PERFORMANCE PARTNERSHIP

SMS group

Annual Report
2024

Performance partnership
We are driven by our customers' success

The global metal industry is changing. Besides needing the right technologies, it also takes partnership. At SMS group, we not only help our customers to build their plants, but also offer them support throughout the entire life cycle. Our aim: performance.

To achieve this, we combine metallurgical knowledge, digital innovation, automation, and service to produce integral solutions. Every plant, every project is different – as are the requirements in terms of availability, quality, sustainability, and output. With an in-depth understanding of the industry's metallurgical, mechanical, electrical, and digital requirements, we give our customers tailored support to meet any challenge.

We are more than mere partners for realizing projects – we are performance partners. Today and in the future.

Mission Statement

SMS group is renowned worldwide for its future-oriented technologies and outstanding service for the metals industry. We apply our 150 years of experience and our digital know-how to provide the industry continuously with innovative products and processes that extend beyond our core business. We are the right partner for challenging projects and support our customers throughout the life cycle of their equipment, enabling profitable and resource-efficient value chains. Paving the way for a carbon-neutral and sustainable metals industry is our stated goal.

Managing Board
(from left to right)

Thomas Hansmann **CTO**

Fabíola Fernandez **CFO**

Jochen Burg **Chair & CEO**

Katja Windt **CDO**

Michael Rzepczyk **COO**

a glance

SMS group in figures (2024)

Order intake	**3,620 million euros**
Sales	**4,033 million euros**
Order backlog	**6,336 million euros**
Employees	**> 13,500**

Our areas of expertise

Many skills, one mission: We are making the metal industry fit for the future

The metal industry is evolving at a rapid pace. All companies must constantly endeavor to improve their production processes, sustainability strategy, and technology integration concepts. This is one of the reasons why SMS group has also evolved over the past 150 years, starting out as a pure plant manufacturer and now a comprehensive service partner to the metal industry. Our mission goes way beyond plant manufacturing: We are committed to a **performance partnership** – a close, long-term cooperation with our customers aimed at optimizing their performance on a permanent basis.

Our customers have individual needs and face unique challenges. Our skills enable us to find the right solution for every situation and support our customers with our expertise as they make their way into a more efficient, digital, and sustainable future. With our global network of engineers, metallurgists, automation experts, and programmers, we combine in-depth metallurgical knowledge with state-of-the-art technology. Our holistic approach brings together plant engineering, automation, digital innovation, and a strong service network. This is how we minimize complexity for our customers and increase efficiency, enabling them to concentrate on their core business.

at a glance

Project management
Mastering complexity. We manage projects from the initial idea to the commissioning stage – efficiently, on time, and at the highest technological level.

Global production
Quality worldwide. With our global manufacturing network, we guarantee high quality, fast delivery times, and maximum reliability.

Energy supply and drive technology
Efficient energy management. A reliable energy supply, robust hardware, and powerful automation are the basis for resource-saving and stable production processes.

Process automation and visualization
Control concepts with vision. Our intelligent systems monitor and automate processes in real time, making metal production more efficient.

Data management
Data is the key. We transform complex data streams into usable insights with the aim of optimizing processes and taking a predictive approach to controlling production workflows.

Software solutions
Shaping the digital future. Our software combines AI, automation, and process data to make production processes smarter and more sustainable.

Spare parts management
Security of supply. We offer comprehensive spare parts management for high plant availability combined with low capital commitment.

Maintenance and modernization
Guaranteeing plant performance. We provide maintenance, repair, and modernization services from a single source to minimize downtime and keep machines fit for the future.

Education and consulting
Knowledge leads to success. Our experts share their expertise through consulting services and training courses to help our customers to get the most out of their plants.

#turningmetalsgreen

Metals are indispensable for a large number of key industries. But in the fight against climate change, the metals industry must change. We are committed to creating a sustainable metals industry that approaches the neutrality frontier. That's what it means when we talk about #turningmetalsgreen. We are a key player in this historic transformation. We are focusing on the two key areas of **decarbonization** and **the circular economy**.

Selected projects and technologies

Stegra, Sweden – the world's first 100 percent hydrogen-based steel plant

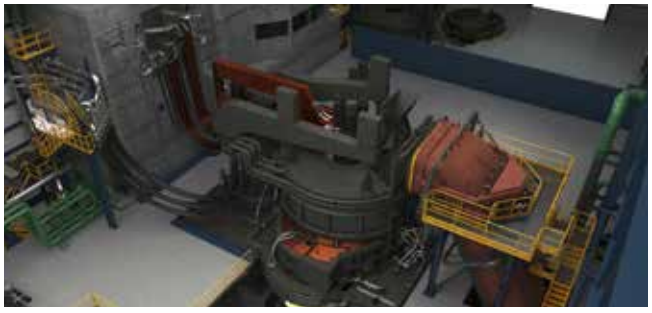
thyssenkrupp Steel, Germany – decarbonization of Europe's largest steel site

EASyMelt – transforming blast furnaces into low CO_2 operation

Hybar, USA – a minimill powered by the sun

Aurubis, USA – the first multimetal recycling plant in the US

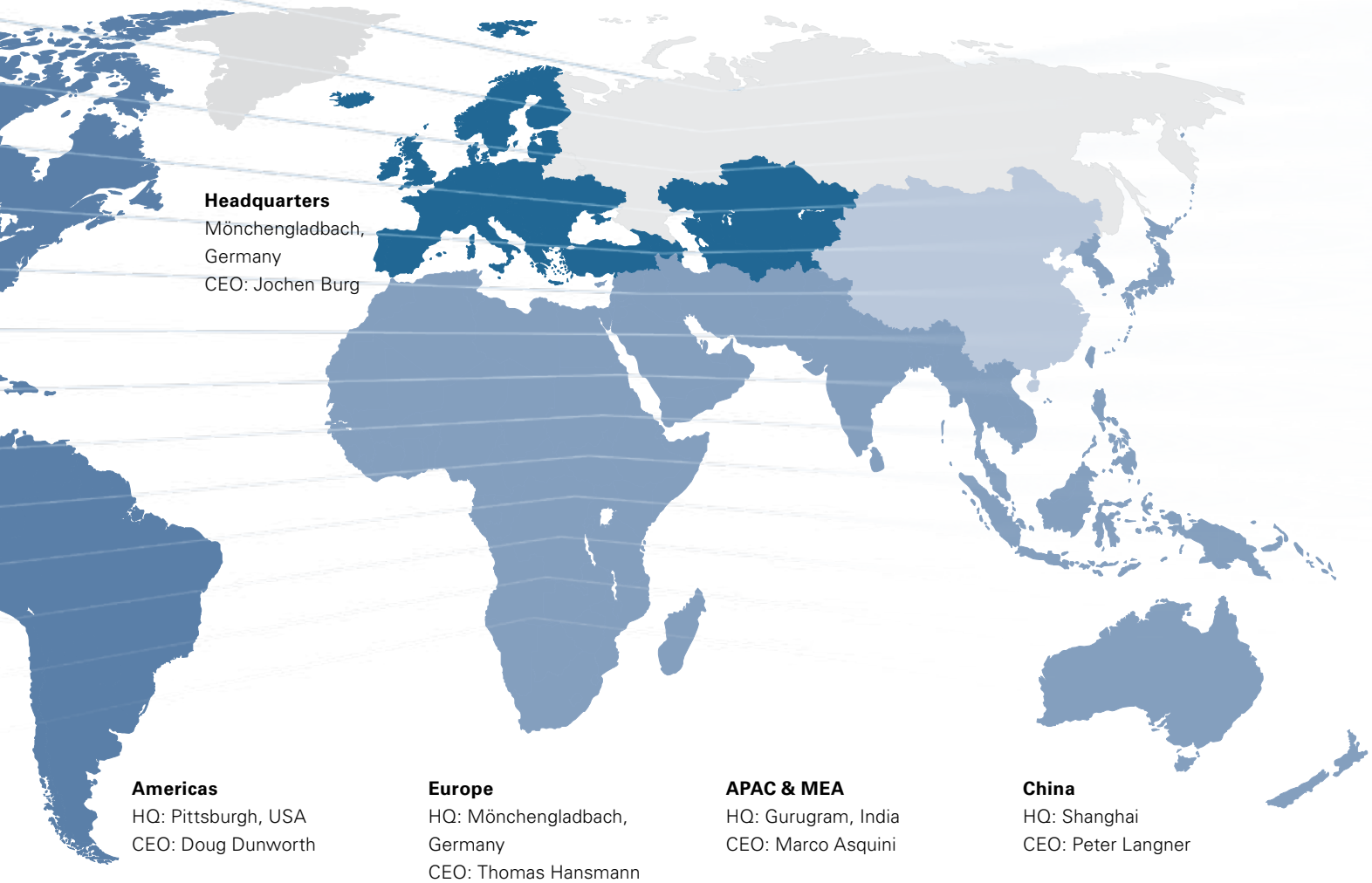
Mercedes-Benz, Germany – recycling plant for lithium-ion batteries



Saarstahl, Deutschland – Power4Steel, toward carbon-neutral steelmaking

SSAB, Sweden – transition from integrated to electric steelmaking

SMS group worldwide



Headquarters
Mönchengladbach,
Germany
CEO: Jochen Burg

Americas
HQ: Pittsburgh, USA
CEO: Doug Dunworth

Europe
HQ: Mönchengladbach,
Germany
CEO: Thomas Hansmann

APAC & MEA
HQ: Gurugram, India
CEO: Marco Asquini

China
HQ: Shanghai
CEO: Peter Langner

30 locations
Region Americas

44 locations
Region Europe

22 locations
Region APAC & MEA

9 locations
Region China

Founded in 1871, we have grown from a small family business into a global player with a significant influence on the development of the metals industry. Crucial to this success story was our early orientation toward global markets, our focus on technology, and our adherence to the values of a family-owned company.

Edwin Eichler,
Chairman of the Supervisory Board of SMS group GmbH

Dear employees, dear business partners,

The past fiscal year has seen growing geopolitical and local political uncertainties around the world. Against the backdrop of ongoing military conflicts, the change of president in the USA, various elections in Europe, and the breakup of the coalition in Germany, the markets have been subjected to additional uncertainty. For example, no new decisions on major projects were made in the USA until the election.

The burdens of inflation, disruptions in supply chains, and the still extremely high energy costs in various regions, together with the upheavals in the automotive industry, have put additional pressure on the markets.

The management of SMS group has responded to these challenges with an extensive program of measures. In addition to implementing major projects – especially in the field of decarbonization – we needed to act decisively and make adjustments in preparation for looming market changes. At the same time, the move to our innovative new Campus in Mönchengladbach, the introduction of the new company-wide SAP system, and the realignment of the future growth business in plant service had to be aligned with our performance programs.

If one looks at the annual result against the background of these challenges, positive and negative assessments are balanced. SMS group achieved its best operating result in recent years, but its profitability is still below the level required in the long term. Although improvements were made in many projects compared to the planned results, there were also significant negative deviations in others.

Another important and decisive event in the fiscal year was the retirement of Dr. Heinrich Weiss from the various supervisory bodies, given his age and the associated planned change on the part of the Weiss family. At the same time, new members joined the shareholders' committee. In the 2024 fiscal year, the extensive generational change – which began with the management in 2023 – was implemented right up to the foundation's Board of Management.

In the past year, the management team, employees, and the employee representatives have demonstrated that SMS group is able not only to overcome major challenges and changes, but also to show firm resolve in taking measures to grow and adapt together. Our financial result would otherwise have hardly been possible.

The turn of the year is unlikely to bring any respite, and it will require additional efforts to increase profitability and ensure cost-effective innovations and motivation at all levels by the management team in 2025.

The focus is on the service-oriented acquisition of orders, implementation of operationally focused solutions for our customers, as well as lean and results-oriented processing of all services. In particular, the strategic growth of the service business relating to new and existing systems requires a strong leadership boost.

This is essential if we want to counter increasing market volatility in the years ahead with a stable, rapidly growing business based on long-term customer relationships.

The prerequisite for this is to focus our sights on our innovative core business, withdraw products that are clearly not profitable, and make targeted investments in technology, know-how, and quality in processing.

I would like to thank all of our SMS friends and colleagues – inside the company and outside in the market – for their loyalty and commitment. SMS group plans to grow in response to these challenges and will continue to serve the metallurgical industry as a leading service provider in 2025.

Yours,

Edwin Eichler
Chairman of the Supervisory Board of SMS group GmbH

From left to right:
Heinz-Erik Decker, Johannes Frauendörfer (Chair), and Georg Heinrich Weiss

Dear business partners, dear friends of SMS group,

SMS has been synonymous with innovation, quality, and trusting partnerships for more than 150 years. With the generational changeover process in the Familie Weiss Foundation now complete, a new chapter is beginning that builds on these values.

It is with considerable gratitude that we look back on the outstanding work of Heinrich Weiss, who led the company with real vision and passion for a number of decades. His tireless commitment has shaped SMS as a leading company in the field of mechanical and plant engineering for the metal industry and played a key role in its international success.

As the new Board of Management of the Familie Weiss Foundation, we want to build on this and actively shape the strategic development of SMS together with the Managing Board and the Supervisory Board. Continuity and stability are of the utmost importance to us here. The generational change represents a continuation of the consistent corporate philosophy that has made SMS successful. We support SMS's strategic direction, which aims to build a performance partnership with our customers based on trust while securing the company's financial independence and long-term competitiveness.

We sincerely thank you for the trust you have placed in us as a business partner and look forward to continuing our successful cooperation.

Our thanks also go to the employees of SMS. Their expertise and daily commitment provide the foundations for our shared success.

Warm regards,

Johannes Frauendörfer
Familie Weiss Foundation
Chair of the Board of Management

Georg Heinrich Weiss
Familie Weiss Foundation
Member of the Board of Management

Heinz-Erik Decker
Familie Weiss Foundation
Member of the Board of Management

A conversation **with the Managing Board**

Jochen Burg,
CEO of SMS group

Mr. Burg, Ms. Fernandez, 2024 was your first fiscal year together as CEO and CFO of SMS group. Was it a successful year?

JOCHEN BURG Above all else, 2024 was a year marked by massive upheaval. Geopolitical tensions and high inflation presented us with major challenges. At the same time, we have strategically realigned our company and launched several initiatives aimed at increasing our profitability.

FABÍOLA FERNANDEZ The wild year is also reflected in the figures: In 2023, we had a record order intake worth 5 billion euros due to the major order placed by thyssenkrupp Steel. Last year, the figure fell to 3.6 billion euros. Orders of this size cannot be repeated every year. However, we remain above the ten-year average. Sales rose by 600 million euros – an increase of 18 percent. Our good order backlog has enabled us to boost our profitability and we are more financially flexible.

The year 2024 was also one of generational change. Has it been possible to meet the owners' expectations?

JOCHEN BURG The continued existence of SMS as an independent family-owned company is secure – that is good news for our employees, customers, and partners. The huge dynamics in the global markets call for stability and a clear strategic focus. The Shareholders' Committee supports our course and backs our strategy. Achieving an operating profit of seven percent by 2027 remains our shared aim. Last year, we were at four percent – a solid figure, but no reason for complacency. We must continue to work resolutely on our profitability and keep on making improvements where necessary.

FABÍOLA FERNANDEZ The aim of our performance and profitability program is to improve our performance by around 300 million euros by 2027. The first cost-cutting measures were successful. We are making good progress with the integration and realignment of smaller companies, for example. But we can also see that investors around the world are very cautious. The market uncertainties require a flexible adjustment of our structures. This is the case worldwide.

What is happening with the expansion of the service business?

JOCHEN BURG Our aim is to generate around 50 percent of sales with service by 2030. We are currently still at about 25 percent. The service business is a key pillar of our strategy, which is why we need greater urgency here. I am very familiar with the service business, and as CEO I see it as my main task to provide the necessary impetus for more service growth. We also need a cultural change at SMS, moving away from our role as a pure mechanical engineering company and plant manufacturer toward one as a performance partner.

What is meant by performance partner?

JOCHEN BURG We want to give our customers comprehensive support when it comes to the performance of their plants. Every customer needs something different for optimal performance: quality, sustainability, output, or plant availability. We can cover it all. Besides building and delivering plants, we also look after them after commissioning with service contracts for maintenance, modernization, digitalization, or upgrading. This makes us a reliable performance partner for our customers – on equal terms with a long-term focus. In addition to building a state-of-the-art green steel plant for our customer Stegra in Sweden, we have also signed a twelve-year service contract. That is a good example of how it can work.

Will the new plant business remain relevant for SMS at all?

JOCHEN BURG Absolutely. But we are firmly focused on profitable projects and those with service potential. Technically challenging or prestigious projects are only worthwhile if they are economically viable, which is why we avoid major EPC projects that entail high risks and less added value.

Aren't your customers asking for precisely this kind of EPC expertise?

JOCHEN BURG That's right, especially for green steel projects. But we can also do that in partnership with construction companies, allowing us to concentrate on our core area of expertise.

Talking of green steel projects: How important is #turningmetalsgreen to SMS?

JOCHEN BURG Essential. We are driving the decarbonization of the metals industry and delivering the leading reference projects worldwide – from Stegra in Sweden to thyssenkrupp Steel in Germany and Tata Steel in India. Our latest contract with Saarstahl also shows that we are playing a key role in transforming the industry.

How can SMS maintain this leading position in the long term?

JOCHEN BURG Through our innovation strategy, among other things. In 2024, we invested 155 million euros in research and development. This represented another increase on the previous year. Our own laboratories and prototyping capacity enable us to bring sustainable technologies to market. Our EASyMelt technology, which can reduce carbon emissions from a conventional blast furnace by more than 50 percent, is the perfect example of this.

Which regions are currently a priority for SMS?

JOCHEN BURG Our regional structure works well and is an important step toward getting closer to our customers and better unlocking market potential. Each region has specific challenges and opportunities, and this setup allows us to be more flexible. China is one example. As the largest steel market in the world, business there is changing rapidly and international companies are having a difficult time. We are capitalizing on our reputation in the Chinese market and trying to expand our service business using a targeted approach. What's more, we are hoping to receive more orders in India, which wants to massively expand its production capacity. Here, too, we are seeing a growing interest in decarbonization technologies. Our mission is to offer technologies that cut emissions while meeting the growing demand for steel for infrastructure projects. Our new production plant in India, which is currently under construction, underlines the fact that we expect a great deal from this market.

What role does the American market play?

JOCHEN BURG Reindustrialization is something we will almost certainly see in the USA. This is a huge opportunity for us. I don't know of any American company that is capable of building a steel plant on its own. At the same time, US companies are continuing to invest in state-of-the-art technology. Our strong service setup in the USA presents us with the ideal conditions.

Europe is considered a leading market for green technologies. What prospects do you see here?

JOCHEN BURG Europe has been at the forefront of efforts to decarbonize the steel industry. Many of the world's leading reference projects for direct reduction and hydrogen-based steel production are being built here. However, we expect fewer new flagship projects in the coming years because the first major investments are still being realized, but the major investment programs for infrastructure and defense in Europe and Germany may also provide important impetus for the industry.

What about Ukraine?

JOCHEN BURG We are also closely monitoring developments in Ukraine. We all hope to see an end to the war soon. The fact is that the Ukrainian steel industry has been largely destroyed. Europe, and therefore also SMS, must play a key role in reconstruction work.

Fabíola Fernandez, CFO of SMS group

SMS will publish an environmental, social, and governance (ESG) report as part of the legal requirements. How well prepared are you for it?

FABÍOLA FERNANDEZ ESG is not a mandatory program for us – it is a strategic success factor. Our customers are under immense pressure to achieve their sustainability goals. They must reduce carbon emissions, save resources, and manufacture more sustainably. We supply the solutions to enable them to do this. Our technologies are bringing about a climate-neutral metal industry and helping our customers to actively shape the transformation – efficiently, economically, and in a future-proof manner.

Yet our ambition goes beyond that. We are also taking responsibility ourselves. At the beginning of 2024, we carried out a detailed analysis of our greenhouse gas emissions. We have now set firm reduction targets and are taking measures to achieve them. We have already decided on the first sites that are set to achieve carbon neutrality by 2030.

For us, sustainability means not only protecting the environment, but also taking responsibility for our employees. We create inclusive and ethical workplaces, promote diversity, and protect our corporate values with initiatives such as our Global Diversity Committee and our whistleblower system. Our ESG report is therefore more than just a document – it is a clear commitment: We mean business.

The move from Düsseldorf to Mönchengladbach is now complete. How has the new SMS Campus changed the way in which people collaborate?

FABÍOLA FERNANDEZ The move has been a resounding success. The Campus embodies our innovative strength and our focus on the future. We have established an environment for around 2,000 people that promotes a creative and efficient approach to work. Satisfied, committed employees are the key to our success.

Finally, let's look ahead to the future: What will be particularly important for SMS in the coming months and years?

FABÍOLA FERNANDEZ We need a greater awareness of costs, not to mention the fact that we are still too complex as a global company. Last year, we conducted a global employee survey, and the commitment was overwhelming. The results show that our employees are fully on board with the course we are taking, but would like to see more leadership, particularly in times of change. That is what will be important. We have fantastic teams at SMS and I look to the future with confidence.

JOCHEN BURG Resilience is the keyword. Geopolitical crises, economic uncertainty, and global market changes are constants to which we need to react flexibly. It will be vital to continue to transform our business, grow profitably, and secure our position in the market. I am confident that we are well positioned for a successful future. However, now is not the time to take our initial successes for granted and sit back and relax – on the contrary, we need to focus clearly on our profitability targets. If we succeed in doing this, we will continue the success story that has endured at SMS for more than 150 years.

Paths toward a **green steel industry**

In terms of sustainability, the transformation of the global steel industry presents huge challenges for both manufacturers and plant construction firms. Many aspects have to be taken into consideration to bring about the transformation of the industry. A long-term plan and the right technologies are needed in order to be able to react to market conditions and, at the same time, ensure the economic success of companies in the long run. SMS group is a key enabler in this regard, giving its customers new perspectives with its technological innovations, sound process knowledge, and pioneering business models.

Thomas Hansmann, CTO of SMS group

The transformation of the steel industry is profound and complex, not least because it is influenced by a wide range of factors. Among the most important of these are the availability of local resources, the cost of energy, and government regulation. "The latter plays a crucial role in the pace and direction of our customers' decarbonization efforts," says Thomas Hansmann, CTO of SMS group. A look at the markets highlights the differences.

In the United States, for example, electric steel production is dominant, mostly on a scrap basis, accounting for about 70 percent of total production. One important key to decarbonization lies in the electricity generation method – because the electric arc furnaces (EAFs) used here represent a practically carbon-neutral solution when powered by green electricity.

In Europe, steel manufacturers are currently focusing on a different approach. Government subsidy programs and ambitious decarbonization targets are leading to blast furnaces increasingly being replaced by direct reduction plants. Investment momentum is currently being slowed down by the availability of raw materials and high energy costs.

In India, integrated steel production based on conventional blast furnaces will continue to dominate the industry landscape due to a lack of renewable energies or natural gas for large-scale production of hydrogen, while local coal and iron ore deposits are readily available. Unlike in Europe or the US, the main challenge involves decarbonizing existing plants while keeping pace with increasing demand.

SMS group

China, meanwhile, the world's largest steel market, is relying on political targets such as the expansion of renewable energies to achieve its decarbonization goals. Overcapacity in the industry could act as a catalyst for decarbonization as aging plants are increasingly phased out of the market. At the same time, China is investing in direct reduction plants and researching solutions aimed at gradually decarbonizing conventional blast furnaces.

Japan, South Korea, and other countries in the Far East are relying heavily on hydrogen as a key energy source of the future, not least to reduce dependence on imported coal. They are investing in innovative technologies and expanding strategic partnerships to achieve their ambitious goals.

The profound changes in steel production will be reflected to a considerable extent in the plant portfolio. At present, about 70 percent of steel is still produced using the classic blast furnace process. This figure will fall to around 30 percent by 2050, which means that around half of today's 1.35 billion tons produced each year by conventional blast furnaces must be decarbonized by 2050. At the same time, global steel production is expected to rise to about 2.3 billion tons per year by 2050. The direct reduction (DR) process will account for part of this additional capacity. Our experts expect the DR share to increase from the current figure of 6 percent to around 25 percent by 2050, the equivalent to a production capacity of 500 million tons. Yet the share of scrap-based routes will also increase from 20 to 40 percent of global steel production.

Resources and policies determine regional and national strategies

The steel production methods that are ultimately going to prevail in the various global regions in the coming decades will depend, to a large extent, on the availability of raw materials, energy sources, and national policies. Countries such as India and China, which have significant domestic deposits and an established infrastructure for iron ore and coal, are likely to bank on optimizing the conventional blast furnace process.

Europe, meanwhile, will probably move away from the conventional steelmaking process in the medium term. The transition to sustainable, scrap-based steel production using electric arc furnaces (EAFs) requires sufficient quantities of high-quality steel scrap as well as green electricity. There is already a shortage of scrap, which will be further exacerbated by the expansion of scrap-based steel production. Direct reduction processes – which represent an alternative in regions where there is an abundance of natural gas, such as the Middle East, North Africa, and Central and North America – cannot really be run economically in Europe due to the current high natural gas prices. Running them with green hydrogen and green electricity is conceivable in Scandinavia, Spain, Portugal, and France, while in other European countries the production of green hydrogen is a significant challenge due to high electricity prices.

Another key factor is the availability of high-quality iron ore. Global trade in DR-grade iron ore pellets currently only runs to about ten million tons per year, which is nowhere near enough to replace blast furnaces on a large scale. Raw materials account for around 60 percent of the production costs per ton of steel in the DR process, underlining how important sustainable supplies of raw materials and energy-efficient solutions are to economic viability.

Rethinking green steel production in Europe

These circumstances are leading to a rethink of sustainable steel production in Europe. The integration of direct reduction plants and electric arc furnaces as a replacement for traditional blast furnaces has received a significant boost by government subsidies, especially in Germany. Key questions about the energy costs and the availability of raw materials, however, have remained unresolved. Then there is the fact that direct reduction plants have not yet been powered entirely by hydrogen. Initial projects in Sweden and Germany are pursuing this goal, but also need to overcome the aforementioned challenges regarding scarce resources such as high-quality iron ore and green electricity. After initially making considerable progress, this is a contributory factor in the noticeable slowdown in European investment in direct reduction plants.

SMS group

A wide range of innovative solutions

It is only possible to rise to the global challenges of sustainable steel production with a comprehensive product range, which is why SMS group embraces a wide range of technologies aimed at making its customers fit for the future under a wide range of operating conditions.

In the field of blast furnace technology, our Paul Wurth portfolio plays a key role. One outstanding example is the EASyMelt technology – a process that enables the decarbonization of existing blast furnaces in a gradual process. The process also permits the gradual introduction of hydrogen. An internal carbon recycling process can also be used to produce hydrogenous synthesis gas. A pilot project for the Paul Wurth EASyMelt is currently being analyzed in conjunction with TATA Steel in Jamshedpur, India – with the interim goal of reducing carbon emissions by more than 50 percent compared to basic operation of the blast furnace.

We enjoy a leading market position in the field of smelting technology, especially with open bath furnaces. These are based on SAF (submerged arc furnace) technology, for which we have a large number of references through our subsidiary Metix. The focus here is on the smelting of pre-reduced ores to produce pig iron that can be used in downstream steel processes in the same way as pig iron from the blast furnace.

SMS group has also made considerable progress in the area of electric arc furnace (EAF) technology. While we compete with other suppliers in the alternating current segment, we have leading technologies in the global market for direct current electric arc furnaces (DC EAFs). The ALLCHARGE electric arc furnace, which is continuously charged, deserves a special mention in this regard. This technology meets both current and future environmental requirements without compromising productivity or safety.

Hydrogen will also play a key role in the EAF in the future, which is why SMS group is working on the first burner technology designed for the use of hydrogen in the EAF melting process.

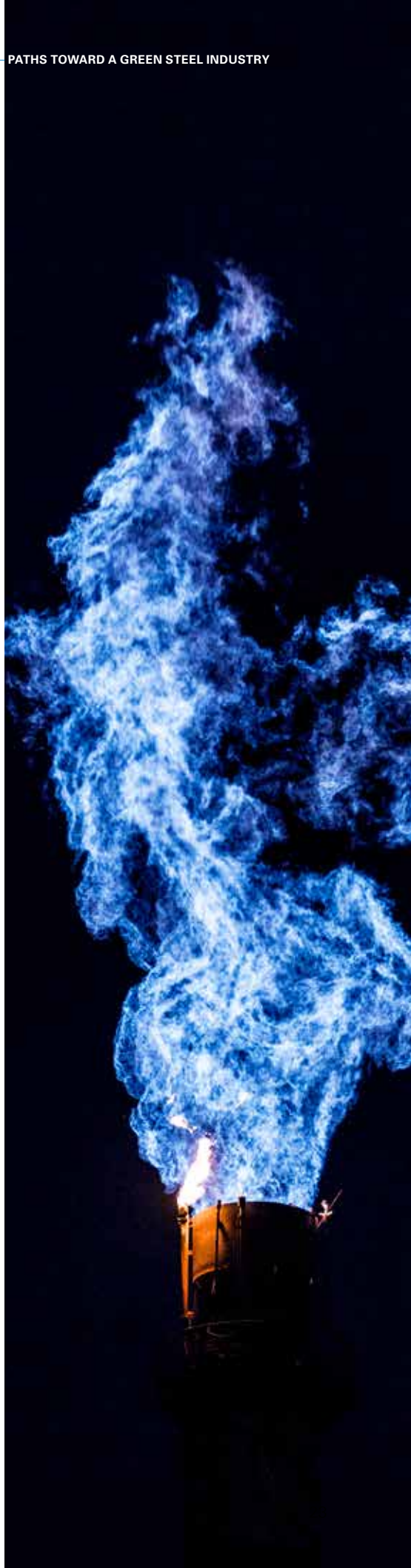
The solution is that there is more than one solution

In view of the size, complexity, and heterogeneity of existing production capacity, it soon becomes clear that there cannot and will not be a standard solution for the decarbonization of the metal industry. Transforming current process routes at a stroke is neither possible in terms of raw material supply nor technology – and in many cases also not economically justifiable. Global demand simply cannot be met by scrap- and hydrogen-based production methods – regardless of how desirable such a development would be from an environmental perspective.

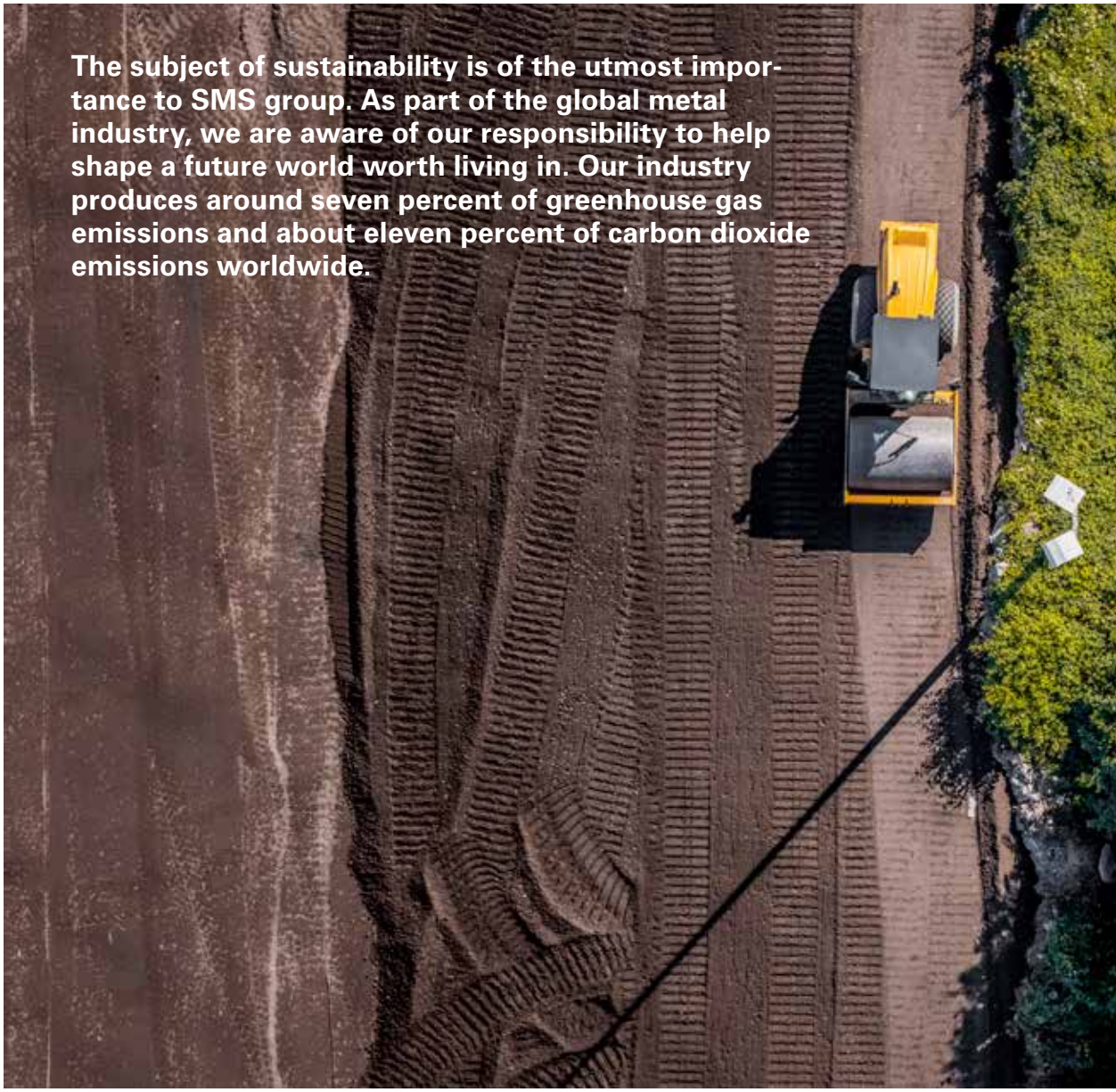
Further strategies and technologies are therefore needed if global climate targets are to be achieved. Carbon capture, utilization, and storage (CCUS) will play a key role here. The market for CCUS is considerable, with many vendors focusing on so-called "end-of-pipe" solutions, where emissions are captured at the end of the production cycle. In contrast, SMS group can use its process knowledge to integrate CCUS measures directly into the steel production processes.

When looking at the manufacturing process of iron and steel in terms of carbon emissions, downstream process stages such as casting and rolling also play an important role. SMS group relies on four pillars for establishing effective decarbonization processes: energy recovery, electrification, fuel switch, and digitalization. One such example is the CSP Nexus casting and rolling technology. Here we replace natural gas-fired furnaces with electrically operated (inductive) heaters. By embracing plant automation and digitalization, we can have a major impact on the efficiency and thus the environmental sustainability of downstream process steps. Our aim is to facilitate autonomous operation of plants through self-optimizing processes.

Given the size and complexity of the task, it is difficult to sum up the sustainability efforts of the global iron and steel industry using simple formulas. Yet it is precisely the complex nature of the challenges that represents an important starting point for SMS group. After all, we have over 150 years of expertise covering all aspects of steel production. This puts us in a unique position that we are consistently consolidating – whether it involves the conversion of existing infrastructure, the development of innovative decarbonization processes, or the implementation of digitalization measures and other services that will make the next generation of steel production more efficient and sustainable than ever before.



Committed to remaining fit for the future: **SMS group's ESG strategy**



The subject of sustainability is of the utmost importance to SMS group. As part of the global metal industry, we are aware of our responsibility to help shape a future world worth living in. Our industry produces around seven percent of greenhouse gas emissions and about eleven percent of carbon dioxide emissions worldwide.

We support our customers to reduce their ecological footprint.
We reduce our own ecological footprint.
We prioritize measures that avoid adding to the ecological footprint at the source.
We use compensation measures only for residual or unavoidable ecological impact.
We increase circularity in our customers' value chain and in our own activities.
We integrate Re-X (reduce, reuse, recycle, etc.) in our customers' value chain and in our own activities.

ENVIRONMENTAL

SOCIAL

Being a lifelong partner with satisfied and healthy employees in communities worth living in.

GOVERNANCE

Setting up the right governance to continuously steer our business activities toward truly sustainable business.

This is where we can make the biggest difference, which is why we consider it one of our main tasks to offer solutions for reducing greenhouse gas emissions while stepping up our contribution to mitigating climate change and saving resources by promoting the circular economy. Accordingly, we have made sustainability an integral part of our corporate strategy for many years. The Managing Board is responsible for the company's overarching strategic direction and goals, defining our sustainability vision and steering the strategic agenda. Overall responsibility for ESG lies with our CEO. We attach great importance to the fact that we not only firmly embed all aspects of sustainability – environmental, economic, and social – in our company, but also embrace them on a daily basis.

In line with the corporate strategy

In 2023, we drew up a strategic sustainability framework on this basis, detailing the ESG corporate strategy in line with the UN Sustainable Development Goals, regulatory requirements, and our stakeholders' expectations. The sustainability framework was taken into consideration when devising the corporate strategy and ESG was embedded within it. The strategic sustainability framework is gradually defined by setting specific goals for our key sustainability aspects. The key sustainability aspects are actively managed by setting goals, implementing measures, embedding them within internal regulation management and processes, setting KPIs, and tracking and reporting.

Our sustainability strategy is based on **environmental, social, and governance** aspects, or ESG. For SMS as a technology company, an important focus of its ESG activities is of course in the area of the environment. Our solutions have the potential to reconcile the tasks of mitigating climate change and saving resources with the quality and cost-effectiveness demands of a global growth industry. In order to significantly reduce our customers' environmental footprint, we think far beyond the provision of plants and components. We use pioneering digitalization and automation technology, for example, to ensure that plants run much more efficiently today than they did just a few years ago. To make existing sites more sustainable, we make sure everything is smoothly integrated when replacing plant parts and components. And with our advanced solutions, we also give our customers new perspectives when it comes to gradually switching their production processes to incorporate higher rates of recycled materials or use more sustainable energy sources such as hydrogen. An integrated service concept with dedicated contact persons and attractive business models rounds off our portfolio in this area – giving our customers the opportunity to take an economical approach to their transformation. We call this a performance partnership, because we are well aware that the task of transforming our industry to take greater account of environmental sustainability can only succeed if the economic aspect is also right.

While our solutions and transformation approach actively help to improve sustainability on the customer side, we also take responsibility for environmental protection seriously when it comes to our own activities. At the beginning of 2024, we conducted a comprehensive analysis to establish the status quo in relation to our greenhouse gas emissions, adhering to the requirements of the European Sustainability Reporting Standards (ESRS) and the GHG Protocol. The inventory covers all scopes based on the GHG Protocol. We are currently working on setting targets for the significant scopes and have already adopted specific carbon neutrality targets for the first sites.

We are working with the same degree of consistency to improve the social aspect of sustainability at SMS. This means that we are taking a range of coordinated measures in the area of human resources to ensure that SMS is a reliable employer that offers its employees lifelong prospects. These measures include embracing a commitment to commercial and industrial training across our locations, providing systematic education opportunities throughout an individual's employment history, and offering attractive career options for all technical and academic qualification levels. We lay the foundations for this by maintaining a supportive, partnership-based management culture and running an established program of preventive care and healthcare. As an employer with an international presence, we promote cultural exchange and interpersonal dialogue among the entire workforce and are actively committed to improving the quality of life across our sites as well as in their immediate vicinity and in the wider communities. A key part of this is our membership of the employers' association that binds us to the collective agreement negotiated by the metal and electrical industry in North Rhine-Westphalia. We use this collective agreement for all employees covered by collective bargaining agreements. Non-tariff salaries are paid to employees whose role is above the top collective bargaining group.

The third pillar of our ESG strategy provides the framework for our corporate governance. Here we define values and rules for our organization and review all relevant factors to establish whether they serve the company's goals and future viability. Besides embracing a sense of economic responsibility and pursuing a targeted investment strategy, these include establishing suitable organizational structures and developing market-oriented services that ensure SMS group's economic success and continued existence – and thus its economic sustainability.

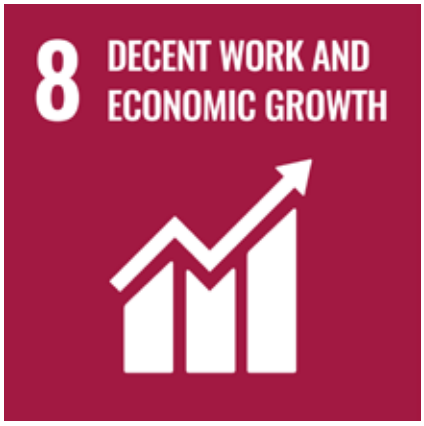
When devising our sustainability strategy, we take into account the perspectives of our stakeholders, including employees, customers, suppliers, and financial market players. As part of this process, we have worked out expectations and goals and linked them to six of the 17 UN Sustainable Development Goals (SDGs) of the UN Global Compact (UNGC) where we have identified the greatest potential for us to make an impact. We are committed to integrating the following goals into our corporate practices:

Goal 3 – Good health and well-being

We put the health, safety, and well-being of our employees first. We issue clear guidelines to ensure the safety of our workforce. Measures include taking proactive steps to prevent risks, providing thorough training, regularly assessing potential hazards, and fostering a culture of safety awareness.

Goal 5 – Gender equality

We strongly believe in promoting gender equality in our organization. Our commitment to this principle can be seen in various diversity and inclusion initiatives, targeted development programs for women, and unconscious bias training. By fostering a culture of diversity, equal rights, and inclusion, we are not only helping to bring about gender equality, but also empowering all our employees – regardless of their ethnicity, age, gender, religion, sexual orientation, gender identity, disability, economic status, or any other factor relating to their background.



Goal 8 – Decent work and economic growth

Supporting a safe, healthy, and engaged workforce is fundamental to our company. As an employer of choice, we invest in our employees throughout their careers and are committed to creating healthy working conditions where each and every individual is valued. We support the transition to a sustainable future by promoting technical and professional readiness and providing education and training. This also means that we support the active integration and fair treatment of all employees and uphold legal rights and fundamental principles, such as a decent wage. We are committed to respecting human rights wherever we operate and all along our value chain by putting in place established policies and practices. This also applies to the selection of our business partners, especially our suppliers. Compliance with human rights and ESG aspects is a key selection criterion. We have created communication channels that enable our stakeholders to raise any concerns they may have about misconduct or violations of our policies (via our incident reporting system, for example).

Goal 9 – Industry, innovation, and infrastructure

We are committed to shaping the future of the metal industry through continuous innovation. With a history dating back 150 years, it is in our company's DNA to explore new technologies. Our research and development department plays a vital role here. Interdisciplinary teams develop new plants, technologies, and processes using cutting-edge tools and methods, such as structural analyses, fluid mechanics, dynamic simulations, and virtual and augmented reality.

Goal 12 – Responsible consumption and production

As a committed performance partner to our customers, we adhere closely to the principles of SDG 12 relating to responsible consumption and production. Our commitment involves maintaining and enhancing the performance of our customers' plants throughout their life cycle. In doing so, we aim to facilitate the transition to an economy focused on reducing waste and keeping products in use. This approach inherently promotes the sustainable use of resources by extending the life of industrial facilities and reducing unnecessary waste.

Goal 13 – Climate action

We are resolute in our commitment to mitigating climate change and building a greener future. Our focus is on our #turningmetalsgreen strategy and our efforts to reduce our customers' environmental footprint and bring about a sustainable metal industry by developing and marketing innovative solutions. While our product and service innovations are critical to reducing our customers' environmental impact at a local level, we also consider our own carbon footprint. Producing a global greenhouse gas inventory and calculating the footprint of our products are among the measures we have taken to increase awareness of areas where we might mitigate climate change.

We recognize the interdependence of these goals and endeavor to create a fairer, more resilient, and more prosperous world for all. Our forward-looking approach includes the ongoing consideration of potential initiatives related to the remaining eleven goals. In 2024, the importance of ESG in terms of guiding our activities was explicitly expressed with the signing of the UNGC. By undertaking to adhere to these principles and the SDGs, we are underlining our commitment to sustainable development and responsible business practices. We publish a separate progress report in support of the Sustainable Development Goals (known as the Communication on Progress or CoP), which can be found on the UNGC website.

Our commitment to health, safety, and sustainability is also evident in external sustainability ratings. In 2024, we carried out an EcoVadis assessment for the first time, initially for the company's headquarters and workshop in Mönchengladbach. Completed in December 2024, we were awarded the bronze medal, with a score of 65 out of 100 points, which puts us among the top 35 percent of companies worldwide. The scope of the EcoVadis assessment is set to be gradually widened. The subsidiary SMS India Private Limited had its activities assessed in line with Synesgy criteria and received an A score (excellent level of sustainability).

A question of attitude

The ESG activities presented here can only be one stage on a long-term road map. For 2025, we have already turned our attention to a wide range of other relevant issues to which we are committed. These include:

- Embedding reduction targets for greenhouse gases (GHG) in our strategy and gradually implementing the corresponding measures
- Assessing our business activities in line with the EU taxonomy
- Gradually updating and differentiating the ESG strategy

The progress and current status of SMS group's ESG strategy has been assessed in this Annual Report. The assessment is informed by our commitment over the past few years, during which we have primarily pursued the goal of accelerating SMS group's sustainability journey and consistently embedding the principles of ESG in our corporate strategy and organization. It is our firm belief that the future success of our company is closely linked to the implementation of our ESG strategy and the achievement of our sustainability goals. For us, it is neither an end in itself nor a regulatory requirement – but a question of attitude.

Projects around the world

In recent months, SMS group has successfully booked new orders around the globe and implemented important projects. A selection of these is outlined below.

MODERNIZATION PROJECT IN TÜRKIYE

Upgraded hot strip mill

Çolakoğlu Metalurji has successfully modernized its hot strip mill in Kocaeli, Türkiye, with advanced technology from SMS group. The modernization includes an integrated strip guiding system with X-Pact® Sense hotCAMs and Centerline Control, which optimize strip positioning and provide real-time correction signals for each mill stand. These improvements ensure greater roll stability, better strip flatness, and improved coil shape. By reducing unplanned roll changes and minimizing rework, the upgrade lowers maintenance costs and increases overall productivity. Thanks to precise planning and close collaboration, all modifications were carried out during scheduled shutdowns, strengthening Çolakoğlu Metalurji's position in thin hot strip production.

PROJECT IN NORWAY

Technology upgrade for carbon efficiency

SMS group has partnered with NextChem Tech to implement its proprietary technology at Norsk e-Fuel's first industrial-scale sustainable aviation fuel (SAF) plant in Mosjøen, Norway. This innovative catalytic partial oxidation process improves carbon efficiency by converting green hydrogen and biogenic CO_2 into syngas, a key step in SAF production. The first Norsk e-Fuel plant will have a capacity of 40,000 tons per year, with two additional plants of 80,000 tons each planned by 2030. This collaboration is an important step toward industrializing e-Fuel production and reducing aviation emissions through cutting-edge technology.

COMMISSIONING PROJECT IN CHINA

New four-stand aluminum hot rolling mill

Henan Yirui New Materials Technology Co., Ltd., China, has officially commissioned its new aluminum hot rolling mill, marking the successful conversion of an existing hot rolling mill into a four-stand tandem mill. The project was completed two months ahead of schedule and the final acceptance certificate was issued to SMS group following the successful installation and commissioning of the mill. The revamped mill now features advanced CVC® technology on all three new finishing mill stands, enabling the production of high-quality strip up to 2,150 mm wide. SMS group's integrated solution, including mechanical equipment, fluid systems, and process automation, ensures optimum performance. This collaboration demonstrates the successful integration of second-hand equipment and state-of-the-art technology, setting a new benchmark in aluminum rolling mill production.

ORDER IN CHINA

Second hot-dip galvanizing line

Angang Guangzhou Automotive Steel Co., Ltd. has placed an order with SMS group for a second hot-dip galvanizing line, which is scheduled to start production in November 2025. With an annual capacity of 400,000 tons, the new line will be installed next to the existing line No. 1, also supplied by SMS in 2013, and will produce high-quality exposed automotive panels. Key components include an all-radiant-tube annealing furnace from DREVER International and an air knife system from DUMA-BANDZINK to ensure precise material properties and flawless surface quality. SMS will provide engineering, equipment supply, and technical support, strengthening its long-standing partnership with Angang in advanced steel processing.

START OF PRODUCTION IN CHINA

New annealing and pickling line

Shougang Zhixin Qian'an Electromagnetic Material Co., Ltd. in China has successfully started up its new annealing and pickling line (APL) supplied by SMS group. This is the twelfth silicon steel line from SMS within the Shougang complex and increases the production capacity for non-grain-oriented electrical steel grades with high silicon content by 650,000 tons per year. The APL features innovative turbulence pickling technology, which ensures improved pickling efficiency and shorter process times while maintaining high quality standards. This facility plays a key role in the production of materials for energy-efficient applications such as electric vehicle motors and generators. The successful start-up was completed on schedule thanks to a dedicated team and advanced technologies that set new standards in electrical steel production.

COMMISSIONING IN INDIA

High-capacity hot strip mill at JSOL successfully launched

Jindal Steel Odisha Ltd. (JSOL), a subsidiary of the O.P. Jindal Group, has successfully commissioned a new hot strip mill with an annual capacity of five million tons at its Angul site in Odisha. Supplied by SMS group, the facility was completed in record time despite pandemic-related restrictions. Equipped with cutting-edge technologies – including HIBOX® heat preservation hoods, a mandrel-less coilbox, transfer bar cooling, and a seven-stand finishing mill with CVC® plus – the line enables efficient and sustainable production of sophisticated steel grades and ultrathin final gauges starting from 1.2 mm. A wide product range, including high-strength and silicon steels, can be reliably processed. The scope also included automation solutions with X-Pact® PCFC® and complete coil handling systems from SMS subsidiary AMOVA.

PROJECT IN THE USA

Installation of hot and cold rolling mill stands

Aluminum Dynamics LLC in Columbus, Mississippi, has reached a significant milestone with the successful delivery and installation of hot and cold rolling mill stands. This achievement moves the facility closer to becoming a leading producer of aluminum flat products and underscores the strong partnership between Aluminum Dynamics and SMS group. The newly installed mill stands, designed by SMS group, will ensure precision and flexibility in the production process, supporting the plant's goal of setting new industry standards. This milestone underscores the continued progress of the project, which focuses on cutting-edge technology and operational efficiency, positioning Aluminum Dynamics as a key player in the global aluminum market.

START OF PRODUCTION IN THE USA

Launch of continuous galvanizing and color coating lines

SMS group and Steel Dynamics (SDI) have successfully commissioned four new production lines at SDI's facilities in Sinton, Texas and Heartland, Indiana. This achievement strengthens the long-term partnership between the two companies and increases SDI's capacity to meet the growing demand for coated steel. The equipment includes two continuous galvanizing lines and two color coating lines designed to produce high-quality galvanized and coated steel strip for the construction and appliance industries. These innovations, together with SMS group's X-Pact® automation system, ensure efficient operation. These new lines will help Steel Dynamics meet the diverse needs of its customers while maintaining the highest standards of performance and quality.

STRATEGIC PARTNERSHIP IN SPAIN

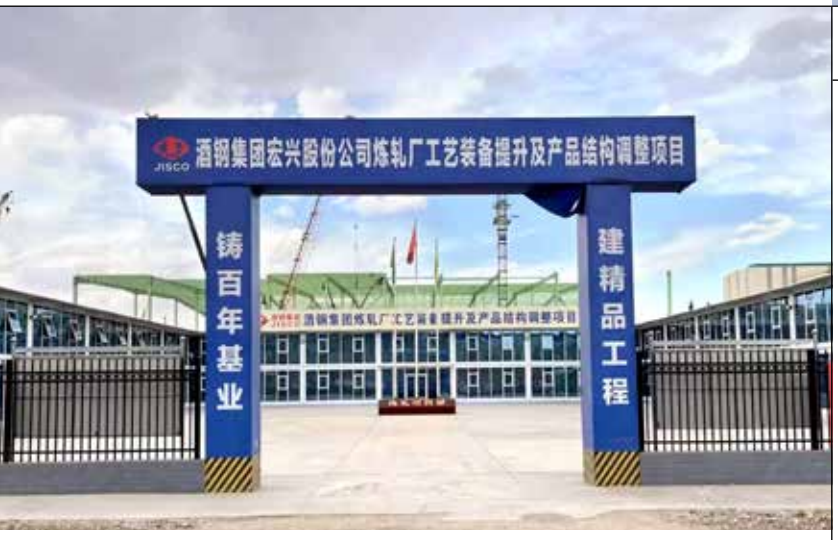
First solar fuel plant in the world established

SMS group is proud to support Synhelion in the launch of DAWN, the world's first industrial demonstration plant for the production of solar fuels. The plant represents a significant step toward decarbonizing the transport sector by using solar fuels to reduce CO_2 emissions. SMS group supported the implementation of the thermal energy storage system, which is critical to ensure continuous operation of the synthesis gas production. The system stores two-thirds of the thermal energy generated during the day, enabling uninterrupted production. Following the successful commissioning of DAWN, Synhelion plans to build its first commercial plant in Spain by 2025, with long-term plans to scale production to one million tons of solar fuel annually.

COMMISSIONING PROJECT IN BRAZIL

New annealing and hot-dip galvanizing line

ArcelorMittal Vega in Brazil has successfully commissioned its new combined annealing and hot-dip galvanizing line, marking the production of the first galvanized coil as a major achievement in the plant's expansion. The new line, with an annual capacity of 640,000 tons, processes steel strip from 0.4 to 3.0 mm thick and up to 1,875 mm wide. It features advanced technology, including a DREVER furnace for optimum annealing, a compact cleaning section, and a horizontal roll coater. The collaboration with SMS group significantly increases Vega's capacity to produce high-strength steel for the automotive and household appliance industries.



PROJECT IN CHINA

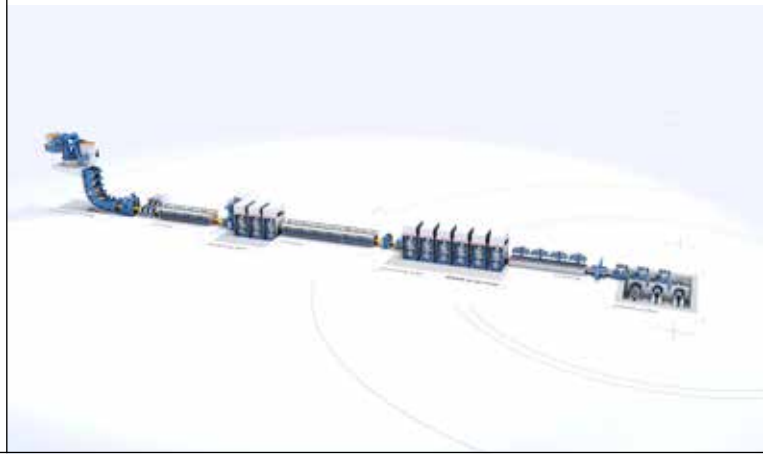
Automation supply for new heavy plate mill

Jiugang Group Hongxing Iron & Steel Co. Ltd. (JISCO) in Jiayuguan, China, is expanding its production capacity with a new 4,200 mm heavy plate mill. SMS group will supply the advanced automation systems for the new line, ensuring improved process performance and greater product versatility. SMS group's X-Pact® automation systems will optimize the entire production process, integrating basic and process automation and using sophisticated software for diagnostics, troubleshooting, and process control. The new mill is expected to produce its first plate by September 2025, marking an important milestone in JISCO's expansion and technological advancement.

COMMISSIONING IN INDIA

CSP® Nexus plant for high-performance flat steel production

Indian steel producer JSW STEEL (Dolvi Works) is building a state-of-the-art CSP® Nexus plant with SMS group for the production of both hot strip and plate in a fully integrated process. With a maximum strip width of 2,600 mm and thicknesses up to 32 mm, the facility allows for the flexible manufacturing of a wide range of products – including those for shipbuilding or wind towers. The line features a single-strand caster, a powerful roughing mill, a six-stand finishing mill, advanced cooling technology, and three downcoilers. Digital solutions such as SMS DataFactory, GeniusCM, and QES ensure optimal process control. With an annual capacity of four million tons, it is the most productive CSP® plant of its kind worldwide. Commissioning at the Dolvi site in Maharashtra is scheduled for 2026.



MODERNIZATION PROJECT IN THE USA

Contract for a state-of-the-art Steckel mill

Nucor Steel has awarded SMS group a contract for a comprehensive modernization of its Steckel mill in Tuscaloosa, Alabama. The project includes the conversion of the existing mill to a tandem Steckel mill designed to produce high-strength thin strip products while increasing capacity. A new high-capacity mill stand will be installed downstream to create a tandem configuration for efficient roughing and finishing passes. The upgrade also includes the replacement of the entry and exit Steckel furnaces with new high-efficiency closed-cycle furnaces. This upgrade will improve temperature control, reduce energy consumption, and protect the roller tables from heat radiation. The project strengthens Nucor's ability to meet future industry demands while improving efficiency and quality.

PROJECT IN BRAZIL

Major expansion strengthens partnership

In November 2024, ArcelorMittal inaugurated the expansion of its Vega Unit in São Francisco do Sul, Brazil, one of the company's largest projects in the country. The expansion includes a new continuous annealing and galvanizing line with a production capacity of 640,000 tons per year. The new line is designed to process steel strip for the automotive and household appliance industries, further enhancing ArcelorMittal's ability to supply high-strength steel products. SMS group played a key role in the expansion, supplying key equipment and technology, including an additional rolling mill stand. This milestone strengthens the long-standing partnership between ArcelorMittal and SMS group and underlines their shared commitment to quality, innovation, and industry leadership.

PROJECT IN CHINA

Memorandum of understanding to advance green steel technologies

In January 2025, SMS group and Ansteel Group formalized their long-standing partnership by signing a Memorandum of Understanding to advance green steel technologies and decarbonization efforts. The partnership will explore new green steel technologies and innovations to promote carbon neutrality and pollution reduction, contributing to a more sustainable future for steel production worldwide. The agreement marks a significant milestone in SMS group's vision to drive green and sustainable development in the industry.

START OF PRODUCTION IN SWEDEN

Collaboration for fossil-free steel production

SSAB has selected SMS group to build a 190-ton electric arc furnace (EAF) at its Oxelösund steel mill in Sweden, which will be one of the largest and most powerful EAFs in the world. Scheduled to start up in the fourth quarter of 2026, the furnace will play a key role in SSAB's transition to fossil-free steel production and reduce Sweden's overall CO_2 emissions by three percent. The new EAF will be equipped with a state-of-the-art digital power supply system, including a modular multilevel converter-based direct-feed system from GE Vernova. This advanced technology will ensure smooth operation by minimizing grid disturbances, reducing harmonic distortion, and maintaining a high power factor. The cooperation between SMS group, SSAB, and GE Vernova represents a significant step toward sustainable and efficient steel production, setting new standards in the industry.

ORDER IN GERMANY

Advanced EAF accelerates carbon neutrality

SMS group has secured a contract to supply one of the world's most powerful electric arc furnaces (EAFs) to Saarstahl in Völklingen, Germany, supporting the company's carbon neutrality targets by 2045. The 185-ton EAF, with a 300-MVA transformer capacity, will be a key component of Saarstahl's Power4Steel initiative, advancing the company's commitment to green steel production. The new EAF, the largest ever built by SMS group, will process a flexible mix of scrap and direct reduced iron, helping to reduce carbon emissions. The plant will have an annual capacity of 1.9 million tons of liquid steel and is designed to meet the future demand for high-quality steel products. Advanced technologies such as Condoor® for improved slag handling and SMS group's X-Pact® automation will optimize productivity, energy savings, and environmental impact.

COMMISSIONING PROJECT IN GERMANY

Electrical steel sheet for efficient electric motors

SMS group has successfully commissioned a new strip processing line at thyssenkrupp Steel Europe's Bochum site. With an annual capacity of 200,000 tons, the line produces high-quality non-grain-oriented electrical steel strip, which is essential for energy-efficient motors, including those used in electromobility. This advanced technology enables precise heat treatment and the application of insulating paint to ensure optimum electrical properties for applications requiring low core losses.

The line features state-of-the-art equipment, including DREVER furnace technology and ELOTHERM induction heating, which work together to achieve precise temperature control and improve material quality. The integration of digital solutions, such as SMS group's X-Pact® system, ensures efficient operation and reduced start-up time. This plant supports thyssenkrupp's commitment to sustainability by helping to meet the growing demand for high-performance electrical steel and promoting energy-efficient production methods.

Our business in 2024

General principles

SMS group is a globally active group of companies in the field of mechanical and plant engineering, with a focus on the steel and non-ferrous metals industry. The corporate group has a history dating back more than 150 years and is owned by the Familie Weiss Foundation.

The core business of SMS group is metallurgical plant engineering, covering both new plants and service solutions. SMS group supplies new plants as customized solutions to a global customer base spanning the metallurgical value chain. At the same time, SMS group offers an extensive portfolio of service solutions aimed at enhancing the performance of existing plants through maintenance, modernization, and digital process optimization. The core business is complemented by adjacent business areas that are combined in industrial equity investments.

Seven Centers of Excellence (CoE) have been established to reflect the expertise used in the company's core business. The CoEs for the mechanical fields of metallurgy, flat products, long products, and forging technology develop and optimize specific new plants. In 2024, three previously separate CoEs – SMS digital, Technical Service, and Electrical and Automation Systems – were combined in one organizational unit. Essential knowledge for ensuring stable project development and reliable supply chains is located in two cross-product CoEs – Implementation and Supply Chain Management.

The structure of SMS group is designed to serve interdivisional international customer projects. Project responsibility in sales and project management is divided across four regions: Americas, Europe, China, and APAC & MEA. Compared with the previous year, the number of regions was reduced to two and changes were made to the regions' composition. At the start of 2024, responsibility for the Middle East and Africa (MEA) was assigned to the India and Asia-Pacific (APAC) region. Transferring the sales responsibility for Africa and the Middle East to Asia facilitates the provision of more cost-effective solutions. The CIS/Russia region was dissolved. The only work still being done there is contractually agreed work in the execution of existing contracts. We are working closely with the Russian management team to divest the Russian companies, which, due to their lack of materiality, were already classified as non-consolidated companies in the 2024 fiscal year and were thus no longer included in the group financial statements.

The industrial equity investments include elexis Group and a number of other companies. They complement our core business with activities including manufacturing automation, drive technology, and quality control.

SMS group is an international corporate group comprising 73 fully consolidated companies in 19 countries (previous year: 84 fully consolidated companies in 21 countries). Following the deconsolidation of our four Russian and Belarussian subsidiaries, five formerly independent companies were merged with other SMS group companies in 2024 to streamline the group's structure. Moreover, Hertwich Beteiligungs GmbH – including its operating subsidiary Hertwich Engineering GmbH – was divested by way of a management buyout.

In addition, SMS group holds 59.19% of the shares in Luxembourg-based Paul Wurth Real Estate S.A., which owns an investment property.

Alongside the substantial growth in the services business of the new Automation, Digital, and Service Solutions CoE, SMS group is focused on developing innovative solutions in its core business and leveraging growth potential in adjacent business areas. Within its core business, SMS group serves as a transformer in decarbonizing the metal industry. The focus remains on innovative technologies with a major impact on the sustainability of metals throughout their life cycle – from production to recycling. The company's own development, prototyping, and laboratory capacities facilitate the industry-oriented development of customized solutions.

The adjacent business areas of SMS group utilize synergy effects in automation and environmental technologies.

The SMS Campus in Mönchengladbach has been the headquarters of SMS group since 2024. While the Düsseldorf site was closed, there is a second major site in Hilchenbach-Dahlbruch. In addition, SMS group is represented at more than 100 locations in all key markets of the steel, aluminum, and copper industries.

Research and development

In 2024, our company invested a total of 155 million euros (previous year: 151 million euros) in the further development and improvement of our products. This corresponds to an investment of 3.8% of our net sales in development work, compared with 4.4% in the previous year. This continuing high level of investment underlines our continued commitment to innovation and the ongoing optimization of our product portfolio.

As in previous years, our development activities are focused on the decarbonization of the steel and non-ferrous metal industries. Our #turningmetalsgreen activities cover a large number of measures ranging from the electrification of production processes and the development of new technologies and processes to the integration of carbon capture[1] into our process landscape. We are also concentrating on the continuous improvement of product quality. This work includes optimizing our technological processes by, for example, integrating artificial intelligence (AI) into process modeling, as well as developing and integrating innovative sensors.

Employees

In 2024, SMS group employed an average of 13,505 people[2] (previous year: 14,474), a decline of 969 or 6.7%. The German workforce averaged 5,827 employees, a slight increase on the previous year's average of 5,742. By contrast, the number of employees at our sites outside Germany decreased from 8,732 to 7,678. Therefore, the previous year's forecast of a slight increase in the workforce was not confirmed.

Sustainability

Sustainability has gained in importance in recent years, not least due to regulatory requirements (CSRD[3]) on the EU level. Corporate sustainability relates to the creation of long-term value and financial stability while respecting environmental thresholds, social aspects, and governance issues (ESG[4]).

We view sustainability as a strategic management task and, therefore, as an integral element of our corporate strategy. In dialogue with our key stakeholders, we conducted a sustainability materiality assessment in preparation for our first CSRD sustainability report. This double materiality assessment required, on the one hand, the identification and assessment of actual and potential negative and positive impacts of our business activities on the environment and, on the other hand, the evaluation of the opportunities and risks of sustainability-related aspects in terms of their economic relevance to our business activities.

Environmental, social, and governance topics are anchored in our organizational structure to ensure the integration of ESG aspects in all processes. Our management model defines the responsibilities and reporting lines within the company. The Managing Board is responsible for the overarching strategic alignment and targets and defines our sustainability vision.

In order to promote ESG topics within SMS group, the company has established a dedicated Sustainability department that reports directly to the CEO. The Sustainability department focuses mainly on identifying the material ESG topics, implementing the sustainability strategy, developing the targets and sustainability-related policies, and establishing a central ESG platform. In addition, ESG contacts were appointed by our group companies to work with the central Sustainability department. The ESG Council of SMS group, made up of top management representatives, has an advisory role.

1 Technologies and processes aimed at removing and storing carbon dioxide (CO_2)

2 Annual average, including apprentices

3 Corporate Sustainability Reporting Directive

4 Environmental, social, and governance

A strategic sustainability framework was already developed in 2023 to align the ESG aspects of the corporate strategy in place at the time with the UN Sustainable Development Goals and our stakeholders' expectations. The sustainability framework is adjusted as the corporate strategy evolves, and ESG topics are explicitly integrated in the current corporate strategy.

Given the need to reduce greenhouse gas emissions, an emission analysis was initiated and completed at the start of 2024. The provisions of the European Sustainability Reporting Standards (ESRS) and the GHG[5] Protocol were applied. We also prepared a corporate carbon footprint for our company for the first time.

Sector-specific conditions

Global energy and commodity prices normalized in 2024 and, with few exceptions, fell moderately year on year. After peaking in April, oil prices returned to a moderate level at the end of the year. The price of iron ore decreased slightly during 2024 to a level of 100 US dollars per ton. Gas prices were the exception, increasing steadily over the course of the year. By contrast, steel prices declined significantly in some cases. In particular, a drop of 36% was observed in the USA. This development meant lower margins for our customers, which dampened their inclination to invest.

Compared with the previous year, global crude steel production was almost unchanged at around 1.9 billion tons. This stagnation was due to a slight fall in demand resulting from, on the one hand, the fact that inflation remained high and, on the other hand, some disruption to supply chains. Following declines in the demand for steel in 2022 and 2023, there was a further drop of 3.0% in China in 2024. As a direct consequence, the Chinese Ministry for Industry and Information Technology prohibited plans to expand steel capacities in August 2024. This measure is part of China's efforts to successively reduce the problem of overcapacity in the steel industry. By contrast, demand in India rose by 8.0%. However, in the industrialized nations, especially European Union countries and the United Kingdom, demand decreased by 1.5%. Taken overall, these developments resulted in a decline of 0.9% in global steel demand.

Installed crude steel capacity increased for the sixth year in succession, growing by a further 1.7% to 2.8 billion tons at the end of 2024. Global overcapacity increased slightly to 31.6% (previous year: 30.5%).

Thanks to stable demand and lower energy costs, the production of primary aluminum rose to a record high of 72.6 million tons (previous year: 70.7 million tons). The largest production growth was recorded in Western and Central Europe (+3.6%), North America (+2.2%), and China (+3.8%). China holds 59.6% of global production capacity, significantly more than the half.

In addition to the effects described above, decarbonization in the steel and non-ferrous metal industries is heralding a transformation of traditional production processes. As a result, conventional carbon-intensive production routes are being replaced increasingly by innovative, low-carbon technologies. In 2024, steel production in carbon-intensive blast furnaces fell by 1.0%, while production by the low-carbon recycling route increased by 2.6%.

5 Greenhouse gas

The year in figures

The key performance indicators of SMS group are order intake, sales revenue, earnings before taxes (EBT), net liquidity, and the number of employees. Order intake is defined as the sum of all orders that are received from customers during the reporting period and satisfy the contractually agreed conditions for the entry into force of the contract.

Following continuous increases in order intake over the past three years to exceed 5.0 billion euros for the first time in 2023, order intake declined significantly to 3.6 billion euros in 2024. Nevertheless, this volume remained above the ten-year average of just under 3.3 billion euros. In Western Europe, decarbonization projects remained a key pillar of the business in 2024, which was reflected in the major orders received from Stegra (formerly H2GS) in Sweden and Stahl-Holding-Saar GmbH & Co. KGaA (Stahl-Holding-Saar) in Dillingen, Germany.

The order from Stegra enables SMS group to establish a further reference in the transformation of steel production. Compared with conventional steel production, the carbon emissions of the new steel mill complex are 95% lower. The scope of delivery includes a MIDREX® direct reduction plant, an electric steel mill, a CSP®[6] Nexus casting and hot rolling mill, and a modern cold rolling and strip treatment line. In addition, a multi-year contract was agreed for a range of integrated services throughout the plant's life cycle. The total order volume including services amounts to more than 1.0 billion euros.

At the end of the year, we also signed an agreement with Stahl-Holding-Saar for the delivery of a 185-ton electric arc furnace that can be used to recycle scrap or process direct reduced iron as a contribution to carbon neutrality. However, only phase 1 of the order – accounting for just a small proportion of the total order volume – was recognized in 2024.

Order intake

In 2024, SMS group posted order intake of 3,620 million euros (previous year: 5,044 million euros). Compared with the previous year's high level, which benefited from the largest single order in our company's history for thyssenkrupp Steel Europe (tkSE), this represented a significant drop of 28.2% that was larger than the slight year-on-year decline in order intake forecast. Among the reasons for not achieving the forecast was the fact that no major order was received in the reporting year.

Order intake in metallurgical plant engineering decreased from 3,678 million euros in the previous year to 2,311 million euros in 2024, which represented a significant reduction of 37.2%. This was due to the special effect caused by the major order received from tkSE (1.8 billion euros) in 2023, which was not fully offset by the major order received from Stegra (1.0 billion euros) in 2024. In addition, our customers' reticence in awarding contracts for major investment projects is reflected in a decrease in order intake. At 923 million euros, order intake by the services business was below the previous year's high level of 960 million euros. At the same time, the demand for services remains unbroken.

6 Compact Strip Production

Order intake by the industrial equity investments decreased marginally to 415 million euros (previous year: 430 million euros). In absolute terms, this slight decline was accounted for equally by elexis Group and the other industrial equity investments.

The geographical breakdown of order intake by SMS group in 2024 was as follows:

Western Europe	44.6%	(previous year: 53.2%)
North America	18.1%	(previous year: 18.7%)
India	12.5%	(previous year: 9.5%)
Latin America	7.6%	(previous year: 4.3%)
China	7.4%	(previous year: 4.1%)
Rest of Asia	4.7%	(previous year: 3.5%)
MENA	4.4%	(previous year: 5.8%)
Africa	0.6%	(previous year: 0.3%)
Eastern Europe	0.1%	(previous year: 0.6%)

Sales revenue

In 2024, sales revenue amounted to 4,033 million euros, an increase of 602 million euros or 17.6% (previous year: 3,431 million euros). This confirmed our forecast of a significant increase in sales revenue. It mainly resulted from the aforementioned one-time effects due to the further standardization in measuring the progress in performance in respect of the time-related satisfaction of service obligations in connection with the introduction of S/4HANA and the translation of the high order backlog into sales revenue.

Sales revenue in metallurgical plant engineering increased from 2,031 million euros in 2023 to 2,781 million euros in 2024, due also to the major order received from tkSE. By contrast, sales revenue in the services business decreased to 882 million euros (previous year: 925 million euros). At 398 million euros, sales revenue of the industrial equity investments at the end of the reporting period failed to match the previous year's high figure of 499 million euros, which was due to special business with aluminum products. Moreover the sale of CTI Systems S.à r.l. in 2023 had a negative impact on the development of sales revenue.

The geographical breakdown of SMS group sales revenue in 2024 was as follows:

Western Europe	28.0%	(previous year: 24.9%)
North America	25.5%	(previous year: 30.0%)
India	18.0%	(previous year: 14.1%)
MENA	7.2%	(previous year: 8.3%)
Rest of Asia	7.1%	(previous year: 5.1%)
China	6.8%	(previous year: 9.8%)
Latin America	5.8%	(previous year: 5.2%)
Eastern Europe	1.2%	(previous year: 1.8%)
Africa	0.4%	(previous year: 0.8%)

Earnings before taxes (EBT)

Earnings before taxes (EBT) of 153 million euros in 2024 were again positive and significantly higher than the previous year's figure of -20 million euros. Our forecast of a significant increase in EBT was thus confirmed.

Compared with the previous year, there was a significant change in income taxes. Tax income of 28 million euros in 2023 was replaced by tax expense of 80 million euros in 2024, due especially to an increase in deferred tax assets. The main reason for this was the creation of deferred tax assets on tax loss carryforwards, which in 2023 (46 million euros) were significantly higher than in 2024 (20 million euros). Moreover, current tax expense also increased in 2024.

Net liquidity

As of December 31, 2024, net liquidity (reported in the consolidated cash flow statement) amounted to 929 million euros, which was slightly higher than the previous year's figure of 906 million euros. Net liquidity thus developed in line with the forecast made last year. Cash and cash equivalents decreased slightly, from 1,193 million euros to 1,175 million euros, whereas current-asset securities of 39 million euros were marginally higher (previous year: 33 million euros). Long- and short-term financial liabilities fell by 34 million euros to 286 million euros (previous year: 320 million euros). This is mainly attributable to the agreed repayment in two installments – 24 and 30 months after closing – in connection with the acquisition of 50% of the shares of global industrial services provider KAEFER Isoliertechnik GmbH & Co. Kommanditgesellschaft.

Some of the risks and opportunities in our environment

Since the start of the war in Ukraine, the geopolitical situation has been characterized by a significant increase in armed conflicts that could have an impact on, and substantially change, the global security architecture. They could also have negative effects on the world economy. At present, more than 92 countries are involved in international conflicts, which represents a record number since the introduction of the GPI[7]. There has been an increase in the intensity of the conflicts in Ukraine, Myanmar, the Middle East, and Africa's Sahel region, in particular. The associated humanitarian impacts are serious, which is reflected in a 29% increase in the number of conflict-related fatalities. In addition, the Middle East conflict continues to impact Red Sea transport routes, which had a negative effect on the world's interconnected supply chains. Legally prescribed sanctions and export controls in connection with armed conflicts are updated and implemented by SMS group on a continuous basis. The intermittent disruptions had a negative impact on global trade flows and continue to represent a risk for world trade.

Trade restrictions, protective tariffs, and a high interest rate to combat inflation are making it difficult for us and our customers to conduct our business activities. These conditions are weakening demand for steel and exacerbating the already existing overcapacity in steel production.

SMS group is participating in crisis-resistant trends such as the decarbonization of the metal industry in order to facilitate resilient business operations in a challenging environment. The steel industry remains one of the largest contributors to global CO_2 emissions, accounting for around 7%. The European Union (EU) is increasingly using political incentives to encourage the continuous reduction of emissions. Like the EU, China – the world's largest steel producer – is raising its efforts to implement a cost-efficient emissions trading system (ETS) in the steel industry. As part of our #turningmetalsgreen initiative, we are developing innovative technologies to advance the decarbonization of the steel industry and provide proactive support to our customers. SMS group's portfolio includes solutions for carbon-neutral steel production, both by constructing

7 Global Peace Index

new steel mills and retrofitting existing plants. In addition, EASyMelt (electric-assisted syngas smelter) technology is a solution that makes it possible to cut CO_2 emissions in existing steel mills by as much as 50% for a comparatively low investment.

However, despite government subsidies, steel producers are hesitant to invest in decarbonization because the market remains uncertain as to the political and economic conditions.

As well as contributing to global trends, SMS group's decentralized structure enables it to directly participate in, and benefit from, particular local situations. The Centers of Excellence are able to customize solutions in response to regional and customer-specific needs. At the same time, it is possible to achieve economies of scale thanks to their central position.

SMS group purchases various types of materials, such as raw materials, consumables, supplies, components, other input materials, and services, to manufacture its products. Procurement costs, which continued to evolve very dynamically and to different degrees across the regions in 2024, represent a sustained procurement risk for SMS group. Although a slight decline in raw material prices and stable or unchanging energy costs contributed to easing the procurement of supplies and services worldwide, a sharp increase in freight costs and high wage agreements resulted in a (financial) burden.

Despite the ongoing war in Ukraine and the Middle East conflict, there were no significant disruptions in the supply chain in 2024. Thus, following years of material availability problems – especially in the procurement of electronic components – procurement markets have normalized to pre-pandemic levels. This improved situation has also led to a reduction in the global procurement risk.

However, economic uncertainties and geopolitical tensions – the war in Ukraine, the Middle East conflict, the China-Taiwan conflict, and the protectionist plans of the new US administration – are resulting in more changes in procurement markets. This may lead to a further market shake-up among our suppliers in the form of closures, insolvencies, and mergers. We are tackling the resulting increase in procurement risks with dedicated project teams that work to continuously monitor supply chains, material availability, and the ability of our suppliers to deliver. We are addressing increased procurement risks during order execution by stepping up the diversification of our supplier base, also regionally, awarding contracts on the basis of total cost analyses and risk assessments, as well as making thorough efforts to ensure deadlines are met during execution. In addition, risks were further minimized by the continuous utilization and ongoing development of proprietary production capacities across the global production network.

To continue opening up new, competitive procurement markets in the future, we are developing suppliers in North and South America (Mexico, Brazil), Asia (South Korea, Vietnam, India, Türkiye), and Europe (southern and Eastern Europe). The systematic development of new suppliers entails a multistage process involving the global supply chain network. Besides procurement costs, this takes into account quality and the ability to meet delivery deadlines.

The avoidance of procurement risks resulting from human rights and environmental due diligence obligations covering SMS group's supply chains is ensured by complying with all legal requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains.

Other risks mainly relate to the continuing increase in the threat of cybercrime. In 2024, German companies incurred financial damage of 267 billion euros caused by cyberattacks. Like other companies, SMS group is regularly the target of hacker attacks. Last year alone, our "we are safe" initiative checked more than 8,000 phishing mails and blocked more than 26,000 items of malware.

A further opportunity is harbored by artificial intelligence (AI), which is increasingly seen as the key technology in plant engineering. A central area of application is predictive maintenance, in which AI systems monitor plants in real time, identify malfunctions at an early stage, and reduce downtimes, thus increasing productivity. The first AI tools in the form of the company's proprietary SMS-GPT are already being used internally.

This enables our employees to work efficiently while complying with valid data protection guidelines.

As well as pressing ahead with our own digital transformation, we are also seeking to continuously improve our operational efficiency. We took the strategic decision to implement the new SAP S/4HANA system, which, following conclusion of the successive global rollout, will result in standardized structures and processes that ensure comparability and greater transparency. The go-live started in 2024 with the system's rollout to German companies SMS group GmbH, DUMA-BANDZINK GmbH, and Fontaine Engineering und Maschinen GmbH. At the same time, preparatory work was carried out at the major country companies in India and the USA to ensure their ability to make the switch at the end of the year. The gradual integration of other companies will continue in 2025.

Depending on the further development of inflation and the global economy, the central banks plan to make moderate cuts in their key interest rates. This estimation is based on the fact that the ECB and Fed reduced interest rates several times in 2024.

Outlook

The International Monetary Fund expects restrained global economic growth of 3.2% in 2025. As was the case in 2024, the forecasts for the industrialized nations (1.8%) and emerging economies (4.2%) differ widely, although risks of a downward adjustment of the forecast cannot be ruled out in a networked world characterized by dynamic change. These risks originate in ongoing conflicts, political tensions, and resulting global economic uncertainty. Moreover, in the steel industry, waning demand forecasts are exacerbating the existing problems of overcapacity. At the same time, government funding programs are at risk from the persistently high levels of national debt and shifts in political power.

In addition, the political and economic consequences of Donald Trump's second term of office harbor latent uncertainty. Trump's policy of "America First" represents an abandonment of transatlantic partnerships. It cannot be gauged with any reliability whether the USA might withdraw from international bodies like the WTO and NATO, or actually end its support for Ukraine. Protectionist measures in the form of tariffs to strengthen the US economy have already been communicated. Moreover, the political stability of many parts of Europe is being threatened by a rightward shift in many EU member states. Significant uncertainty is also associated with the impact of Germany's early elections in February 2025 on economic development and the stability of the country's industrial framework. Germany is also experiencing massive pressure from energy costs, which are structurally higher than those of its competitors overseas, from locational disadvantages in terms of taxes, levies, and wages, from an in part obsolete infrastructure that is in need of modernization, from a shortage of qualified labor, and from excessive bureaucracy.

We continue to face a challenging market environment due to global uncertainties caused by wars, geopolitical and trade conflicts, and political instability. However, we also see additional, albeit slower, growth opportunities, especially in the decarbonization of the steel industry in Europe. Further interest rate cuts by the ECB and the Fed could also stimulate consumption and investment by our customers.

However, this could be offset by high energy, material, and raw material prices, which are subject to volatility and could thus have a significant impact on economic development. Due to higher costs, Germany as an industrial location could be at a particular disadvantage internationally.

Nevertheless, a letter of intent for the supply of a modern, energy-efficient electric steel mill was signed for 2025. The project focuses on enabling our customer Stahl-Holding-Saar to achieve carbon neutrality, and our plants can make a key contribution here. As well as fostering major transformation projects like this, our growth initiative is focused on delivering integrated service solutions that provide automation and digitalization options.

We are also quite optimistic about the US market. If tariffs were to be imposed on imports of steel and aluminum, as happened during Trump's first term of office, US producers would need to expand their capacities in order to satisfy demand. This could offer us potential for sales. In addition, we continue to expect high growth rates in India, which could have a positive impact on our business.

Based on the economic conditions outlined above, we expect a slight increase in order intake in 2025 compared with 3.6 billion euros in 2024. The forecast sales revenue of around 4.0 billion euros for 2025 is almost on a par with 2024. Due to various one-time effects in 2024, we expect a slight reduction in earnings before taxes (EBT). Net liquidity is forecast to be significantly lower than in 2024. Reasons include the fact that the down payments already received from customers will result in cash outflows for the further development of projects in 2025. The average number of employees is expected to increase slightly in 2025, mainly due to the post-acquisition integration of Integrated Mill Systems, Inc., Willoughby, Ohio, USA.

Consolidated statement of financial position

€ thousand	Dec.31, 2024	Dec.31, 2023	Dec.31, 2022
ASSETS			
Intangible assets	325,306	319,289	322,040
Tangible assets	723,553	643,439	567,967
Investment property	444,800	462,000	523,000
Other non-current financial assets	613,823	529,233	536,433
Deferred tax assets	198,806	168,265	45,692
Other non-current assets	45,615	29,182	14,223
Non-current assets	**2,351,903**	**2,151,408**	**2,009,355**
Inventories not including short-term contract assets	246,271	246,058	307,789
Short-term contract assets	757,855	751,407	696,830
Inventories	**1,004,126**	**997,465**	**1,004,619**
Trade receivables not including short-term contract assets	628,753	593,252	556,756
Short-term contract assets	298,145	124,044	295,287
Trade receivables	**926,898**	**717,296**	**852,043**
Receivables from income taxes	21,222	32,412	20,156
Other short-term (current) assets	220,330	201,711	204,702
Securities	38,990	33,112	32,737
Cash and cash equivalents	1,175,414	1,192,744	829,342
Short-term assets	**3,386,980**	**3,174,740**	**2,943,599**
Total assets	**5,738,883**	**5,326,148**	**4,952,954**

€ thousand	Dec.31, 2024	Dec.31, 2023	Dec.31, 2022
LIABILITIES			
Subscribed capital	52,000	52,000	52,000
Additional paid-in capital	499,264	499,264	499,264
Revenue reserves / retained earnings	327,270	263,852	209,692
Income and expenses recognized directly in equity	30,958	2,672	19,200
Equity attributable to shareholders of SMS GmbH	**909,492**	**817,788**	**780,156**
Non-controlling interests	151,791	154,705	173,156
Equity	**1,061,283**	**972,493**	**953,312**
Non-current financial liabilities	156,778	164,167	191,153
Provisions for pensions and similar obligations	570,890	561,421	572,704
Deferred tax liabilities	334,602	275,246	220,724
Other non-current provisions	51,597	52,268	70,691
Other non-current liabilities	701	2,638	4,925
Non-current liabilities and provisions	**1,114,568**	**1,055,740**	**1,060,197**
Current financial liabilities	129,071	155,753	169,587
Trade payables	621,621	548,970	448,041
Liabilities from income taxes	28,338	44,343	33,766
Short-term contract liabilities	1,765,743	1,540,796	1,152,987
Other short-term provisions	765,341	816,650	925,971
Other current liabilities	252,918	191,403	209,093
Current liabilities and provisions	**3,563,032**	**3,297,915**	**2,939,445**
Total liabilities	**5,738,883**	**5,326,148**	**4,952,954**

Consolidated income statement

€ thousand	2024	2023
Sales revenue	**4,033,058**	**3,431,292**
Total cost of sales	-3,309,749	-2,759,864
Gross profit	**723,309**	**671,428**
Cost of sales	-323,731	-341,211
General administrative costs	-180,312	-156,938
Other income	111,550	75,747
Other expenses	-230,190	-255,706
Operating result	**100,626**	**-6,680**
Result from investments accounted for using the equity method	31,811	-3,241
Other income from investments	1,334	-6,333
Income from investments	**33,145**	**-9,574**
Earnings before interest and taxes (EBIT)	**133,771**	**-16,254**
Financial income	51,704	36,404
Financial expenses	-32,535	-39,757
Net financial result	**19,169**	**-3,353**
Earnings before taxes (EBT)	**152,940**	**-19,607**
Income taxes	-79,723	28,349
Net income / net loss	**73,217**	**8,742**
Thereof attributable to		
Shares attributable to shareholders of SMS GmbH	74,781	25,941
Non-controlling interests	-1,564	-17,199

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