.5 (2022: 1.5; number of accidents requiring at least one day of leave due to injury per 1 million hours worked).

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 2023, 111 young people started their careers in the company (2022: 62). As a result, the company trained a total of 261 young workers (2022: 217), 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 co-operative studies at the company with Saarland University of Applied Sciences (HTW saar) and Saarland University (UdS). 15 of the 20 students attend a technical program and five attend a business degree 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 2023 averaged 7.8 %. 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 positions. Women occupy leadership positions primarily in the administrative area. In the context of the assumption of operating tasks by the majority holding company SHS - Stahl-Holding-Saar, such as in the area of central staff functions, a considerable percentage of female employees and managers are represented in the holding company. Consequently, the percentage of female employees in the total workforce here, at 30.5 %, 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 % for the percentage of women on the supervisory boards was set for all companies in Saarland's steel industry (SHS - Stahl-Holding-Saar, Dillinger and Saarstahl). The Supervisory 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. In 2023, research activities along the value chain – from coke and hot metal production to steel production and heavy plate production – focused on process and product improvements, quality optimization and, in particular, preparations for production via the future electric furnace route.

Production of coke and hot metal
One key issue in hot metal production technology was the transformation with a focus on hydrogen-based direct reduction. The raw material/iron carrier for the future direct reduction plant will primarily be direct reduction iron ore pellets. In cooperation with Saarland University, a test rig was therefore set up and put into operation in order to investigate the reduction behavior of the iron carriers at high hydrogen contents. In contrast to the standard test methods, which work with a maximum hydrogen content of 55 % in the reduction gas, these pellets and other iron carriers can be tested in the test rig with 100 % hydrogen. Another research example in this context concerns the prediction and extension of the service life of the refractory lining of the blast furnaces, which are to be operated continuously until the first phase (2027) as part of the transformation project.

In the area of coke production, the focus was on optimizing the cost and quality of input materials for the coking plant. With the help of studies conducted at the coke pilot plant furnace, which went into regular operation in mid-2022 and enables up to four coking tests per week, a large number of coking coal mixtures could be tested in cooperation with the Raw Materials Purchasing department and consequently the coal mixture used in operation could be optimized.

Steel production
Steel Plant Technology and Research is also closely involved in the transformation project. The focus here is on evaluating the metallurgical transformation with regard to qualitative and process-related effects, among other things. The focus in 2023 was on the thermodynamic analysis and investigation of various EAF slag systems, e.g. with regard to the effect on secondary metallurgical process control. At the same time, work has been underway since 2023 as part of a national research cooperation ("MemKoWI"(1) project of the Federal Ministry of Economics and Climate Protection (BMWK)) on the technical implementation of the capture of carbon and hydrogen from process gases. Further process optimization efforts within a completed European research project (RFCS project "RealTimeCastSupport") have enabled better prediction of inhomogeneities in continuous casting moulds with the use of AI-based models.

Heavy plate production
The product-focused Research and Development continued to develop microstructure-based materials in the financial year – supported through targeted involvement of external institutes and research facilities – and at the same time focused on materials issues relating to the "green" transformation. Customer needs have been translated into product developments that could be used on an industrial scale. This resulted in seven publications and ten lectures in 2023. Noteworthy in this context are the project funded by the Federal Ministry of Economics and Climate Action (BMWK) for developing steels for heavy duty welding of monopiles (2), which will run until 2024, and the HyPower project launched in 2023.[8]

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 continued to focus on the defined strategic areas of innovation. In 2023, the focus was on the future topics of circular economy (recycling) and additive manufacturing, with innovation management supporting these areas through targeted idea generation processes as well as through the first concrete steps taken toward technology, product and service solutions.

Raw material procurement and transport

Prices for premium coal also hovered around USD 300/t over the course of 2023. This remains well above the historical annual averages. Reaching the pre-Russia-Ukraine-war level of around USD 200/t is also not foreseeable due to cost increases in raw material extraction.

The iron ore market was again volatile and ended the year on average in line with prices in 2022. Announced production cuts in China did not materialize; instead, the previous year's hot metal production was exceeded by 3 %. Supply and demand can therefore be regarded as balanced.

The ocean freight market was less dynamic last year than in the previous year, although freight rates rose significantly towards the end of the year due to uncertainties in the Suez Canal, among other things. To counteract this momentum, the mix of freight rates agreed for the medium to longer term, while at the same time taking advantage of opportunities on the spot market, has proven to be a dependably successful method for ROGESA and ZKS.

The companies 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 high costs in transport logistics at the beginning of 2023 eased in Q4. The main reasons for this are the demand patterns for freight, ending of the COVID pandemic, easing of the situation in the energy sector, improvement in the inflation rate and implementation of optimized logistics concepts. Transport costs in the road sector have risen due to another increase in the toll that came into effect in December 2023. In the area of rail logistics, costs were maintained and in some cases reduced through the implementation of new concepts. Long-term contracts (in the short sea shipping and rail sectors) generally contribute to predictable freight rates. Geopolitical issues, climatological disruptions (low water/flooding/ice and snow) and rail and road infrastructure measures continue to pose significant challenges to functioning and efficient transport logistics.

Continued development of sustainability in procurement was a clear focus again in 2023. The new Environmental, Social and Governance (ESG) questionnaire was created and expanded to include topics such as diversity, inclusion and the reduction of GHG emissions in the supply chain. With regard to the Supply Chain Duty of Care Act, the risk analysis was expanded to include the origin of the material, the newly created declaration of principles was sent to all suppliers and, if risks were identified, preventive measures were taken together with the suppliers in order to meet the human rights and environmental requirements of the law and the SHS Group.

[8] Joint project: HyPower – development of cost-efficient test methods to evaluate material behavior under hydrogen environmental conditions with a focus on power plant applications, EnArgus).

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").

Transformation
One of the biggest tasks in the Environmental Protection department in 2023 was likely leading management of the Federal Pollution Control Act (BImSchG) applications at the Dillingen and Völklingen sites. One of the main tasks here is coordinating the flow of information between the New Construction department, a large number of external experts and the national authorities involved. As further areas within the steel plants will be used for the planned new buildings, the work on nature conservation reports and planning of resettlement and replacement measures was supervised. In addition, two development plans were initiated at the Dillingen site (Dillingen and Saarlouis).

Participation in the Carbon Disclosure Project (CDP)
SHS - Stahl-Holding-Saar once again successfully participated in the Carbon Disclosure Project in 2023. The Carbon Disclosure Project is based on an international non-profit organization. Once a year, it records and evaluates the greenhouse gas emissions, the strategies with respect to climate change, and the handling of risks and opportunities arising from climate change reported voluntarily by companies and organizations.

Investments and emission control

Environmental management/IED inspections and emission control
The official inspection of the central coking plant and the blast furnace gas power plant took place in 2023 as part of the European Industrial Emissions Directive (IED) inspections. There were no deviations.

Incident inspection at ZKS and at ROGESA
The annual incident inspection at ZKS and at ROGESA was carried out in 2023 by the State Office for Environmental Protection and Occupational Safety (LUA). There were no deviations. The safety report and the associated ROGESA documents were finalized in 2023 in coordination with the LUA. The safety report and the associated ZKS documents are to be finalized in 2024 in coordination with the 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 financial year.

Determination of product carbon footprints (PCF)
As part of the sustainability strategy, a product-specific CO_2-equivalent value was determined as a sustainability indicator for the heavy plate product in accordance with the DIN ISO 14067/IPCC AR6 GWP100 standard (based on data for the year 2021).

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. Total coke production in 2023, at 1,285 kt, was considerably lower than the previous year's production (2022: 1,330 kt). ZKS is a company without employees. Personnel required for operation of the coke plant are provided by Dillinger. Investments at ZKS in 2023 amounted to € 4.2 million (2022: € 3.0 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 3,539 kt, hot metal production from blast furnaces 4 and 5 in 2023 was 9.6 % below the previous year's output (3,916 kt). During the reporting year, 2,065 kt (2022: 1,975 kt) were delivered to Dillinger and 1,474 kt (2022: 1,941 kt) to Saarstahl.

Investments at ROGESA in 2023 amounted to € 7.1 million (2022: € 3.6 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 GKW, 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 rolling mill in Dunkirk, where heavy plate is produced for Dillinger. Dillinger supplies semi-finished products for processing.

Total production of plate fell from 580 kt in 2022 to 549 kt in 2023. In addition to longer shutdowns for scheduled maintenance and repair work in the second half of the year, external factors over which Dillinger France had no influence also played a role in the decline in production. In order to be well positioned in the coming years, an action plan was adopted and funds were made available for maintenance. Participatory and innovative concepts are being pursued to achieve improved performance. The investment level, at € 11 million, is stable compared to 2022 (€ 12 million).

Net sales for the 2023 financial year amounted to € 146.4 million (2022: € 153.3 million), which is partly due to lower energy costs for gas and electricity in the second half of the year. The operating earnings figures improved slightly compared to the previous year. As a result, Dillinger France achieved EBIT of € 7.9 million and EBITDA of € 24 million in the current year. The number of employees increased slightly to 535 as at 31 December 2023, compared to 527 in the previous year.

Steelwind Nordenham GmbH, Nordenham

Steelwind Nordenham GmbH is a wholly owned subsidiary of Dillinger 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.

For Steelwind, the 2023 financial year was dominated by the production and delivery of the American Ørsted projects Revolution and South Fork Offshore Wind as well as the piles for the wind farms Borkum Riffgrund 03 and Gode Wind 03 in the North Sea. Production of the EnBW He Dreiht project, with a total of 64 monopiles, started in the second half of the year.

The total operating revenue of Steelwind Nordenham amounted to € 377.0 million in 2023 (2022: € 256.8 million). EBITDA for the 2023 financial year increased to € 33.4 million (2022: € 12.3 million), while EBIT amounted to € 17.5 million (2022: - € 1.0 million).

EUROPIPE GmbH, Mülheim an der Ruhr

EUROPIPE GmbH manufactures and sells welded large-diameter pipe made of steel. The diameters of the large-diameter pipe range from 24 inches (610 mm) to 60 inches (1,524 mm). EUROPIPE GmbH is one of the world's leading companies in this market segment. Dillinger holds a 50 % share of EUROPIPE.

The large-diameter pipes are manufactured in Mülheim an der Ruhr and coated by the EUROPIPE subsidiary MÜLHEIM PIPECOATINGS GmbH, Mülheim an der Ruhr.

EUROPIPE GmbH sold the US Berg Pipe Group to Borusan Mannesmann Pipe US Inc., a subsidiary of Borusan Mannesmann Holding AS, Istanbul, with effect from April 13, 2023. EUROPIPE GmbH will use the proceeds from the sale of the US companies to strengthen its main site in Mülheim an der Ruhr and will focus entirely on production of longitudinally welded large-diameter pipes.

EUROPIPE GmbH's sales increased significantly in the financial year compared to the previous year to € 1,058 million (2022: €203 million). In line with this, shipments increased significantly year-on-year with a volume of 553 kt (2022: 150 kt).

New orders at EUROPIPE GmbH in 2023 were significantly lower than in the previous year. The projects Yggdrasil, Süddeutsche Erdgasleitung, OGE-Etzel-Wardenburg-Drohne and various smaller and medium-sized new orders were received in the financial year. As at 31 December 2023, EUROPIPE GmbH's order backlog of 113 kt (2022: 521 kt) is at a significantly lower level, as the major Scarborough and South East Gateway orders have now been fully produced and delivered.

The net income for the year improved significantly year-on-year to € 211 million (2022: - € 28 million), which was due to the proceeds from the sale of the US companies and, in particular, the significant increase in shipments. EUROPIPE GmbH employed a total of 394 people at the end of 2023 (2022: 385).

EUROPIPE GmbH invested € 3.5 million (2022: € 3.6 million) in tangible and intangible assets in the financial year. Expenditures for further development of its products and the continuous improvement of production and quality assurance methods amounted to € 1.4 million (2022: € 0.8 million).

The major European energy transformation will only succeed through the massive development and expansion of the networks for hydrogen, natural gas and the disposal of CO_2 emissions. New pipelines will be built on a large scale for this purpose over the next few years. However, the final investment decisions for the hydrogen pipelines are being delayed due to still-unresolved remuneration models for the pipeline operators during the ramp-up phase. Demand for carbon capture storage projects is currently developing much faster.

Many interesting new construction projects for large-diameter pipes are also planned internationally in the coming years in order to meet the growing global demand for energy. Due to the reduced competitive situation (sanctions against Russia and massive capacity reductions in Japan), EUROPIPE also has attractive market opportunities outside Europe.

Saarstahl AG, Völklingen

The slowdown in demand for steel at Saarstahl since spring 2022 continued almost entirely throughout 2023. Changes in the procurement of energy and raw materials and the resulting price increases, inflation and prospects of a recession have perpetuated the uncertainties of the previous year. Added to this were economic downturns in individual sectors. As a result of the low market demand, production capacity utilization fell considerably in key operating areas. At Saarstahl, this made it necessary to control the operating modes of the plants, such as through block operating modes and the use of short-time work schedules for employees. The level of production and sales figures could not be maintained compared to the previous year, nor could the expectations for 2023; both hot metal purchases (1,474 kt, 2022: 1,941 kt) and crude steel production (1,703 kt, 2022: 2,261 kt) fell by around 25 % over the year as a whole, and shipped quantities fell from 2,117 kt to 1,632 kt.

Net sales declined by 29.8 % from € 2,631 million in the previous year to € 1,846 million. The operating earnings figures fell significantly following the very successful business performance in 2022. EBIT at Saarstahl amounted to - € 75 million (2022: € 293 million) and EBITDA to - € 35 million (2022: € 334 million).

The investment volume for Saarstahl in the 2023 financial year rose to € 40 million (2022: € 23 million). In particular, plans for the upcoming transformation of steel production continued to be advanced at a dramatic pace.

At the end of the reporting year, Saarstahl employed 3,434 people (2022: 3,553). A total of 1,520 people were employed at subsidiaries and affiliated companies of Saarstahl (2022: 1,539).

Risks and opportunities report

Dillinger has implemented a Group-wide risk management system, which has been supplemented with 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.

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.

The time horizon considered in the risk inventories is not limited. The assessments are generally based on individual assessments by the departments and are not subject to any mathematical/statistical specifications.

The risk topics are analyzed, processed and regularly coordinated with the company management by the corporate risk management department of SHS in coordination with the specialist departments.

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

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.

For external reporting, the information from internal reporting is supplemented and updated. The aim is to reflect the current risk situation. The risk assessment includes quantitative and non-financial, qualitative criteria. Based on this information, the risk is classified as low, medium, high or very high. These categories then reflect the current assessment of the relative extent of risk and are to be understood as a guide to the current significance of the risks for the company.

Organization of opportunity management

Opportunity management at 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 is contributing in important ways. 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.

The conversion to climate-neutral steel production is the central issue in the company's own transformation program. Dillinger developed various scenarios early on for switching to reduced-carbon or climate-neutral steel production.

The steel industry in Saarland has set ambitious targets for itself. In 2022, investments of € 3.5 billion were decided – subject to public funding – to transform Saarland's steel industry for 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. According to the latest BMWK publication from November 2023, Saarland's economy is expected to be connected to the German core network for hydrogen by the early 2030s. The connection is a precondition for the "green" transformation of the steel industry, which is dependent on large quantities of hydrogen. In addition, a local, cross-border hydrogen infrastructure is being established upstream together with various partners from the energy/hydrogen production and infrastructure sectors.

With these plans, Dillinger is seeking to be a pioneer in "green" steel production in Germany and Europe.

The joint transformation process for Dillinger and Saarstahl also serves to consistently develop new growth potential and to position our company with the corresponding products in promising new business segments.

This includes in particular the expansion of the offshore wind business segment, 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.

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

Operational opportunities
Dillinger sees operational 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 again advanced in 2023.

Offshore wind farms are playing an essential role in the decarbonization of energy supply in Europe. The offshore wind industry can make a significant contribution to achieving the carbon reduction targets. Even though the industry is currently experiencing turbulent times, with project delays and even some project cancellations, the enormous long-term expansion targets are being held to worldwide. Offshore wind is a growth market (see also the remarks regarding external, market and sector risks). For example, Germany is targeting a total offshore capacity of at least 30 gigawatts by 2030, with a further 40 GW to be added by 2045. Dillinger is contributing its part by expanding its capabilities with heavy plate and with Steelwind Nordenham. The investments made in 2023 in the conversion of the slab pusher furnace and the new plate edge milling machine underscore this strategy.

In the heavy plate sector for safety technology, the aim is to meet the highest safety requirements with a minimum of weight. This opens up new markets for Dillinger thanks to the high-strength safety steels that are recognized and approved by both customers and authorities, such as those in accordance with TL 2350-0000.

An 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.

Risk report

External, market and sector risks
Demand for steel is suffering from persistent inflation, high interest rates and high energy prices. Growth in 2023 in the steel processing sectors in Europe is forecast to be just 0.6 %. Apparent steel consumption (= including exports and imports) is expected to fall by 5.3 % in 2023 compared to the previous year. A moderate increase of 0.4 % is expected for 2024.

The already difficult conditions for steel production in Germany are worsening further. The slump is greater in Germany than in the rest of the EU and contrasts with the relatively stable development of demand in other regions outside Europe.

Other drivers of this situation include increasing geopolitical conflicts and the associated economic uncertainties. No agreement has yet been reached in the smoldering trade dispute between the United States and the EU. At their summit on 20 October in Washington, D.C., no agreement could be reached on the Global Arrangement on Sustainable Steel and Aluminum (GSSA). A moratorium agreement concluded in 2021 was extended in December 2023 until 31 March 2025. An escalation of the trade dispute must be avoided here at all costs. After the significant adverse effects of the war in Ukraine, the direct impact of the conflict on Dillinger has weakened considerably. In particular, the shortfall in coal and ore deliveries could be offset.

Monopile foundations continue to dominate the market, especially in Europe and the United States. Sales risks from increasing competition are very low, particularly in heavy plate and also in view of the growing market.

Risks are seen in a possible increase in the outsourcing of offshore wind components to Asia. However, as a producer of super-heavy plate for the offshore wind power sector, Dillinger is one of the major players in the energy transition. To expand offshore capacities, global energy companies are relying on the dependable supply of high-quality steels from and by Dillinger. The plates are currently also being used for the first commercial projects in the United States (Coastal Virginia Offshore Wind). As a producer of monopiles through its wholly owned subsidiary Steelwind Nordenham, Dillinger is also benefiting from the positive market development and is also contributing significantly to achieving the climate targets in Germany and Europe. In 2023 alone, Steelwind delivered foundation structures for more than one gigawatt of offshore capacity. This equals the output of a nuclear power plant.

The loss of Russian gas for Europe and investments in clean energy projects are increasing demand for new gas pipelines, which also need to be certified for future hydrogen pipelines. Expectations for growth are therefore increasing here, particularly for the LDP segment. However, project approvals are currently still behind the originally expected timeframes, meaning that expectations for the line pipe market in 2023 have not yet been met.

We assess the risks for Dillinger to be **low.**

Regulatory risks

Germany is striving to become greenhouse gas-neutral by 2045 and, against this backdrop, to reduce its carbon emissions by 65 % by 2030 compared to 1990.

To further support this transformation and achieve the climate targets, the German government adopted the 2023 Climate Action Program in October. The measures contained in the program are intended to reduce the current gap in climate protection from the 2030 climate target by 80 %.

The federal government's program contains measures for all central economic areas of activity (“sectors”) as well as cross-sector measures. It provides a clear transformation roadmap for each of the six largest sectors (including industry) up to 2030. The measures primarily contain a mix of regulatory and subsidy policy instruments as well as measures in the area of training or consulting. Many of the measures in the current program are now being implemented or have already been implemented. For example, the introduction of climate protection contracts to reduce carbon emissions in energy-intensive industries has been initiated.

National measures to reduce emissions are supported by the European Union's reform plans to significantly expand European emissions trading.

In 2023, the European Parliament confirmed the political agreement to reform the EU Emissions Trading System of 18 December 2022. The trilogue agreement provides, among other things, for an incremental reduction in the quantity of carbon certificates – the emission allowances – in the EU Emissions Trading System (ETS-1) by 62 % by 2030 compared to 2005 (previously 43 %). The price of carbon emissions is thus set to increase by this means. The rules for the free allocation of allowances have also been extensively revised. The allocation of allowances at no cost for the aviation sector and for the industrial sectors, which will be protected in the future from the risk of carbon leakage by the carbon border adjustment mechanism in future, is to be phased out. 117 million allowances for the emission of carbon dioxide are to be eliminated. In doing so, the EU aims to make it more cost-effective for companies to convert their production processes to clean technologies. The long-term goal is a climate-neutral economy.

For Dillinger, the stricter rules for emissions trading mean that there will be a significant additional financial burden due to the allowances that have to be purchased.

All of this is associated with high risks for the steel industry in the medium and 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, industrial electricity price, creation of "green" lead markets to compensate for the higher costs of decarbonized production).

Dillinger and Saarstahl are pursuing the forward-looking strategy of producing carbon-neutral steel. The extensive investments decided in 2022 (see comments regarding “Strategic opportunities”) are aimed at decarbonizing Saarland’s steel industry. Starting as early as 2027, plans call for up to 3.05 million tons of carbon-neutral steel to be produced annually in Saarland and for carbon emissions to be cut by 4.9 million tons when compared to 1990.

The risks are being countered operationally through the climate-compatible restructuring of steel production, including the planned use of hydrogen and the development of innovative technologies. Even one year after the investment package adopted by Saarland’s steel industry, many of the necessary external framework conditions have not yet been achieved. To achieve a reduction in global carbon derived from the economic activities of SHS, integrated decarbonization measures are required along the entire economic chain, over which SHS has little or sometimes no influence. However, these external measures also have an impact on direct emissions at the sites in Saarland, such as through sufficient availability of hydrogen which can replace fossil natural gas. A high monetary burden due to carbon pricing is also to be expected in the case of transformed steel production, which will be exacerbated by expiration of the free allowances via the Carbon Border Adjustment Mechanism (CBAM).

The funding decisions from the German government were received in January 2024. In December 2023, the European Commission officially announced its approval of the EUR 2.6 billion German aid measure to support SHS - Stahl-Holding-Saar in decarbonizing its steel production through the use of hydrogen.

Without the availability of sufficient and competitively priced “green” electricity, and therefore also hydrogen, a successful transformation will not be possible. 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

Production risks

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

Procurement risks

The raw materials for the bulk goods required for hot metal production are procured worldwide. The multitude of geopolitical crises could therefore have a negative impact on the procurement situation. The effects of the Russia-Ukraine conflict were minimized through allocations of raw materials. However, both availability and price conditions as well as transport capacities may be subject to strong fluctuations depending on the current situation and the intensity of other crises.

To minimize risk, 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 not changed significantly compared to 2022. The effects of infrastructure measures to achieve climate-neutral transport, particularly at Deutsche Bahn, are coordinated bilaterally and at federation level in order to minimize the impact on our industry. These cannot yet be definitively estimated at the present time, however.

When providing raw materials for the production facilities, any short-term shortages of input materials have varying degrees of impact on the quality and costs of the various production facilities and steps. Operational countermeasures are used to counteract the risks on an individual basis.

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

As part of implementing the obligations under the Supply Chain Duty of Care Act, SHS has identified relevant business processes and subjected its suppliers to a risk analysis. Preventive measures were subsequently implemented and corrective measures have been defined and are applied accordingly as needed.

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 the data and information may be compromised by industrial espionage or sabotage, for example. There are also general threats from cybercrime and cyberfraud. The changing global boundary conditions in 2022 mean that cyber risks are on the rise.

In 2023, IT security incidents are considered one of the biggest business risks worldwide for the second year in a row. Dillinger counters these risks by continuously monitoring and updating the software used and the information technology protection systems by Group IT. At the same time, the Information Security department is being strengthened by increasing staffing levels in order to advance the development of an information security management system and respond quickly and appropriately to cyber security events, including threats and incidents.

In addition to the use of modern technologies, emergency planning and drills are part of the information security concept and, alongside practical preparation for possible incidents, serve to continuously optimize IT operating processes. It is essential for effective protection that employees have sufficient knowledge and awareness of cyber risks. The focus in 2023 was therefore placed on these topics and an awareness campaign was launched. Furthermore, business impact analyses are carried out, which also address IT and ISM issues.

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 training.

Environmental risks
The production processes in hot metal and steel production as well as heavy fabrication 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 dynamics 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, Dillinger uses financial instruments such as forward contracts and/or derivatives as over-the-counter (OTC) or exchange-traded instruments. The company concludes financial instruments only with counterparts that have an excellent credit rating. Receivables in the area of deliveries and services are continuously monitored. Transactions are always secured by means of credit insurance. The resulting risk of default can therefore be considered low.

A steel producer’s financing of capital-intensive investments in fixed assets is always made at matching maturities, taking into account the expected capital returns and the necessary backing with equity capital. In addition, all major subsidiaries are incorporated in the short- and medium-term financial plan according to uniform standards. During regularly occurring analysis, both the current status and planning are incorporated into the risk management system. This ensures the necessary financial flexibility for 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 also increasingly concerns the hedging of long-term procurement and sales contracts. This results in a higher exposure to external risks, in particular interest rate and inflation risks, as well as higher requirements from the monitoring of financing conditions.

To effectively counter these and other fundamental financial challenges of financing the "green" transformation, a project organization was created that continuously monitors the main potential risks and mitigates them with appropriate countermeasures. Key activities in this regard include:

- Securing the business plan and the financing concept based on it and the underlying assumptions
- Designing and acquiring a resilient financing structure including complementary and alternative components
- Creating a financing reserve to secure liquidity requirements for the "green" transformation
- Continuous monitoring and management of liquidity, interest rate and inflation risks

Independent of this, market risks can influence fluctuations of current market values or future cash flows from financial instruments. 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 and the consolidated 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).

Ongoing financial and liquidity plans and a far-reaching cash management concept ensure the company's liquidity at all times.

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 Supply Chain Due Diligence Act (LkSG), which has been in force since January 1, 2023. The Compliance Committee is responsible for monitoring risk management as defined in Section 4 (3) LkSG.

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

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. A data protection policy was adopted by the Board of Management in April 2023, and data protection coordinators were appointed and trained throughout the steel plant. Data protection training courses are being prepared.

Compliance with international sanctions in connection with the Russia-Ukraine war was granted, especially in connection with the supply of raw materials, but also from a distribution perspective as far as foreseeable on the basis of a strict but justifiable interpretation of these sanctions. The risk of a lawsuit being filed by affected suppliers of the hot iron supplier ROGESA has decreased.

The risks are classified as **moderate**.

Overall assessment of the opportunity and risk situation

The strategic risks resulting from the difficult conditions for steel production in Germany and the economic and geopolitical conditions pose major challenges. The transformation program is viewed as the biggest challenge as well as a great opportunity to secure the future viability of Saarland's steel industry. Now that the funding of around EUR 2.6 billion has been approved, the support is officially authorized and the path has been cleared for one of the most ambitious transformation projects for the decarbonization of steel production in Europe.

The interdepartmental Power4Steel project group is responsible for managing and monitoring this ambitious transformation project internally. To manage the challenging technical and timeline aspects of implementing the project, the company is cooperating with experienced external business partners. We are also in regular contact with the authorities responsible for the funding.

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

Forecast report

General economic conditions

In 2024, the global economy will continue to face the challenges of the previous year and is expected to grow more slowly than in 2023. According to the OECD, global GDP growth is expected to be +2.7 %, and +3.0 % in 2025. The pace of growth in the individual regions is uneven, and the emerging markets are generally developing better than the advanced economies. Growth in the United States (+ 1.5 %), the eurozone (+ 0.9 %) and Germany (+ 0.6 %) will therefore be rather subdued compared to the major Asian economies such as India (+ 6.1 %) and China (+ 4.7 %).[9]

Nevertheless, the OECD's economic growth forecast for China is also fraught with uncertainty. End-consumers remain anxious, particularly in view of the ongoing crisis on the housing market. It therefore remains to be seen whether the economic policy measures announced in mid-2023 will lead to tangible changes.[10]

This uncertainty also influences possible economic development in the EU and in Germany. An unexpected downturn in the domestic economy in China could also have a negative impact on German exports. Other uncertainties are also affecting the potential economic outlook. These include the war in Ukraine, the tightening of monetary policy as a result of high inflation and, finally, further geopolitical tensions in the Middle East in connection with the Israeli-Palestinian conflict, which are likely to put further pressure on economic confidence and energy prices.

Steel market

For 2024, worldsteel expects global demand for steel to grow by 1.9 % to 1.849 billion tons (2023: 1.814 billion tons).[11] In view of the delayed effect of restrictive monetary policy, a rather slow recovery is expected in the advanced economies, while demand in the emerging markets is likely to grow faster.

For the European steel market, EUROFER is forecasting a recovery in steel consumption of + 7.6 % compared to the previous year, assuming positive development in the industrial sector and an associated increase in demand for steel.[12] However, the overall trend in demand for steel is still subject to a great deal of uncertainty.

Mixed prospects on the heavy plate market

Demand for heavy plate will continue to develop positively in 2024 in Dillinger's core segments: offshore wind, line pipe, steel construction, and construction equipment. Other areas continue to be strongly influenced by uncertainties, at least at the beginning of 2024. The mechanical engineering sector, for example, has clearly worked off its high order backlog and, according to the VDMA, now considers its situation to be significantly worse than a year ago.

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[9] BDI "Global growth outlook 11/2023: Global economy growth remains weak in 2024, November 2023"
[10] OECD "Economic outlook, Volume 2023 Issue 2, November 2023"
[11] worldsteel "Short Range Outlook", October 2023
[12] EUROFER "Economic and steel market outlook 2023-2024", October 2023

Development of Dillinger

Given the general economic uncertainties due to high energy and raw material costs, continued high inflation and the associated interest rate conditions for project financing, as well as the ongoing challenges on the steel market, Dillinger is facing a challenging financial year in 2024. At the same time, the ecological energy transition is motivating strong demand for heavy plate – especially for production of offshore wind farms. There is also increased demand in the fossil energy sector. 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 segments, 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 2024. In addition, there are longer-term framework agreements in individual consumer segments which already specify corresponding heavy plate deliveries after 2024. New orders in the first months of 2024 are volatile depending on the project but exceed the average figure for the second half of 2023. Taking into account the order situation at the beginning of the year, the very high capacity utilization was maintained into the new year. If the trend in new orders continues in the following months, Dillinger expects sales volumes to be even slightly above the previous year's level, which would result in correspondingly high capacity utilization at the plants, i.e. at the steel plant and the rolling mills in Dillingen and Dunkirk.

In light of a longer-term framework agreement extending beyond the 2024 financial year, capacity utilization at the subsidiary Steelwind Nordenham in 2024 will match or even slightly exceed the high capacity utilization of the previous year. Taking into account the current economic outlook, greater price sensitivity and high inventory values, sales volumes and earnings for the trading and flame-cutting companies in 2024 are expected to be similar to those of the previous year. There is general uncertainty as to whether the steel market will consistently bear the higher energy costs and high material costs. Overall, Dillinger anticipates a further increase in pressure on revenue and margins in the heavy plate market in 2024.

As a result, the company anticipates a slight overall decline in net sales in 2024 and even significant year-on-year declines in margins and earnings, which will nevertheless continue to lead to a high positive operating result (EBIT) and EBITDA. The expected overall result will be significantly lower than the previous year's figure.

Dillinger is fully committed to the Paris climate targets and to measures that of are compatible with a maximum global warming of 1.5°C. A reduction path towards carbon-neutral steel production has been transparently defined in accordance with the SBTi initiative. The company is prepared and technologically capable of providing the solutions for this. The funding commitments for this were secured in December 2023. The year 2024 will be characterized by the start of the implementation of major investments for the transformation.

Dillingen, 28 March 2024 | The Board of Management

STEFAN RAUBER **JOERG DISTELDORF** **MARKUS LAUER** **DR. PETER MAAGH** **DANIËL NICOLAAS VAN DER HOUT** **JONATHAN WEBER**

Annual Financial Statement

Balance Sheet

Assets

€ thousand	31/12/2023	31/12/2022
A. Fixed assets		
I. Intangible assets	2,166	978
II. Tangible assets	613,313	589,545
III. Financial assets	1,249,259	1,262,857
	1,864,738	**1,853,380**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	45,031	55,291
2. Work in process	203,846	218,697
3. Finished goods	313,575	288,437
4. Customer advance payments	- 33,299	- 35,226
	529,153	**527,199**
II. Receivables and other assets		
1. Trade accounts receivable	137,903	106,424
2. Receivables from affiliated companies	274,357	198,912
3. Receivables from companies in which the company has a participating interest	29,858	105,115
4. Other assets	41,621	42,930
	483,739	**453,381**
III. Securities		
Other securities	50,100	0
IV. Cash and bank balances	251,094	182,966
	1,314,086	**1,163,546**
C. Positive difference from asset allocation	457	1,230
	3,179,281	**3,018,156**

Balance Sheet

Shareholders' Equity and Liabilities

€ thousand	31/12/2023	31/12/2022
A. Shareholders' equity		
I. Subscribed capital	178,500	178,500
II. Capital reserve	378,574	378,574
III. Earnings reserves	1,186,898	986,898
	1,743,972	**1,543,972**
B. Accruals and Provisions		
1. Accruals for pensions and similar obligations	514,999	531,977
2. Tax provisions	374	374
3. Other accruals and provisions	229,286	190,844
	744,659	**723,195**
C. Liabilities		
1. Bank loans and overdrafts	136,374	160,036
2. Trade accounts payable	57,331	57,570
3. Liabilities toward affiliated companies	335,866	433,465
4. Payables to companies in which the company has a participating interest	130,408	63,107
5. Other liabilities	30,671	36,811
	690,650	**750,989**
	3,179,281	**3,018,156**

Profit and loss statement

€ thousand	FY 2023	FY 2022
1. Net sales	2,614,712	2,661,854
2. Change in inventories and other own work, capitalized	10,539	119,982
3. Other operating income	13,247	23,779
	2,638,498	**2,805,615**
4. Cost of materials	1,834,493	1,921,874
5. Personnel expenses	299,358	328,878
6. Amortization and depreciation of intangible and tangible fixed assets	56,322	60,844
7. Other operating expenses	189,370	181,049
	2,379,543	**2,492,645**
8. Income from participating interests	63,617	35,490
9. Net interest income	-4,245	-18,242
10. Taxes on income	187	187
11. **Result after tax**	**318,140**	**330,031**
12. Other taxes	1,408	1,162
13. Compensatory payment to minority shareholders	1,004	1,004
14. Profit transferred based on a profit and loss transfer agreement	115,728	177,865
15. Net income	200,000	150,000
16. Transfer to earnings reserves	200,000	150,000
17. **Profit shown on the balance sheet after appropriaton to earnings reserves**	**0**	**0**

Development of fixed assets

	€ thousand	Acquisition and production cost 01/01/2023	Additions	Disposals	Transfers	31/12/2023	Amortization and deprecation 01/01/2023	Additions	Disposals	31/12/2023	Net bock value 31/12/2023	31/12/2022
I.	**Intangible assets**											
	Purchased licenses, computer software	21,879	4	1,401	2,037	**22,519**	20,901	853	1,401	**20,353**	**2,166**	978
II.	**Tangible assets**											
1.	Land and building	391,411	5,316	0	4,235	**400,962**	289,972	8,081	0	**298,053**	**102,909**	101,439
2.	Technical equipment and machinery	1,910,262	33,507	8,491	14,396	**1,949,674**	1,474,839	41,754	8,455	**1,508,138**	**441,536**	435,423
3.	Other equipment, plant and office equipment	194,339	5,959	10,595	103	**189,806**	169,665	5,634	10,178	**165,121**	**24,685**	24,674
4.	Prepayments on tangible assets and assets under construction	28,009	36,945	0	- 20,771	**44,183**	0	0	0	**0**	**44,183**	28,009
		2,524,021	**81,727**	**19,086**	**- 2,037**	**2,584,625**	**1,934,476**	**55,469**	**18,633**	**1,971,312**	**613,313**	**589,545**
III.	**Financial assets**											
1.	Shares in affiliated companies	238,298	346	44	0	**238,600**	0	0	0	**0**	**238,600**	238,298
2.	Loans to affiliated companies	13,500	0	1,172	0	**12,328**	0	0	0	**0**	**12,328**	13,500
3.	Participating interests	254,951	0	269	0	**254,682**	0	0	0	**0**	**254,682**	254,951
4.	Loans to companies in which the company has a participating interest	57,500	0	3,000	0	**54,500**	0	0	0	**0**	**54,500**	57,500
5.	Investments other than loans	607,106	0	0	0	**607,106**	3,533	0	0	**3,533**	**603,573**	603,573
6.	Other loans	95,036	77	9,536	0	**85,578**	1	1	0	**2**	**85,576**	95,035
		1,266,391	**423**	**14,021**	**0**	**1,252,794**	**3,534**	**1**	**0**	**3,535**	**1,249,259**	**1,262,857**
		3,812,291	**82,154**	**34,508**	**0**	**3,859,938**	**1,958,911**	**56,323**	**20,034**	**1,995,200**	**1,864,738**	**1,853,380**

List of shareholdings

	Share of capital in %			Shareholders' equity	Net income 2023	
	direct	indirect	total	€ thousand	€ thousand	
1. Affiliated companies						
Companies in Germany:						
Saarlux Stahl GmbH & Co. KG, Stuttgart	53.0		53.0	10,033	- 119	
Dillinger Hütte Vertrieb GmbH, Stuttgart	100.0		100.0	4,210		1)
Ancofer Stahlhandel GmbH, Mülheim/Ruhr	100.0		100.0	26,031		1)
Jebens GmbH, Korntal-Münchingen	100.0		100.0	19,838		1)
Steelwind Nordenham GmbH, Nordenham	100.0		100.0	92,700		1)
GreenSteel EAF Dillingen GmbH, Dillingen	100.0		100.0	100	0	
Foreign companies:						
Dillinger France S.A., Grande-Synthe	100.0		100.0	82,777	7,631	
AncoferWaldram Steelplates B.V., Oosterhout	100.0		100.0	67,358	4,990	
Ancofed S.A.R.L., Grande-Synthe		100.0	100.0	66	12	
Trans-Saar B.V., Rotterdam	100.0		100.0	2,292	395	
Dillinger Nederland B.V., Dordrecht	100.0		100.0	213	118	
Dillinger International S.A., Paris	100.0		100.0	1,506	173	
Dillinger Middle East FZE, Dubai	100.0		100.0	39,153	3,982	2)
Dillinger Nordic AB, Alingsås	100.0		100.0	167	16	2) 3)
Dillinger Italia S.R.L., Mailand	100.0		100.0	181	17	3)
Dillinger Espana S.L.U., Madrid	100.0		100.0	152	32	3)

[1] A profit and loss transfer agreement exists.
[2] Figures are translated into € thousand using the average spot exchange rate as of 31/12/2023.
[3] Previous year's figure

	Share of capital in %			Shareholders' equity	Net income 2023	
	direct	indirect	total	€ thousand	€ thousand	
2. Participating interests						
Dillinger Hütte und Saarstahl Vermögensverwaltungs- und Beteiligungs-OHG, Dillingen	50.0		50.0	272,217	6,922	
Zentralkokerei Saar GmbH, Dillingen		50.0	50.0	137,212		1)
ROGESA Roheisengesellschaft Saar mbH, Dillingen	24.5	25.5	50.0	301,636		1)
ROGESA Beteiligungsgesellschaft mbH, Dillingen		50.0	50.0	3,057	77	
GreenSteel DRI Dillingen GmbH, Dillingen		50.0	50.0	100	0	
Saar Industrietechnik GmbH, Dillingen		50.0	50.0	66		1)
Saar Rail GmbH, Völklingen		50.0	50.0	5,200		1)
Saar Stahlbau GmbH, Völklingen		50.0	50.0	3,928	2,977	1)
Dillinger Saarstahl America LLC., Wilmington	50.0		50.0	28	5	2) 3)
Dillinger Saarstahl UK Ltd, Scunthorpe (formerly: Dillinger Hutte U.K. Ltd., London)	50.0		50.0	98	- 35	2) 3)
Saarstahl UK Ltd, Scunthorpe		50.0	50.0	112	16	2) 3)
EUROPIPE GmbH, Mülheim/Ruhr	50.0		50.0	154,155	210,666	
EUROPIPE France S.A., Grande-Synthe		50.0	50.0	- 116	0	
MÜLHEIM PIPECOATINGS GmbH, Mülheim/Ruhr		50.0	50.0	20,523	213	
Saarstahl AG, Völklingen	25.1		25.1	2,472,581	- 61,460	4)

[1] A profit and loss transfer agreement exists.
[2] Figures are translated into € thousand using the average spot exchange rate as of 31/12/2023.
[3] Previous year's figure
[4] Consolidated profit

Cash flow statement

	€ thousand	FY 2023	FY 2022
1.	Period result before profit transfer	316,732	328,869
2.	Amortisation and depreciation on fixed assets	56,322	57,499
3.	Increase/(Decrease) in provisions and accruals	16,772	50,206
4.	Increase in inventories, trade accounts receivable and other assets not allocated to investment or financing activities	6,316	- 178,007
5.	Increase/(Decrease) in trade accounts payable as well as other liabilities not allocated to investment or financing activities	46,236	- 63,746
6.	Increase in assets and liabilities attributable to mergers	0	- 1,284
7.	Profit from the disposal of fixed assets	- 1,565	- 440
8.	Interest expenses not allocated to investment or financing activities	3,962	17,816
9.	Other income from shareholdings	- 63,617	- 35,490
10.	Income tax expense	187	187
11.	Income tax payments	135	- 4,077
12.	**Operating cash flow**	**381,480**	**171,533**
13.	Payments for investments in intangible assets	- 4	- 15
14.	Proceeds from disposals of tangible fixed assets	1,444	1,055
15.	Payments for investments in tangible fixed assets	- 81,727	- 28,966
16.	Proceeds from disposals of financial assets	14,595	10,412
17.	Payments for investments in financial assets	- 423	- 58
18.	Proceeds/(Payments) due to financial investments as part of short-term financial resource management	- 60,790	26,587
19.	Interest received	17,387	5,849
20.	Received dividends and profit and loss transfers	92,204	35,982
21.	Payments due to compensation obligations	- 6,745	- 16,409
22.	**Cash flow from investment activities**	**- 24,059**	**34,437**
23.	**Free cash flow**	**357,421**	**205,970**

	€ thousand	FY 2023	FY 2022
23.	**Free cash flow** (carryforward)	357,421	205,970
24.	Proceeds from loans	25,000	20,000
25.	Payments from the amortization loans	- 48,662	- 34,051
26.	Interest paid	- 16,662	- 7,520
27.	Proceeds/(Payments) resulting from financial investments as part of short-term financial resource management of DHS	- 20,000	- 75,000
28.	Dividends paid to shareholders	- 178,869	- 2,396
29.	**Cash flow from financing activities**	- 239,193	- 98,967
30.	**Net change in cash and cash equivalents**	118,228	107,003
31.	**Cash and cash equivalents at the start of the period**	182,966	75,963
32.	**Cash and cash equivalents at the end of the period**	301,194	182,966

Offsetting and reconciliation of cash and cash equivalents

€ thousand	31/12/2023	31/12/2022	31/12/2021
Cash and bank balances	251,094	182,966	75,963
Other securities	50,100	0	0
Cash and cash equivalents	301,194	182,966	75,963
Net change in cash and cash equivalents	118,228	107,003	

Imprint

Publisher:
AG der Dillinger Hüttenwerke
Werkstraße 1
D-66763 Dillingen, Germany
www.dillinger.de

Responsible:
Corporate Communications
SHS - Stahl-Holding-Saar GmbH & Co. KGaA

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