ANNUAL REPORT 2022

A NEW WAY OF THINKING FOR A NEW INDUSTRY

SALZGITTER AG

People, Steel and Technology

TABLE OF CONTENTS

TO OUR SHAREHOLDERS

THE SALZGITTER GROUP IN FIGURES

		2022	2021
Crude steel production	kt	6,109	6,749
External sales	€ m	12,553	9,767
Steel Production Business Unit[1]	€ m	4,263	3,127
Steel Processing Business Unit[1]	€ m	2,106	1,510
Trading Business Unit	€ m	4,581	3,603
Technology Business Unit	€ m	1,430	1,360
Industrial Participations / Consolidation	€ m	174	167
EBIT before depreciation and amortization (EBITDA)	€ m	1,618	1,262
Steel Production Business Unit[1]	€ m	946	657
Steel Processing Business Unit[1]	€ m	173	-30
Trading Business Unit	€ m	268	363
Technology Business Unit	€ m	77	84
Industrial Participations / Consolidation	€ m	154	187
Earnings before interest and taxes (EBIT)	€ m	1,312	753
Earnings before taxes (EBT)	€ m	1,245	706
Steel Production Business Unit[1]	€ m	791	495
Steel Processing Business Unit[1]	€ m	86	-309
Trading Business Unit	€ m	243	353
Technology Business Unit	€ m	48	59
Industrial Participations / Consolidation[1]	€ m	77	108
Consolidated result	€ m	1,085	586
Earnings per share – basic	€	20.00	10.74
Return on capital employed (ROCE)[2]	%	20.1	16.2
Cash flow from operating activities	€ m	597	329

		2022	2021
Investments[3]	€ m	475	367
Depreciation / amortization[3,4]	€ m	-306	-508
Total assets	€ m	11,103	10,255
Non-current assets	€ m	4,510	4,250
Current assets	€ m	6,593	6,005
Inventories	€ m	3,474	3,123
Cash and cash equivalents	€ m	988	742
Equity	€ m	4,850	3,357
Liabilities	€ m	6,253	6,898
Non-current liabilities	€ m	2,704	3,247
Current liabilities	€ m	3,549	3,651
of which due to banks[5]	€ m	756	858
Net financial position on the reporting date[6]	€ m	-553	-544
Employees			
Personnel expenses	€ m	-1,883	-1,770
Core workforce on the reporting date[7]	Employees	22,622	22,356
Total workforce on the reporting date[8]	Employees	24,569	24,255

Disclosure of financial data in compliance with IFRS

1 Adjustment of the previous year's figures due to the new Group structure

2 ROCE = EBIT I (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) as well as liabilities from finance leasing and forfaiting

3 Excluding financial assets

4 Scheduled and unscheduled write-downs

5 Current and non-current bank liabilities

6 Including investments, e.g. securities and structured investments

7 Excl. trainee contracts and excl. non-active age-related part-time work

8 Incl. trainee contracts and incl. non-active age-related part-time work

LETTER OF THE EXECUTIVE BOARD

Valued Shareholders,
Ladies and Gentlemen,

In December, the Association for the German Language (GfdS) chose the "turn of an era" as the expression of the year 2022. We consider this entirely appropriate as Russia's invasion of Ukraine on February 24, 2022 epitomizes precisely this: the turn of an era. Even though recent decades have not seen our continent spared from military conflicts and civil war, Russia's aggression marks a new and dissonant dimension. The attack is a human tragedy, one that has brought suffering, pain and destruction straight to the heart of Europe.

The war against Ukraine and the sanctions subsequently imposed by the international community on Russia have had an impact not only on the Ukrainians, Russians and their neighbors, but also on all of us. Dramatic turbulence ensued temporarily on the markets. Energy prices in particular soared to unprecedented highs, presenting not only individual households but also Europe's entire economy with tremendous challenges. Against this backdrop, steel prices also rose by leaps and bounds to record levels during spring-time. Once the steel market had adapted to the abrupt end to imports from Ukraine and Russia, prices already began to fall again as from the summer onward.

The "turn of an era" is also a fitting description for Salzgitter AG's financial year 2022. We presented our new "Salzgitter AG 2030" corporate strategy in February. As part of this strategy, we implemented a new corporate structure with henceforth four business units – effective at the end of the first quarter – that has enabled us to reinforce our position, with an even stronger orientation toward the market and our customers. Following a unanimous vote in July by our Supervisory Board, funds were released for the purpose of implementing the first stage of our SALCOS® decarbonization program. The measure marked the start of the most ambitious investment program in our company's history. These endeavors underscore our role as a pioneer of Europe's industrial decarbonization.

Furthermore, we have rigorously forged ahead with our new strategy and its focus on the circular economy. In this context, we have signed numerous agreements with prestigious customers to underpin and expand recycling and the delivery of low carbon steel as from 2026 – true to our "Partnering for Transformation" mission. After all, strong partners are needed for decarbonization as the task of generations. In the meantime, we have gained many such partners, and we view ourselves as one of them for our stakeholders.

This is ultimately also borne out by the result of the financial year 2022. At € 1,245 million, the Salzgitter Group generated earnings before taxes above the one billion euro mark for the first time since 2008, achieving the second best operating result in the company's history despite the huge challenges posed by the geopolitical and macroeconomic situation. The outstanding results of the Steel Production and Trading business units played a decisive role in achieving this success – while the Steel Processing and Technology business units also delivered gratifying contributions, as did our participating investment in Aurubis AG.

Whereas, in the first six months of the year, the rapid increase in steel prices definitively bolstered this trend, the second half of the year brought a market environment impacted by energy prices at record levels and deep uncertainty, accompanied by falling steel prices. Some product segments saw prices even drop below pre-war levels at year-end.

Uncertainty will continue to dominate the outlook in the coming months – and only one thing is certain: market volatility is here to stay. Geostrategic imponderables lead to dampened economic expectations, and inflation at persistently high levels has determined the most recent forecasts. These conditions in the environment are set to prevail, at least in the first half of 2023, even if we have seen the first tentatively positive signs of sales and contract volumes trending upward since early December. The year now ended has shown the robust and resilient nature of our corporate strategy in the face of unexpected developments. That strengthens our resolve in consistently staying on our chosen course and to continue our transformation as a pioneer in producing "green steel".

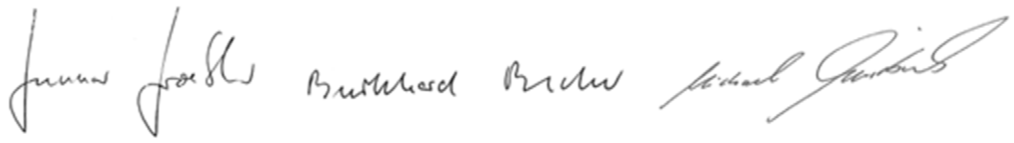
In view of the excellent results in the financial year 2022, and taking account of the exceptionally challenging political and economic situation, the Executive Board, together with the Supervisory Board, will put forward a proposal to the General Meeting of Shareholders on June 2 to pay dividend of € 1.00 per share. Compared with 2021, this corresponds to an increase of one fourth.

Valued Shareholders,

People form the linchpin of all entrepreneurial activity, whether as shareholders, customers, suppliers or employees. We are particularly proud of our employees' dedication and their commitment over the past financial year to our joint vision of a new way of thinking for a new industry and to meeting volatilities in the market with special dedication and flexibility in their work. Our aforementioned results are only possible thanks to this dedication. Moreover, the social commitment of our colleagues and their expression of solidarity across the board in donating more than € 100,000 as well as their initiative in organizing humanitarian aid convoys to help the victims of the Ukraine war fills us with pride. We as a company have doubled this amount and made an additional € 500,000 available in emergency aid.

We would like to thank you as valued shareholders and business partners of Salzgitter AG, as well as our employees, for the trust you have vested in our company. Let us join forces and set about shaping this new era in a positive spirit.

Sincerely,



Gunnar Groebler   Burkhard Becker   Michael Kieckbusch

(f. l.): Ulrich Grethe, Dr. Sebastian Bross, Burkhard Becker, Gunnar Groebler, Michael Kieckbusch, Kai Acker

REPORT OF THE SUPERVISORY BOARD

Chairman of the Supervisory Board: Heinz-Gerhard Wente

The year 2022 was determined geopolitically by Russia's invasion of Ukraine while, in macroeconomic terms, remaining impacted by extremely fragile supply chains, energy prices rising by leaps and bounds, along with the steep uptrend in global inflation rates. Against this backdrop, all steel products recorded exceptionally upbeat price and demand trends in the first half of the year before a deterioration in the environment set in from the summer months onward. Business developed much more positively overall than was originally anticipated at the start of the year. Following an already very successful year in 2021, the financial year 2022 delivered the second best operating pre-tax result in the company's history. Given that inflation and energy prices are running at high levels, especially in Europe, the Executive Board and the Supervisory Board anticipate an increasingly clouding environment and moderate business developments.

At the start of the year, the Group's strategic realignment was announced for the next decade, with a clear focus on the circular economy. As part of this focus, the SALCOS® (Salzgitter Low CO_2 Steelmaking) program is now scheduled to have been fully implemented by 2033. To this end, the Group continued to lobby at all political levels to gain the necessary financial support for the SALCOS® program while campaigning for the requisite framework conditions conducive to the transformation from coal-based toward low carbon steel production be set in place. At the same time, the Group forged ahead with the technical and financial planning, preparation and implementation of SALCOS®. In July 2022, the Supervisory Board approved funds of € 723 million from the company to be released for the necessary investments. At the start of October 2022, the EU Commission also declared the permissibility of the application for government funding up to an amount of one billion euros. Aside from this, the Salzgitter Group continued to rigorously implement its efficiency and growth program in the financial year 2022, which also enabled it to achieve the result.

MONITORING AND ADVISING THE EXECUTIVE BOARD IN THE EXERCISING OF ITS MANAGEMENT DUTIES

In the financial year 2022, the Supervisory Board kept itself continuously apprised of the situation of the Group and the development of business. The Executive Board informed the Supervisory Board by way of detailed written quarterly reports about the Group's result of operations, the current financial position and the net assets, as well as about developments in the relevant markets, the course of business and the investments in the individual business units. The reports also comprised information on the developments and activities in the area of human resources, as well as detailed estimates on the opportunities and risks over the course of the year and the effects of the COVID-19 pandemic. Moreover, the Supervisory Board held five meetings to obtain detailed reports on the respective current situation of the Group and the important Group companies, as well as on material business transactions and relevant changes. The development of business compared with corporate planning was explained to the Supervisory Board. Any deviations from planning were elaborated on, and then queried and discussed by the Board. Compensatory measures were discussed. In addition, the meetings also addressed the status of implementation of the groupwide "FitStructure 2.0" efficiency program. The Supervisory Board devoted special attention to the new "Salzgitter AG 2030" corporate strategy and the long-term planning, as well as to the status of the SALCOS® program. Both in the meetings of the Supervisory Board and in additional one-on-one discussions between the chairmen of the Executive Board and of the Supervisory Board, topics of intensive and regular debate included the impact of Russia's war of aggression against Ukraine, particularly its impact on energy, raw materials and steel prices, disrupted supply chains and customers' changed ordering patterns. Business transactions requiring the consent of the Supervisory Board were approved by the Board after thorough examination and consultation. Furthermore, between meetings, the Chairman of the Supervisory Board was kept regularly informed by the Executive Board Chairman on current topics

Two of the largest investment projects in the company's history were also brought to completion in the year 2022. Supervisory Board members had the function of the Ilsenburg heat treatment plant explained to them and also participated in the inauguration and commissioning of the Hot Dip Galvanizing Line 3 in Salzgitter.

The Supervisory Board held regular meetings in the reporting year, in the months of March, June, September and December, and convened an extraordinary meeting in July. The attendance rate at the Supervisory Board meetings, held without exception as plenary meetings with individual members attending via online connection, if necessary, stood at 94 %. The Supervisory Board met mainly with the Executive Board attending. However, it regularly discussed topics such as Executive Board remuneration and the key findings of the audit conducted on the annual financial statements in the absence of the Executive Board members. Regular preliminary discussions – partly with and partly without the attendance of the Executive Board – in separate meetings with owner and employee representatives served the purpose of initial consultation on the current situation and imminent decisions. No conflicts of interest were brought to the attention of the Supervisory Board in the reporting year, neither by the Supervisory Board members nor by members of the Executive Board.

No new members joined the Supervisory Board in the financial year, so that carrying out Salzgitter AG's proven on-boarding program was not required.

FOCUS OF THE CONSULTATIONS OF THE SUPERVISORY BOARD

In its meeting on March 17, 2022, and as is customary in March meetings, the Supervisory Board focused primarily on the financial statements of Salzgitter AG and of the Group, both drawn up as of December 31, 2021, as well as on the combined management report on the company and the Group for the financial year 2021. The representatives of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, the auditor selected by the Annual General Meeting of Shareholders, explained the key findings of their audit and answered the questions put to them by the Supervisory Board members. Following a detailed examination of the documentation pertaining to the financial statements, with the aid of the report of the auditor, the Supervisory Board ratified the separate and consolidated annual statements. Furthermore, the Supervisory Board determined the extent to which defined targets were achieved, based on fixed performance criteria, to ascertain the Executive Board's variable remuneration in 2021. In addition, it adopted its report to the Annual General Meeting of Shareholders, the remuneration report to be prepared for the first time as a separate report, proposals for resolutions on the individual items of the agenda for the 2022 Annual General Meeting, and approved the Executive Board's suggestion of again holding the Annual General Meeting of Shareholders as a virtual meeting. Furthermore, the Supervisory Board also consulted on the 2021 non-financial report and, following its own detailed examination, approved the audit findings in the report by the auditor. The Supervisory Board continued to follow the development of business. It gave its approval to a new Group structure under the "Salzgitter AG 2030" strategy, with four in place of formerly five business units. Furthermore, the Supervisory Board kept abreast of current geopolitical developments, with their potential impact on Salzgitter AG, as well as the EU Taxonomy regulation and its significance for the company. Special information and training sessions on the latter were held by the head of Salzgitter AG's Legal Department for the Supervisory Board members.

The main topics addressed by the Supervisory Board in its meeting on June 1, 2022 concerned business development and the efficiency and growth program, along with the status of the SALCOS® program.

In its board meeting on July 13, 2022, the Supervisory Board essentially focused on the Executive Board's investment application pertaining to the SALCOS® program's first stage of development. Following intensive consultation, the Supervisory Board gave its approval for the release of the company funds amounting to € 723 million.

In its meeting on September 29, 2022, the Supervisory Board discussed the results of a self-assessment and a review of the efficiency of its work conducted with the aid of external support. The Supervisory Board elected Mr Papenburg as an additional member of the Nomination Committee, Messrs Ackermann and Papenburg as additional members of the Presiding Committee, Ms Seeman as successor to Mr Ackerman, effective January 1, 2023, to sit on the Audit Committee, and Ms Karin Hardekopf, member of GP Günter Papenburg AG's Management Board, contingent on her appointment by the court as a member of Salzgitter AG's Supervisory Board (subsequently effective as of January 1, 2023), as a member of the Audit Committee. Furthermore, the Supervisory Board deliberated on the review of Executive Board remuneration, discussed the most recent business development and informed itself about the current status of the SALCOS® program.

The Supervisory Board also had the Executive Board report in writing and orally on the Group's compliance management system and on investigated activities.

On December 8, 2022, the Supervisory Board and the Executive Board discussed the corporate plan submitted and explained by the latter for the financial years 2023 through 2025. The Supervisory Board was also brought up to date on the SALCOS® program. Other topics of consultation in this meeting, included the imminent defining of the qualitative criteria determining variable Executive Board remuneration in 2022 for assessing the performance of the individual Executive Board members, as well as the stakeholder objectives for the performance period from 2022 through 2026. The Supervisory Board also concerned itself with the recommendations of the German Corporate Governance Code for purpose of submitting the Declaration of Conformity for 2022.

WORK OF THE COMMITTEES

In order to prepare for its consultations and decisions, the Supervisory Board has formed presiding, audit, strategy and nomination committees.

The Presiding Committee held four plenary meetings in 2022. The committee consulted in detail on business development and on the SALCOS® program in particular. Moreover, the Presiding Committee concerned itself with members newly appointed to the Supervisory Board's committees, successor planning at Executive Board level, corporate planning, reviewing Executive Board remuneration, the components of variable Executive Board remuneration, and the recommendations of the German Corporate Governance Code, along with planning and carrying out the Supervisory Board's self-assessment.

The members of the Audit Committee held five meetings during the reporting period, the first as a web conference and all other meetings with physical attendance. As is customary in March, it prepared the audit of the 2021 annual financial statements at company and at Group level in the by the whole Supervisory Board in the presence of representatives from the auditor, in particular by way of in-depth consultation on the respective audit reports and the oral report by the representatives of the auditor on the key findings of the audit. To this end, the Audit Committee met twice: on March 7 exclusively with representatives of the statutory auditor and again on March 15 with these auditor representatives and the Executive Board. In the context of its audit, the Audit Committee saw no reason to raise objections and recommended that the full Supervisory Board approve the annual financial statements.

In the same way, the members of the Audit Committee examined the 2021 non-financial report in preparation and discussed the results of reviewing the remuneration report to be drawn up for the first time as a separate report. In addition, the Audit Committee once again focused on the independence of the external auditor as a routine task, in particular the scope of non-audit services provided by the auditor and the quality of the audit. The consultations of further meetings of the Audit Committee concerned IT security and IT structures, monitoring the accounting process, as well as the effectiveness of the internal control system, the risk management system, and the internal audit system. Moreover, the Audit Committee obtained detailed information on the Group's compliance management system and compliance measures. The Audit Committee also dealt with preparing the proposal of the Supervisory Board for the appointing of the statutory auditor for the financial year 2022 by the Annual General Meeting of Shareholders, the assignment of the audit engagement, and agreeing the fees with the statutory auditor. The quarterly financial reporting of the Group was discussed in detail with the Executive Board before publication. The Chairman of the Audit Committee also maintained regular dialog with the statutory auditor between meetings.

In March 2023, following a detailed preliminary review, the Audit Committee recommended that the full Supervisory Board approve the 2022 annual financial statements at company and at Group level. The committee's preliminary review of the 2022 non-financial report did not give rise to any objections either.

The Strategy Committee held one meeting with members personally attending in 2022. The main topics addressed the current situation, including the market and the economy, along with energy, an update on the "Salzgitter AG 2030" strategy, and the status quo and outlook regarding ESG.

The Nomination Committee held four meetings in 2022, two of which requiring physical attendance and two by telephone, to consult in particular on successors for Messrs Flach and Hilbers.

Participation of the Supervisory Board members in Supervisory Board and committee meetings in the financial year 2022

Members of the Supervisory Board	SB meetings (5)	Presiding Committee (4)	Audit Committee (5)	Strategy Committee (1)	Nomination Committee (4)	Attendance
Heinz-Gerhard Wente, Chairman	5/5	4/4	/	1/1	4/4	100 %
Dr. Hans-Jürgen Urban, Vice Chairman	5/5	4/4	/	1/1	/	100 %
Konrad Ackermann	5/5	0/1	5/5	1/1	/	92 %
Manuel Bloemers	4/5	/	4/5	1/1	/	82 %
Ulrike Brouzi	5/5	/	/	/	/	100 %
Hasan Cakir	5/5	4/4	/	1/1	/	100 %
Dr. Bernd Drouven	5/5	/	/	1/1	/	100 %
Roland Flach	5/5	/	5/5	/	/	100 %
Gabriele Handke	5/5	/	/	/	/	100 %
Reinhold Hilbers	5/5	4/4	/	1/1	4/4	100 %
Norbert Keller	4/5	/	/	/	/	80 %
Frank Klingebiel	5/5	/	/	/	/	100 %
Prof. Dr. Susanne Knorre	5/5	/	/	/	/	100 %
Heinz Kreuzer	5/5	/	/	/	/	100 %
Volker Mittelstädt	5/5	/	/	/	/	100 %
Klaus Papenburg	5/5	1/1	/	/	2/2	100 %
Anja Piel	3/5	/	/	/	/	60 %
Prof. Dr. Joachim Schindler	5/5	/	5/5	/	/	100 %
Christine Seemann	5/5	/	/	/	/	100 %
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer	3/5	/	/	0/1	/	50 %
Clemens Spiller	5/5	/	/	/	/	100 %

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS OF SALZGITTER AG AND THE CONSOLIDATED FINANCIAL STATEMENTS

In its meeting on March 23, 2023, the Supervisory Board conducted a detailed examination of the financial statements of SZAG and of the Group, both drawn up as of December 31, 2022, as well as of the combined management report on the company and on the Group for the financial year 2022. Prior to this meeting, the independent auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, Germany, selected by the Annual General Meeting of Shareholders, reviewed both sets of financial statements and the management report on the Group and issued an unqualified → **Auditor's opinion**. The auditor thereby confirmed that the accounting, valuation and consolidation carried out in the consolidated financial statements complied with the International Financial Reporting Standards (IFRS) as applicable within the EU. Moreover, it was confirmed that the management report on the Group provides an accurate picture of the Group's position. As part of its assessment of the early risk detection system, the auditor also ascertained that the Executive Board had taken the steps required by the German Stock Corporation Act (AktG) for the early recognition of risks that could endanger the company as a going concern.

The annual financial statements of Salzgitter AG, the consolidated financial statements of the Group, the combined management report on the company and the Group, the Executive Board's proposals for the appropriation of retained earnings, as well as the auditor's reports were available to the Supervisory Board for examination. The representatives of the independent auditor took part in the discussions of the annual financial statements and the consolidated financial statements and elaborated on the most important findings of their audit.

Based on the final results of its own examination of the annual financial statements at company and at group level and the combined management report, the Supervisory Board did not raise any objections. The Board therefore approved the findings of the auditor's review and ratified the annual financial statements and the consolidated financial statements. The annual financial statements are thereby adopted. We gave our approval to the proposal made by the Executive Board on the appropriation of retained earnings.

NON-FINANCIAL REPORT

In its meeting on March 23, 2023, the Supervisory Board also addressed the topic of the separate combined non-financial report for 2022. Prior to this, KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, mandated by the Supervisory Board, examined the report to obtain limited assurance (→ **Opinion**). The auditor confirmed that no matters came to its attention that would cause it to believe that the report had not been prepared in all material respects in accordance with Section 315c in conjunction with Sections 289c through 289e of the German Civil Code (HGB) and the Taxonomy Regulation.

Following its own examination, the Supervisory Board concurred with the findings of the audit performed by KPMG AG.

CHANGES TO THE SUPERVISORY BOARD

Over the course of the financial year 2022, with the exception of the aforementioned changes in the composition of its committees, there were no changes to the Supervisory Board. That said, Messrs Flach and Hilbers, both shareholder representatives, each laid down their mandates effective December 31, 2022, and Mr Keller, employee representative, laid down his mandate effective January 31, 2023.

Through to the expiration of the Supervisory Board's current period of office, the following new members were appointed by the court as successors:

- Ms Karin Hardekopf as successor to Mr Flach, effective January 1, 2023,
- Mr Gerald Heere as successor to Mr Hilbers, effective January 3, 2023, and
- Mr Marco Gasse as successor to Mr Keller, effective February 21, 2023.

CHANGES TO THE EXECUTIVE BOARD

There were no changes to the Executive Board in the financial year 2022.

The Supervisory Board thanks Messrs Flach, Hilbers and Keller for their long-standing activities to promote the good of the company.

Our thanks go to the Executive Board and to all the employees of the Group for their dedicated work and sound commitment throughout the financial year 2022.

Salzgitter, March 23, 2023

The Supervisory Board

Heinz-Gerhard Wente
Chairman

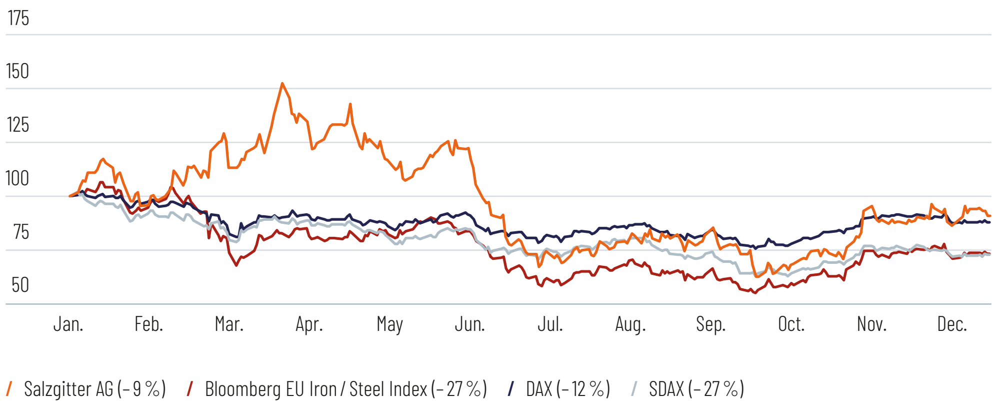
THE SALZGITTER SHARE

		2022	2021	2020
Basic data				
Share capital[1]	€ m	161.6	161.6	161.6
Number of shares[1]	units m	60.1	60.1	60.1
Number of shares outstanding[1]	units m	54.1	54.1	54.1
Trading volume				
Average daily turnover[2]	unit	226,000	229,000	340,000
Stock market capitalization[1,3]	€ m	1,542.9	1,699.8	1,174.0
Xetra prices				
Year-end closing price	€	28.52	31.42	21.70
Top price	€	48.76	35.08	21.98
Lowest price	€	18.99	20.41	7.77
Salzgitter share key data				
Earnings per share (EPS)[4]	€	20.00	10.74	–5.13
Cash flow per share (CPS)[4,5]	€	11.03	6.09	0.34
Dividend per share (DPS)[6]	€	1.00	0.75	0.00
Total dividend[6]	€ m	60.1	40.6	0

1 All information as of 12/30
2 Xetra trading
3 Calculated on the basis of the respective year-end closing price multiplied by the number of shares outstanding
4 Calculated by taking account of the weighted number of average shares outstanding
5 Cash flow from operating activities
6 Current reporting year: proposal for the Annual General Meeting of Shareholders

Salzgitter share price trend

in %



As of 2022/12/31

The 2022 stock market year was hallmarked by multiple challenges: Russia's invasion of Ukraine, followed by the West imposing sanctions on Russia, and the disruption in the supply of Russian natural gas, along with ongoing bottlenecks in global supply chains, caused global inflation to rise sharply and fanned fears about an imminent recession. The European Central Bank (ECB) and the Federal Reserve responded by significant interest rates hikes. Against this backdrop, the DAX, Germany's leading index, shed 12 % in 2022.

The Salzgitter share was unable to decouple from the generally negative overall market environment and closed the trading year at € 28.52, reflecting a decline of 9 %. The share price therefore tangibly outperformed the European Steel Index (–27 %). The Salzgitter share also performed better than the DAX (–12 %) and the SDAX (–27 %).

TRADING VOLUME

The average daily turnover of our share in Xetra trading stood at 226,000 shares in the year under review, which approximates the year-earlier level (2021: 229,000 shares/day). The sum total of shares traded in the financial year 2022 amounted to just under 60 million (2021: 61 million shares).

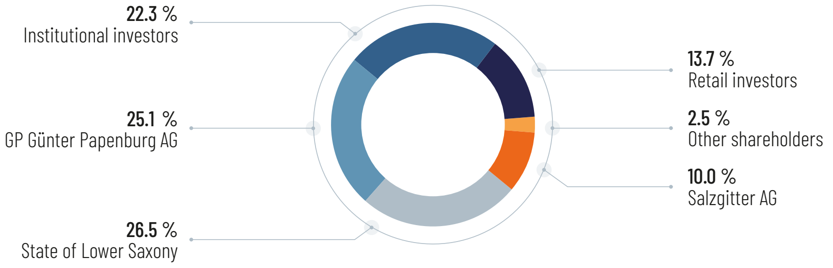
POSITION IN DEUTSCHE BÖRSE'S LEAGUE TABLE

As of January 2, 2023, the Salzgitter share took 116 th place on Deutsche Börse AG in terms of its free float market capitalization, thus falling within the mid-range of SDAX companies. As against year-end 2021 (position 124), our ranking has improved slightly, most likely mainly due to the share price performance.

SHAREHOLDER STRUCTURE

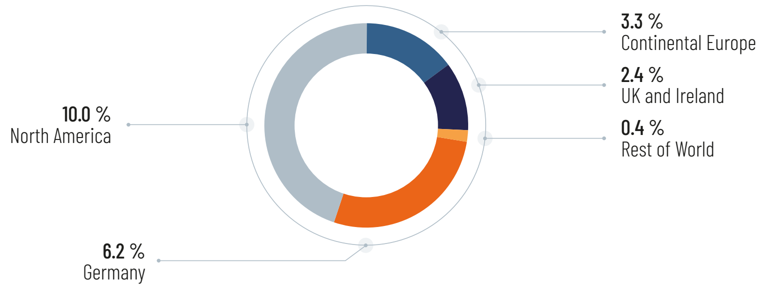
Compared with the end of 2021, our shareholder structure has changed principally due to GP Günter Papenburg AG raising its stake from 15 % (notification dated December 8, 2021) to more than 25 % (notification dated May 9, 2022). As a result, the holdings of the Federal State of Lower Saxony and GP Günter Papenburg AG as our anchor shareholders that are assigned to fixed ownership in accordance with Deutsche Börse's definition totaled 52 % of the Salzgitter shares (2021: 41 %). At the same time, the number of shares held by institutional and private investors declined. According to a survey conducted in December 2022, the proportion of shares held by institutional investors in particular dropped to 22 % (2021: 27 %). The decline in the stake held by institutional investors was principally attributable to the partial withdrawal of North American investors. In terms of other regions, only German investors increased their positions. Other investors, including private investors, brokers and institutional investors not subject to reporting, held 16 % (2021: 21 %). The percentage of Salzgitter shares in free float amounted to 39 % at the end of 2022. As before, Salzgitter AG continued to hold 10 % in treasury shares.

Shareholder structure



Treasury shares as of 2010/07/08
All other information based on the external analysis of the shareholder structure from December 2022

Geographical distribution of institutional investors' free float shares



ANALYST COVERAGE

As of December 31, 2022, 15 financial institutions and research companies followed our company and regularly published coverage. The recommendation of one analyst for the share was "buy". Ten analysts were in favor of "hold" and four recommended "sell". At the end of December 2022, analysts' average share price target stood at € 30.34.

The updated analyst recommendations on the Salzgitter share are available on our ↗ Investor Relations website under the "Analyst Estimates" heading.

DIVIDEND

The Salzgitter Group's performance is largely determined by the cyclical fluctuations customary in the sector. Salzgitter AG nevertheless continues to pursue its policy of distributing steady dividend as far as possible. As part of the new corporate strategy, we are striving for a minimum dividend yield of 2 % to the extent permitted by the company's earnings situation. Our intention here is to be reliable and transparent for our shareholders.

The Executive and Supervisory boards propose that the 2023 General Meeting of Shareholders approve a dividend payment of € 1.00 per share for the financial year 2022. The total payout therefore stands at € 60.1 million and dividend yield at 3.5 % in relation to the share's 2022 year-end closing price of € 28.52. The proposed dividend would therefore be around 33 % above that of the previous year (2021: € 0.75).

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Dividend per share (DPS)	€	1.00	0.75	0.00	0.00	0.55	0.45	0.30	0.25	0.20	0.20
Total dividend	€ m	60.1	40.6	0	0	29.7	24.3	16.2	13.5	10.8	10.8

CREDIT RATING

No official rating has been issued for Salzgitter AG by the three large international rating agencies. As company ratings require a great deal of time and money, and since all material instruments of capital market financing are available to us, we are currently waiving the option of ratings. In close dialog with our capital market partners, experience has shown that we can agree and obtain (relatively) attractive financing conditions also without ratings.

SUSTAINABILITY RATINGS

Salzgitter AG's performance in the field of sustainability is the topic of analysis by various initiatives and agencies. In the financial year 2022, presenting the new "Salzgitter AG 2030" corporate strategy with its focus on circular economy solutions and intensifying the communication of ESG topics positively impacted most sustainability ratings.

As a result, we advanced to the second best AA rating in MSCI ESG Ratings (2021: A). We also improved in the analyses conducted by Moody's ESG Solutions (55/100; 2021: 54/100) and Sustainalytics (33.1; 2021: 38.7). Salzgitter AG achieved an A- rating (2021: B) for the first time in CDP's rating in 2022.

INVESTOR RELATIONS ACTIVITIES

Elaborations on the new "Salzgitter AG 2030" corporate strategy presented on February 2, 2022, along with information on the progress made in the SALCOS® (Salzgitter Low CO_2 Steelmaking) program, formed the focus of our activities in the Investor Relations area. To this end, we participated in nine investor conferences in Frankfurt, Munich, London, Miami, as well as partly online, and in roadshows held in Frankfurt, Düsseldorf, Cologne, Hamburg and London. In addition, investors and analysts visited our location in Salzgitter. We presented results of the financial year 2021 and those of the first half of 2022 in online analyst conferences and discussed these results with investors and analysts.

Following two years of disruption due to the coronavirus, the Freundeskreis der Aktionäre der Salzgitter AG 2022 (circle of friends of Salzgitter AG shareholders) started to arrange events for our private investors again. Members of the Group's Executive Board and of the Group Management Board participate in these events by making keynote presentations and reporting on their areas of responsibility.

COMBINED MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

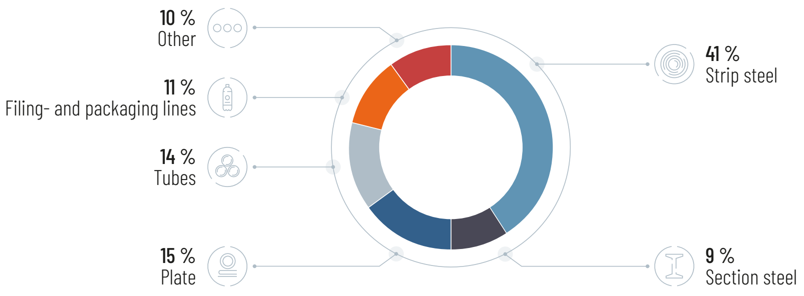
BUSINESS ACTIVITIES AND GROUP STRUCTURE

The Salzgitter Group ranks among Europe's leading steel and technology companies. In the financial year 2022, we generated external sales of approximately € 12.6 billion with a workforce of more than 24,500 employees and a crude steel capacity of seven million tons a year. The Salzgitter Group comprises a total of more than 150 subsidiaries and holdings.

OUR PRODUCTS AND SERVICES

Our **core competences** lie in the production and processing of rolled steel and tubes products and global trading in these products. Strip steel articles, sections, heavy plate, along with seamless and welded steel pipes and tubes count among our most important products. We also operate a business in special machinery and plant engineering and hold a leading market position in the respective applications.

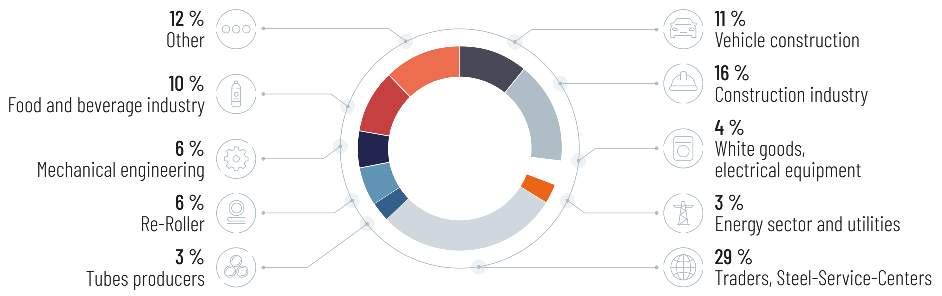
External sales by product group



Only companies included in the group of consolidated companies of the Salzgitter Group, excluding the EUROPIPE Group.

A breakdown by **customer sector** shows that around 29 % of our external sales is attributable to steel trading and the Steel Service Centers that sell directly or process upstream – generally in smaller batches. Other key customer industries consist first and foremost of the construction industry (16 %), the automotive industry (11 %), and the food and beverages industry (10 %).

External sales by customer sector

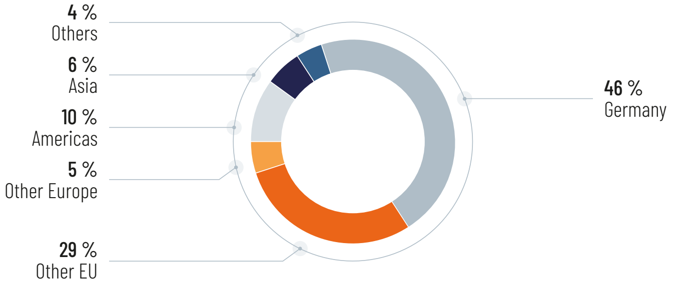


Only companies included in the group of consolidated companies of the Salzgitter Group, excluding the EUROPIPE Group.

BUSINESS ACTIVITY FOCUSED ON EUROPE

In the financial year 2022, we generated 80 % of our external sales in Europe. With a share of 46 %, Germany is traditionally by far our most important single market. It should be noted in this context, however, that many of our products are supplied to export-oriented German businesses and therefore ultimately find their way abroad. Sales outside Europe are primarily generated in the Trading and Technology business units.

External sales by region



Sales by consignee (only companies included in the group of consolidated companies of the Salzgitter Group, excluding the EUROPIPE Group)

The Salzgitter Group's rolled steel production is concentrated in Germany. The main **production sites** consist of the integrated steelworks in Salzgitter with three blast furnaces and the mini mill with two electric arc furnaces at the Peine location. In addition, the Group has two heavy plate mills in Ilsenburg and Mülheim an der Ruhr, along with 19 tube rolling mills in Germany, France, Italy, Netherlands, US and Mexico. The companies of the Technology Business Unit manufacture on four continents, including the high growth markets of Brazil, India and China. All in all, we have ↗ Group locations* in 43 countries and therefore maintain a virtually global presence for our customers.

CHANGES IN THE SEGMENT STRUCTURE

As part of its strategic realignment, the Salzgitter Group gave itself a new corporate structure, effective April 1, 2022. The steel activities of the former "Strip Steel", "Plate / Section Steel" and "Mannesmann" business units were assigned to the new "Steel Production" and "Steel Processing" business units in accordance with value creation and customer requirements. As a result of this streamlining, the Salzgitter Group is now divided into four segments instead of previously five. The "Trading" and "Technology" business units have remained unchanged in terms of their composition. Participating investments, such as our holding in copper producer Aurubis AG, and our service companies that largely operate within the Group, remain assigned to Industrial Participations / Consolidation.

*This webpage reference and all other such references in the combined management report have not been audited by the statutory auditor.

Along with leveraging synergies and a customer-centric approach, the Salzgitter Group practices even tighter, targeted coordination based on its strategic realignment, with the aim of bolstering the transformation process through to 2033.

Group structure

Salzgitter Group

Salzgitter Mannesmann / Salzgitter Klöckner-Werke

Steel Production Business Unit	Steel Processing Business Unit	Trading Business Unit	Technology Business Unit	Industrial Participations / Consolidation
Salzgitter Flachstahl	Mannesmann Precision Tubes	Salzgitter Mannesmann Handel Gruppe	KHS	Verkehrsbetriebe Peine-Salzgitter
Peiner Träger	Mannesmann Line Pipe	Universal Eisen und Stahl	Klöckner Desma Elastomertechnik	Salzgitter Digital Solutions
DEUMU Deutsche Erz- und Metall-Union	Mannesmann Stainless Tubes		DESMA Schuhmaschinen	TELCAT MULTICOM
Salzgitter Mannesmann Stahlservice	Mannesmann Grossrohr			Salzgitter Automotive Engineering
Salzgitter Bauelemente[1]	Ilsenburger Grobblech			Salzgitter Hydroforming
Salzgitter Europlatinen	Salzgitter Mannesmann Grobblech			Salzgitter Business Service
	Hüttenwerke Krupp Mannesmann (30 %)			Salzgitter Mannesmann Forschung
	EUROPIPE (50 %)			Glückauf Immobilien
	Borusan Mannesmann (23 %)			Aurubis (29.99 %)
				Hansaport (51 %)

[1] Until 2022/12/31
As of: December 2022 (simplified presentation)

STEEL PRODUCTION BUSINESS UNIT

Along with the steel producing companies of Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH (PTG), the Steel Production Business Unit also comprises DEUMU Deutsche Erz- und Metall-Union GmbH (DMU). Furthermore, it includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS), Salzgitter Europlatinen GmbH (SZBP), as well as Salzgitter Bauelemente GmbH (SZBE) up until December 31, 2022.

SZFG constitutes the business unit's largest organization unit. With a crude steel capacity of around 4.7 million tons a year, SZFG focuses essentially on premium steel grades for sophisticated applications. The product range encompasses hot-rolled strip, slit strip, cut-to-length strip, cold-rolled strip and surface-finished products. The lion's share of high-quality products is supplied to the automotive industry for further processing. In addition, the tubes and pipes sector and industry (household goods manufacturers and mechanical engineering, for instance) count among the most important customer sectors. The Steel Production Business Unit has been offering green strip steel products with a lower carbon footprint since 2021. As the first European steel producer, SZFG obtained conformity statements in 2021 for its green steel products, produced together with PTG in accordance with the VERIsteel standard of TÜV SÜD (German technical inspectorate). The process provides proof of product-specific carbon emissions in steel production.

Part of the strip steel volumes produced is processed further by the business unit's own companies. Accordingly, SMS has a processing capacity of more than 600,000 tons a year. Furthermore, SZEP manufactures laser-welded tailored blanks from various strip steel grades for the automotive industry.

A second pillar of the product portfolio consists of PTG's medium-sized and heavy beams and profiles that are produced in a mini mill with two electric arc furnaces, with an adjusted annual capacity of one million tons a year of crude steel from steel scrap. In adopting this production method, PTG makes an important contribution to the circular economy. The construction industry features as PTG's main customer.

In DMU, the Salzgitter Group also has its own scrap and metal supplier that specializes in particular in trading with steel scrap, along with old and new metals and ferro alloys. The company functions as an important internal transformation partner for our ↗ SALCOS® – Salzgitter Low CO_2 Steelmaking program.

Incrementally switching steel production to a hydrogen-based route under SALCOS® forms a strategic focus of the business unit. In contrast to the former process involving blast furnaces, hydrogen and green electricity replace the carbon formerly required for producing steel. This technology enables steel production's carbon footprint to be reduced by more than 95 %. Implementing the first of three SALCOS® development stages commenced back in 2022. We plan to have completed the technical transformation of the steelworks to accommodate the new procedure by the year 2033.

STEEL PROCESSING BUSINESS UNIT

The Steel Processing Business Unit concentrates on the downstream links in the value chain and on customer processes. The companies producing steel tubes and pipes and the Salzgitter Group's heavy plate activities are combined under this business unit. Furthermore, the 30 % stake in Hüttenwerke Krupp Mannesmann GmbH (HKM), with an annual capacity in excess of four million tons of crude steel, has also been allocated to the business unit and is included as a joint activity on a pro rata basis in the consolidated financial statements. This participating investment also provides the business unit with its own supply of crude steel.

In terms of pipes and tubes, the product portfolio offers a broad range of applications under the Mannesmann brand that is steeped in tradition: from longitudinally- and spiral-welded large-diameter pipes, medium-diameter line pipes, seamless and welded precision tubes right through to seamless stainless steel tubes.

In the line pipe product segment, Mannesmann Line Pipe GmbH (MLP) produces HFI (high frequency inductive) longitudinally-welded steel line pipe for transporting gas, oil, water and other media. In addition, Mannesmann Grossrohr GmbH (MGR) offers spiral-welded large diameter pipe with diameters of up to 66 inches. Our line pipe activities are supplemented by the EUROPIPE Group (consolidated using the equity method), a 50 % joint venture with AG der Dillinger Hüttenwerke. EUROPIPE is one of the world's leading producers for longitudinally-welded large-diameter pipe in the high quality segment for use in technically sophisticated pipeline projects.

In terms of precision steel tubes, mainly deployed in the automotive industry and in mechanical engineering, as well as in the energy sector, Mannesmann Precision Tubes Group (MPT Group) ranks as market leader in Europe.

The pipes and tubes portfolio is rounded off by the stainless steel tubes of the Mannesmann Stainless Tubes Group (MST Group). Based on the material-specific advantages of stainless steel compared with carbon steel, particularly resistance to corrosion and heat, stainless steel tubes are principally used in power plant construction, as well as in the chemical and petrochemical industries. Moreover, new possibilities for use are opening up in the field of hydrogen transport and processing.

Along with pipes and tubes, the Steel Processing Business Unit's product range also covers heavy plate. The heavy plate mill of Ilsenburger Grobblech GmbH (ILG) boasts a production capacity of up to 700,000 tons of heavy plate a year. Along with standard grades, emphasis is placed on manufacturing high strength and sour gas resistant plate. Salzgitter Mannesmann Grobblech GmbH's (MGB) core competence resides above all in the production of line pipe plate for on- and offshore pipelines in medium to large batch sizes. The company is a key supplier to the EUROPIPE Group.

TRADING BUSINESS UNIT

The Trading Business Unit maintains a presence in 27 countries in total. Salzgitter Mannesmann Handel GmbH as the management holding maintains a distribution network with its own stockholding locations for steel products in Europe. Customers can source steel products from the Salzgitter Group along with the complimentary products of other producers via these locations, and have them processed.

In addition, the Salzgitter Mannesmann Handel Group operates an international trading business that serves a large number of its own representative offices as well as agencies all over the world. Along with selling rolled steel and tubes products, feedstock is also procured on the international markets for Group companies and external customers.

In addition, Universal Eisen und Stahl GmbH, a heavy plate specialist that operates in Europe and North America with its own warehouses, also belongs to the business unit. The company maintains stock levels across a broad spectrum of different diameters and grades and offers a wide range of processing capabilities.

TECHNOLOGY BUSINESS UNIT

The Technology Business Unit comprises three manufacturers of special machines, each occupying an outstanding position in their respective market. Around 90 % of the Technology Business Unit's sales is attributable to the KHS Group, one of the world's three leading suppliers for the production of filling and packaging machinery. The portfolio focuses on high-performance systems, as well as on solutions for smaller output rates for processing a wide variety of beverages and liquid food products. Moreover, KHS offers full-line systems and individual units, along with a comprehensive suite of services. One of the company's USPs is its in-depth packaging expertise in the field of recyclable plastic containers (PET) and secondary packaging. Along with locations in Germany, KHS manufactures at production sites in the US, Mexico, Brazil, India and China.

The Klöckner DESMA Elastomer Group (KDE Group) makes injection molding machinery for rubber and silicon products. The elastomer articles manufactured in the plants are used for example in the automotive industry, energy distribution networks, raw material extraction, infrastructure components, and also in the white goods industry. The KDE Group maintains production sites in Germany, Slovakia, India, China and US and operates as global market leader in its segment.

DESMA Schuhmaschinen GmbH (KDS) is global market leader for plants, machinery, automation solutions and forms for industrial shoe manufacturing. The company offers full-line solutions, from planning factories through to developing machinery and automation concepts and on to mold-maker products, as well as a global service. DESMA ranks as the world's largest supplier of machinery for manufacturing shoes and shoe soles.

INDUSTRIAL PARTICIPATIONS / CONSOLIDATION

Industrial Participations / Consolidation comprises activities not directly assigned to a business unit. On the one hand, such activities consist of service companies and units operating within the Group that, with their products and services, provide support for the business units' core activities. This support ranges from supplying raw materials and IT services, facility management, logistics and automotive engineering through to research and development. Some units also offer their services to third-party customers.

On the other hand, holdings such as the 29.99 % stake (measured against the total number of shares issued) in Aurubis AG, a leading supplier of nonferrous metals and one of the world's largest copper recycling companies, along with the 51 % stake in Hansaport Hafenbetriebsgesellschaft mbH are also assigned to Industrial Participations / Consolidation.

GROUP'S LEGAL STRUCTURE

Salzgitter AG is the parent company and management holding of the Salzgitter Group. All major participating investments are held through the wholly-owned company Salzgitter Mannesmann GmbH (SMG) and its wholly-owned subsidiary Salzgitter Klöckner-Werke GmbH (SKWG). The Executive Board of Salzgitter AG is composed of the same persons as the management boards of interim holding companies of SMG and SKWG. SKWG also comprises the Group's Finance function that facilitates centralized and unrestricted financial management for the Group.

Salzgitter AG's entire holdings pursuant to Section 285 item 11 of the German Commercial Code (HGB) are listed and available at ↗ Reports.

As the respective shareholding companies, Salzgitter AG and SMG have issued letters of comfort in respect of SMG and SKWG. As the furnishers of the letters of comfort, Salzgitter AG and SMG undertake to fund SMG and SKWG respectively in the subsequent financial year so that obligations entered into in the current financial year can be settled in adherence to deadlines.

GOALS AND STRATEGY

SALZGITTER AG 2030

The new **"Salzgitter AG 2030"** corporate strategy was presented at the outset of 2022. The strategy is geared to driving the transformation of Salzgitter AG toward low carbon steel production and ensuring its position as a sustainable industrial company. In view of the growing pressure to take action and global endeavors to lower carbon emissions, conditions in our core markets are set to undergo substantial change in the years ahead. Along with assuming responsibility toward society and future generations, Salzgitter AG places great emphasis in this context on the Group's future proofing in all areas of its business. The Group's core set of values, anchored in tradition, a spirit of partnership and profitable entrepreneurial independence are to be preserved and reinforced and supplemented by the attributes of "transformation ability" and "agility". The overarching goal of the corporate strategy is to position Salzgitter AG center stage in a circular economy. With innovative products and processes, underpinned by strong partnerships and networks, we intend to establish ourselves as **market leader for circular economy solutions**, thereby evolving into Europe's strongest steel and technology group.

At year-end 2022, we launched a process to define a sustainability strategy for the Salzgitter Group, with the aim of attributing a special priority to the topic of sustainability within the Group and to anchor sustainability prominently as part of our corporate strategy.

VISION AND MISSION

The **"Pioneering for Circular Solutions" vision** as a key component of the strategy clearly illustrates the Salzgitter Group's leadership aspiration in the field of circularity. Our understanding of circularity consists of keeping resources once sourced from nature for as long as possible in economic use, thereby minimizing the additional introduction of finite resources into the economic cycle. Circularity also entails viewing processes and product development from a holistic standpoint, connecting them up intelligently and, when designing products, assessing the complete life cycle of a product in terms of its sustainability.

The **"Partnering for Transformation" mission** clearly formulates our mandate and underscores the significance of an integrated cooperation between all our business units, products, technologies, employees and external partners on the way to achieving our goals. The mission maps out the route and is a precondition for the Salzgitter Group's efficient and successful transformation.

STRATEGIC DIRECTION AND GOALS

We have defined the following five strategic directions as part of the "Salzgitter AG 2030" strategy:

/ Circular Economy
/ Profitability
/ Growth & Customer-Oriented Solutions
/ Capital Market
/ Employees

We have set ourselves specific goals in these areas over the period up until 2025 and 2030. Furthermore, we have collated them in a strategy scorecard to facilitate reviewing and communicating progress made with our ambitions with the aid of concrete financial and non-financial key performance indicators. You will find the strategic directions and core topics, arranged in line with the individual business units of Steel Production, Steel Processing, Trading and Technology, on our website at ↗ Strategy.

Strategy Scorecard

Strategic direction	KPI	Unit	Target 2025	Target 2030
Circular Economy	Expansion of scrap recycling	%	> 25	> 50
		mt p. a.	2.5	3
	CO_2 reduction (Scope 1 and 2)	% CO_2	> - 30[1]	> - 50
	Full focus on low carbon steel production	–	SALCOS® Stage 1	SALCOS® Stage 1–3 (2033)
	Savings of 1 % of German emissions	mt p. a.	2.5	8 (2033)
	Electricity sourced exclusively from renewable sources	%	> 50	100
Profitability	ROCE	%	12	14
	EBITDA margin	%	8 - 10	> 10
	Increase in additional profit improvement potential	€ million p. a.	> 150 (2026)	–
Growth and Customer-oriented Solutions	Growth in profitable business areas with a focus on circularity (gross sales)	€ billion	–	> 11
Capital market	Dividend yield	%	> 2	> 2
	ESG rating	–	Top industry tertile	Top industry quartile
Employees	Accidents (LTIF)	% vs 2021	- 35	- 50
	Proportion of women in new non-tariff / management positions	%	25	30

[1] Alignment of plant operation to -30 % CO_2 (comprises mainly SALCOS® Stage 1)

CIRCULAR ECONOMY

Circular economy is focused on ramping up scrap recycling, considerably accelerating the decarbonization of steel production, as well as sourcing power from renewable energies. Strategic partnerships serve to ensure that the goals can be achieved. These partnerships include creating access to high quality scrap and renewable energy sources, as well as the availability of green hydrogen, direct reduction quality grade pellets and plants for direct reduced iron, as well as electric arc furnaces.

The primary goal in the field of circularity is to **increase the deployment of scrap** in steel production, from currently 2 million tons p. a. to at least 2.5 million tons p. a. (+ 25 %) through to 2025 and to at least 3 million tons p. a. (+ 50 %) by 2030.

As part of our scrap strategy, we review the possibility of increasing scrap use on a running basis: This includes organic growth, for example through creating closed loops, and investments in processing technology, just as much as anorganic growth for the purpose of expanding our scrap market position in the context of company acquisitions (M&A) and cooperations. Prestigious automotive manufacturers such as Volkswagen and BMW and offshore wind farm operator Ørsted rank among the partners won in 2022 for the recycling of scrap for return to Salzgitter AG.

Our measures, designed to decarbonize steel production, are aimed at **reducing the** Salzgitter Group's **carbon emissions** in **Scope 1** and **Scope 2** by more than 30 % by 2025 and more than 50 % by 2030 compared with the base year of 2018. We want to achieve climate neutrality and thus the European Union's goal of net zero by 2050 at the latest.

On February 9, 2022, Salzgitter AG, committed to the Net Zero standard of the Science-Based Targets Initiative (SBTi) by submitting its Commitment Letter, thereby acknowledging the 1.5° target set out in the Paris Agreement. We will now be working on climate protection targets for the years 2030 and 2045 through to the second quarter of 2023, have them validated by SBTi, and will follow up by rigorously implementing them. We conducted a groupwide survey of emission data in Scopes 1 to 3 for the first time in 2022 in accordance with the requirements under the Greenhouse Gas Protocol standards for the reporting year 2021 and have translated the results into a greenhouse gas footprint. Moreover, in determining our Corporate Carbon Footprint (CCF) we have reached an important milestone.

/ With the aforementioned goal, the **transformation toward energetically carbon neutral steel production** based on the ↗ SALCOS® program (Salzgitter Low CO_2 Steelmaking) is underway. The technical approach of SALCOS® consists of avoiding carbon emissions in the production process (Carbon Direct Avoidance (CDA)) through replacing the carbon formerly required for producing steel incrementally, initially mainly by natural gas and later on by 100 % green hydrogen, in direct reduction plants to be built. The implementation of SALCOS® Development Stage 1 is to take place over the period up until 2025 and is to be followed by full realization in Development Stages 1 – 3 by 2033. By the end of 2025, we aim to operate 30 % of primary steel production at Salzgitter Flachstahl GmbH without coking coal and to shut down the first blast furnace in 2026 with a view to replacing it by direct reduction plants and electric arc furnaces. As early as 2033, which is 12 years earlier than originally envisaged, the integrated steelworks are to fully facilitate low carbon production.

In July 2022, Salzgitter AG's Supervisory Board released company funds in an amount of € 723 million for financing the first development stage, which allowed the first orders for the plants and structural engineering to be placed. In October 2022, the EU Commission gave notification of the subsidizing of the SALCOS® program using federal and government funds, thus securing financing in the form of subsidies totaling one billion euros. Furthermore, partnerships to ensure the supply of important primary materials/green energy and plant technology for the low carbon production of steel were concluded in 2022.

/ Full alignment to low carbon steel production will be instrumental in achieving our target of **saving 1 % of Germany's emissions**. Over the course of implementation, emissions in a scope of 2.5 million tons p. a. are to have been saved by 2025 and 8 million tons p. a. by 2033.

The foundations for achieving our emission reduction target were laid in 2022 based on the scheduled progress of implementing the SALCOS® program and developing state-of-the-art infrastructure at the Salzgitter location.

/ The reduction of Scope 2 emissions can only be successful through **sourcing power from renewable energies**. Consequently, we want to source more than 50 % of the electricity used in the Salzgitter Group's processes from climate-friendly power production by 2025, to be followed by 100 % by 2030.

In procuring energy, we are already using all economically viable options to minimize our energy consumption and to switch the energy supply to renewable sources. Where expedient, we will be supplementing our portfolio by our own power production based on renewable energies. With the planned commissioning of the first development stage of SALCOS®, additional electrical energy will be required. Taking account of all relevant parameters in the integrated steelworks, we currently assume that these requirements will amount to around 2 TWh a year. To this end, 30 % of our future power requirements have already been secured via long-term Power Purchase Agreements (PPA). The green electricity will be available as from SALCOS® go-live in 2026. Furthermore, a PPA was concluded to cover around 30 % of the Group's electricity consumption through to and including 2025.

Salzgitter AG has anchored the principle of the circular economy in the entire Group, through its "Salzgitter AG 2030" strategy. Along with activities in steel production and processing, we are therefore also focusing on circular, sustainable market segments in our Technology and Trading business units. In the Trading Business Unit, we are consistently supporting material closed loops, from providing steel products right through to their recycling, and are expanding trade in green steel, for applications in the field of renewable energies, for instance. In the Technology Business Unit, the KHS Group, for example, offers processes, products and services that are designed for a resource-conserving and low carbon closed production chain. Customers are therefore provided with new, value-added solutions and upgrades on a running basis during the entire life-cycle of KHS plants, along with used machinery re-adapted for further deployment. This approach supports customers in achieving their own sustainability targets. Moreover, the KHS Group has been using certified green electricity in all its German locations for years and is planning to do so in its international production sites as well.

PROFITABILITY

We have set ourselves the goal of strengthening our profitability and of setting benchmarks in a comparison across Europe's industries.

/ In this context, we measure ourselves using **return on capital employed** (ROCE), on the one hand, where we are aiming to achieve a ratio of 12 % in 2025 and 14 % in 2030. On the other, we will be striving to achieve an **EBITDA margin** of 8 – 10 % in 2025 and an EBITDA margin in excess of 10 % from 2030 onward.

Thanks to the extraordinarily sound market situation in the first half of the year, we exceeded the targets for both figures in the financial year 2022.

/ We will continue to consistently implement the profit improvement programs (PIP) that have proven to be so decisive for the resilience of our results in the past. Our aim is to leverage more than € 150 million in additional profit improvement p.a. as from the year 2026.

The "Performance 2026" PIP set up in 2022 is designed to make a significant contribution as an enabler for the necessary groupwide transformation. This program focuses on differentiation and raising margins via process technology and innovation, significantly enhancing productivity and cost efficiency, including digitalization and automation, as well as proactive product portfolio and margin management, underpinned by digitalization in sales. As part of this program, an amount of € 180 million in profit improvement potential has already been identified across the business units and bolstered by defined measures.

GROWTH AND CUSTOMER-ORIENTED SOLUTIONS

/ The Salzgitter Group aims to grow in new and existing areas of business and to lift its **overall sales to more than € 11 billion** by 2030. To this end, we will be expanding our offerings in particularly promising areas, which will enable us to tap into new sources of income, whereby the focus is placed on circularity. In our endeavors, we are concentrating on growing market segments and strengthening our vertical integration there. We adjust our portfolio to this strategy accordingly. With a view to stepping up internationalization, we aspire to expand our activities in Eastern Europe and exploit new opportunities in global markets such as the in US and Asia. Furthermore, we want to develop new digital offerings and generate further business opportunities through acquisitions.

Thanks to the exceptionally good market situation in the first six months, we significantly exceeded our 2030 sales target in the financial year 2022. Our aim is now to perpetuate sales independently of such exceptional situations to more than € 11 billion. To achieve this goal, strategic directions were defined and measures introduced in the individual business units in 2022.

CAPITAL MARKET

Our aim is to be perceived on the capital market as a successful and sustainable long-term investment, a position that hinges on reliability and transparency. These attributes are reflected in our forecast policy as well as in regular interaction with the capital market in the form of mandatory disclosures and personal communication. In this context, we have initially defined target values for dividend and ESG ratings.

/ Salzgitter AG pursues a policy of paying out steady dividend as far as possible. As part of the new corporate strategy, we strive to distribute **dividend yield of at least 2 %**.

The Executive and Supervisory boards propose that the 2023 General Meeting of Shareholders approve a dividend payment of € 1.00 per share for the financial year 2022. This would bring the dividend yield to 3.5 % set in the context of the year-end closing price 2022 (€ 28.52).

/ Stakeholders such as customers, banks and investors require concrete proof of sustainable activity based on analyses and certifications. Sustainability ratings measure and assess the degree to which a company acts sustainably and to what extent ESG criteria have been implemented in a company. Furthermore, such ratings enable comparison with peers and other companies. Our aim is to position Salzgitter AG in a set of internationally recognized **ESG ratings** as part of the relevant peer group comparison in the top tertile by 2025 and in the top quartile by 2030.

Based on its relevance for customers, banks and investors, we defined the rating agencies to be included in 2022. The next step will involve defining a quantification rationale for peer group comparison. Based on this, and taking account of stakeholder requirements, we will develop an ESG rating concept for the Salzgitter Group. In terms of the "EcoVadis rating" deemed relevant, the only rating that exists so far pertains to our KHS GmbH subsidiary. We are therefore aiming to obtain a rating in 2023 for the entire Salzgitter Group. Moreover, we will increasingly be having our activities in the field of ESG measured, a move we have affirmed through our SBTi membership.

EMPLOYEES

People play an overarching role in our entrepreneurial transformation, as illustrated through Salzgitter AG's new claim of "People, Steel and Technology". People – our employees – constitute the dynamic driver ensuring realization and are therefore a key success factor and are accorded special importance.

/ The Salzgitter Group aspires to reduce the loss time injury frequency (LTIF) by 30 % as measured against the reference year of 2021 for the period until 2025, and by 50 % by 2030. The targets assume that, as from 2025, the potential for reducing LTIF further will gradually diminish.

In the reporting year 2022, LTIFR was reduced by 21 % as against 2021. The Group initiated and established various measures and activities designed to reinforce the safety culture. One example of this is a measure implemented by Salzgitter Flachstahl GmbH (SZFG) in the spring entitled "Occupational Health and Safety Practice Days" in which more than 2,000 employees participated. In the Trading business unit, focus was put on standardizing occupational health and safety for the international locations of the stockholding steel traders.

/ Furthermore, we pursue the goal of raising the **proportion of women in non-tariff and management positions that are to be newly staffed** to 25 % by 2025 and to 30 % by 2030. In this context, Salzgitter AG's is working tirelessly to enhance its employer appeal, particularly also for women

Salzgitter AG's employer campaign, newly launched at the end of 2021, was rolled out further in 2022. By way of its #karrierevorwärts claim (progressing careers), the company presents itself as a modern and versatile employer. Our established personnel development programs for specialists and managers, flanked by our program to promote women, were implemented in line with schedule in 2022.

EMPLOYEES

As of December 31, 2022, the core workforce of the Salzgitter Group (total workforce excluding trainees and employees in non-active age-related part-time work) numbered 22,622 employees, which is 266 people more than at the end of the financial year 2021 (22,356). Along with raising the number of employees in large parts of the Group in response to capacity requirements, the increase is also attributable to reevaluating personnel requirements at SZFG to ensure plant availability. The initial consolidation of three foreign companies in the business units of Trading and Technology, which raised the staff numbers reported by 40 employees, also contributed to expanding the workforce in 2022.

At the end of the financial year 2022, we employed 686 temporary staff outsourced (2021: 671), which corresponds to an increase of 15 persons compared with the previous year. The share of external staff outsourced in the sum total of core workforce members and staff outsourced stood at 2.9 %. Including trainees and employees in non-active age-related part-time work, the total workforce of the Salzgitter Group came in at 24,569 persons. (2021: 24,255 employees).

Due to temporary capacity utilization problems in a number of companies, short-time work was necessary in some instances in 2022, as in previous years. At the end of the reporting period, 468 employees were working short time in the domestic Group companies (2021: 256). In 2022, an average of 277 employees a month (2021: 609) were affected by short-time work.

Workforce – key figures

	2022/12/31	2021/12/31	Change
Core workforce Group[1]	**22,622**	22,356	266
Steel Production Business Unit	**7,369**	7,158	211
Steel Processing Business Unit	**5,341**	5,341	0
Trading Business Unit	**1,975**	1,934	41
Technology Business Unit	**5,329**	5,298	31
Industrial Participations / Consolidation	**2,608**	2,625	–17
Apprentices, students, trainees	**1,313**	1,310	3
Non-active age-related part-time employment	**635**	590	45
Total workforce	**24,569**	24,255	314

Rounding differences may occur due to pro-rata shareholdings.

[1] Excluding executive body members

Regional distribution

		Germany	Rest of Europe	America	Asia	Other regions
Core workforce[1]	Employees	18,142	1,904	1,592	812	172
	%	80.2	8.4	7.0	3.6	0.8

[1] Excluding executive body members

Personnel expenses amounted to € 1,883.4 million in 2022, which is 6.4 % higher than in the year-earlier period. The greater expenses are especially attributable to the inflation-induced rise in collectively agreed wages, as well as to once again notably higher performance-based compensation prompted by the improvement in the Salzgitter Group's results. Furthermore, the parties to the Group's Works Council reached an agreement to grant domestic employees a voluntary one-off inflation bonus of EUR 1,000 to offset the considerable increase in consumer prices, with the expense recognized through profit and loss in the financial year 2022. The bonus was paid out in January 2023.

RESEARCH AND DEVELOPMENT

The Salzgitter Group's research and development (R&D) for the Steel Production and Steel Processing business units are grouped together under Salzgitter Mannesmann Forschung GmbH (SZMF). SZMF is part of a tight network comprising universities, research institutes and industrial partners within the context of numerous national and international research projects. We regard the developments resulting from the cooperations as preferable to buying in external know-how. We continued to pursue this strategy in the period under review, which is the reason why no major R&D procurement expenses were incurred. SZMF actively participates in defining the relevant norms and standards both in the domestic and in the international arena. R&D in the Technology Business Unit is organized decentrally in the respective companies.

The high number of registrations for patents and trademark rights impressively underscore our innovative capabilities: At the end of the financial year 2022, 4,998 patents and 1,707 trademark rights (2021: 4,991 and 1,691 respectively) were registered for the entire Group. The Technology Business Unit accounts for 4,471 patents and patent registrations (2021: 4,325) and 651 trademark rights (2021: 624).

R&D EXPENSES

In 2022, the Salzgitter Group spent € 87.8 million on R&D and R&D-related activities (2021: € 82.4 million). The breakdown of expenses per business unit developed as follows:

Research and development expenses by business unit

		Group	Steel Production	Steel Processing	Technology	Third party and no BU allocation
R&D expenses[1]	€ m	87.8	38.2	14.7	21.8	13.1
	%	100.0	43.5	16.7	24.8	14.9

[1] Excluding the EUROPIPE Group

As of December 31, 2022, 681 employees in the Salzgitter Group were engaged in research and development activities. Of this number, 253 members of staff work at SZMF and 428 were active at the operating companies. This allocation underscores how strongly our R&D activities are focused on products – and therefore on our customers – as the majority of R&D employees work in areas of production. We dedicate a notable part of our research capacity to advance development projects as well.

Multi-year overview of research and development

		2022[1]	2021[1]	2020[1]	2019[1]	2018[1]	2017[1]	2016[1]	2015[1]	2014[1]	2013[2]
R&D expenses[3]	€ m	85	80	88	93	96	91	85	85	87	88
R&D employees	empl.	681	684	700	762	763	750	733	767	784	828
R&D ratio[4]	%	0.7	0.8	1.2	1.1	1.0	1.0	1.1	1.0	1.0	0.9
R&D intensity[5]	%	2.7	3.1	5.7	5.7	4.5	4.5	4.8	4.8	5.2	7.4

[1] Excluding the EUROPIPE Group
[2] Restated
[3] R&D expenses in relation to goods and services for Group companies
[4] R&D expenses in relation to Group sales
[5] R&D expenses in relation to Groouy value added

R&D FOCUS AREAS

We have defined our research and development focus with a view to the future:

In implementing the **SALCOS®** (Salzgitter Low CO_2 Steelmaking) program, we are playing a pioneering role in decarbonizing the steel industry. The engineering approach of SALCOS® targets the direct avoidance of CO_2 emissions in the production process itself (Carbon Direct Avoidance (CDA)) by using hydrogen to incrementally replace the carbon necessary for steel production based on iron ore, initially by natural gas and subsequently by 100 % green hydrogen at a later stage in direct reduction plants.

Under the **"µDRAL"** project, the year 2022 saw a demonstration plant taken into operation on the premises of Salzgitter Flachstahl GmbH (SZFG) that is capable of flexible operation harnessing natural gas and hydrogen for the production of direct reduced iron (DRI). Implementing the first stage of SALCOS® on an industrial scale has been scheduled for 2025, the Supervisory Board having given its approval in July 2022. In the following year (2026), more than one million tons of steel are to be produced at SZFG without the use of coking coal. Full implementation is scheduled for completion by 2033. Assuming the sufficient availability of green hydrogen, the carbon footprint can subsequently be reduced by more than 95 % compared with the current process, thereby avoiding around 1 % of Germany's total emissions today. Consequently, we would not only be much earlier in terms of our original goal of full implementation by 2050, but also substantially ahead of Germany's climate target timeline.

Moreover, in collaboration with a number of Fraunhofer Institutes, and as part of the **BeWiSe** funding project (Begleitforschung Wasserstoff in der Stahlerzeugung – accompanying research on hydrogen in steel production), we are working on research issues for optimizing the SALCOS® route. Further important research topics also relating to SALCOS® are being developed together with competent external partners.

Our groupwide R&D activities conducted on behalf of the automotive industry have been coordinated and combined for many years under the Salzgitter Group's **"Initiative Automotive"** with a view to joining forces in continuously developing materials, processes and services for the automotive industry. A similar approach has now been adopted for our hydrogen activities: We are pooling our extensive hydrogen know-how within the Group, which is enabling us to leverage synergies and tap market potential. The "H2SteelLab" hydrogen competence center is being set up at the Duisburg-based research location. This center, with its in-depth hydrogen expertise, will be available as a contact point, both within the Group and for external parties, for R&D services encompassing hydrogen transport, storage and application. Instrumented investigations on materials exposed to hydrogen gas with pressures up to 400 bar are being conducted here, for instance.

Further information on SALCOS® can be found at ↗ SALCOS®. Information on SZMF's Duisburg location is available at ↗ SZMF.

In addition to SALCOS®, we are also forging ahead with developing materials, products and processes. The focus of development with **strip steel** has been placed above all on high-strength steels with improved formability and residual expansion, as well as on ultra-high-strength steels. With regard to the automotive industry, the development of high and ultra-high-strength hot strip, cold-rolled multi-phase steels and press-hardened steels with enhanced product properties is taking center stage in the conventional grades segment. In this field, the development of an even stronger variation of the "SZBS800" as a very successful chassis steel for the automotive industry is worthy of special mention. The focus remains on optimizing the quality of micro-alloyed hot strip, particularly for re-rollers, while reducing costs by adjusting alloys and processes. Competences in advanced analytics methods and artificial intelligence are being deepened and provide support for the aforementioned adjustments. Along with progressing product development and process optimization in the steelworks, in the hot and cold rolling mill, as well as in surface finishing, the transformation of processes and semi-finished products in connection with decarbonizing steel production is playing an increasingly pivotal role. In this context, building the first electric arc furnace in Salzgitter to produce green steel using suitable scrap and direct reduced iron is being flanked by R&D.

In the **heavy plate** area, R&D activities are concentrated on expanding our product range in particular. Developing a new ballistic and security steels product group, as well as manufacturing ultra-strong grades on an industrial scale via the new "Multi Flex Quench" heat treatment plant in Ilsenburg should be mentioned here. At the present point in time, we are also working on developing structural steel for offshore applications in low temperatures. A further focus has been placed on developing thick mild steel plate from weldable fine-grain steel with thicknesses in excess of 70 mm and on manufacturing them on an industrial scale, as well as cost optimizing individual processes.

In the case of **large-diameter pipes and medium-diameter line pipes**, our emphasis lies on optimizing the existing product portfolio and qualification for challenging combinations of properties. The development and qualification of pipes for transport and the storage of hydrogen, both onshore and offshore, are areas of particular focus. The aforementioned hydrogen activities in Duisburg provide Group companies with targeted support in tackling these and future challenges.

Precision tubes for the area of safety, chassis and drive technologies in the automotive business are being consistently developed further and qualified. Examples include airbags and stabilizers, along with the new generation of high-strength cardan shaft tubes. Other new product developments are targeted at applications in hydrogen economy, such as hydrogen tanks and supply lines in vehicles. Activities in the energy business focus on drill pipes for extreme drilling depths. In the case of drill rods for exploratory drillings extreme demands are placed on the straightness of the pipes and an absolute minimum of internal stresses.

In the **high-alloy seamless stainless steel tubes** area, the emphasis is on qualification for extreme corrosion requirements and on the development of pipes for solar thermal power plants, along with biomass and incineration plants.

In the years ahead, R&D measures have been planned in the **Technology Business Unit** in order to secure the competitiveness of the product program on a sustainable basis. Measures are developed in line with a defined R&D roadmap. Priority is placed on rounding off the product portfolio in core applications. The fungibility of innovative products is the subject of constant monitoring. A specific development activity focus area is aimed at optimizing product costs, especially through modularization and standardization, and, among other things, particularly includes projects under way at KHS in the business of bottle washing technology, palletizing technology, transport technology, as well as PET barrier coating (Plasmax). A further area of KHS activities consists of expanding and improving its product portfolio for sensitive beverages. In order to exploit optimization potential in operating filling and packaging plants based on digital technologies in a targeted manner, projects centered around cloud-based services for the collection and processing of production data are being implemented for the existing KHS IoT platform. A monitoring system is being developed for plant operators with the aim of providing customized information on plant status and on key production figures in order to facilitate effective plant control and capacity utilization. In addition, the solution launched on the market for IT-supported operator guidance with changeover procedures is being developed further with a view to enhancing the user-friendliness of KHS filling and packaging lines. Against the backdrop of growing demand in the market for more environmentally friendly packaging solutions, development activities aimed at using appropriate packaging materials, including manufacturing bottles from recycled PET and secondary packaging from paper, are being carried out.

Product development at the two DESMA specialist mechanical engineering companies is concentrated on the core product program. One of the main areas of development activities at Klöckner DESMA Elastomertechnik consists of revamping serial machinery with a focus on efficiency, ergonomics, productivity, digitalization and reducing complexity. At DESMA Schuhmaschinen, R&D focus areas encompass the automation of manufacturing processes that are still dominated by manual operations. Along with the ongoing development of digitalization, automation and robot solutions, development activities are increasingly being carried out in partnership with material manufacturers in the field of processing sustainable materials for industrial shoe production.

DECLARATION OF CORPORATE GOVERNANCE

The corporate governance of Salzgitter AG is geared to ensuring the sustainable development and long-term success of the company in harmony with the principles of a social market economy and in observance of its corporate responsibility for people and the environment. It is based on the provisions set out under German stock corporation law and the recommendations laid down in German Corporate Governance Code. It is therefore both intrinsically important to us and our obligation to ensure that the prevailing laws are complied with at all times, that generally accepted basic values in dealing with people and companies are observed, and that nature is preserved in conducting the company's business.

2022 DECLARATION OF CONFORMITY WITH THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board submitted the following declaration on December 8, 2022, in respect of the recommendations of the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG):

"From today onward, Salzgitter AG complies – and will continue to comply in the future – with all of the recommendations of the Government Commission on the German Corporate Governance Code in the version dated April 28, 2022, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, bar the following exceptions:

- Recommendation B.3 is not complied with. Under this recommendation, management board members shall initially be appointed for a period of no more than three years.
- Recommendation G.10, sentence 1, is not complied with. This recommends that amounts of variable remuneration shall be invested predominantly in company shares or granted as share-based remuneration.
- Recommendation G.13 is not complied with. Under this recommendation. any payments made to a management board member in the context of premature termination shall not exceed twice the annual remuneration.

Since submission of the last Declaration of Conformity from December 16, 2021, all of the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019, published by the Federal Ministry of Justice and for Consumer Protection in the official section of the electronic Federal Gazette have been complied, bar the following exceptions:

- Recommendation B.3 was not complied with. Under this recommendation, management board members shall initially be appointed for a period of no more than three years.
- Recommendation G.10, sentence 1, was not complied with. This recommends that amounts of variable remuneration shall be invested predominantly in company shares or granted as share-based remuneration.
- Recommendation B.13 was not complied with. Under this recommendation. any payments made to a management board member in the context of premature termination shall not exceed twice the annual remuneration.

In the case of a successor joining the Executive Board from 2021, the member was initially appointed for three years and four and a half months to allow for a time lag between the time when the new Executive Board member is appointed and the time when the appointment of other Board members elapses.

The variable remuneration amounts granted to Executive Board members are 36 % based on shares. The Supervisory Board considers this proportion appropriate.

In accordance with their current employment contracts and under certain conditions, Executive Board members are entitled to a settlement of up to a maximum of three year's remuneration if they leave the company's service prematurely due to a change of control. This arrangement corresponded to the recommendations of the Code valid up until March 2020, but does not accord with the new version of the Code drawn up in 2020, however. In view of current employment contracts, the new version cannot or should not be complied with in the interest of equitable treatment of the Executive Board members."

MANAGEMENT AND CONTROL

THE EXECUTIVE BOARD OF SALZGITTER AG

The members of the Executive Board of Salzgitter AG are appointed by the Supervisory Board. The Supervisory Board can rescind the appointment for an important reason. The Executive Board represents, heads up the company and manages the company's business under its own responsibility in accordance with the German Stock Corporation Act (AktG). It determines the strategic direction and the future development of the company together with the Supervisory Board. The Executive Board is mandated with safeguarding the company as a going concern and enhancing its value in the interest of the company and in consideration of the interests of the shareholders, the workforce and other stakeholders associated with the company. The Executive Board strives to achieve the highest possible return on capital employed within the scope of the corporate purpose. The Supervisory Board has determined that certain business transactions may only be carried out with Supervisory Board approval. The General Meeting of Shareholders can only decide matters affecting the management of the Group if this has been requested by the Executive Board.

The Executive Board currently comprises three members consisting of the Chief Executive Officer, the Chief Financial Officer and the Chief Personnel Officer. The Supervisory Board has assigned each Executive Board member a portfolio of responsibilities for specific organization units and has specified the decisions for which all Executive Board members are jointly responsible. The management of formerly five, but since April 1, 2022, four business units is the joint responsibility of all the members. A Group Management Board is at hand to assist them. Members of this board are the three Executive Board members and generally one manager from each of the four business units who coordinates the activities of his respective business unit (business unit manager).

The members of the Executive Board are liable to the company for any dereliction of duty. The company's D&O insurance provides for an appropriate deductible that accords with statutory requirements.

In the financial year 2022, the following members belonged to the Executive Board of Salzgitter AG and held memberships in the following a) statutory supervisory boards and b) comparable domestic and foreign controlling bodies of commercial enterprises:

Member	Mandates
Gunnar Groebler Chairman and Chief Executive Officer Born in 1972 Nationality: German Member since May 17, 2021 Chairman and Chief Executive Officer since July 1, 2021 Appointed through to September 30, 2024	Non-listed consolidated companies: (a) / Ilsenburger Grobblech GmbH, Ilsenburg (Chairman) / KHS GmbH, Dortmund / Mannesmann Precision Tubes GmbH, Mülheim an der Ruhr / Peiner Träger GmbH, Peine (Chairman) / Salzgitter Flachstahl GmbH, Salzgitter (Chairman) / Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Chairman) / Salzgitter Mannesmann Handel GmbH, Düsseldorf (Chairman) (b) / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council, Chairman) Other non-listed companies: (a) / Semco Maritime A / S, Esbjerg, Denmark Listed companies: (a) / Aurubis AG, Hamburg

Member	Mandates
Burkhard Becker Finance Born in 1960 Nationality: German Member since February 1, 2011 Appointed through to January 31, 2024	Non-listed consolidated companies: (a) / Hüttenwerke Krupp Mannesmann GmbH, Duisburg (Second Vice Chairman) / EUROPIPE GmbH, Mülheim an der Ruhr / KHS GmbH, Dortmund (Chairman) / Peiner Träger GmbH, Peine / Salzgitter Flachstahl GmbH, Salzgitter / Salzgitter Mannesmann Handel GmbH, Düsseldorf / Mannesmann Precision Tubes GmbH, Mülheim an der Ruhr (Chairman) / Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul (Vice Chairman) since January 1, 2022 (b) / Hansaport Hafenbetriebsgesellschaft mbH, Hamburg / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council) Other non-listed companies: (a) / Warburg Invest AG, Hanover Listed companies: (a) / Borusan Mannesmann Boru Sanayi ve Ticaret A.S., Istanbul (Vice Chairman), since January 1, 2022

Member	Mandates
Michael Kieckbusch Personnel Born in 1961 Nationality: German Member since February 20, 2013 Appointed through to December 31, 2024	Non-listed consolidated companies: (a) / KHS GmbH, Dortmund / Mannesmann Precision Tubes GmbH, Mülheim an der Ruhr / Peiner Träger GmbH, Peine / Salzgitter Flachstahl GmbH, Salzgitter / Salzgitter Mannesmann Handel GmbH, Düsseldorf / Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter (Chairman) (b) / Hansaport Hafenbetriebsgesellschaft mbH, Hamburg (Supervisory Board, Chairman) / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council) Other non-listed companies: (b) / Allianz für die Region GmbH, Braunschweig (Supervisory Board) / Projektgesellschaft Salzgitter-Watenstedt GmbH, Salzgitter (Supervisory Board, Vice Chairman) / Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter (Supervisory Board, Vice Chairman)

The members of the Executive Board bear joint responsibility for the overall management of the company and the development of the Group. In addition, a general monitoring and control obligation is incumbent on each member of the Executive Board in working toward averting any threat of adverse developments, implementing desirable improvements or appropriate changes. The Chairman of the Executive Board coordinates the work of Executive Board members. Resolutions shall be passed unanimously by the Executive Board, as far as possible. If consensus cannot be achieved, resolutions will be passed by the majority.

The **Group Management Board**, acting on behalf of the Executive Board, bears joint responsibility for consulting and deciding on all transactions and matters concerning Salzgitter AG and the Group companies that largely pertain to the business units and for coordinating the Group's operating activities.

The following members belonged to the Group Management Board in the financial year 2022:

Gunnar Groebler
Chairman

Kai Acker
Technology Business Unit

Burkhard Becker
Finance and Steel Processing Business Unit
(up until March 31, 2022, Mannesmann Business Unit)

Dr.-Ing. Sebastian Bross
Integration Steel Production and Steel Processing business units
(up until March 31, 2022, Plate / Section Steel Business Unit)

Ulrich Grethe
Steel Production Business Unit
(up until March 31, 2022, Strip Steel Business Unit)

Michael Kieckbusch
Personnel

Volker Schult
Trading Business Unit

APPOINTING OF MEMBERS AND COMPOSITION OF THE EXECUTIVE BOARD

The Executive Board members are appointed by the Supervisory Board for a maximum of five years. The Supervisory Board ensures long-term successor planning together with the Executive Board. As part of this process, the Supervisory Board discusses in good time before the expiration of a contract whether the incumbent should be offered a renewal of his/her employment contract. The Supervisory Board informs the Executive Board member accordingly of the result. In the event of replacement or if recruiting for a newly created Executive Board position, the Supervisory Board's Presiding Committee approves a requirement profile and searches for suitable candidates, generally with the support of external consultants. Following a pre-selection process, the Presiding Committee then presents one or a selection of several candidates for appointment.

When appointing Executive Board members, the Supervisory Board takes account of the fact that the period of office of the person appointed does not exceed the age of 65. As part of the Board's diversity concept, it also gives consideration to the following:

/ that the member to be appointed possesses the personal competence, skills and expertise necessary for professionally and responsibly performing their tasks; this includes, on the one hand, the specific skills and knowledge for heading up the executive portfolio in question and, on the other, the necessary leadership skills for participating in the management of both company and Group by the entire Executive Board,
/ that, along with their suitability in terms of personal competence, skills and expertise, consideration is also given to age as far as possible, on the one hand in order to permit service to the company for a number of years so as to promote continuity and sustainability in corporate management and, on the other, to have younger persons who are familiar with more recent specialist knowledge and management methods as well as older persons represented on the Executive Board who have greater professional, life and management experience,
/ that, in the case of equal suitability of personal competence, skills and expertise, as far as possible both male and female persons are represented on the Executive Board, with the Supervisory Board targeting a proportion of women of at least 30 % by June 30, 2025 in the event of any future opening for a successor,
/ that, along with their suitability in terms of personal competence, skills and expertise, members of the Executive Board have as wide a range of educational backgrounds as possible, including technical, business, legal and other humanistic and scientific disciplines.

Taking account of the company-specific requirements, the diversity concept applied to the composition of the Executive Board is aimed at contributing to the professional and responsible performing of the management duties of the entire Executive Board through the greatest possible diversity.

The Supervisory Board realizes the concept of diversity in the composition of the Executive Board by taking account within the greatest scope possible of the aspects of diversity under this concept when selecting members to be appointed to the Executive Board. The search for suitable persons is incumbent on the Supervisory Board's Presiding Committee.

The diversity concept for the composition of the Executive Board is implemented to the highest degree possible.

WORKING PRACTICES OF THE EXECUTIVE BOARD

The Executive Board holds regular meetings as well as online and telephone conferences for the purpose of discussion and decision-making. It has not currently formed any standing committees.

In its management and control of the subsidiaries and affiliates, the Executive Board deploys the following instruments, while also consulting with the Group Management Board:

- rules and regulations on reporting duties and approval requirements in corporate guidelines and the articles of association of Group companies pertaining to specific areas of business,
- defining of the Group's management principles in the policy entitled "Management and Organization",
- obligation of all Group companies to prepare annual shipment and sales budgets as well as investment, financial and personnel planning,
- the regular monitoring of progress made throughout the year in all Group companies; if necessary, the taking of appropriate measures,
- regular audits and special case-by-case audits performed by an internal audit department,
- operating of a groupwide monitoring system for the early detection of risks and a risk management system, and
- agreeing of the goals and deciding of a performance-oriented remuneration component for managers and senior executives of the Group companies.

HANDLING CONFLICTS OF INTEREST

We counteract conflicts of interest at Executive Board level by having Executive Board sideline activities (beyond the prohibition on competition pursuant to Section 88 AktG) subject to prior consent by the Supervisory Board, and Executive Board members are obliged to disclose any conflicts of interest immediately to the Chairman of the Supervisory Board or the other Executive Board members. Furthermore, transactions that pose a danger of a conflict of interest may also only be undertaken with the prior consent of the Chairman of the Supervisory Board. No Executive Board member disclosed a conflict of interest in the financial year 2022.

THE SUPERVISORY BOARD OF SALZGITTER AG

The core tasks of the Supervisory Board are to advise and supervise the Executive Board in its management of the company. In accordance with the law, certain fundamental decisions may only be made with its approval. It has determined that, in addition, certain types of transactions require its approval. The members of the Supervisory Board are liable to the company for any dereliction of duty.

COMPOSITION AND WORKING PRACTICES OF THE SUPERVISORY BOARD

The Supervisory Board comprises 21 members, specifically ten shareholder and ten employee representatives plus one other member. This composition has been laid down under the provisions of the Co-Determination Amendment Act applicable to the company, in conjunction with Article 7 of the company's Articles of Incorporation. In the proposals for election or, in the case of the judicial appointment of Supervisory Board members, the Supervisory Board ensures that the candidates have generally not reached the age of 70 at the start of their term of office and, in the case of judicial appointments, when they join the Supervisory Board. Once the mandate has been accepted, Salzgitter AG supports new members of the Supervisory Board by offering them an onboarding program that presents the Group and its business activities. In addition, each Supervisory Board member is provided with an extensive manual comprising information on the Group relevant to Supervisory Board activities. Furthermore, Salzgitter AG supports Supervisory Board members with measures for continuous professional development. The Supervisory Board regularly assesses how effectively it performs its tasks overall and the effectiveness of its committees. In the financial year 2022, this self-assessment took place with the aid of an external consultant by way of a survey directed at members of the Executive Board and the Supervisory Board.

MEMBERS OF THE SUPERVISORY BOARD

In the financial year 2022, the following members belonged to the Supervisory Board of Salzgitter AG and held memberships in the following a) statutory supervisory boards and b) comparable domestic and foreign controlling bodies of commercial enterprises:

Member	Mandates
Heinz-Gerhard Wente Member since September 16, 2015 Chairman since April 1, 2016 Member of the Management Board of Continental AG, retired, Hanover	Other non-listed companies: (b) / Alpha ABMD Holdco B.V., Alkmaar, Netherlands (Supervisory Board member)
Dr. Hans-Jürgen Urban Member since May 21, 2008 Vice Chairman since August 26, 2011 Chairman Member of the Management Board of Industriegewerkschaft Metall, Frankfurt am Main	Non-listed consolidated companies: (a) / Salzgitter Flachstahl GmbH, Salzgitter (Vice Chairman)
Konrad Ackermann Member since May 23, 2013 Chairman of the General Works Council of KHS GmbH, Dortmund	Non-listed consolidated companies: (a) / KHS GmbH, Dortmund

Member	Mandates
Manuel Bloemers Member since July 1, 2021 Union Secretary, IG Metall Management Board, Düsseldorf	Other non-listed companies: (a) / Speira GmbH, Grevenbroich (Vice Chairman) / Aluminium Norf GmbH, Neuss Listed companies: (a) / Siemens Energy AG, Munich (Supervisory Board), since September 1, 2022
Ulrike Brouzi Member since May 23, 2013 Member of the Management Board of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main	Other non-listed companies: (a) / Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall / R+V Allgemeine Versicherung AG, Wiesbaden / R+V Lebensversicherung AG, Wiesbaden / Union Asset Management Holding AG, Frankfurt am Main / DZ CompliancePartner GmbH, Neu-Isenburg (Vice Chairwoman)
Hasan Cakir Member since July 17, 2006 Chairman of the Group Works Council of Salzgitter AG, Salzgitter Chairman of the Works Council of Salzgitter Flachstahl GmbH, Salzgitter	Non-listed consolidated companies: (a) / Salzgitter Flachstahl GmbH, Salzgitter

Member	Mandates
Dr. Bernd Drouven Member since May 24, 2018 Member of the Executive Board of Aurubis AG, retired, Hamburg	No membership in other governing bodies
Roland Flach Member since May 23, 2013 Chairman of the Executive Board of Klöckner-Werke AG, retired, Duisburg Chairman of the Management Board of KHS AG, retired, Dortmund	Non-listed consolidated companies: (a) / KHS GmbH, Dortmund
Gabriele Handke Member since March 1, 2015 Chairwoman of the Works Council of Peiner Träger GmbH, Peine	Non-listed consolidated companies: (a) / Peiner Träger GmbH, Peine
Reinhold Hilbers Member since January 18, 2018 Minister of Finance, retired, of the Federal State of Lower Saxony	Other non-listed companies: (a) / Norddeutsche Landesbank Girozentrale, Hanover (Chairman), until November 7, 2022 / Deutsche Messe AG, Hanover (b) / KfW-Bankengruppe (Board of Administration)
Norbert Keller Member since August 30, 2019 Chairman of the Works Council of Hüttenwerke Krupp Mannesmann GmbH, Duisburg, until March 15, 2022 Member of the Works Council of Hüttenwerke Krupp Mannesmann GmbH, Duisburg since March 15, 2022	Non-listed consolidated companies: (a) / Mannesmann Precision Tubes GmbH, Mülheim an der Ruhr, until May 31, 2022
Frank Klingebiel Member since May 19, 2021 Lord Mayor of the independent City of Salzgitter, Salzgitter	Other non-listed companies: (a) / Braunschweigische Landessparkasse, Braunschweig, (Board of Administration, First Vice Chairman) / Öffentliche Versicherung Braunschweig, Braunschweig (Supervisory Board) / Helios Klinikum Salzgitter GmbH, Salzgitter (Supervisory Board, Vice Chairman) (b) / WEVG Salzgitter GmbH & Co. KG, Salzgitter, (Supervisory Board, Chairman) / ASG Abwasserentsorgung Salzgitter GmbH, Salzgitter (Supervisory Board), until March, 18, 2022 / Entsorgungszentrum Salzgitter GmbH, Salzgitter, (Supervisory Board, Chairman) / Projektgesellschaft Salzgitter-Watenstedt GmbH, Salzgitter (Supervisory Board, Chairman)

Member	Mandates
Frank Klingebiel	(b) / Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter (Supervisory Board) / Kraftverkehrsgesellschaft mbH Braunschweig, Salzgitter (Supervisory Board) / Allianz für die Region GmbH, Braunschweig (Supervisory Board) / Wirtschafts- und Innovationsförderung Salzgitter GmbH, Salzgitter (Supervisory Board), since February 16, 2022
Prof. Dr. Susanne Knorre Member since May 24, 2018 Business consultant	Other non-listed companies: (a) / Deutsche Bahn AG, Berlin / Norddeutsche Landesbank Girozentrale, Hanover / Rain Carbon Germany GmbH (formerly RÜTGERS Germany GmbH), Castrop-Rauxel
Heinz Kreuzer Member since May 24, 2018 Chairman of the Management Board of TUI InfoTec GmbH, retired, Hanover	Other non-listed companies: (b) / eves_information technology AG, Braunschweig (Supervisory Board), since January 1, 2022 / Safarihub Europe Ltd. Harrow, Middlesex, United Kingdom
Volker Mittelstädt Member since September 1, 2012 Chairman of the Works Council of Ilsenburger Grobblech GmbH, Ilsenburg	Non-listed consolidated companies: (a) / Ilsenburger Grobblech GmbH, Ilsenburg (Vice Chairman) (b) / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council)

Member	Mandates
Klaus Papenburg Member since July 1, 2021 Member of the Executive Board of GP Günter Papenburg AG, Halle	Other non-listed companies: (a) / Member of the Advisory Council of STOCKMEIER Holding GmbH, Bielefeld
Anja Piel Member since July 22, 2021 Member of the Federal Executive Board of Deutscher Gewerkschaftsbund, Berlin	No membership in other governing bodies
Prof. Dr. Joachim Schindler Member since November 24, 2017 Member of various supervisory boards:	Other non-listed companies: (a) / Zoologischer Garten Berlin AG, Berlin / Rocket Internet SE, Berlin (Vice Chairman) / CMBlu Energy AG, Alzenau (Supervisory Board), since March 10, 2022
Christine Seemann Member since May 24, 2018 Works Council member of Salzgitter Flachstahl GmbH, Salzgitter, and Chairwoman of ARGE Steel Production Business Unit	/ No membership in other governing bodies

Member	Mandates
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer Member since April 27, 2016 Director of Production and Technology Bayerischer Rundfunk, Munich	Other non-listed companies: (a) / Bavaria Studios & Production und Services GmbH, Geiselgasteig (Supervisory Board, Chairwoman) / Bayern Digital Radio GmbH, Munich (Supervisory Board)
Clemens Spiller Member since May 24, 2018 Systems analyst, Chairman of the Works Council of Salzgitter Digital Solutions GmbH (formerly GESIS GmbH)	/ No membership in other governing bodies

COMMITTEES OF THE SUPERVISORY BOARD

PRESIDING COMMITTEE

Heinz-Gerhard Wente (Chairman)
Konrad Ackermann since September 29, 2022
Hasan Cakir
Reinhold Hilbers until December 31, 2022
Klaus Papenburg since September 29, 2022
Dr. Hans-Jürgen Urban

AUDIT COMMITTEE

Prof. Dr. Joachim Schindler (Chairman)
Konrad Ackermann until December 31, 2022
Manuel Bloemers
Roland Flach until December 31, 2022

STRATEGY COMMITTEE:

Heinz-Gerhard Wente (Chairman)
Konrad Ackermann
Manuel Bloemers
Hasan Cakir
Dr. Bernd Drouven
Reinhold Hilbers until December 31, 2022
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer
Dr. Hans-Jürgen Urban

NOMINATION COMMITTEE

Reinhold Hilbers until December 31, 2022
Klaus Papenburg since September 29, 2022
Heinz-Gerhard Wente

OBJECTIVES FOR THE COMPOSITION AND COMPETENCE PROFILE OF THE SUPERVISORY BOARD

The shareholder representatives serving on the Supervisory Board consider at least six independent shareholder representatives on the Supervisory Board to be an appropriate number. In the opinion of the shareholder representatives, the following shareholder representatives can be considered independent within the meaning of the German Corporate Governance Code: Dr. Bernd Drouven, Roland Flach, Reinhold Hilbers, Prof. Dr. Susanne Knorre, Heinz Kreuzer, Klaus Papenburg, Prof. Dr. Joachim Schindler, Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer and Heinz-Gerhard Wente.

The shareholder representatives also consider Dr. Drouven to be independent. In the year of his appointment in 2018, Dr. Drouven was a member of Supervisory Board of Aurubis AG in which the Company holds a participating investment. He withdrew from the Supervisory Board of Aurubis AG in the same year, however.

In December 2017, the Supervisory Board defined the objectives set out below as further important goals for its composition and competence profile and added to them in December 2022: Along with all statutory requirements placed on the individual Supervisory Board members, they should possess the necessary expertise and personal competence anchored in expert knowledge, capabilities and experience, as well as in their personal suitability for assuming the tasks incumbent on them. As a whole, they must be familiar with the sectors of steel and mechanical/plant engineering. The members should include persons with technical expertise, practical experience in managing companies and in developing corporate strategies, with expertise in the key areas defined under the company’s sustainability strategy, knowledge of financial instruments, expertise in digitalization and information technologies, and preferably international experience. At least one member must be qualified in accounting and at least one member in statutory auditing. Expertise in accounting should in particular comprise knowledge and experience in the application of accounting principles and internal control and risk management systems, and expertise in statutory audit should consist of special expertise and experience in this field. Sustainability reporting and the audit thereof also form part of accounting and statutory audit. With Supervisory Board proposals on the election of the Supervisory Board to be put to the 2018 Annual General Meeting of Shareholders, and in 2021 on the election of Supervisory Board Members, as well as in 2022 concerning applications filed for the judicial appointment of shareholder representatives, the objectives defined by the Supervisory Board for its composition and the competence profile that it has drawn up for the entire Board have been implemented.

The status of implementing the competence profile is disclosed in the following in the form of a qualification matrix.

Qualification matrix

	Familiarity with the steel industry	Familiarity with the mechanical/plant engineering industry	Technical expertise	Practical experience in managing companies and developing corporate strategies	Expertise in the key areas of the company's sustainability strategy	Knowledge of financial instruments	Experience in international business	Digitalization and information technologies	Expertise in accounting	Expertise in statutory audit
Heinz-Gerhard Wente	×	×		×	×	×	×		×	
Ulrike Brouzi				×	×	×		×	×	
Dr. Bernd Drouven	×	×	×	×	×	×	×		×	
Roland Flach	×	×		×	×	×	×		×	
Reinhold Hilbers				×	×	×			×	
Frank Klingebiel				×	×	×			×	
Prof. Dr. Susanne Knorre	×			×	×	×				
Heinz Kreuzer			×	×	×		×	×		
Klaus Papenburg		×		×	×	×			×	
Prof. Dr. Joachim Schindler				×	×	×	×		×	×
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer		×	×	×	×					

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE SUPERVISORY BOARD

In selecting candidates for its proposals for the election of Supervisory Board members to be put forward to the General Meeting of Shareholders, the Supervisory Board gives consideration to the following:

/ that the personal competence, skills and expertise necessary for professionally and responsibly performing of duties of the Supervisory Board – essentially the appointing of Executive Board members, the supervising of the Executive Board's management of the company, as well as the examination of the annual financial statements and management reports – are represented on the Board as a whole; this includes particularly technical expertise, practical experience in corporate management and the crafting of corporate strategies, expertise in the key areas of the company's sustainability strategy, knowledge of financial instruments, expertise in digitalization and information technology, and experience in international business with regard to the sectors in which the companies of the Salzgitter Group operate and also with respect to the management tasks of Salzgitter AG,
/ along with suitability in terms of personal competence, expertise and skills, that younger persons exercising their professions as well as older persons more experienced in professional life and life in general are represented on the Supervisory Board,
/ along with suitability in terms of personal competence, skills and expertise, that female and male persons are represented on the Supervisory Board, whereby the entire Supervisory Board must consist of at least 30 % women and at least 30 % men in accordance with legal requirements,
/ along with suitability in terms of personal competence, expertise and skills, that such persons come as far as possible from the widest educational backgrounds – including technical, business, legal and other humanistic and scientific disciplines – with different professional backgrounds – including professionals from technical, business, scientific and legal professions.

In terms of the composition of the Supervisory Board, and while taking account of the company-specific requirements, the diversity concept is aimed at contributing to the professional and responsible performing of the duties of the entire Supervisory Board through the greatest possible diversity of the personal competences, skills and expertise represented on the Board, the educational and professional backgrounds, as well as different assessment aspects based on age and gender.

The Supervisory Board endeavors to implement the diversity concept applied to its composition by taking the aspects of this concept into account as far as possible in the election of Supervisory Board members, along with other aspects to be considered when selecting appropriate candidates for its proposals for the election of Supervisory Board members. The search for suitable candidates and their pre-selection are incumbent on the Supervisory Board's Nomination Committee. The ultimate decision on the composition of the Supervisory Board is the province of Salzgitter AG's shareholders in the General Meeting of Shareholders.

The diversity concept applied to the composition of the Supervisory Board is implemented to the greatest extent possible.

WORKING PRACTICES OF THE SUPERVISORY BOARD

The Supervisory Board meets a minimum of four times a year, has the Executive Board report in detail, and discusses the development of business and the situation of the company and of the Group with the Executive Board. It takes receipt of written reports submitted by the Executive Board at regular intervals on the course of business and the performance of the company.

The Supervisory Board deploys the following instruments in particular in performing its advisory and supervisory function:

/ defining the allocation of duties at Executive Board level, with clear assignment of areas of competence,
/ obligation of the Executive Board to submit regular, timely and comprehensive reports to the Supervisory Board,
/ regular discussion of the planning, business development and the strategy with the Executive Board,
/ determination of the type of transactions and measures of the Executive Board that necessitate Supervisory Board approval,
/ obligation of the Executive Board to submit a longer term corporate plan on an annual basis and to report on the execution of such a plan, and
/ agreeing variable remuneration components for Executive Board members.

WORKING PRACTICES OF THE COMMITTEES OF THE SUPERVISORY BOARD

In order to prepare its meetings and decisions the Supervisory Board has currently formed four standing committees:

The **Presiding Committee** undertakes the preparatory work in connection with the appointing of Executive Board members and, in place of the Supervisory Board plenum, makes decisions on certain business measures requiring and in the case of business measures requiring urgent approval.

The **Audit Committee** focuses on the following:

- accounting (preparatory examination of the separate financial statements and the consolidated financial statements, as well as the non-financial report, discussion of financial reports during the year with the Executive Board),
- monitoring of the accounting process, the effectiveness of the internal control system, the internal audit system and the risk management system,
- compliance with the provisions applicable to the company (corporate compliance), and
- the audit of the financial statements (recommendation to the Supervisory Board for the selection of the external auditor, assignment of the audit engagement and determination of key audit areas, monitoring the quality of the audit carried out on the financial statements and the independence of the external auditor, approval of additional services provided).

Members of the Audit Committee in the financial year 2022 included Prof. Schindler and Mr Flach.

Prof. Schindler has special expertise and experience in statutory audit and in the application of accounting principles. He has been a certified public accountant since 1989 and, among other positions, was responsible for accounting at the level of KPMG Germany's Managing Board and in its Global Executive Team. In the context of Prof. Schindler's long-standing supervisory board service, he engaged intensively with the topic of the steady development of sustainability reporting and its auditing.

Over the last decades, until taking retirement at the end of 2011, Mr Flach performed the tasks of managing director of various private limited companies (GmbH), acted as a board member and as chairman of the board of various (also listed) companies with overall responsibility for accounting and the internal control and risk management systems of these companies. In addition, and particularly since taking retirement, Mr Flach has carried out his duties as a member of a number of supervisory boards as well as the function supervisory board chairman (also in matters of sustainability reporting) from the standpoint of the statutory supervisory role.

The **Strategy Committee** consults in depth with the Executive Board on the corporate strategy whenever necessary.

The **Nomination Committee**, which is exclusively comprised of representatives of the shareholders, proposes suitable candidates to the Supervisory Board that, in turn, presents its proposals to the Annual General Meeting of Shareholders for the election of shareholder representatives to the Supervisory Board.

HANDLING CONFLICTS OF INTEREST

Supervisory Board members must disclose conflicts of interest to the Supervisory Board. In the event of critical conflicts of interest that are not of a temporary nature, the respective Supervisory Board member must lay down his or her office. In the financial year 2022, no Supervisory Board member reported a conflict of interest.

REMUNERATION SYSTEM AND REMUNERATION REPORT

The remuneration report on the financial year now ended and the auditor's report pursuant to Section 162 AktG, the current remuneration system pursuant to Section 87a para. 1 and 2 sentence 1 AktG, and the resolution on remuneration passed by the Annual General Meeting of Shareholders on July 8, 2020 pursuant to Section 113 (3) AktG have been made available on the company's website at ↗ Corporate Governance.

SUSTAINABLE CORPORATE GOVERNANCE

The Salzgitter Group reports on its sustainability activities in the financial year 2022 in a → **non-financial report** that forms part of the annual report. The separate combined non-financial report for the period from January 1, 2022 through to December 31, 2022 was prepared for the first time with reference to the GRI standards. The report focuses on key sustainability topics and KPI's for our company in the dimensions of environmental, social and governance. In addition, the report complies with the Regulation (EU) 2020/852 in the version of June 18, 2020, of the European Parliament and of the Council on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation).

TARGET PARAMETERS FOR THE PROPORTION OF WOMEN IN MANAGEMENT

In 2017, the Executive Board defined a target of 13 % for the proportion of women in the first management level under the Board and 20 % for women at the second management level under the Board. These quotas should have been achieved by June 30, 2022. Through to the end of this period, the target was achieved for the second management level (two of nine positions), but this did not apply to the target set for the first management level (one of 15 positions). The non-fulfilment of this target is attributable to the fact that changes in personnel in specific functions only occurred to a very limited extent, and that these newly created functions could not be filled with suitable female candidates due to non-availability. Filling the position internally by a suitable candidate that contributed to meeting the target occurred after the end of the target period.

In 2022, the Executive Board defined a target of 13.3 % for the proportion of women in the first management level under the Board and 22.2 % for women at the second management level under the Board. These quotas are to have been achieved by June 30, 2027. To promote the development of women high potentials within the Group, Salzgitter AG has defined further targets for filling salaried positions not covered by collective agreements that are anchored in the corporate strategy (scorecard).

In 2017, the Supervisory Board decided, in the event of an Executive Board member having to be replaced by June 30, 2022, to strive for a target of 30 % in terms of the proportion of women represented on the Executive Board that currently consists of three male persons. This target was not achieved as no female candidate was available for the only appointment made through to the end of this period of the new Chief Executive Officer designate, despite the involvement of a high-profile recruiting expert.

In 2020, the Supervisory Board finally decided that, in the event of an Executive Board member having to be replaced by June 30, 2025, to strive for a target of 30 % in respect of the proportion of women represented on the Executive Board that currently consists of three male persons.

The statutory minimum requirement in respect of men and women on the Supervisory Board was adhered to during the financial year.

CORPORATE COMPLIANCE

The Executive Board is responsible for compliance with the relevant statutory requirements and company guidelines and acts, among other things, by deploying the following measures and through their observance by the Group companies (Compliance Management System):

- publication of a code of conduct binding on all employees in which the Executive Board explicitly declares its commitment to observe all laws at all times and in all places,
- issuance of a corporate guideline on "Corporate Compliance" that lays down the responsibilities and organizational duties, as well as providing all Group companies and their employees with detailed descriptions and instructions in the form of guidelines on conduct that complies with the law and the fulfilling of their compliance duties in particularly sensitive areas of the law, for instance, guidelines on the avoidance of corruption, correct behavior in competition and information on insider law,
- setting up the "Fair Together" whistleblower system in order to give all employees as well as customers, suppliers and other business partners the possibility of reporting infringements of the law in the company,
- setting up a Compliance Committee with the involvement of the Executive Board to facilitate the discussion of topical compliance issues and for arriving at a common consensus and decisions, for instance on changes to the compliance structure or the implementation of special compliance measures,
- setting up a compliance management organization unit with a compliance officer,
- carrying out of regular compliance training in order to raise the awareness of managers and employees regarding the observance of standards, to identify potential hazards and to recommend suitable courses of action, and
- regular analysis of the compliance risks within the Group.

The Executive Board has mandated Internal Audit with reviewing the suitability and effectiveness of the compliance management system (CMS) in the Salzgitter Group. The respective reviews of the CMS form an integral part of the audit plan. The CMS is subject to regular reviews both at Group level and as a mandatory part of the compliance audits conducted at Group companies, as well as on an event-driven basis.

Further information on our CMS is available on our website at ↗ Compliance.

ETHICAL STANDARDS OF SALZGITTER AG

Beyond the statutory requirements placed on managing companies and the recommendations of the German Corporate Governance Code, we have developed a ↗ Mission statement by the name of "YOUNITED" for our Group. In this process, employees from all Group companies across all hierarchical levels defined a shared system of values, among other things. This system includes values such as reliability, fairness and sustainability.

Moreover, the Executive Board has defined a set of clear rules regulating conduct for all the Group's employees in the form of a ↗ Code of conduct that they are to follow in carrying out their activities. This Code of Conduct includes in particular observance of human rights, compliance with the law, commitment to fair competition, and the rejection of corruption of any kind. In addition, these rules enable the trustful cooperation of the employees among themselves and honest dealings with one another and with business partners.

SHAREHOLDERS AND ANNUAL GENERAL MEETING OF SHAREHOLDERS

The shareholders principally exercise their rights at general meetings of shareholders. Each shareholder of Salzgitter AG is entitled to participate in the General Meeting of Shareholders, which takes place at least once a year, to ask pertinent questions and submit relevant motions and to exercise their voting rights. Fundamental decisions affecting the company, such as changes to the Articles of Incorporation, the appropriation of annual profit, the election of shareholder representatives to the Supervisory Board, the raising or lowering of capital, or the selection of the annual independent auditor are reserved for the General Meeting of Shareholders. It also decides on the remuneration of the Supervisory Board. We facilitate the process of shareholders exercising their voting rights without having to personally take part in the General Meeting of Shareholders: They can appoint a proxy of the company and instruct this person on how they wish to exercise their voting rights.

The results of voting by the ↗ 2022 General Meeting of Shareholders have been published on the website of Salzgitter AG.

DIRECTORS' DEALINGS

Members of the Executive Board and the Supervisory Board are obliged, pursuant to Section 19. Regulation (EU) No. 596/2014, dated April 16, 2014 on market abuse (market abuse regulation) of the European Parliament and of the Council, to disclose their own dealings with shares or debt instruments of Salzgitter AG, or the relevant derivatives or other associated financial instruments, inasmuch as the overall amount of the transactions carried out by a member or related parties reaches or exceeds an amount of € 20,000 in a single calendar year. No transactions of this kind were reported to Salzgitter AG in the financial year now ended.

TRANSPARENCY OF THE COMPANY

Salzgitter AG publishes an annual report once a year and provides a summary of the development of business on a quarterly basis as the year progresses. This ensures that our shareholders are kept informed about the situation of the company and the Group in a timely manner. The dates of publication are announced in the ↗ Financial calendar sufficiently in advance for the coming financial year and posted on the company's website. Furthermore, the Executive Board explains the results of each financial year elapsed at an annual results press conference, reported on by the media, that takes place directly after the meeting of the Supervisory Board when the financial statements are adopted.

Moreover, we regularly hold analyst conferences for analysts and institutional investors, and present the company at domestic and international investment conferences and roadshows. These events were principally held in virtual form in 2022 due to the coronavirus. Finally, the Executive Board reports to the general public on significant events by way of press releases and ad-hoc announcements. All ↗ Reports and Statements are published on the company's website in both German and English.

ACCOUNTING AND STATUTORY AUDIT

In accordance with Sections 315 (5) and 298 (2) of the German Commercial Code (HGB), the management report of the Salzgitter Group and the management report of Salzgitter AG are combined. Any eventual discrepancies are explained in detail in the management report.

Salzgitter AG's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) as mandatorily applicable within the EU, as well as the supplementary requirements under German stock corporation and commercial law. Salzgitter AG's financial statements are drawn up in accordance with the principles of HGB.

Salzgitter AG's separate annual financial statements and consolidated financial statements, as well as the combined management report at company and at Group level, are prepared by the Executive Board and audited by the statutory auditor as well as, following preparation by the Audit Committee, by the Supervisory Board. The statutory auditor participates consultations of the Audit Committee and the Supervisory Board on the annual financial statements at company and at Group level, reports on the process and on the findings of its audit, and is available to respond to questions and to provide additional information. With regard to the financial year 2022, the Annual General Meeting of Shareholders selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, on June 2, 2022, as the auditor of the two sets of annual financial statements at company and at Group level. Before the Supervisory Board puts forward a proposal to the Annual General Meeting of Shareholders for appointing the statutory auditor, the statutory auditor gives the Supervisory Board assurance of its independence and objectivity.

In accordance with the requirements of the German Corporate Governance Code, the consolidated financial statements and the management report on the Group are published within 90 days following the end of the financial year (December 31), and financial information throughout the year (interim report on the first six months and quarterly statements) within 45 days following the end of the respective quarter or half year.

The ↗ Declaration of corporate governance is accessible on Salzgitter AG's website.

Salzgitter, March 17, 2023

The Executive Board	The Supvervisory Board
Gunnar Groebler	**Heinz-Gerhard Wente**
Chairman	Chairman

INFORMATION CONCERNING TAKEOVERS

DISCLOSURES PURSUANT TO SECTIONS 289A AND 315A OF THE GERMAN COMMERCIAL CODE (HGB)

Subscribed capital consisted of 60,097,000 ordinary bearer shares with a notional value per share of € 2.69 in the capital stock on the reporting date. All shares are subject to the same rights and obligations laid out under the German Stock Corporation Act (AktG).

To the knowledge of the Executive Board, the only restrictions on the voting rights or the assignment of shares on the reporting date were as follows: The company was not entitled to any voting rights from its treasury shares (6,009,700 units), and the members of the Executive and Supervisory boards were not entitled to any voting rights from their shares in respect of the resolution passed on their own ratification and discharge. For further information, we make reference to Note (23) "Subscribed capital" in the → **Notes to the Consolidated Financial Statements.**

A participating interest of more than 10 % of the voting rights as per the reporting date accrued to Hannoversche Beteiligungsgesellschaft Niedersachsen mbH, Hanover (HanBG), that announced in its voting rights notification on April 2, 2002, that it owned 25.5 % of the voting rights in Salzgitter AG; as a proportion of the total number of shares issued that has declined since then, this corresponds to a share of 26.5 % in the voting rights. Sole shareholder of HanBG is the Federal State of Lower Saxony. Moreover, a participating interest of more than 10 % of the voting rights as per the reporting date accrued to GP Günter Papenburg AG, Hanover, that announced in its voting rights notification on May 9, 2022, that it owned 25.1 % of the voting rights in Salzgitter AG. This holding is assigned to Günter Papenburg pursuant to Section 34 of the German Securities Trading Act (WpHG).

There are no shares with special rights that confer powers of control. The Executive Board does not know of any employees participating in the capital who do not exercise their power of control directly.

The appointing and dismissing of members of the Executive Board and amendments to the Articles of Incorporation are carried out solely within the provisions set out under the German Stock Corporation Act and the German Co-Determination Amendment Act.

Based on the resolutions passed by the General Meeting of Shareholders, the Executive Board has the following three options of issuing or buying back shares:

/ Upon approval by the Supervisory Board, the Executive Board may issue 30,048,499 new no par bearer shares against payment in cash or in kind on or before June 1, 2027 (Authorized Capital 2022), whereby, under certain circumstances, a maximum of 12,019,400 units (20 % of all shares issued on June 2, 2022) may be issued excluding the subscription rights of the shareholders. The 20 % cap is reduced by the proportionate amount in the capital stock to which the following relate: the option or conversion rights and the option or conversion obligations attached to the warrants, convertible bonds, profit participation rights and/or participating bonds or a combination of these instruments which have been issued, with subscription rights excluded, since June 2, 2022.

/ Moreover, upon approval by the Supervisory Board, the Executive Board may issue bonds in a total nominal amount of up to € 1 billion on or before June 1, 2027, and grant the holders of the respective bonds option or conversion rights to shares of the company in a total amount of up to 30,048,499 units (Contingent Capital 2022). In this context, shareholder subscription rights can be excluded under certain preconditions. Bonds with option or conversion rights or obligations excluding shareholder subscription rights may be issued only if shares making up a proportion of 20 % of the capital stock, excluding subscription rights, from the Authorized Capital have not been issued since June 2, 2022.

/ The Executive Board is authorized to purchase the company's own shares equivalent to a proportion of the capital stock of up to 10 % in the period on or before July 7, 2025, and to use these shares for all purposes permitted under the law.

In the reporting year, the Executive Board did not avail itself of the authorization to issue shares from Authorized Capital 2017 (up until May 31, 2022) or Authorized Capital 2022 (since June 2, 2022), nor of the authorization to issue warrants, convertible bonds, profit participation rights and/or participating bonds or a combination of these instruments from Contingent Capital 2017 (up until May 31, 2022) or Contingent Capital 2022 (since June 2, 2022). Similarly, in the reporting year, the Executive Board did not avail itself of the authorization to buy back the company's own shares.

Subject to the condition of change of control following a takeover offer, there are material agreements of the company that have the following effects:

- Under a contract agreed in 2017 with a banking syndicate on a credit line of € 560 million, each syndicate bank is entitled in the event of a change of control to terminate its participation in the credit line and, if desired, to request repayment.
- According to a contract on a further credit line concluded with the European Investment Bank in 2019, the European Investment Bank has the right to terminate the credit line in the event of a change of control and, if desired, to demand repayment.
- Under an agreement of the shareholders of EUROPIPE GmbH, Mülheim an der Ruhr, 50 % of whose shares are held by the Group, the EUROPIPE GmbH may, in the event of a change of control, retract shares without the consent of the shareholder affected in the event that the business activities of the third party that has attained a controlling influence stand in direct competition to the EUROPIPE GmbH's business activity. In place of retracting the shares, the other shareholders may request that shares are assigned to a designated purchaser.

In the event of a takeover offer, the members of the Executive Board have the right to terminate their contracts of employment under certain preconditions and are entitled to settlement in an amount of the total remuneration over the residual term of their respective contracts. There is, however, a cap on the maximum amount of this entitlement, specifically three amounts of total annual remuneration (fixed and variable components, including fringe benefits).

The information required under Section 289a (1) sentence 1 and Section 315a (1) sentence 1 of the German Commercial Code on the existence of a participating interest pursuant to Section 160 (1) item 8 of the German Stock Corporation Act is published on Salzgitter AG's website under the ↗ Reports heading.

FINANCIAL CONTROL SYSTEM

The Executive Board of Salzgitter AG prepares medium-term planning once a year covering a planning period of three years, along with an annual budget. Based on the current business trend, a forecast for the respective financial year is also drawn up in March, June and September. The Executive Board monitors the achievement of objectives by way of gap analysis, while factoring in the forecast.

In its task of overseeing and assessing business development and future strategic decisions derived therefrom, the Executive Board avails itself of the following performance indicators. The development of financial indicators during the reporting year is explained in the section entitled → Profitability, Financial Position and Net Assets.

Along with sales, the Salzgitter Group's key financial indicators include return on capital employed (ROCE), earnings before interest, tax, depreciation and amortization (EBITDA) and earnings before taxes (EBT).

Other parameters of control include order intake, shipment volumes and the cash flow from operating activities.

SALES – REVENUES

Sales are defined as external sales, namely the proportion of overall sales generated by transactions with companies outside the consolidated group of Salzgitter AG. In the business units directly concerned with steel, ensuring that the partly sharp increases in purchase prices are adequately reflected in higher selling price is fundamental to earnings performance.

ROCE – RETURN ON CAPITAL EMPLOYED

Annualized ROCE measures the return on capital employed and shows the relationship of EBIT I (earnings before interest and taxes) to capital employed. The Salzgitter Group's objective consists of achieving a return on capital employed (ROCE) of at least 12 % over an economic cycle that we generally define as a period of five years. Since the ROCE target is to be achieved as an average over the economic cycle, this performance indicator is more medium to long term in nature. We use this target for the Group to develop specific strategic goals for each business unit and each company.

EBIT I shows the result before taxes and interest expenses, adjusted for the interest portion of transfers to pension provisions. Interest income forms part of EBIT I as it is considered to be part of ordinary activities and therefore contributes to the return on capital employed.

Capital employed is interest-bearing equity and debt. In calculating capital employed, non-interest-bearing balance sheet items and pension reserves are deducted from total assets. The pension provisions and related interest expenses are eliminated in the calculation of ROCE as these components cannot be directly influenced by management decisions. Deferred taxes are fully disregarded in a consideration of ROCE. The individual components are taken from the consolidated financial statements. We use reporting date-related figures from the financial statements for our calculations.

EBITDA – OPERATING RESULT

Along with earnings before taxes, we have additionally included EBITDA (earnings before interest, taxes, depreciation and amortization) as a further metric to assess earnings performance in our financial control system. EBITDA is used as a performance indicator both at Group level and at the level of the business units. From the standpoint of Salzgitter AG's Executive Board, EBITDA best reflects the development of operating result of both the Group and of its business units as this metric is adjusted by stripping out finance income and finance expenses, depreciation and amortization, along with taxes.

EBT – PROFITABILITY

Earnings before taxes is equivalent to the pre-tax profit disclosed in the consolidated income statement. EBT is our key parameter for assessing our company's profitability and for comparing our international subsidiaries. The metric includes both depreciation and amortization and interest payments while factoring out different national tax arrangements. Moreover, it is free of special tax effects and is therefore suitable for comparing different financial years.

PERFORMANCE REPORT

GENERAL BUSINESS CONDITIONS

OVERALL ECONOMIC DEVELOPMENT

The **global economy** lost growth momentum in 2022 compared with the previous year, which impacted industrial nations as well as the emerging countries. In its most recent survey for the full year 2022, the International Monetary Fund (IMF) estimated overall global economic growth at 3.4 % (2021: 6.2 %). Geopolitical tensions, particularly Russia's invasion of Ukraine, sent energy prices up by leaps and bounds in many countries. Furthermore, droughts and heat waves in Europe as well as in Central and South East Asia also caused food prices to rise sharply. In many countries, this resulted in a steep uptrend in consumer prices and in inflation rates running at levels not seen for decades, with central banks all over the world responding by taking tough measures to tighten their monetary policies. Another rapid surge in COVID-19 infections in China put additional pressure on the global economy, above all in the fourth quarter.

After a period at the start of 2022 when the **eurozone** economy was still benefiting from most measures to combat the pandemic being lifted, burdens emanating from sharp price hikes came increasingly to the fore in the summer. Consequently, consumer sentiment deteriorated as from the second half of the year and settled at a multi-year low. The business expectations of the services sector and of industry also diminished. In September and October 2022, the European Central Bank (ECB) lifted key rates by 75 basis points respectively. While the ECB's monetary policy is aimed at curtailing demand so as to curb inflationary pressure, the fiscal policies of many euro countries cushioned these measures at least partly through rising defense expenditure, flanked by measures to subsidize the energy consumption of low income households. With a look to the full year 2022, the IMF calculates economic growth of 3.5 % in the euro area (2021: 5.3 %).

Following an encouraging start, the economy in **Germany** also gradually deteriorated over the course of 2022. After the outbreak of war, bottlenecks in the supply of energy, raw materials, input products and merchandise, as well as a growing shortage of skilled labor hampered the manufacturing of goods and services across almost all economic sectors. Order intake in the processing industry declined steadily as the year progressed, no doubt also as a consequence of the sharp increase in producer and consumer prices. Companies' order books were nevertheless so well filled that production was edging up at the last count. Private consumers also spent more over the period right through to late summer. Consumer-related service sectors benefited, on the one hand, from consumer spending returning to normal levels, following the subsidence of the coronavirus pandemic. On the other, broad-based fiscal packages designed to ease the burden counteracted the inflation-induced loss of purchasing power. The IMF and the German Federal Statistical Office state growth of the German economy at 1.9 % overall in 2022 (2021: 2.6 %).

The information was obtained mainly on the basis of the following sources: International Monetary Fund (1/2023): World Economic Outlook Update; ifo Economic Forecast Winter 2022; German Council of Economic Experts: Annual Report 2022/23; World Bank (1/2023): Global Economic Prospects; German Federal Statistical Office, January 2023.

OVERALL STATEMENT BY MANAGEMENT ON THE ECONOMIC SITUATION

In the financial year 2022, a year indelibly marked by massive geopolitical turbulence, the Salzgitter Group delivered a new sales record and the second best operating result in the company's history. Determinant factors behind the success in the exceptional year of 2022 included the outstanding results of the Steel Production and Trading business units. The Steel Processing and Technology business units also made gratifying contributions, however, as did our participating investment in Aurubis AG. Whereas, in the first six months of the year, the rapid increase in steel prices definitively bolstered this upbeat trend, the second half of the year ushered in a market environment impacted by high inflation, energy prices at record levels and the associated huge uncertainty of players, accompanied by declining steel prices.

Driven principally by the dynamic uptrend in rolled steel prices in the first half of 2022, the Salzgitter Group's external sales rose by almost one third to € 12.6 billion (2021: € 9.8 billion). EBITDA amounted to € 1,618.2 million (2021: € 1,261.6 million) and delivered earnings before taxes of € 1,245.4 million (2021: € 705.7 million). The result includes a contribution of € 156.3 million from Aurubis AG (2021: € 217.1 million), an investment included at equity (IFRS accounting). An after-tax result that stood at € 1,085.4 million (2021: € 586.1 million) brings earnings per share to € 20.00 (2021: € 10.74) and return on capital employed to 20.1 % (ROCE 2021: 16.2 %). The equity ratio climbed to 43.7 % in 2022 (2021: 32.7 %).

The year 2022 was not only very successful in financial terms: With the presentation and implementation of the “Salzgitter AG 2030” strategy, we have repositioned our company and achieved the first milestone on the journey toward our goal of establishing Salzgitter AG as a leading company in the circular economy. Above all, events in this milestone include the new Group structure with now four business units and the unanimous vote of the Supervisory Board to release funds for implementing the first stage of our SALCOS® decarbonization program. The transformation of the economy is a jointly shared task. Accordingly, the year 2022 saw us imbue our mission of “Partnering for Transformation” with life through numerous partnerships with suppliers and customers.

COMPARISON BETWEEN ACTUAL AND FORECASTED PERFORMANCE

At the start of the financial year 2022, the Salzgitter Group anticipated

- an increase in sales to just under € 11 billion,
- a pre-tax profit of between € 600 million and € 750 million, and
- a return on capital employed (ROCE) that is around the previous year's level.

This forecast was based on the expectation of a significant improvement in profit in the business units compared with the previous year – structured as they were back then into Strip Steel, Plate / Section Steel and Mannesmann (corresponding to the new Group structure consisting of the Steel Production and Steel Processing business units). Declining earnings were forecast for the Trading and Technology business units.

In the first three months of 2022, the Salzgitter Group generated the highest quarterly operating result in the company's history. The prices of rolled steel products running at a record level resulted in profit leaps of the Steel Production and Trading business units that were the key drivers behind the gratifying earnings trend. Against this backdrop, we revised our earnings forecast up in April, then anticipating a pre-tax result of between € 750 million and € 900 million for the Salzgitter Group. The forecast for sales and ROCE remained unchanged.

In the second quarter as well, the Steel Production and Trading business units, along with the Steel Processing Business Unit, benefited from very positive price and demand developments. Prompted by the half-year results that significantly exceeded expectations, we revised the forecast for the Salzgitter Group upward again at the end of June 2022. At that point, we anticipated sales of around € 13 billion, a pre-tax result of between € 1.0 billion and € 1.2 billion and a year-on-year increase in ROCE. As a fourth key performance indicator, we also additionally forecasted EBITDA for the first time that was predicted in a range of between € 1.4 billion and € 1.6 billion for the financial year 2022.

FINANCIAL YEAR 2022 CLOSES WITHIN THE SCOPE OF HIGHER EXPECTATIONS

The Salzgitter Group closed the financial year 2022 with EBITDA of € 1.6 billion and earnings before taxes of € 1.2 billion. These two metrics therefore achieved the upper end of the forecast range last revised at the end of June. At € 12.6 billion, sales settled within corridor defined under the higher forecast. As expected, ROCE (20.1 %) outperformed the year-earlier level.

Forecast-actual comparison for the Salzgitter Group

		Result 2021	Forecast March 2022	Forecast April 2022	Forecast June 2022	Result 2022
Sales	€ billion	9.8	just under 11	just under 11	around 13	**12.6**
EBITDA	€ billion	1.3	-	-	1.4 – 1.6	**1.6**
EBT	€ billion	0.7	0.6 – 0.75	0.75 – 0.9	1.0 – 1.2	**1.2**
ROCE	%	16.2	around the previous year's level	around the previous year's level	higher year-on-year	**20.1**

PROFITABILITY, FINANCIAL POSITION AND NET ASSETS

To account for the new Group structure, the 2021 figures for the Steel Production and Steel Processing business units, as well as Industrial Participations / Consolidation were adjusted in the following.

PROFITABILITY OF THE GROUP

The Group's **external sales** rose substantially to € 12,553 million on the back of higher average selling prices for steel products (2021: € 9,767 million); thereby reaching a record level. Exchange-rate effects resulted in a positive effect of € 105 million; new consolidations contributed € 65 million to sales growth.

The table below shows a breakdown by business unit:

Consolidated sales by business unit

	2022		2021		Change	
	In € million	%	In € million	%	In € million	In %
Steel Production	4,263	34	3,127	32	1,136	36
Steel Processing	2,106	17	1,510	15	596	39
Trading	4,581	36	3,603	37	978	27
Technology	1,430	11	1,360	14	69	5
Industrial Participations / Consolidation	174	1	167	2	7	4
Group	12,553	100	9,767	100	2,786	29

The regional distribution of sales revenues remained virtually unchanged: As before, the business activities of the Salzgitter Group are therefore focused on the EU (€ 9,400 million; 75 % share of sales). Germany remained by far the largest single market with sales of € 5,764 million, equivalent to a share of 46 %. It should be noted in this context, however, that many of our products are supplied to export-oriented German businesses and therefore ultimately find their way abroad.

Consolidated sales by region

	2022		2021		Change	
	In € million	%	In € million	%	In € million	In %
Germany	5,764	46	4,416	45	1,348	31
Other EU countries	3,636	29	2,715	28	921	34
Rest of Europe	613	5	438	4	175	40
America	1,238	10	1,098	11	140	13
Asia	819	7	703	7	116	17
Other regions	483	4	397	4	86	22
Group	12,553	100	9,767	100	2,786	29

The Salzgitter Group generated **earnings before taxes** in excess of one billion euro (€ 1,245.4 million; 2021: € 705.7 million) in the exceptional year 2022. The improvement in profitability compared with the previous year resulted mainly from the Steel Processing and Steel Production business units. The result includes a contribution of € 156.3 million from the participating investment in Aurubis AG accounted for using the (IFRS accounting) equity method (2021: € 217.1 million). Whereas the previous year was determined by costs of € 235.1 million from impairment in the Steel Processing Business Unit, impairment (€ 20 million) for the stainless steel tubes group was compensated by write-ups on the equity interest in the EUROPIPE Group in virtually the same amount in the period under review.

Results of the business units and consolidated result

In € million	2022	2021
Steel Production	946.3	657.1
Steel Processing	173.1	-29.6
Trading	268.0	363.2
Technology	76.8	84.2
Industrial Participations / Consolidation	154.1	186.8
EBITDA Group	1,618.2	1,261.6
Steel Production	790.9	494.9
Steel Processing	86.2	-308.5
Trading	243.1	352.5
Technology	48.0	59.2
Industrial Participations / Consolidation	77.1	107.5
EBT Group	1,245.4	705.7
Taxes	160.0	119.6
Consolidated result[1]	1,085.4	586.1

[1] Including minority interest

Special items

	EBT		Restructuring[2]		Impairment / reversal of impairment[3]		Other		EBT without special items	
In € million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Steel production[1]	790.9	494.9	0.0	-0.2	–	–	–	–	790.9	495.1
Steel processing[1]	86.2	-308.5	-0.1	3.7	0.1	-235.1	–	–	86.3	-77.1
Trading	243.1	352.5	-0.6	0.1	–	–	–	–	243.7	352.4
Technology	48.0	59.2	0.0	2.8	–	–	–	–	48.1	56.5
Industrial Participations / Consolidation	77.1	107.5	-1.1	0.2	–	-8.2	–	–	78.2	115.5
Group	1,245.4	705.7	-1.8	6.7	0.1	-243.3	–	–	1,247.1	942.4

[1] Adjustment of the previous year's figures due to the new Group structure
[2] This disclosure takes account of expenses for a restructuring measure and gains from the release of a restructuring provision. Expenses and income are included in the case of the Steel Production and Trading business units along with Industrial Participations / Consolidation. However, in the case of the Steel Processing and Technology business units, expenses and income are included for 2022, but only income for the previous year.
[3] Disclosure as an impairment / write-up in this overview has only been reported if the cash flows are allocated to a group of assets.

PROFIT IMPROVEMENT PROGRAM (PIP)

We view the sustainable improvement of the Group's competitiveness as one of our permanent management tasks to be achieved by optimizing our value chain processes on an ongoing basis. We place emphasis on leveraging existing potential across all business units. The Profit Improvement Program (PIP) combines specifically defined, result-optimizing measures of the individual Group companies. The success of all projects is systematically measured based on a set of binding and standardized assessment criteria. Below we set out an overview of the programs currently under way in the Salzgitter Group:

FIT STRUCTURE

The measures identified as part of "FitStructure 2.0" comprise a savings potential of more than € 330 million that will unfold its full effect through to 2024. The potential is specifically aimed at the operational excellence of the companies, combined with productivity progress. An effect of approximately € 302 million has been achieved under "FitStructure 2.0" since its launch, with contributions essentially made by the Steel Production and Steel Processing business units.

SALZGITTER AG 2021

The "Salzgitter AG 2021" growth program is aimed at raising the margin contributions depending on plans for development and the investment undertakings currently under way. The Steel Production, Trading and Technology business units have already achieved notable effects in recent years and report an accumulated effect of € 95 million since the start of the program.

PERFORMANCE 2026

As part of the "Salzgitter AG 2030" strategy, new measures have been identified and assessed with the aim of generating an additional profit improvement effect of € 150 – 200 million. Objectives not yet achieved from the "FitStructure 2.0" and "Salzgitter AG 2021" programs are under investigation and, if beneficial, will be transferred to the new program. Reporting on "Performance 2026" will begin in 2023.

DEVELOPMENT OF SELECTED INCOME STATEMENT ITEMS

The consolidated income statement is explained in detail in the → **Notes to the Consolidated Financial Statements**. Selected items are explained in the following.

Based on the aforementioned sales trend and a positive effect of € 0.3 billion from changes in goods and work in process along with other own work capitalized (2021: € 0.5 billion), total output in the financial year 2022 rose by 24.4 % to € 12.8 billion (2021: € 10.3 billion).

The 28.1 % increase in the cost of materials slightly exceeded the total output and essentially resulted from the price hikes of input materials.

Against the backdrop of the Salzgitter Group's higher core workforce numbers as of the reporting date on December 31, 2022, personnel expenses climbed by 6.4 %. The greater expenses are especially attributable to the inflation-induced rise in collectively agreed wages, as well as to once again notably higher performance-based compensation prompted by the improvement in the Salzgitter Group's results.

Other operating income came in at € 984.8 million in 2022 (2021: € 548.5 million). The year-on-year increase resulted mainly from higher exchange rates changes amounting to € 352.4 million (2021 € 118.5 million) and from the valuation of financial derivatives and positions held in a foreign currency worth € 431.9 million (2021: € 174.8 million).

As a countertrend, other operating expenses amounted to € 1,821.5 million in the reporting year (2021: € 1,222.4 million). This item essentially includes expenses of € 378.8 million (2021: € 315.9 million) for services sourced externally, expenses for the measurement of financial derivatives and foreign currency positions of € 374.2 million (2021: € 113.2 million), as well as losses from exchange rate changes of € 338.8 million (2021: € 158.0 million).

The result of the companies included at equity increased to € 184.6 million (2021: € 159.5 million). While the contribution to the result by the participating investment in Aurubis AG was lower than in the previous year (€ 156.3 million; 2021: € 217.1 million), the EUROPIPE Group greatly improved its contribution (€ 14.6 million; 2021: € –59.5 million). The result in the financial year 2022 was positively impacted by a write-up at the EUROPIPE Group of € 20.0 million, while the year-earlier negative contribution to profit comprised expenses of € 35.0 million for unscheduled depreciation.

Earnings before taxes therefore climbed to € 1,618.2 million (2021: € 1,261.6 million).

Depreciation and amortization decreased by 39.7 % in the financial year 2022 to € 306.6 million (2021: € 508.4 million). The decline resulted from the lower level of unscheduled depreciation and amortization (€ 19.9 million; 2021: € 208.3 million).

EBIT came in at € 1,311.6 million (2021: € 753.2 million).

Whereas finance income of € 12.7 million fell somewhat short of the year-earlier level (2021: € 15.3 million), finance expenses rose to € 78.7 million (2021: € 63.0 million).

Accordingly, earnings before taxes amounted to € 1,245.5 million in the reporting year (2021: € 705.7 million).

Taking account of € 160.0 million in tax expenses (2021: € 119.6 million), consolidated net income posted € 1,085.4 million (2021: € 586.1 million). The tax rate stood at 12.8 % in the financial year 2022 (2021: 16.9 %). Thanks to the utilization of tax loss carryforwards that had previously not been taken into consideration, actual tax expenses were reduced by € 38.6 million (2021: € 38.2 million). The tax expenses in the reporting year included out-of-period expenses of € 10.3 million compared with out-of-period expenses of € 6.1 million in 2021.

Basic earnings per share were calculated accordingly at € 20 (2021: € 10.74).

Multi-year overview of earnings

In € million	2022	2021	2020	2019	2018	2017	2016	2015[1]	2014	2013[2]
EBT	1,245.4	705.7	-196.4	-253.3	347.3	238.0	53.2	4.1	-15.2	-482.8
EBIT I[3]	1,296.2	743.4	-138.1	-212.0	390.8	295.7	96.6	69.5	63.9	-422.7
EBIT[4]	1,311.6	753.2	-119.2	-187.5	412.6	316.8	119.2	81.9	97.9	-393.2
EBITDA[5]	1,618.2	1,261.6	176.1	354.2	797.2	707.2	476.4	422.6	483.6	138.1
EBT margin	9.9	7.2	-2.8	-3.0	3.7	2.7	0.7	0.1	-0.2	-5.2
EBIT margin[4]	10.5	7.7	-1.7	-2.2	4.5	3.5	1.5	1.0	1.1	-4.2
EBITDA margin[5]	12.9	12.9	2.5	4.1	8.6	7.9	6.0	4.9	5.4	1.5
ROCE %	20.1	16.2	-3.9	-5.8	10.3	8.6	2.7	1.9	1.8	-10.5

[1] Restatement due to stock value correction
[2] Restated due to first time adoption of IFRS 11
[3] Excluding elimination of interest expenses for provisions
[4] EBT + interest expenses / - interest income
[5] EBT + interest expenses / - interest income + depreciation and amortization of property, plant and equipment, intangible assets and non-current financial assets

Reconciliation EBIT/EBITDA

In € million	2022	2021
EBT	1,245.4	705.7
+ Interest expenses	78.7	62.7
- Interest income	-12.4	-15.2
= EBIT	1,311.6	753.2
+ Depreciation / amortization[1]	306.6	508.4
= EBITDA	1,618.2	1,261.6

[1] Depreciation / amortization of property, plant and equipment, intangible assets and non-current financial assets

EBIT also rose significantly on the back of a notable increase in earnings before taxes and a marginal increase in net interest income, both figures compared with the previous year. The year-on-year increase in EBITDA was less pronounced as the significant differences between impairment and write-ups are eliminated in the case of this metric.

Return on capital employed (ROCE)

In € million	2022	2021
EBT	1,245	706
+ Interest expenses	79	63
- Interest expenses for pension provisions	-28	-25
= EBIT I	1,296	743
Total assets	11,103	10,255
- Pension provisions	-1,619	-2,179
- Other provisions excluding provision for income taxes	-518	-531
- Trade payables, contractual obligations, other liabilities excluding notes payable[1]	-2,141	-2,463
- Deferred tax assets	-393	-492
= Capital employed	6,433	4,590
In %		
ROCE	20.1	16.2

ROCE shows the relationship of EBIT (earnings before interest and taxes) to capital employed and measures the return on capital employed: The components used for the calculation of the ratios are taken from the consolidated financial statements. We use reporting date-related figures from the financial statements for our calculations. In the financial year 2022, ROCE stood at 20.1 % (2021: 16.2 %). This improvement resulted from a disproportionate increase in EBIT, with less of an increase in interest-bearing equity and debt compared with the previous year.

VALUE ADDED IN THE SALZGITTER GROUP

The operational value added of the Group amounted to € 3,206 million in 2022 (2021: € 2,537 million). Personnel expenses (€ 1,911 million; 2021: € 1,795 million) were therefore fully covered. In terms of the public sector, the proportion in the form of taxes and levies stood at 5.0 % (2021: 4.7 %). At 1.5 %, the proportion of lenders marginally exceeded the year-earlier figure (2021: 1.4 %). Shareholders (including treasury shares) will receive 1.9 % of value added for the financial year ended (2021: 1.8 %). Over the last 15 years, an amount of € 1.2 billion from the value added has remained within the Group, with funds of € 1,025 million contributed to the Group in 2022.

Value added

	2022/12/31		2021/12/31	
	In € million	%	In € million	%
Sources				
Group outputs	14,006	100.0	11,029	100.0
Inputs	10,800	77.1	8,492	77.0
Value added	3,206	22.9	2,537	23.0
Appropriation				
Employees	1,911	59.6	1,795	70.7
Public sector	160	5.0	120	4.7
Shareholders	60	1.9	45	1.8
Lenders[1]	49	1.5	36	1.4
Remaining within the Group	1,025	32.0	541	21.3
Value added	3,206	100.0	2,537	100.0

[1] Component of the finance expenses item

Reconciliation value added

In € million	2022	2021
Sales	12,553.3	9,767.4
Changes in inventories / other own work capitalized	249.9	522.9
Other operating income	984.8	548.5
Income from shareholdings	2.6	0.0
Result from investments accounted for using the equity method	184.6	159.5
Income from reversal of impairment losses of financial assets	20.2	16.6
Financial result[1]	11.0	13.7
Group outputs	14,006.3	11,028.5
Cost of materials	8,639.4	6,746.1
Depreciation / amortization	306.4	508.4
Other operating expenses	1,821.5	1,222.4
Expenses of impairment losses of financial assets	33.1	14.8
Input	10,800.5	8,491.7

[1] Excluding income from securities and loans, interest expense, allocation to pension reserves as well as excluding interest expense and similar expenses

BUSINESS UNIT PERFORMANCE

The 2021 key figures of the Steel Production and Steel Processing business units, along with those of Industrial Participations / Consolidation, have been adjusted in the following to reflect the new Group organization structure.

STEEL PRODUCTION BUSINESS UNIT

Key data		2022	2021
Order intake	kt	4,762	5,100
Order backlog as of 12/31	kt	1,091	1,232
Crude steel production	kt	4,933	5,362
Salzgitter Flachstahl	kt	4,154	4,341
Peiner Träger	kt	779	1,021
Rolled steel production	kt	4,084	4,548
Salzgitter Flachstahl	kt	3,332	3,582
Peiner Träger	kt	751	966
Shipments	kt	5,207	5,389
Segment sales[1]	€ m	5,810.7	4,291.4
Sales to other segments / Group companies	€ m	–1,548.0	–1,164.5
External sales[2]	€ m	4,262.7	3,127.0
EBIT before depreciation and amortization (EBITDA)	€ m	946.3	657.1
Earnings before interest and taxes (EBIT)	€ m	797.3	510.2
Earnings before taxes (EBT)	€ m	790.9	494.9

Adjustment of the previous year's figures (except for individual companies) due to the new Group structure
[1] Including sales with other business units in the Group
[2] Contribution to consolidated external sales

Along with the two steel producing companies of Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH (PTG), the **Steel Production Business Unit** also comprises DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) as an important internal transformation partner for our SALCOS® – Salzgitter Low CO_2-Steelmaking decarbonization program. Furthermore, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS), Salzgitter Europlatinen GmbH (SZEP), as well as Salzgitter Bauelemente GmbH (SZBE) up until December 31, 2022. The product range of the business unit comprises hot-rolled strip, galvanized and coated cold-rolled strip, sections and laser-welded tailored blanks, among other products.

MARKET DEVELOPMENT

Development on the steel market proved to be extremely dynamic in the year now ended. Russia's invasion of Ukraine initially triggered a sudden and unexpected steel supply shortage, particularly in Europe. Customer concerns about supplies, accompanied by the expectation of rising prices, spurred demand notably and prompted above-average replenishment of inventories across the entire steel value chain, leading to a price rally on the spot market. Prices initially rose to record highs and subsequently dropped rapidly as from April 2022 before falling notably below pre-war levels in September. This price decline was driven, on the one hand, by the fact that the supply shortfalls anticipated did not materialize and, on the other, by the low level of uptake from the automotive industry whose production remains disrupted due to the lack of input materials. Some European steel mills responded to weak demand by temporarily cutting production.

On the sections market, the number of construction projects awarded dwindled, pressured by the steep uptrend in prices as from the second quarter. Consequently, the volume of orders delivered by producers saw traders' inventories increase significantly. Given the high inventory levels, real demand in the sections market hugged a low level in the second half of the year as well: in view of the high costs, economic uncertainty and new builds made more expensive by interest rate hikes, the awarding of new projects became increasingly rare. The summer months were determined by historically weak demand, and September also saw sustained reticence in orders placed, above all the part of the stockholding steel trade. Aside from this, sections imports have been on the rise since the summer, despite lackluster demand in the EU. This growth is fully attributable to Turkey that was able to take a significantly greater proportion of the import quotas due to changes in EU safeguards.

PROCUREMENT

IRON ORE

As only low volumes of iron ore fines are exported from Russia and Ukraine, the Ukraine war did not have any serious impact on iron ore pricing. By contrast, a considerable shortage of high quality blast furnace pellets was observed on the iron ore pellet market, which caused supply problems for a number of European steel companies and led to a significant increase in mark-ups. High quality piece ore as a substitute for pellets and fines qualities that allow sinter production to be ramped up also saw similar price hikes. In the first quarter, the iron ore prices quoted shed 15 % to 142 USD/dmt year on year and continued to trend down at the beginning of the second quarter, due in the main to developments in China. The termination of the first big wave of lockdown measures triggered an only short-lived rebound of the steel market and consequently also of the iron ore market, with the downtrend subsequently resuming in the third quarter. As a result, the third quarter that posted 103.31 USD/dmt saw prices dropping one third below the year-earlier period. In October as well, prices continued to decline, reaching 79.50 USD/dmt at the end of the month and marking the lowest level since November 2019. Reports of an easing of the COVID-19 measures in China pushed prices up steadily over the remainder of the year. At the end of November, the threshold of 100 USD/dmt was therefore exceeded again, and the price had settled at 117.35 USD/dmt by the end of 2022. Expressed as an annual average, iron ore prices shed around a quarter to settle at 120.16 USD/dmt.

COKING COAL

Given the low level of availability of free spot volumes, FOB Australia prices began the year significantly above the 400 USD/t mark again, attaining new record highs. The onset of Russia's war against Ukraine exacerbated the situation on the market due to the uncertain supply situation, and prices rose to a record high of 670.50 USD/t. After consumers had made their purchases at the end of March, a price correction set in with prices falling to just under 400 USD/t FOB Australia. Along with greater supplies of high grade coking coal, narrowing steel margins then prompted caution on the part of consumers, which pushed prices down to below 200 USD/t through to the end of July. As the prohibition on imports of Russian coal was not only restricted to PCI and coking coal, but also decisively impacted Europe's thermal coal imports, brisker purchasing activities from European power plant operators, among others, sent prices up again as from the start of August. In this context, the tight market with regard to thermal coal also impacted on coking coal prices. The price level therefore remained relatively stable in September in the region of 270 USD/t despite fears of a global recession. Production disruptions at producers ensured a price uptrend at the start the fourth quarter and, by the end of the month, prices had once more exceeded the 300 USD/t mark. Consumer concerns were further fanned by the threat of heavy rainfall in Australia. The announcement by many steel producers of their intention to significantly cut production sent prices tumbling in November. At the start of December, the leading quotation stabilized just under the 250 USD/t mark. Coking coal prices then rose again toward the end of the year to 294.50 USD/t as many consumers anticipated that the Chinese ban on imports of Australian coal would be lifted. The average price of coking coal settled at 363.71 USD/t in 2022, 61.2 % above the year-earlier level

The Salzgitter Group hedges defined iron ore and coking coal volumes in order to mitigate the procurement risks.

STEEL SCRAP

In the financial year 2022, scrap prices initially rose sharply at the start of the second quarter. Turkish steel producers in particular benefited from the absence of Russian, Ukrainian and Belorussian market participants, resulting in them covering their requirements for scrap accordingly. From May onwards, the lack of sales opportunities caused Turkish steel producers to withdraw increasingly from the scrap procurement market. This development caused pronounced volatility, and prices trended down swiftly before bottoming out in the middle of the third quarter. As the year progressed, prices stagnated and had fallen again slightly overall by the end of the year, but displaying an uneven trend for old and new scrap.

BUSINESS DEVELOPMENT

The **order intake** of the Steel Production Business Unit remained below the previous year's level due to the weaker development of the sections business. By contrast, volumes remained virtually stable in the strip steel product segment. While, at the end of the first quarter of 2022, production continued to benefit from the leaps and bounds in demand due to the Ukraine war, the period thereafter saw declining order intake from customer sectors. Consequently, **orders on hand** dropped significantly below the year-earlier figure. Production was scaled back in the second half of the year in response to sluggish demand caused by conditions in the market, with the result that **crude** and **rolled steel production** dropped below the previous year's level. At PTG, for instance, steelmaking capacity of around 1.2 million tons per annum was not utilized in the financial year 2022, and the two electric arc furnaces were fired with only around 0.9 million tons of steel scrap. SZFG's Blast Furnace C, taken out of production back in September 2019, remained decommissioned. Slabs sourced from the associated company Hüttenwerke Krupp Mannesmann GmbH (HKM) covered part of the input material requirements. The **shipment volumes** of the Steel Production Business Unit fell marginally short of the year-earlier level. **Segment** and **external sales** increased by more than a third on the back of significantly higher selling prices that rose for strip steel products and in the section segment. Bolstered by record selling prices, the Steel Production Business Unit generated **EBITDA** of € 946.3 million (2021: € 657.1 million) and **earnings before taxes** of € 790.9 million (2021: € 494.9 million). A great burden emanated from the record prices for raw materials, coking coal and alloying agents, along with energy.

INVESTMENTS

With a view to securing the supply of pig iron, the relining of Blast Furnace A scheduled for 2023 was approved by the Supervisory Board in the previous year. The investment project's main contract was awarded in the reporting period and preliminary work has commenced.

Increased customer requirements for galvanized high-strength and ultra-high-strength steel grades are being accommodated through the new Hot Dip Galvanizing Line 3 in Salzgitter. Construction work on the facilities was completed in 2022. Hot Dip Galvanizing Line 3 is undergoing the project phase of performance tests.

Other investments undertaken in the financial year 2022 were essentially aimed at maintaining operational workflows. In addition, a number of individual projects geared to improving quality and optimizing processes were also initiated.

SALCOS®

SALCOS® is aimed at converting the integrated steelworks into low-carbon crude steel production in three stages over the period up until 2033. As part of the first stage of development, an electrolyzer, a DRI plant and an electric arc furnace are to be built by the end of 2025. These facilities can be used to produce 1.9 million tons of low carbon crude steel a year, thereby replacing a blast furnace and a converter.

Through to the end of 2026, we will be investing € 2.3 billion in the transformation of primary steel production. To this end, the Federal Republic of Germany and the Federal State of Lower Saxony has committed to providing us with CapEx funds of up to € 1 billion. In October 2022, the EU Commission gave notification of the respective application for funding, thereby declaring the state aid measures to be compatible with European law.

We have built a hydrogen-fueled direct reduction plant of significantly reduced scale, designed for flexible use with natural gas / hydrogen, on the Salzgitter site as a pilot facility for SALCOS®. Construction work on the facilities was completed in in the reporting period. The direct reduction plant is currently undergoing functional testing.

More detailed information on SALCOS® can be found in the section entitled → **Goals and Strategy**.

STEEL PROCESSING BUSINESS UNIT

Key data		2022	2021
Order intake	€ m	2,751	2,108
Order backlog as of 12/31	€ m	1,023	851
Crude steel production	kt	1,176	1,387
Rolled steel production	kt	1,064	960
Shipments	kt	1,556	1,339
Segment sales[1]	€ m	3,275.5	2,295.0
Sales to other segments / Group companies	€ m	–1,169.6	–785.1
External sales[2]	€ m	2,105.9	1,509.9
EBIT before depreciation and amortization (EBITDA)	€ m	173.1	–29.6
Earnings before interest and taxes (EBIT)	€ m	97.9	–301.6
Earnings before taxes (EBT)	€ m	86.2	–308.5

Adjustment of the previous year's figures due to the new Group structure
[1] Including sales with other business units in the Group
[2] Contribution to consolidated external sales

The companies producing steel tubes and pipes and the Salzgitter Group's heavy plate activities are combined under the **Steel Processing Business Unit**. The pipes and tubes portfolio covers a wide range of line pipe diameters, as well as precision steel tubes and stainless steel and nickel-based tubes. Two heavy plate mills also belong to the business unit. Along with standard grades, the Ilsenburg mill produces high-strength and sour-gas resistant plate. MGB's competence in the Mülheim mill is positioned above all in the production of line pipe plate for onshore and offshore pipelines in medium to large batch sizes. The business unit has its own supply of input material through its participation in Hüttenwerke Krupp Mannesmann GmbH (HKM).

HKM is reported at 30 % on a proportionate basis in the consolidated financial statements. The 50 % stake in the EUROPIPE Group and the 23 % participation in Turkish pipe manufacturer Borusan Mannesmann Boru Yatirim Holding A.S. are accounted for using the equity method.

MARKET DEVELOPMENT

QUARTO PLATE

Following a subdued start to the year, the market for quarto plate picked up considerable momentum as from the second quarter of 2022. The heavy plate supply shortage caused by the war and the lack of plate and slab imports from Russia and Ukraine lifted demand and plate prices to record levels. Over the course of the second quarter, quarto plate became increasingly available again due to rising imports and the growing supply from southern European re-rollers. High inventory levels and considerable cost hikes put pressure on demand that dropped off again, sending prices down steeply. In the second half of the year, great uncertainty prevailed in the market. Slow sales accompanied by well-stocked warehouses and sustained high energy and raw material prices led to traders postponing purchase decisions and placing virtually no new orders.

STEEL TUBES AND PIPES

Due to the war in Ukraine, the number of projects to be awarded grew significantly on the large-diameter pipe market. The sharp uptrend in oil and gas prices and the necessary investments in the gas grid to achieve greater independence from Russia fueled the investment propensity of international oil and gas conglomerates. The Ukraine war triggered huge demand and a high level of order intake in Germany and in Europe, particularly for medium-diameter line pipes, a situation that did not, however, persist in the second and third quarter. Demand only improved again in the fourth quarter. The still low production figures on the back of weak numbers of new car registrations, especially in Europe, had a negative impact on the sales of the precision tubes product segment. The robust trend in plant and machinery engineering as well as in the energy industry served only partly to cushion these declines. The seamless stainless tubes market proved to be initially stable until March when another sharp increase in energy prices and hefty nickel price volatility caused by commodity speculation produced significantly adverse effects. In the wake of the necessary massive price hikes, demand slumped and failed to recover through to the end of 2022.

BUSINESS DEVELOPMENT

Order intake and **orders on hand** of the Steel Processing Business Unit rose notably in the financial year 2022 in a year-on-year comparison. Strong growth, induced above all by prices and volumes, were recorded by the heavy plate and by the steel tubes and pipes segment. The two heavy plate producers benefited from a more advantageous market situation with higher selling prices. In addition, two line pipe projects with EUROPIPE GmbH in the Mühlheim heavy plate mill played a key role in contributing to the good capacity utilization situation. In the large-diameter pipes business, further projects were acquired alongside the Wilhelmshaven pipeline that is to connect up with the

LNG terminal. The American mills were also able to book orders for production next year. Although the situation in the automotive business resulted in volumes declining in the precision tubes product segment, 2021 order intake was nevertheless exceeded on the back of selling prices. Only the stainless steel tubes group reported declines due to the market situation described above. As a result of the overall improvement in order books, the business unit's **sales** significantly outperformed the year-earlier figure. **Segment** and **external sales** advanced considerably thanks to the price- and volume-induced increases in all companies compared with the financial year 2021. The business unit generated **EBITDA** of € 173.1 million (2021: € –29.6 million), **EBT** came in at € 86.2 million (2021: € –308.5 million). These figures include impairment (€ –19.9 million; 2021: € –235.1 million) in the stainless steel tubes segment, along with a write-up at the EUROPIPE joint venture (€ 20.0 million). A turnaround was achieved despite the sharp increase in input material and energy costs. Noteworthy in this context is the earnings improvement delivered by the Ilsenburg heavy plate company. The EUROPIPE Group, accounted for using the equity method, significantly outperformed the previous year's figure. EUROPIPE GmbH, for instance, was successful in acquiring the "Southeast Gateway Pipeline", among others. The American companies were only able to book orders again at the end of the year. The EUROPIPE Group's at-equity contribution rose considerably thanks to the German company's improved situation.

INVESTMENTS

In the year 2022, the Steel Processing Business Unit focused first and foremost on replacement and supplementary investments. A linchpin of the Hamm-based precision tubes group's investment strategy consists of the highly efficient drawing plant that replaces three old facilities. Commissioning took place in 2022 and trial operation has commenced.

TRADING BUSINESS UNIT

Key data		2022	2021
Shipments	kt	3,606	3,639
Segment sales[1]	€ m	4,651.3	3,654.8
Sales to other segments / Group companies	€ m	–70.5	–51.6
External sales[2]	€ m	4,580.9	3,603.1
EBIT before depreciation and amortization (EBITDA)	€ m	268.0	363.2
Earnings before interest and taxes (EBIT)	€ m	251.4	346.9
Earnings before taxes (EBT)	€ m	243.1	352.5

[1] Including sales with other business units in the Group
[2] Contribution to consolidated external sales

The **Trading Business Unit** comprises a well-developed organization of stockholding steel trading subsidiaries in Europe with a wide range of processing capabilities, various companies specialized in plate, as well as an international trading network spanning the globe. Along with selling rolled steel and tubes products of the Salzgitter Group and complementary products of other producers, feedstock is also procured on the international markets for Group companies and external customers.

MARKET DEVELOPMENT

In the first half of 2022, the demand for steel on the main markets of the Trading Business Unit was determined by the detrimental impact of the war in Ukraine. In response to the huge uncertainty regarding supply right after the onset of the war, sales volumes and prices rose again and significantly exceeded the already high levels posted at the start of the year. The effect of the war on international trading manifested above all in a challenging situation in logistics, with reports of rising prices and dwindling capacities. Demand was observed to return to normal levels progressively over the course of the second quarter. Both the volumes and prices declined and remained at a low level through to the end of the year.

BUSINESS DEVELOPMENT

The **shipments** of the Trading Business Unit almost repeated the 2021 figure on the back of international trading's good and higher tonnage compared with the previous year. The UES Group reported virtually stable shipments, as opposed to the stockholding steel trade whose shipments dropped below the year-earlier level in the wake of the downtrend since the second quarter. Compared with 2021, **segment** and **external sales** surged, also on the back of prices. Another increase in the price level, along with the development of volumes and margins in international trading, resulted in very good **EBITDA** (€ 268.0 million; 2021: € 363.2 million) and **earnings before taxes** (€ 243.1 million; 2021: € 352.5 million), albeit below the historically exceptional year of 2021.

INVESTMENTS

The expansion of existing locations and of finishing capacities formed the focus of the Trading Business Unit's investments in 2022.

TECHNOLOGY BUSINESS UNIT

Key data		2022	2021
Order intake	€ m	1,738	1,548
Order backlog as of 12/31	€ m	1,207	864
Segment sales[1]	€ m	1,430.9	1,361.3
Sales to other segments / Group companies	€ m	–1.0	–0.8
External sales[2]	€ m	1,429.9	1,360.5
EBIT before depreciation and amortization (EBITDA)	€ m	76.8	84.2
Earnings before interest and taxes (EBIT)	€ m	47.0	56.7
Earnings before taxes (EBT)	€ m	48.0	59.2

[1] Including sales with other business units in the Group
[2] Contribution to consolidated external sales

Three manufacturers of special machinery steeped in tradition are grouped within the **Technology Business Unit**. Around 90 % of sales is generated by the KHS Group that, as a plant engineering specialist, holds a leading position in filling and packaging technology. The KHS Group is a full-line supplier. Its product range covers intralogistics and processing through to the filling and packaging of beverages. The Klöckner DESMA Elastomer Group (KDE Group) manufactures injection molding machinery for rubber and silicon products, while DESMA Schuhmaschinen GmbH (KDS) sells special machinery for the shoe industry. The two companies rank as market leaders in their respective segments.

MARKET DEVELOPMENT

While, according to the figures released by the German Engineering Federation (VDMA), order intake across the entire sector remained unchanged in the first half of 2022 compared with the year-earlier period, a negative trend subsequently set in, especially in the final quarter of 2022. From an overall standpoint, order intake therefore fell short of the previous year's level. In the first six months, an increase in international orders enabled order intake for packaging machinery to significantly exceed the year-earlier figure. However, in tandem with the declining market trend, the moving 12-month average has been displaying a slight downturn in order activity since the third quarter of 2022.

BUSINESS DEVELOPMENT

In the financial year 2022, the Technology Business Unit's **order intake** achieved substantial growth that outperformed the industry trend. The KHS Group considerably outperformed the level posted in 2021 on the back of sustained high demand, particularly in the project business. KDS also notably increased its order intake, and new orders placed with the KDE Group also settled above the year-earlier volume. The Technology Business Unit's **orders on hand** mirrored the development of order intake, achieving record levels. **Segment** and **external sales** were raised in the financial year 2022, thereby exceeding the year-earlier figures. All in all, the Technology Business Unit generated **EBITDA** of € 76.8 million (2021: € 84.2 million) and **EBT** of € 48.0 million (2021: € 59.2 million). The previous year's result was positively impacted by proceeds from the disposal of KHS Group's pouch business (€ 18.8 million).

The KHS Group continued to rigorously pursue its comprehensive "KHS Future" efficiency and growth program in the past financial year. With a focus on reducing costs and expanding the service business, the program made a significant contribution to the higher result achieved overall and was instrumental in promoting the development of the company against the backdrop of a fiercely competitive and challenging market environment.

INVESTMENTS

During the reporting period, the Technology Business Unit focused on expansion investments abroad, along with ongoing replacement and streamlining measures. Following the successful implementation of the company's investment program in China, the Waukesha (US) site was expanded in 2022. In addition, sales and service operations, in Kenya for instance, were expanded. In order to ensure the steady optimization of organizational workflows, IT projects in Germany and in the international companies were also carried out within the KHS Group.

INDUSTRIAL PARTICIPATIONS / CONSOLIDATION

Key data		2022	2021
Sales	€ m	1,227.8	983.3
Sales to other segments / Group companies	€ m	–1,053.9	–816.4
External sales[1]	€ m	173.9	166.9
EBIT before depreciation and amortization (EBITDA)	€ m	154.1	186.8
Earnings before interest and taxes (EBIT)	€ m	118.0	140.9
Earnings before taxes (EBT)	€ m	77.1	107.5

Adjustment of the previous year's figures due to the new Group structure
[1] Contribution to consolidated external sales

Industrial Participations / Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG does not have any operations of its own. Instead, it manages Salzgitter Mannesmann GmbH and Salzgitter Klöckner Werke GmbH under which the major companies of the Salzgitter Group are held. Aside from this, the results of companies operating primarily within the Group, as well as those of Group companies that support the core activities of the business units with their products and services, are recorded here.

Sales in the Industrial Participations / Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, were reported at a level in 2022 that was significantly higher compared with the year-earlier period. **External sales** also increased. At € 154.1 million, **EBITDA** (2021: € 186.8 million) fell short of the previous year's figure. The organization unit's lower result is essentially attributable to a more minor contribution by Aurubis AG, an investment included at equity (IFRS accounting), that amounted to € 156.3 million (2021: € 217.1 million). At year-end, Salzgitter AG held an unchanged stake of 29.99 % in Aurubis AG in terms of the overall amount of shares in circulation.

Earnings before taxes of Industrial Participations / Consolidation declined to € 77.1 million (2021: € 107.5 million). Reporting-date related valuation effects of foreign currency and derivatives positions, as well as net interest income from the cash management of the consolidated group delivered a negative result overall (€ –14.3 million; 2021: € –10.3 million). The profit contribution of the Group company, included in earnings before taxes and not directly assigned to a business unit, declined only marginally despite proceeds from the sale of a property being included in the previous year's figure.

FINANCIAL POSITION AND NET ASSETS

FINANCIAL MANAGEMENT

Salzgitter Klöckner-Werke GmbH (SKWG), a wholly-owned subsidiary of Salzgitter AG (SZAG), has carried out cash and foreign currency management principally on a centralized basis for the companies belonging to the Salzgitter Group since January 1, 2012. Joint venture companies are not included.

The internal financing of Group companies is fundamentally conducted through making Group credit lines available in the context of Group financial transactions and, in individual cases, external loan guarantee commitments. To cover the financial requirements of foreign Group companies, in particular those outside the euro area, the Salzgitter Group also makes use of local lending markets. At the same time, it draws on the liquidity surplus of the Group companies for financing. Supplies and services within the Salzgitter Group are settled via internal accounts. Central finance management enables us to procure external capital at favorable conditions and has a positive impact on interest income. We calculate the Group's liquidity requirements through financial planning with a multi-year planning horizon and a monthly rolling liquidity planning with a six-month forecasting horizon.

Cash investments, medium-term bilateral credit lines, a syndicated credit limit of € 560 million renewed in 2017 with eight banks and a term through to July 2024 as a back-up line not used, and the tapping of the bond markets guarantee that our liquidity requirements are covered. In addition, the short-term genuine EUA repurchase agreements of Salzgitter Flachstahl GmbH amounting to € 500 million (per December 31, 2022) were topped up to € 794 million in 2022 for repurchase per December 2023. The syndicated credit facility does not include any financial covenants. As before, the portfolio of committed, but not yet utilized credit lines stood at € 560 million as of December 31, 2022 (2021: € 560 million). In addition, a bonded loan (Schuldschein) was issued for the first time in 2016. In 2019, another bonded loan was successfully placed with around 100 investors in a converted amount of € 364 million and tranches with terms of up to ten years.

Our international business activities generate cash flows in a number of different currencies. In order to secure against the resulting currency risk, Salzgitter Group companies must hedge foreign currency positions at the time when they arise in accordance with Group guidelines. Internal Audit monitors compliance with these regulations in the context of their regular tasks. For transactions denominated in US dollar, which make up a major portion of our foreign currency transactions, the option of setting off sales and purchasing items (netting) is considered first within the Group. Any surplus amounts are covered by way of hedging transactions that are customary in the market.

Pension provisions still play a significant role in corporate financing. On the basis of the higher actuarial interest rate (4.1 %) derived from the current level of capital market rates, they amounted to € 1,619 million (2021: € 2,179 million at 1.3 %). In accordance with the standards of international accounting, the effect of adjusting the actuarial interest rate was reported in the statement of comprehensive income in equity with no effect on net income.

CASH FLOW STATEMENT

The cash flow statement (detailed disclosure in the section on the → **Consolidated Annual Financial Statements**) shows the source and application of funds. The cash and cash equivalents referred to in the cash flow statement correspond to the balance sheet item "Cash and cash equivalents".

Cash and cash equivalents

In € million	2022	2021
Cash inflow from operating activities	596.5	329.4
Cash outflow from investment activities	–367.7	–366.6
Cash inflow from financing activities	11.3	146.3
Change in cash and cash equivalents	**240.1**	**109.1**
Changes in the Group of consolidated companies / changes in exchange rates	6.4	11.3
Cash and cash equivalents on the reporting date	**988.4**	**741.8**

In the financial year 2022, the Group generated **cash flow from operating activities** of € 597 million (2021: € 329 million). While earnings before taxes increased, depreciation and amortization were lower than in the previous year. The **cash outflow from investment activities** (€ 368 million) matched the level of the previous year (€ 367 million). Higher disbursements for investments in property, plant and equipment and intangible assets compared with 2021, which also includes the completion of strategic projects, and cash investment were offset in the financial year in particular by proceeds from investments. The main investments in the reporting year were incurred in amounts of € 96 million by the first development stage of the SALCOS® transformation program and € 25 million by the expansion of galvanizing capacities in the Steel Production Business Unit.

Another € 10 million have already been disbursed in connection with the relining of Blast Furnace A scheduled for 2023.

The cash outflow from financing activities is determined by the redemption of loans granted, interest payments and dividend payouts. This cash outflow was offset by cash inflow from borrowing, resulting in an overall positive **cash inflow from financing activities** of € 11 million (2021: € 146 million).

Net financial position

In € million	2022/12/31	2021/12/31
Cash and cash equivalents acc. to balance sheet	988.4	741.8
+ Other investments of funds[1]	13.4	78.3
= Investments of funds	1,001.8	820.1
Financial liabilities acc. to balance sheet	1,698.3	1,514.8
– Liabilities from leasing agreements and liabilities from financing	143.9	150.2
= Financial liabilities of net financial position	1,554.4	1,364.5
Net financial position	–552.6	–544.4

[1] Loans excl. valuation allowances (€ 10.4 million; previous year: € 25.6 million), other cash investments reported under other receivables and other assets (€ 3.0 million; previous year: € 3.0 million) as well as securities (€ 0 million; previous year: € 49.7 million).

Despite the considerable increase in working capital, the **net financial position** of € –553 million almost repeated the level of the previous year (2021: € –544 million).

Notably higher cash investments, including securities (€ 1,002 million; 2021: € 820 million), were offset by a sharp increase of € 1,554 million in liabilities owed to banks at the end of the year (2021: € 1,365 million). Obligations arising from leasing agreements are not included in the net financial position.

INVESTMENTS

Additions to property, plant and equipment and to intangible assets from investments stood at € 475 million in the financial year 2022 (2021: € 367 million). This amount includes € 35 million from lease accounting for newly concluded or renewed contracts over their full contractual term under which the impact on payments lies in the future. Capitalized investments exceeded scheduled depreciation and amortization (€ 287 million). Along with the Steel Production Business Unit (€ 293 million), a major part of the investments in property, plant and equipment and intangible assets were made in the Steel Processing Business Unit (€ 84 million) in 2022. Additions to financial assets (€ 1 million) mainly pertain to investments in companies not included in the consolidation scope.

On the reporting date, a purchase commitment on investments existed in an amount of € 656.8 million (2021: € 202.0 million). €). More explanations on the development of the purchase commitments can be found under Note (34) "Other financial obligations" in the → **Notes to the Consolidated Financial Statements**. The planned financing of investment obligations is explained under → **Financial management** in this section. With regard to contingent liabilities, we refer to Note (33) "Contingencies" in the → **Notes to the Consolidated Financial Statements**.

Along with scheduled depreciation and amortization, impairment of € 19.9 million (2021: € 0 million) were reported through profit and loss.

	Investments		Depreciation / amortization[1]	
In € million	2022	2021	2022	2021
Steel Production	293	178	149	147
Steel Processing	84	110	75	272
Trading	31	15	17	16
Technology	29	29	30	27
Industrial Participations / Consolidation	38	35	36	46
Group	475	367	306	508

[1] Scheduled and unscheduled write-downs

ASSET POSITION

At € 11,103 million, the Group's total assets considerably exceeded the year-earlier level as of December 31, 2022 (2021: € 10,255 million). The increase in non-current assets (€ +260 million) essentially resulted from the significantly higher level of shares held in companies accounted for using the equity method (€ +238 million). Property, plant and equipment and intangible assets rose slightly as the investments (€ 475 million) notably exceeded depreciation and amortization (€ 306 million). Current assets increased tangibly compared with the previous year (€ 589 million). This is due in particular to the higher level of inventories (€ +351 million) and trade receivables, including contract assets (€ +86 million). Cash and cash equivalents rose by € 247 million compared with previous year's reporting date. By contrast, other receivables and assets (€ –79 million) and securities (€ –50 million) declined compared with 2021.

Asset and capital structure

	2022/12/31		2021/12/31	
	€ m	%	€ m	%
Non-current assets	4,510	40.6	4,250	41.4
Current assets	6,593	59.4	6,005	58.6
Assets	**11,103**	**100.0**	**10,255**	**100.0**
Equity	4,850	43.7	3,357	32.7
Non-current liabilities	2,704	24.4	3,247	31.7
Current liabilities	3,549	32.0	3,651	35.6
Equity and liabilities	**11,103**	**100.0**	**10,255**	**100.0**

Working capital stood at € 3,596 million, which is considerably higher than the year-earlier figure (2021: € 2,825 million).

The equity ratio climbed to 43.7 % in 2022 (2021: 32.7 %). Non-current liabilities were € –543 million lower, as both the pension provisions (€ –560 million) and the non-current financial liabilities (€ –42 million) declined in comparison with the previous year. Current liabilities dropped below the previous year's level (€ –102 million). Trade payables, including contract liabilities, declined by € 339 million, as opposed to current financial liabilities that were higher (€ +226 million).

THE ANNUAL FINANCIAL STATEMENTS OF SALZGITTER AG

The annual financial statements of Salzgitter AG for the financial year 2022 have been drawn up in application of the accounting policies and valuation methods of the German Commercial Code, taking account of the supplementary provisions set out under the German Stock Corporation Act (AktG).

As the management holding, Salzgitter AG heads up the Group's business units that are responsible at the operational level. The main associated companies are held through the wholly-owned company Salzgitter Mannesmann GmbH (SMG) via its wholly-owned subsidiary Salzgitter Klöckner-Werke GmbH (SKWG). Letters of comfort have been issued between SZAG and SMG, as well as between SMG and SKWG by the respective controlling companies. These controlling companies undertake to furnish SMG and SKWG respectively in the subsequent financial year so that obligations entered into in the current financial year can be settled true to deadlines.

As a non-operational holding company, Salzgitter AG is an integral part of the Salzgitter Group's management and control concept and is therefore subject to the same risks and opportunities as the Salzgitter Group. The profitability of the company depends on the business progress made by its subsidiaries and on the extent to which the shareholdings retain their value. The legal requirements placed on managing and controlling Salzgitter AG have been taken into account here.

Balance sheet of Salzgitter AG (condensed)

	2022/12/31		2021/12/31	
	€ m	%	€ m	%
Non-current assets	61.2	8.3	71.2	10.3
Property, plant and equipment[1]	19.8	2.7	19.3	2.8
Financial assets	41.4	5.6	51.9	7.5
Current assets	671.9	91.7	622.9	89.7
Inventories	0.0	0.0	0.0	0.0
Trade receivables and other assets[2]	671.9	91.6	622.9	89.7
Cash and cash equivalents	0.0	0.0	0.0	0.0
Assets	733.1	100.0	694.1	100.0
Equity	430.0	58.7	415.0	59.8
Provisions	272.9	37.2	240.7	34.7
Liabilities	30.1	4.1	38.4	5.5
Equity and liabilities	733.1	100.0	694.1	100.0

[1] Including intangible assets
[2] Including prepaid expenses

The receivables from the liquidity (€ 490.8 million; 2021: € 501.0 million) provided to the subsidiary SKWG as part of a groupwide cash management continue to form the main item on the assets side. The treasury shares (€ 16.2 million; 2021: € 16.2 million) are disclosed separately from equity in accordance with the regulations prescribed by the German Commercial Code (HGB).

On the liabilities side, pension obligations of € 240.3 million (2021: € 219.9 million) are disclosed in particular, alongside equity. The equity ratio therefore declined marginally to 58.7 % (2021: 59.8 %) as of December 31, 2022.

Income statement of Salzgitter AG (condensed)

In € million	2022	2021
Sales	33.6	26.5
Other operating income	7.6	5.5
Personnel expenses	60.9	39.7
Depreciation / amortization[1]	12.4	1.7
Other operating expenses	38.5	30.7
Income from shareholdings	138.0	89.9
Net interest result	-9.8	-3.7
Income tax	0.0	0.0
After-tax result	57.7	46.1
Other taxes	-2.1	-1.0
Consolidated net income / loss	55.6	45.1

[1] Including write-downs on financial assets and marketable securities

Sales revenues largely consist of earnings from the levying of a Group contribution. Other operating income mainly comprises earnings from affiliated companies. Personnel expenses exceed the previous year's figure, also due to changes in the parameters for measuring pension provisions. Other operating expenses rose due increased on the back of higher advertising costs, expenses from the reporting-date-related valuation of derivatives and higher consultancy costs, offset by the lower the level of services outsourced. Income from shareholdings consisted almost exclusively of the contribution to the result received by SMG. Write-downs on financial assets pertain to impairment of a shareholding. As of December 31, 2022, the company had a workforce of 163 employees (previous year's reporting date: 161 employees).

The forecast for the Group's IFRS 2022 pre-tax result was revised upward several times over the course of the year and ultimately fulfilled. A determinant factor here was the operating performance of the Steel Production and Trading business units that outperformed expectations. Our forecasted unappropriated retained earnings were therefore notably exceeded.

APPROPRIATION OF THE PROFIT OF SALZGITTER AG

Salzgitter AG (SZAG) reported unappropriated retained earnings of € 60.1 million for the financial year 2022.

The company's Executive Board and the Supervisory Board will propose to the Annual General Meeting of Shareholders that these unappropriated retained earnings (€ 60.1 million) be used to fund payment of a dividend of € 1.00 per share (based on the capital stock of € 161.6 million divided into 60,097,000 shares) and that the remaining amount be carried forward to new account.

If the company holds treasury shares on the day of the Annual General Meeting of Shareholders, the proposed appropriation of profit will be adjusted accordingly at the Meeting as treasury shares are not eligible for dividend.

The dividend amount will be geared to the performance of Salzgitter AG in the future as well. The unappropriated retained earnings in the annual financial statements of Salzgitter AG drawn up under German commercial law are the sole determining factor for the ability to pay dividend and, in as much, relevant for the dividend proposal. We strive for a minimum dividend yield of 2 % in relation to the year-end closing price of the Salzgitter share. Against the backdrop of the general economic outlook for 2023, the currently lackluster sectoral environment, and the dependence of Salzgitter AG's earnings on its subsidiaries, unappropriated retained earnings for the financial year 2023 are expected to at a lower level than in the previous year.

OPPORTUNITIES AND RISK REPORT, GUIDANCE

We treat risk and opportunity management separately as a matter of principle. A separate reporting system documents the risks and facilitates the relevant monitoring activities. By contrast, recording and communicating opportunities forms an integral part of the management and controlling system that operates between our subsidiaries/associated companies and the holding company. The identification, analysis and implementation of operational opportunities are directly incumbent on the management of the individual companies. Together with the holding company of the Group, goal-oriented measures are devised to reinforce strengths and to tap strategic growth potential.

OPPORTUNITIES AND OPPORTUNITIES MANAGEMENT

The ongoing monitoring and analysis of the relevant developments affecting the products, technology, markets and competition in the environment of the Group companies are an integral part of opportunity management dedicated to ensuring that we can identify, seize and realize opportunities.

Our group and management structure that is aligned to efficient and effective structures and workflows forms an important basis for the consistent leveraging of potential. This allows us to seize market opportunities more swiftly and in a more selective manner against the backdrop of a challenging and dynamic environment.

Business opportunities are to be specifically used under the aspect of sustainable profitability. We are concerned not only with measures to promote organic growth but also with investigating new business models, and we screen external options with regard to their potential contribution to securing the Salzgitter Group's success.

As part of developing the → "Salzgitter AG 2030" strategy, opportunities were identified for the Group and integrated into the corporate strategy as ↗ Strategic goals for all business units. We see opportunities particularly in the fields described in the following.

DECARBONIZATION

The Salzgitter Group considers that the steel industry's decarbonization harbors huge potential. We are setting about tapping this potential through our → SALCOS® transformation program.

As part of the overall discussion in society, the topic of sustainability in the value chain is becoming increasingly important in the procurement decisions of many companies. In the view of many of our customers, substituting energy- and carbon-intensive gray steel for green steel is an important lever in reducing their carbon footprint in the upstream value chain (Scope 3 emissions) and for achieving their own sustainability goals. We therefore consider that possible surplus demand for green steel will present opportunities, particularly in the first years following the transformation of our sector. The strong interest of our customers from various sectors in being supplied with low carbon steel at an early stage, manifesting in numerous partnering agreements concluded in the financial year 2022, corroborates our assessment. In this context, the fact that customers are currently willing to pay a premium in the form of a higher purchase price for green steel products compared with lower production costs for manufacturing high-carbon steel products is evident.

CIRCULAR ECONOMY

The concept of circular economy, meaning developing circular networks with customers and suppliers along the entire value chain, from input materials and energy right through to finished product ready for the customer and byproducts, forms a linchpin of the new "Salzgitter AG 2030" corporate strategy. In this context, access to high-grade steel scrap is a key factor for the economic production of low carbon steel via the direct reduction route. As part of the "Salzgitter AG 2030" strategy, we are planning to expand our scrap recycling activities by 50 % to three million tons a year through to 2030. In terms of achieving our goals and benefiting from the anticipated increase in global demand for metal scrap, we consider ourselves well-positioned through our subsidiary DEUMU Deutsche Erz- und Metallunion GmbH.

PROCESS TECHNOLOGY DEVELOPMENT

We anticipate opportunities in intensifying vertical production in the Steel Production Business Unit for our core customer segments of automotive and household appliances. This approach will enable us to put our target customer base on a broader footing, which may also generate potential for the future sale of low carbon steel products.

In the Steel Processing Business Unit, the product portfolio has also been shifted in the direction of higher value added through the commissioning of Ilsenburger Grobblech GmbH's the "New Heat Treatment Line".

In the Technology Business Unit, we believe there are opportunities for growth in profitable market niches, particularly in automation and digitalization, as well as in the filling and packaging facilities segment with the KHS Group's product developments available in the market, examples being Nature MultiPack™ and Plasmax.

RISKS AND RISK MANAGEMENT

Business activity makes risk taking unavoidable in many instances, as this is frequently a precondition for exploiting opportunities. As far as possible, all relevant risks must therefore be containable and kept within certain limits by the management of the company. For this reason, foresighted and effective risk management is an important and value-creating contribution of management that is geared toward safeguarding the company as a going concern, along with our investors' capital and jobs.

QUALIFIED TOP-DOWN SET OF RULES AND REGULATIONS

It is the task of the management holding company to put guidelines in place to form the basis on which a uniform and adequate handling and communication of risks can be ensured throughout the Group. We communicate the relevant concept to our subsidiaries and associated companies with the aid of a risk policy. This policy sets out principles concerning the

- identification,
- assessment,
- dealing with risk,
- communication and
- documentation

of the risks in order to standardize them for the throughout the Group and to guarantee the informative value for the entire Group. We develop our risk management system (RMS) on a steady basis in response to requirements. Against the backdrop of the growing significance of ESG risks, we expanded our governance risk management in the reporting year. ESG risks are initially measured qualitatively with the aid of the ESG Risk Committee and the risk owners in the holding company and Group companies regarding probability of occurrence and amount of loss or damage. Physical risks are analyzed by Central Risk Management across all the companies. At the time when the Non-Financial Report 2022 was being drawn up, the Salzgitter Group had not identified any material non-financial risks. For more information on ESG risks, we make reference to our → **Integrated Risk Management** in the Non-Financial Report[1].

We generally include all the consolidated companies of our business units in our risk management. We limit the risks arising from joint ventures in which we do not hold a majority stake by way of appropriate reporting and consultation structures, through participation in supervisory committees and through contractual arrangements. Members of the Executive Board of Salzgitter AG are, for instance, represented on the Supervisory Board of EUROPIPE GmbH, a joint venture, and Hüttenwerke Krupp Mannesmann GmbH. Moreover, on the reporting date, one Executive Board member of our company served on the Supervisory Board of Aurubis AG (NAAG), a participating investment of ours

IDENTIFICATION

A risk within the meaning of risk management in the Salzgitter Group is defined as potential damage that has not yet occurred, and has not been factored into a Group company's planning or forecast. With risk management within the Salzgitter Group in mind, we analyze situations in the business units that we have not yet incorporated – or been able to incorporate – into our planning or in our forecast. We have drawn up a checklist that can be used to identify risks. The companies' risk managers appointed by the respective senior management teams ensure an ongoing process by incorporating the respective risk owners. At the same time, the various situations are assigned to risk types. In the Salzgitter Group we categorize the risk types as follows:

[1] The Non-Financial Report was not audited by statutory auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

- strategic / political risks,
- performance risks,
- financial risks and
- general risks.

In terms of the strategic / political risks, the focus is placed on risks for our Group that are inherent in environmental and energy policies.

The area of performance risks within the Salzgitter Group primarily addresses the main price and procurement risks from the raw materials and energy required, above all in the Steel Production and Steel Processing business units. This group of risks also includes production downtime risks relating essentially to key plant equipment and machinery such as the rolling mills.

The economic risks for companies belonging to the corporate finance and fiscal group are coordinated and controlled by the management holding across all business units.

In order to ensure a fundamental methodology, we record and monitor mandatory risks for a series of risks – irrespective of the amount of loss – such as performance risks, for instance, arising from sales, procurement, stocks and production downtime. Experience has shown that this selection covers the main risks in our Group's risk portfolio.

ASSESSMENT

So as to be able to assess the risks, we generally evaluate the threat scenario, while taking into account all factors of influence. Assessing the individual specific risks is the responsibility of the risk owner in consultation with the risk manager. All risks identified are reviewed at least once a year in terms of their potential loss and loss amount – defined as the divergence from the forecast or anticipation of the result – and the probability of their occurrence. We assign the probability of occurrence to five categories:

- very unlikely,
- unlikely,
- rather unlikely,
- likely and
- very likely.

Risks in the first three categories are events that, after careful commercial, technical and legal consideration, are deemed unlikely to occur. In the case of risks in the risk categories above these, loss accruing to the company from an undesirable event can no longer be ruled out.

With regard to the extent of loss or damage, we distinguish between major risks in excess of a gross amount of at least € 25 million and other risks involving loss or damage of less than a gross amount of € 25 million. We consider this categorization as suitable since, in the recent past, we have also reported financial years with pre-tax results around breakeven. With a view to consistent application, these figures will be retained. In the case of major risks, risks of particular significance exist for the Salzgitter Group. Such risks include development of prices in the sales and procurement markets, of freight rates, along with energy prices and exchange rates (above all, USD/EUR). Owing to their significance, these risks are monitored at short intervals and are therefore consistently integrated into the forecasts.

Risks from loss or damage and liabilities claims, for example, fire and operational downtime, covered by our insurance policies are not recorded.

In deriving net loss from gross loss we take account of all measures to contain loss. In the event, provisions and valuation allowances reduce the amount of loss, which is noted in the risk documentation.

For the Salzgitter Group, we regard entailing a loss of at least € 25 million and categorized as "likely" or "very likely" in terms of their probability of occurrence as significant. For reasons of caution, we also include risks that are "rather unlikely" in these considerations.

DEALING WITH RISK

We incorporate risks as an integral part of our intra-year forecasting as well as our medium-term planning. We have defined a set of different procedures, rules, regulations and tools with the aim of avoiding potential risks and of controlling and managing the risks that arise and taking preventive measures. A critical component for risk mitigation is our → **Internal control system**. As a result of the high degree of transparency achieved with regard to developments that involve risk, we as a Group are able to take appropriate countermeasures and implement them in a targeted manner at an early stage. The conditions that must be fulfilled for these measures to be effective are documented, periodically examined and updated if necessary.

COMMUNICATION AND DOCUMENTATION

We use our groupwide reporting system to ensure that Group management is provided with the necessary and pertinent information. Risks are reported to the Executive Board in accordance with the reporting thresholds. Reports are submitted i.a. on the meetings of the Group Management Board that take place every two weeks, in the form of monthly controlling reports, controlling and planning deliberations throughout the year and, if highly pertinent, on an ad hoc basis. We analyze and assess the risks at Group level, monitor them punctiliously and, especially in the case of risks necessitating urgent action, align them to our overall business situation.

For its part, the Executive Board reports to the Supervisory Board on the risk position of the Group as well as – where appropriate – on the status of individual risks. The Supervisory Board has formed an Audit Committee that is tasked with addressing issues relating to risk management in its regular meetings.

We document the measures that have been and would need to be taken for evaluating and overcoming the risks and report on this as described below.

SPECIFIC RISKS

STRATEGIC / POLITICAL RISKS

CORPORATE STRATEGY RISKS

We invest regularly in securing our future profitability. More detailed information is included in the section on → Business unit performance.

With regard to a CapEx measure in a volume of more than € 1 billion spread over a number of years, as is the case with the SALCOS® decarbonization program, risks arise in various permutations. Even though experienced plant engineering companies are used for numerous subprojects (the construction of an electric arc furnace or a DRI plant, for instance), risks of this kind cannot be excluded due to the complex nature of the overall project, changes in scheduling, and in the context of internal and external fund allocation. Risk considerations from cost increases anticipated in plant engineering in particular are meticulously monitored as part of a project organization, and measures developed, also involving external expertise. Reports on this are regularly made to Salzgitter AG's Executive Board and Supervisory Board. Taking account of the updated investment volume, we currently assess a financial burden above and beyond this as unlikely.

Further information on SALCOS® can be found in the section entitled → Goals and Strategy.

We approach any restructuring requirements necessitated by the market and competition in a targeted manner. The continuous improvement of our cost structure and process efficiency is addressed under our program of measures that involves all major companies. We consider the risks inherent in this to be manageable.

SECTORAL RISKS

Industry-specific risks have existed for a number of years – from distortions to competition in the international steel markets, huge and increasing excess capacities, US special duties on steel products, and the associated import pressure in the EU. The coronavirus pandemic harbors further trade policy risks from imports increasing at short notice, or from distortions in trade flows due to meanwhile very varied infection rates in different parts of the world.

TRADE POLICY RISKS

Trade policy risks arise from a possible increase in dumped and subsidized imports, as well as from the expiration of existing trade defense measures, in particular safeguards. These risks are augmented by potential circumventions of trade defense measures and sanctions. Furthermore, opportunities and risks are inherent in commercial legislation, especially the Carbon Border Adjustment Mechanism (CBAM) adopted at the end of 2022.

With a view to the persistent growth in global surplus capacity for steel, there is a constant risk of imports rising and/or dumping imports in the EU steel market. To counteract this risk, the steel industry has developed an import monitoring system through its European industry associations and in collaboration with external law firms. This monitoring system serves the purpose of identifying unfair imports at an early stage and, if expedient, initiating countermeasures by filing trade defense legal proceedings.

In recent years, this monitoring system has also been instrumental in anti-dumping and anti-subsidy duties being imposed on innumerable unfair imports. Risks arise from the expiration of these measures that have been in place for five years if the European steel industry is not successful in its application for their renewal. In 2022, a positive decision was made on extending the duties levied on cold-rolled strip steel products from Russia and China. Further renewal procedures were initiated in 2022 and are due for decision in 2023. This affects hot strip – against China as well as Iran, Brazil and Russia – heavy plate and hot-dipped galvanized products against China.

Due to the high number of trade defense proceedings, circumvention is a regular occurrence. Salzgitter AG works together with the trade associations in detecting these circumventions with the aid of statistical analysis of foreign trade data. Thanks to the sound cooperation with the customs authority and the European Anti-Fraud Office (OLAF), several instances of customs evasion were resolved.

With the introduction of sanctions against Russian finished and semi-finished products, and the intensification of sanctions on processed Russian steel products, the monitoring of compliance with these rules and regulations takes on great significance. It is to be expected that producers in non-EU countries will, in view of the high price markdown, attempt to use Russian material in their products and import them into the EU. In a move to prevent this prohibited export conduct and the resulting risk of prices declining, Salzgitter AG will also be participating in this area directly, as well as in cooperation with the trade associations in identifying and uncovering sanction violations.

In the meantime, the Council of Ministers and EU Parliament were able to conclude negotiations in December 2022 on introducing an EU Carbon Border Adjustment Mechanism (CBAM) as a defense mechanism against carbon leakage for the purpose of replacing the allocation of free carbon allowances. As from the middle of this decade, free allocation will be gradually abolished. At the same time, importers are obligated to pay carbon levies at the border. Upon the introduction of CBAM, risks arise from circumvention and from a solution having not been found to date for exempting exports out of the EU.

GREENHOUSE GAS EMISSIONS TRADING SCHEME

At the end of 2022, EU institutions arrived at a fundamental agreement on adjusting the rules in the European Emission Trading Scheme (EU ETS), particularly at the start of the second half of the fourth trading period as from 2026, along with the introduction of a Carbon Border Adjustment Mechanism (CBAM). On the basis of information currently available, once this mechanism has been introduced, the allocation of free carbon allowances, including in the steel industry, will be phased out, a process that will accelerate toward the end of the current emissions trading period. Regarding those sectors subject to the CBAM rules envisaged, the mechanism provides for full abolition of the former free allocation by 2034. Since we have purchased carbon allowances as a precaution, the shortfall estimated in the medium term following allocation should compensate Salzgitter AG's fully consolidated subsidiaries subject to EU ETS at least through to the second half of the fourth trading period. The situation can only be more precisely assessed when detailed provisions on aspects relevant to allocation have been defined. Assuming the development of unfavorable framework conditions, the necessity of procuring further CO_2 allowances, at least in the second half of the fourth trading period, cannot be excluded in our current judgment.

We assessed the risk accruing in the area of indirect additional costs from carbon pricing as other risk in our 2021 annual report. Although the aforementioned understanding of the EU institutions on the EU ETS also continues to provide for the possibility of so-called carbon electricity price compensation, whether and to what extent this will come about on a national level in the longer term has not been conclusively assured. For this reason, the risk recorded so far will be fundamentally retained if full elimination of the compensation divergence from planning in the relevant Group companies is assumed. As before, we view the probability of occurrence as "likely". The amount of loss remains contingent on how framework conditions develop. In procuring carbon allowances, we still keep an eye on a potential deterioration in the situation and in prices.

PERFORMANCE RISKS

PRICE RISKS OF ESSENTIAL RAW MATERIALS, FREIGHT COSTS AND ENERGY

In 2022, the price trend on the international procurement markets proved to be very volatile again with respect to determinant raw materials such as iron ore, coking coal and scrap. This volatility that mainly stemmed from the war in Ukraine and in the restrictions imposed to combat COVID-19 in China resulted in new record levels for coal and the prices quoted for some metals over the course of the year. This market development regarding iron ore and coal is explained in more detail under the section entitled → **Performance of the Business Units**. We assume that burdens can be passed on to customers to the extent that we do not anticipate any risks that could constitute a threat to our company as a going concern. We fundamentally endeavor to even out fluctuations in the price of raw materials. To this end, we use hedging within a limited scope, mainly for iron ore as well as for coking coal. The Group applies a permanent system of monitoring sales and procurement to ensure congruence between the fixed-price procurement of raw materials and the fixed-price sale of our products. This system enables changes to be recognized at an early stage so that any resulting risk can be dealt with in time. The partly volatile trend of freight costs, above all, sea freights that are particularly relevant for our companies, may constitute a particular burden. We keep a close eye on the development of costs and incorporate them into our earnings guidance.

As a consequence of Russia commencing its attack on Ukraine on February 24, 2022, electricity and gas procurement prices partly soared to new record highs in the past year. Although prices for consumers, despite the halt to Russian gas supplies, have meanwhile entered a significant downtrend, we are nevertheless monitoring the situation with great attention and taking burdens emanating from this situation into account in our regular Group earnings forecasts. With a view to improving energy efficiency, we have long been engaged in continuously screening our production processes for energetic improvement potential, and we implement savings measures accordingly. We constantly monitor areas requiring a great deal of power in particular. On occasion, it may be the case that production is run depending on the electricity price.

PROCUREMENT RISKS

We counteract the general risk from supply shortfalls of raw materials (iron ore, coal) and energy (electricity, gas) by safeguarding their procurement, firstly by way of long-term framework contracts, and secondly through ensuring our supply from several regions and/or a number of suppliers. In addition, we also operate appropriate inventory management. Our assessment of our supply sources confirms our opinion that the medium-term availability of these raw materials in the desired quantity and quality is ensured despite any disruption to supply and logistics chains. In consideration of the war taking place between Russia and Ukraine, we have investigated substitute suppliers for input material which has so far been procured from the Russian Federation. We are in contact with alternative suppliers and anticipate that we will be able to supply our production plants in line with their requirements.

International shipping for the conveyance of our iron ore and coking coal bulk materials is running at a very stable level. The situation regarding container-based procurement eased increasingly towards mid-year 2022, with the result that the impact on materials procurement, also from China, can be considered low. We keep a close watch on international markets and, from today's standpoint, do not see any particular supply risks from this issue.

The scheduled and punctual rail transport of iron ore and coal from the international port in Hamburg to the Salzgitter site is especially important. We have developed a detailed contingency plan to deal with any adverse effects, such as strikes. This plan includes foresighted stockholding and intensive coordination between DB Cargo and ourselves to keep train transport running regularly. Another viable alternative is the more intensive use of the railway facilities owned by the Group, as well as resorting to inland waterways to transport partial shipments. Moreover, we counteract possible constraints that could hinder the supply of materials by rail at the weekend and public holidays through closely coordinating activities with railway operators or opting to use our own means of transport more intensively.

SELLING RISKS

A risk typical of our business may also result from sharply fluctuating prices and volumes in our target markets, such as lower orders placed by the automotive industry in the context of the semiconductor shortfall, for instance. The EU sanctions triggered by Russia's acts of war have led to an extensive loss of the markets in Russia and Ukraine and, prompted a significant decline in exports into these regions. This is likely to be the case in 2023 as well. Both countries are of secondary importance for the Salzgitter Group, however. Any burdens emanating from this source are incorporated into regular Group earnings forecasts. For an assessment of the economic situation with regard to the financial year 2023, we make reference to the section entitled → Anticipated Group Performance.

We counteract the general danger to our company as a going concern from sales risks by maintaining a diversified portfolio of products, customer sectors and regional sales market. As the effects of the economic situation on various business units differ, we achieve a certain balance in our risk portfolio.

We place a high priority on ensuring reliable delivery to our customers. With this in mind, we have been operating more logistics trains from the Salzgitter location since 2018. These trains are run by Verkehrsbetriebe Peine-Salzgitter GmbH (VPS), the Group's own rail company, to serve important customers. This measure gives us control over the logistics process for a significant part of our strip steel products, from production right through to handing the products over to the customer. Moreover, this also enables us to optimize storage and accommodate customer requirements at short notice as well.

PRODUCTION DOWNTIME RISKS

We counteract the risk of unscheduled, protracted downtime of our key plant equipment and machinery through regular plant and facility checks, a program of preventive maintenance, as well as a continuous process of modernization and investment. In order to contain other potential loss or damage and the associated production downtime, as well as any other compensation and liabilities claims, the Group has concluded insurance policies that guarantee that the potential financial consequences are limited. The scope and content of insurance cover is reviewed on an ongoing basis and adjusted, if necessary. We view the potential loss not covered by insurance as manageable and consider the probability of occurrence as low.

PERSONNEL RISKS

Salzgitter AG actively competes on the market to attract qualified specialists and managers. We counter the risk of fluctuation and the associated loss of knowledge by means of broad-based personnel development measures aligned to the different groups of employees. Along with the already established specialist careers, succession and talent management established for many years and dedicated to the identification and preparation of employees with high potential and successors to take on more advanced tasks, constitutes an important part of personnel work that is aimed at securing qualified expert and management personnel. Structured methods of knowledge are used in the event of succession in order to ensure the transfer of all knowledge-relevant information, contact and business connections pertaining to the respective professional activity.

In addition, we are stepping up our activities to position Salzgitter AG even more firmly, both internally and externally, as a modern, attractive employer. As part of our new "#karrierevorwärts" employer campaign, the manifold possibilities the Group offers in terms of jobs and development are being presented via a range of different communication channels. Extensive employer benefits, such as company pension models, flexible working hours, and a groupwide discount portal offering goods and services at a discount underpin these endeavors. Numerous specialist and general continuous professional training and qualification programs promote the professional development of our workforce and, against the backdrop of demographic change, support the systematic preparation of all members of the workforce to constant change in requirements at work. In addition, our extensive activities in occupational health and safety are aimed at providing our employees with a healthy and safe working environment. We consider that the risks have been duly taken into consideration by the wide range of these different measures. In general, the Group continues to expand its ability to systematically identify human resource risks. Fields for action in the area of personnel policies relevant for success are monitored specifically using key performance indicators, while serving as an indication for deriving measures and measuring their success.

PRODUCT AND ENVIRONMENTAL RISKS

In order to safeguard against product and environmental risks, we have set the following measures in place, among others:

- certification in accordance with international standards,
- consistent modernization of plants,
- ongoing development of our products,
- process-integrated quality assurance, and
- comprehensive management of environmental and energy-related issues.

Risks from owning land and property may arise, particularly from inherited contamination. We counteract these risks, for instance, by fulfilling our clean-up duties. In terms of financial precautions, provisions in an appropriate amount are formed. To our knowledge there are no unmanageable circumstances arising from this type of risk.

FINANCIAL RISKS

The management holding determines the Group's financial structure. It coordinates the funding and manages the interest rate and currency risks of companies financially integrated into the Group. The risk horizon that has proven to be expedient is a rolling period of up to three years aligned to the planning framework. The guidelines issued require all companies belonging to the group of consolidated companies to hedge against financial risks at the time when they arise. For instance, risk-bearing open positions or financing in international trading must be reported to the interim holding Salzgitter Klöckner-Werke GmbH (SKWG) by the respective subsidiaries. SKWG then decides on hedging measures, taking account of the Group's exposure at the time. On principle, we only enter into financial and currency risks in conjunction with processes typical to production and trading. Please also see the sections on "Currency risks" and "Interest rate risks". The financial risks are substantially lower when taken in proportion to the operating risks.

CURRENCY RISKS

Our procurement and sales transactions in foreign currencies naturally harbor currency risks. The development of the US dollar, for instance, exerts a major influence on the cost of procuring raw materials and energy, as well as on export revenues in the tubes business or in mechanical engineering, for example. Although the effects are mutually counteracting, the need for dollars for procurement activities predominates owing to the business volumes that vary greatly. We generally offset such EUR-USD denominated cash flows within the consolidated group, a process known as netting, thereby minimizing currency exposure. Our USD requirements in the financial year 2022 amounted to around € 1.7 billion and was covered by external banking partners in a volume of approximately 70 %. Other currencies within the consolidated group do not play a substantial role.

To limit the volatility of currency risks, we conclude derivative financial instruments with terms whose value develops counter to our operational business. The development of the market value of all derivative financial instruments is regularly ascertained. Moreover, for the purpose of the annual financial statements, we simulate the sensitivity of these instruments in accordance with the standards laid down under IFRS 7 (see the Notes to the Consolidated Financial Statements). Hedging arrangements are essentially not disclosed as hedge accounting positions in the accounts; this method is used, however, to hedge the price risk of raw materials.

We do not hedge translation risks arising from the converting of positions held in a foreign currency into the reporting currency, as these are of secondary importance in relation to the consolidated balance sheet. More information can be found in the → **Notes to the Consolidated Financial Statements**.

As a result of the preventive measures, we believe that currency risks do not constitute a threat to the company as a going concern.

DEFAULT RISKS

We counter our receivables risks by practicing stringent internal exposure management. We limit around two thirds of these risks through trade credit insurance and other collateral. We monitor the unsecured positions meticulously as well as evaluating and taking them into account in our business transactions. We therefore do not consider that these positions will give rise to any serious burdens.

LIQUIDITY RISKS

The management holding monitors the liquidity situation within the Group by operating a central cash and interest management system for all the companies that are financially integrated into the Group. This system defines internal credit lines for the subsidiaries. If subsidiaries have their own credit lines, they are responsible for minimizing the associated risk themselves and for reporting on potential risks in the context of the Group management and controlling structures. Risks may also arise from the necessary capital and liquidity measures taken on behalf of the subsidiaries and holdings if their business should develop unsatisfactorily in the longer term. We do not, however, anticipate any burdens from this area of risk that could constitute a going concern risk. We monitor this risk by means of rolling liquidity planning and the respective analysis of the counterparty risks. In view of the cash and credit lines available, as well as other valuable, highly fungible assets, we do not perceive any danger to our Group as a going concern at this time.

INTEREST RATE RISKS

The cash and cash equivalents item that is significant for us is exposed to interest rate risk. Our investment policy is fundamentally oriented toward low-risk investment categories with appropriate credit ratings while, at the same time, ensuring the availability of the assets. In order to monitor the interest rate risk, we regularly conduct interest rate analyses the results of which are directly incorporated into investment decisions. The same approach applies to borrowing. The increase in the yields of high grade corporate bonds in terms of our accounting obligations has resulted in a reduced net present value of pension provisions. All said, the ECB raised key rates in a series of hikes to combat inflation, starting with the second half of 2022. Burdening effects are inherent in future borrowing. Short- to medium-term interest rate risks arise from EUA times swaps concluded for a year respectively, as well as from bonded loans (Schuldschein) that have been issued. Beyond the financial year 2022, € 132 million and USD 36.5 million are quoted on a variable basis on the bonded loan from 2019, with the resulting burdens financially viable for the Group.

GENERAL RISKS

TAX RISKS

The recording and documenting of tax risks are carried out by the companies integrated into the tax group in close coordination with the holding company's tax department. Salzgitter AG, Salzgitter Mannesmann GmbH and Salzgitter Klöckner-Werke GmbH are responsible for provisioning, for example, in respect of the risks inherent in audits conducted on their tax group. Subsidiaries taxable as individual entities, above all international companies belonging to the Trading, Steel Processing and Technology business units, are responsible for their own provisioning. Provisions have been set up to cover any identifiable tax risks. The tax and interest back payments in connection with the ruling of the German Federal Fiscal Court (Bundesfinanzhof) issued in 2016 on securities lending had already been fully recognized in the years before. Salzgitter AG duly filed a suit with Niedersächsisches Finanzgericht (Lower Saxony's fiscal court) against the clawback on August 30, 2022. A ruling on this case has not yet been handed down.

LEGAL RISKS

In order to exclude potential risks arising from a possible breach of the manifold fiscal, environmental, competition- and corruption-related rules and regulations, and other legal provisions, including the GDPR, we require strict compliance from each and every employee. The Executive Board has communicated its fundamental set of values by distributing a Code of Conduct to all the Group's employees. We seek extensive legal advice from our experts as well as, on a case-by-case basis, from qualified external specialists. Comprehensive training supports the process of raising our employees' awareness of this aspect. We have set up a compliance management system for the preventative treatment of risks from infringements of the law. We classify the occurrence of current legal risks as unlikely. For more information on the compliance management system, we refer to the → Declaration of Corporate Governance and the section on → Compliance in the Non-Financial Report.

INFORMATION TECHNOLOGY RISKS

Salzgitter AG's value-added processes are being increasingly digitalized, and information technology is consistently and increasingly permeating production technology. Against this backdrop, the requirements placed on the information systems used are growing. We counteract risks and guarantee the availability and security of our information systems by using cutting-edge hard- and software and ensuring the rigorous technological upgrading of our IT infrastructure.

Projects for the purpose of standardizing and harmonizing the IT environment and for introducing new and state-of-the-art technologies enable us to fulfill the changing and increasingly more stringent requirements. The risks are manageable. However, in view of the great complexity in individual cases in parts of the Group, the probability of downtime/loss occurring due to security events has been classified as likely. Against the backdrop of the current global situation, there is a heightened risk of cyber attacks, also for our Group. In this context we have stepped up our monitoring on an international scale in order to be able react adequately and at an early stage. We are keeping a close watch on the situation and deriving specific measures so as to take direct action to counteract any adverse impact. We consider future risks from this area as improbable for the Group as a whole.

OVERALL STATEMENT ON THE RISK POSITION OF THE GROUP

EVALUATION OF THE RISK POSITION BY MANAGEMENT

Having reviewed the overall risk position of the Salzgitter Group, we can conclude that there were no risks endangering either the individual companies or the entire Group as going concerns at the time when the 2022 annual financial statements were drawn up. This evaluation applies to the individual companies as well as to the Group as a whole. In the past year, our risk management system has delivered proof of its worth and effectiveness in our opinion.

In organizational terms, our risk management reports directly to the Executive Board. The Executive Board bears overall responsibility and decides on the organizational and operational structure of risk management. The Board approves the results of risk management that are documented and integrates them into managing and controlling the company. As an independent authority, the Internal Audit Department examines the systems used throughout the Group in terms of their adequacy, security and efficiency and provides impetus for their further development as and when required. The effectiveness of our risk management system is constantly reviewed by Internal Audit and is regularly monitored by the Supervisory Board's Audit Committee.

The overall risk situation continues to be characterized by macroeconomic uncertainty. Although there are increasing signs that a severe recession is no longer initially expected in this year, the potential impact from specific and potential geopolitical conflicts, particularly between Ukraine and the West with Russia, but also between the US and China, nevertheless continue to decisively dominate consumer sentiment and trust in the economy. Persistently high inflation, driven primarily by high energy prices and material shortfalls, as well as disruption in the supply of energy, may continue to dampen consumer behavior and curb production intensity. Consequently, sales, EBITDA, earnings before taxes and ROCE may prove to be lower than currently predicted.

The development of prices in the sales and procurement markets, of freight rates, along with energy prices and exchange rates (above all, USD/EUR), is particularly important for the Salzgitter Group. At present, and as far as is discernible, we could still be confronted with the impact of consequences from acts of war in the Ukraine, along with volatility on the commodities and energy markets, accompanied by higher inflation rates. The effect on earnings from the risks arising from these scenarios have been factored in for the companies in the current year and in the forecast to the extent foreseeable. In order to minimize further business risks, we monitor the relevant trends and take account of them in risk forecasts. This is also true of potential restrictions resulting from financial or political measures affecting international business.

We nevertheless continue to be burdened by the structural crisis in the global steel market, massive distortions of competition in non-EU countries, the resulting import pressure, and foreign policy developments. We regard Germany's respective European energy and environmental policy as critical for our future development. Risks to the survival of the company may arise under certain circumstances from these scenarios.

Although we operate in a phase with limited planning reliability, we consider ourselves well equipped to master this situation of considerably greater challenges placed on opportunity and risk management. Our business policy, which takes due account of risks and is geared toward sustainability, and the sound strategic alignment of the Salzgitter Group form the basis for this assessment.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM

The internal control system (ICS) comprises the principles and measures concerning the effectiveness and financial viability of operations, the regularity and the reliability of internal and external reporting, as well as compliance with laws and rules and regulations. In this context, sustainability topics that are continuously developed further based on regulatory requirements are also included.

All senior management teams in the Salzgitter Group bear legal responsibility for establishing and maintaining an appropriate and effective internal control system and thus for compliance with statutory standards and requirements within the Group. The Executive Board works towards ensuring compliance i.a. with the assistance of Salzgitter AG's staff departments.

The ICS in the Salzgitter Group is based on the globally recognized COSO framework (Committee of Sponsoring Organizations of the Treadway Commission) in the 2013 version.

CONTROL ENVIRONMENT / TONE FROM THE TOP

Senior management teams within the Salzgitter Group must, as a first step, ensure that the necessary preconditions (control environment) have been set in place to facilitate an effective and appropriate ICS. The foundation underpinning a control environment essentially consists of senior management's values that they exemplify (tone from the top).

The following principles are to be inculcated in the respective organization:

1. **Appropriateness** – management philosophy built on integrity and infused into the approach to work
2. **Responsibility** – transparent organization structure, with clear assignment of authority
3. **Know-how** – commensurate personnel policy to ensure the skills and capacities of employees empowering them to perform their tasks properly
4. **Risk adequacy** – covering risks by way of suitable controls and adjusting the system architecture on an ongoing basis
5. **Verifiability** – description of target parameters and documentation of the results

ICS PRINCIPLES

The ICS satisfies the following fundamental organizational principles of the due and proper conducting of business in each and every Group company:

1. **Clarity** – in delegating tasks, these tasks are to be clearly allocated and described so that the entity or person assigned decision-making authority by a superior can assume this authority under their own responsibility. Organization structure (competences, processes and interfaces) must be designed in a way that clear allocation of responsibilities precludes gaps in processing and task duplication.
2. **Functional segregation** – the creating of binding departments and organization units takes its lead from the functions of procedures and the operational structure. If performing various functions/activities within the same department/the same organization unit is incompatible with reliably achieving organizational objectives, the performance of these functions/activities must be allocated to different departments/organization units. Activities are incompatible if they could create the conditions that may allow or permit the concealing of significant loss or damage due to errors at work or fraudulent activities. Determining from which level functional segregation is necessary is based on the risk posed to the achieving of the organization's objectives.
3. **Principle of dual control** – all material transactions must be cross-checked. All binding declarations and the disposing of assets must be approved by at least two authorized signatories.
4. **Documentation** – all transactions and controls material to business are to be documented by those responsible as part of performing their tasks so as to ensure sufficient proof is available for effective and appropriate action.

ICS REPORTING BY MANAGEMENT

Each Group company's senior management reports once a year to Salzgitter AG's Executive Board on

- the architecture of the control environment,
- the measures taken to safeguard the organization, and
- possible limitations or weak points of the ICS.

MONITORING AND AUDIT

The appropriateness and effectiveness of the ICS is subjected to regular auditing at the Group companies in the scope required by Group Audit. The audits are conducted as part of risk-oriented audit planning. Any weak points detected are communicated to the respective companies and to Salzgitter AG's Executive Board. Group Audit will then follow up accordingly to eliminate the weak points.

Given the monitoring activities carried out, and based on the audit findings by Group Audit, the Executive Board is not aware of any indication that the RMS and the ICS in its entirety was not suitable or effective in the financial year 2022.

Notwithstanding the above, there are inherent constraints on the effectiveness of any control system. For instance, even a system judged to be suitable and effective cannot ensure that all risks that actually occur are fully covered before they arise and that any disruption to processes can be excluded under all circumstances.

ICS REPORTING TO THE SUPERVISORY BOARD'S AUDITS COMMITTEE

The Audit Committee of Salzgitter AG's Supervisory Board is kept regularly informed on the ICS and, if appropriate, on weak points ascertained within the Salzgitter Group.

DESCRIPTION OF THE MAIN ICS FEATURES WITH RESPECT TO THE (GROUP) ACCOUNTING PROCESS (SECTIONS 289 (4) AND 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB))

In supplementation of the aforementioned elaborations, the objective in terms of the (Group) accounting process is pursued to sufficiently ensure by way of automated or manual process controls that, despite possible risks, the consolidated financial statements are drawn up in compliance with the relevant accounting laws and standards.

To ensure the effectiveness, efficiency and regularity of accounting and compliance with pertinent statutory provisions the accounting process encompasses all the necessary principles, operating instructions and measures.

Salzgitter AG's Executive Board is responsible for the implementation of and compliance with statutory provisions. It regularly reports to the Audit Committee (Supervisory Board) on the Salzgitter Group's overall financial position. The Chairman of the Supervisory Board is informed without delay about all material findings and events arising from the auditing of the annual financial statements that are relevant to the tasks of the Supervisory Board.

In conducting internal audits, Group Audit also takes account of Salzgitter AG's accounting-related operational and business processes and those of its subsidiaries and holdings. The planning and carrying out of an audit by Internal Audit takes account of the risks in the (consolidated) financial statements and the accounting process. These tasks are carried out by members of staff specially qualified in accounting.

Salzgitter AG's Group Accounting Department draws up the annual financial statements at Group and at parent company level. External auditors audit and issue audit opinions on the financial statements of major companies included in the consolidated financial statements, as well as on the consolidated financial statements. To ensure that statutory requirements are complied with in respect of accounting, Group accounting guidelines are updated on an annual basis and disseminated in binding form to the companies. These guidelines form the basis of a uniform, due and proper ongoing accounting process with respect to accounting as defined under the International Financial Reporting Standards (IFRS). Along with general accounting principles and methods, rules and regulations on the balance sheet, income statement, notes to the financial statements, cash flow statement, the statement of changes in equity, and segment report are first and foremost defined, taking into account the legal position prevailing within the EU. Accounting regulations also lay down specific formal requirements relating to the consolidated financial statements. The components of the reporting packages to be prepared by the Group companies are therefore determined in detail. A standardized and IT-facilitated set of forms is used for this purpose. Additional Group guidelines also include explicit instructions for the presentation and processing of offsetting procedures within the Group, with the respective process for reconciling balances. Newsletters customarily distributed once a month and information events organized on a requirements basis keep the companies informed about changes in the law and the resulting consequences for preparing the consolidated financial statements.

The financial statements of the consolidated companies are recorded with the aid of a uniform IT-based workflow used throughout the Group. This workflow comprises a permissions concept, along with checking routines and check digits. These control and surveillance mechanisms have been devised for process integration as well as for functioning independently of processes. For instance, alongside manual process controls, automated IT-based processes controls subject to the principle of dual control forms a major part of this, among other things. The companies' bookkeeping is largely carried out via integrated ERP systems. At Group level, the control activities geared specifically to ensuring proper and reliable consolidated accounting comprise the analysis of the reporting packages submitted by the Group companies. In application of the control mechanisms and plausibility controls already established in the consolidation software, reporting packages containing errors are corrected – once the Group companies in question have been informed and respective external auditor consulted – prior to the consolidation process.

The application of uniform, standardized measurement criteria to impairment tests is ensured by way of centralized processing in the Group Accounting Department for the – from the Group's perspective – individual cash generating units.

The valuation of pensions and other provisions and leasing contracts, among other items, is also subject to uniform regulations by centrally determining the parameters applicable to throughout the Group.

Moreover, the preparation of the management report on the Group is carried out centrally in consultation and in agreement with the Group companies, thereby ensuring compliance with legal requirements.

GENERAL BUSINESS CONDITIONS IN THE COMING FINANCIAL YEAR

OVERALL ECONOMIC DEVELOPMENT

According to the International Monetary Fund's (IMF) recent economic outlook, **global economic growth** is set to slow further in 2023. This scenario will essentially be driven by the development of the industrial nations for which the IMF predicts a significant downturn in comparison with 2022. By contrast, emerging and development countries already bottomed out in 2022 and are likely to grow somewhat more strongly in 2023 than in the reporting year. All in all, the International Monetary Fund (IMF) estimates the global economic growth at 2.9 % in 2023 (2022: 3.4 %).

A contraction in economic output is anticipated for the **euro area** in the first half of 2023. Accordingly, bottlenecks in the supply of energy, raw materials and feedstock and the associated high costs are likely to constrain production, particularly in energy-intensive economic sectors. On the demand front, high inflation is expected to reduce real income and burden private household consumption despite considerable support from fiscal policies. Higher public-sector investment and inflation gradually falling should allow economic activity to recover and enable higher growth over the course of the year. In its update from January 2023, the IMF predicts growth of 0.7 % for the full year 2023 for the euro area (2022: 3.5 %).

In **Germany**, the high inflation rate at the start of the year is likely to persist and households' real disposable income decline, resulting in consumer demand cooling further. Only in the second half of the year should income begin to rise ahead of prices, with private consumption gaining momentum. Construction activities will also initially continue to consolidate. Thanks to high order backlogs, the manufacturing sector should be able to expand its production again on a moderate scale. The IMF generally expects the German economy to stagnate in 2023, with a growth rate of 0.1 % (2022 1.9 %). The German government is slightly more optimistic its annual economic report from January 2023, with an economic outlook of currently +0.2 % for the full year.

MARKET OUTLOOK

We assume the following development for the markets of the business units:

STEEL

The World Steel Association (worldsteel) anticipates a year-on-year increase of 1.0 % in the global demand for steel in 2023 (2022: –2.3 %). With regard to China, new infrastructure projects and a marginal recovery on the real estate market are expected to prevent another decline in steel demand and, at minimum, enable a sideways movement. Against the backdrop of unfavorable framework conditions, estimates for the EU (plus UK) are less rosy. Consequently, declining demand for steel of 1.3 % is anticipated here (2022: –3.5 %), with an above-average downturn expected in Germany (2023: –3.9 %; 2022: –4.9 %). Eurofer, the European Steel Association, also assumes a dropping off in the demand for steel in the EU (excluding UK). The most recent outlook predicts a contraction of 1.6 % for 2023 (2022: –4.6 %). This would be the fourth decline in the last five years.

MECHANICAL ENGINEERING

Following an upbeat trend (+1 %) in the financial year 2022, the expectations of the German Engineering Federation (VDMA) are more reticent for 2023, the assumption being a marginal decline in production of –2 %. This forecast depends on multiple macroeconomic and geopolitical factors. Above all, Russia's war of aggression and sustained supply and capacity bottlenecks on the procurement markets will most likely continue to pose a burden. The current development of the pandemic in China could become more significant again in terms of global supply chains that are, in any case, disrupted as the higher infection rate can lead to capacity shortfalls at suppliers and logistics providers. In addition, the currently high inflation rates and central banks interest rate hikes in response to this scenario could have a negative impact on investment propensity in plant and machinery.

ANTICIPATED GROUP PERFORMANCE

PLANNING PROCESS

As a matter of principle, Salzgitter AG's corporate planning takes account of the strategic goals and comprises a set of entrepreneurial measures with action embedded in the general economic environment. Consequently, it forms the basis for a realistic assessment of earnings, but, at the same time, includes the long-term aspects relating to investments and the securing of a sound balance sheet and financial stability. Market expectations prevailing at the time when planning takes place, as well as the entrepreneurial measures envisaged, are incorporated into this plan: In a process involving the entire Group, the individual goals of the subsidiaries are discussed and defined in a combination of a top-down and bottom-up approach between the respective management, the Group's Executive Board and the heads of the business units. All individual plans are then aggregated to form a plan for the entire Group. This extremely sophisticated Group planning process is conducted once before the start of each new financial year, generally starting in August and ending with the presentation of the insights gained that is delivered at the last meeting of the Group's Supervisory Board in the respective financial year.

EXPECTED EARNINGS

Compared with the previous year, the business units anticipate that business in the financial year 2023 will develop as follows:

In a persistently volatile market environment that has tangibly deteriorated since the summer of 2022, the companies of the **Steel Production Business Unit** anticipate improved demand despite the uncertainty. This expectation presupposes an easing of supply chain problems in the European automotive industry, with stable raw material costs running at a high level. Energy prices eased substantially toward the end of 2022, but will remain greatly influenced by political decisions. Production loss from the planned relining of Blast Furnace A is to be compensated through slab stockpiling, slab deliveries from companies within the Group, as well as by reactivating Blast Furnace C that has so far been out of operation. We assume that capacity in the strip steel business will be covered by demand again. Order intake at the start of 2023 and the good order backlog as of December 31, 2022, underpin this assumption. In the initial months, we anticipate still weak demand in the steel beams business that will recover over the course of the year 2023 and generally exceed the year-earlier figure. Owing to the downtrend in average selling prices, we generally expect sales at a slightly lower level (2022: € 4,262.7 million) as well as a positive EBITDA (2022: € 946.3 million) and a pre-tax result (2022: 790.9 € million) that will nevertheless both fall considerably short of the exceptional year-earlier period.

There are signs of a heterogeneous development in the target markets of the **Steel Processing Business Unit** in 2023: Following weaker order intake in the second half of 2022, we anticipate that market activity for quarto plate will return to normal levels, along with satisfactory capacity utilization. Pipe plate production is likely to benefit from the good booking situation for large-diameter pipes. Inasmuch, the large-diameter pipe mills are likely to see satisfactory capacity utilization in all the mills. The German mills have already booked orders through to the second half of the year. We predict another increase in volumes in the medium-diameter line pipe segment.

The precision tubes group also anticipates higher volumes, particularly in its Mexican mill. In the stainless steel tubes segment, the second quarter of 2023 is likely to see activities pick up significant momentum again following a weak start to the year. All in all, we forecast a notable increase in the business unit's sales (2022: € 2,105.9 million) and EBITDA significantly above the year-earlier period (2022: € 173.1million). Earnings before taxes should also markedly outperform the previous year's level (2022: € 86.2 million) that was burdened by impairment.

The business of the companies of the **Trading Business Unit** is expected to develop satisfactorily at a normal level compared with the high previous year's period. Following record prices in the first half of the year, selling prices dropped notably as the financial year 2022 drew to an end. Combined with a time lag in downstream inventory prices, we expect the initial quarter to see a significant narrowing of margins. For the remainder of 2023, we assume higher profit margins that will nevertheless fall significantly short of those in the exceptionally good year-earlier period. We anticipate that the lower margins will be partly offset by an increase in shipment figures, particularly in the stockholding steel trade, but also in international trading. Generally speaking, we anticipate stable sales (2022: € 4,580.9 million) as well as both EBITDA (2022: € 268.0 million) and earnings before taxes (2022: € 243.1 million) significantly below the year-earlier figures.

The **Technology Business Unit** started off the new year with very high capacity utilization on the back of the KHS Group's order book having reached a record level by the end of the financial year 2022. The sale of new, innovative products and growth in the service business is expected to boost the KHS Group's sales. The two DESMA specialist mechanical engineering companies anticipate a sustained market recovery and, supported by cost-cutting programs, a pre-tax result that exceeds the year-earlier figure. All in all, we anticipate notable sales growth for the business unit (2022: € 1,429.9 million) and a significant increase in EBITDA (2022: € 76.8 million), and in earnings before taxes (2022: € 48.0 million).

Against the backdrop of generally healthy demand at the start of the year, and assuming no further escalation in political and economic circumstances, we anticipate the following for the **Salzgitter Group** in the financial year 2023:

/ sales of around € 13 billion (2022: € 12.6 billion),
/ EBITDA of between € 750 million and € 850 million,
/ a pre-tax profit of between € 300 million and € 400 million and
/ a return on capital employed (ROCE) notably below the previous year's level.

Forecast for the business units and the Group

			Financial year 2022	Forecast Financial Year 2023
Steel Production	Sales	€ m	4,262.7	Down slightly
	EBITDA	€ m	946.3	Significantly lower y/y
	EBT	€ m	790.9	Significantly lower y/y
Steel Processing	Sales	€ m	2,105.9	Notable uptrend
	EBITDA	€ m	173.1	Significantly higher y/y
	EBT	€ m	86.2	Significantly higher y/y
Trading	Sales	€ m	4,580.9	Stable
	EBITDA	€ m	268.0	Notably lower y/y
	EBT	€ m	243.1	Notably lower y/y
Technology	Sales	€ m	1,429.9	Notable uptrend
	EBITDA	€ m	76.8	Significantly higher y/y
	EBT	€ m	48.0	Significantly higher y/y
Group	Sales	€ m	12,553.3	Around 13 billion €
	EBITDA	€ m	1,618.2	Between € 750 million and € 850 million
	EBT	€ m	1,245.4	Between € 300 million and € 400 million
	ROCE	%	20.1	Tangibly lower y/y

DENOMINATION	SALES, EBITDA AND EBT	DELTA ROCE
Stable, at year-earlier level:	Up to ± 2 %	± 1
Marginal, slight, somewhat:	± 2 % to < ± 5 %	1 to 5
Moderate, modest, more detailed description not available:	± 5 % to < ± 10	–
Tangible, considerable, notable, clear, visible:	Upward of ± 10 %	> ±5

As in recent years, please note that opportunities and risks from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as exchange rate fluctuations, may considerably affect business performance in the course of the financial year 2023. The resulting impact on performance may be within a considerable range, either to the positive or to the negative.

ANTICIPATED FINANCIAL POSITION

Our cash and cash equivalents are used partly for financing investments that are ongoing, primarily in our strip steel business. As before, we consider it essential to keep cash funds available in a mid-triple-digit million range to ensure that, in the event of a deterioration in the environment, we will not have to procure funds on the capital market at short notice. External financing measures are nevertheless subject to ongoing review with regard to securing attractive placement conditions.

An amount of € 345 million has been earmarked for our Group's capital expenditure budget in the financial year 2023 (2022: € 422 million). Together with the follow-up amount of around € 508 million in investments approved in previous years, the cash-effective portion of the 2023 budget should amount to around € 782 million (2022: € 437 million). Higher cash outflow in 2023 incurred by the increase in the SALCOS® project volume will largely be covered by the anticipated state funding. Significant cash outflows in 2023 will be attributable to the blast furnace relining and to residual payments for the Hot Dip Galvanizing Line 3. As previously, investments will be effectively implemented on a step-by-step basis and in accordance with the development of profit and liquidity.

The funds required in the financial year 2023 for foreseeable investment measures will therefore exceed depreciation and amortization.

Despite factoring in the high level of cash outflows for the capital expenditure envisaged, we anticipate a marginal improvement in the net financial position from equity release, above all in inventories, in the financial year 2023 compared with the previous year (2022: € –553 million).

OVERALL STATEMENT ON ANTICIPATED GROUP PERFORMANCE

The Executive Board is confident that the Salzgitter Group, with its broad-based business and balanced financial base, is well prepared to meet challenging phases as well. The Group will continue to attribute great importance to this in the financial year 2023. All in all, the Executive Board anticipates a challenging but nevertheless satisfactory development of business in the current year.

Salzgitter, March 17, 2023
The Executive Board

NON-FINANCIAL REPORT

ABOUT THIS REPORT

Salzgitter AG has prepared its separate combined non-financial report on the Group (hereinafter "Non-Financial Report") for the period from January 1 through December 31, 2022 – for the first time referencing the standards of the Global Reporting Initiative (GRI). Salzgitter AG's Executive Board is responsible for ratifying the information reported.

The Non-Financial Report for the financial year 2022 was reviewed in terms of its content by the company's Supervisory Board as part of its supervision function. On behalf of the Supervisory Board, KPMG AG, Wirtschaftsprüfungsgesellschaft, conducted an external audit on the report with due regard for the International Standard on Assurance Engagements (ISAE) 3000 (revised). The audit opinion to obtain limited assurance (Limited Assurance Engagement) with respect to the information required by law under Section 315c in conjunction with 289c through 289e of the German Commercial Code (HGB) can be found under → Further information.

The links included in the Non-Financial Report relate to more detailed information the contents of which were not audited by KPMG AG Wirtschaftsprüfungsgesellschaft.

The statements in this report generally apply to the group of consolidated companies as applicable in the consolidated financial statements. Any divergences from this principle are referenced and annotated accordingly in the various chapters. Compared with the previous year's report, no corrections were made to the information provided.

Salzgitter AG publishes its Non-Financial Report once a year. The editorial deadline for this report was March 20, 2023, and the publishing date March 27, 2023. Point of contact is the ↗ Investor Relations Team. → GRI 2-2, 2-3, 2-4, 2-5, 2-14

SUSTAINABILITY AT SALZGITTER AG

STRATEGY AND BUSINESS MODEL

SALZGITTER AG AT A GLANCE

Salzgitter AG ranks among Europe's leading steel and technology companies and, as one of Germany's companies steeped in tradition, it comprises more than 150 subsidiaries and associated companies in Germany and abroad. In the financial year 2022, we generated around € 12.6 billion in external sales and a pretax profit of € 1.2 billion, with a crude steel capacity of 7 million tons. The Salzgitter Group is divided into the four business units of Steel Production, Steel Processing, Trading and Technology. Industrial Participations/Consolidation comprises the Group's own service companies as well as investments such as in Europe's leading copper producer, Aurubis AG.

Our core expertise lies in the production of rolled steel, pipe and tube products, as well as their further processing, and in trading globally in such products, along with special machinery and plant engineering. With our **"Salzgitter AG 2030"** strategy, we have set ourselves the goal of becoming the market leader for circular economy solutions.

Since its flotation in 1998, Salzgitter AG has quadrupled its sales and multiplied its equity sixfold without sourcing additional equity through capital increases. Thanks to our sound balance sheet, we are in a position to take on a pioneering role in driving the imminent transformation of the steel industry with our ↗ SALCOS® (Salzgitter Low CO_2 Steelmaking) program. In doing so, we are not only making a major contribution to reducing our own carbon emissions but also to providing our customers with the option of lowering their carbon emissions (Scope 3). In view of the likely shortages, we see opportunities for generating higher margins in this newly emerging market for green steel.

Further details of and information on our business model required for the non-financial report can be found in the management report under → **Business activities and Group structure.**

VALUE CHAIN

An integral part of Salzgitter AG's approach to sustainability is viewing value added processes in a holistic manner. To ensure the requirements-based supply of all Group companies, we strive for long-term partnerships with key suppliers. Trust-based collaboration, flexibility and reliability as well as the observance of ethical and labor standards are highly prized in our supplier relationships. We have identified our approach to risks concerning the environment, the observance of human rights and the development of preventive and remedial measures in our supply chain relationships as an area of strategic focus as part of our → **Sustainability strategy**.

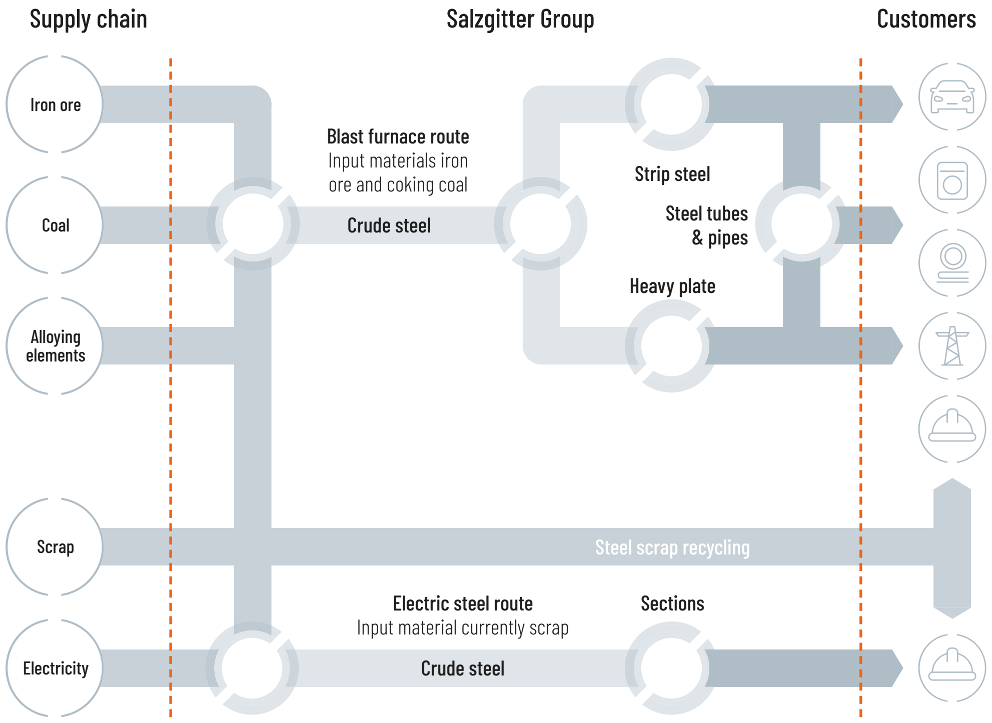
Environmental impacts are particularly important in the upstream supply chain for the metal producing and metal processing industries. As bulk raw materials such as iron ore, coal and bought-in coke are almost exclusively imported, we focus principally on the → **Supply chain** upstream from steel production when examining sustainability aspects. Due to their high material throughput, the spotlight naturally focuses on the Salzgitter and Peine facilities when analyzing the environmental impact of steel production and steel processing in our plants. The Group's cost of materials in financial year 2022 amounted to around € 8.6 billion for external sales of around € 12.6 billion. The purchase of raw materials and energy for steel production at Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH (PTG) accounted for a considerable proportion of the cost of materials at 22 %. Materials were procured via the SZFG's Purchasing Department, paying strict attention to all the principles of an integrated management system. → GRI 2-1, 2-2

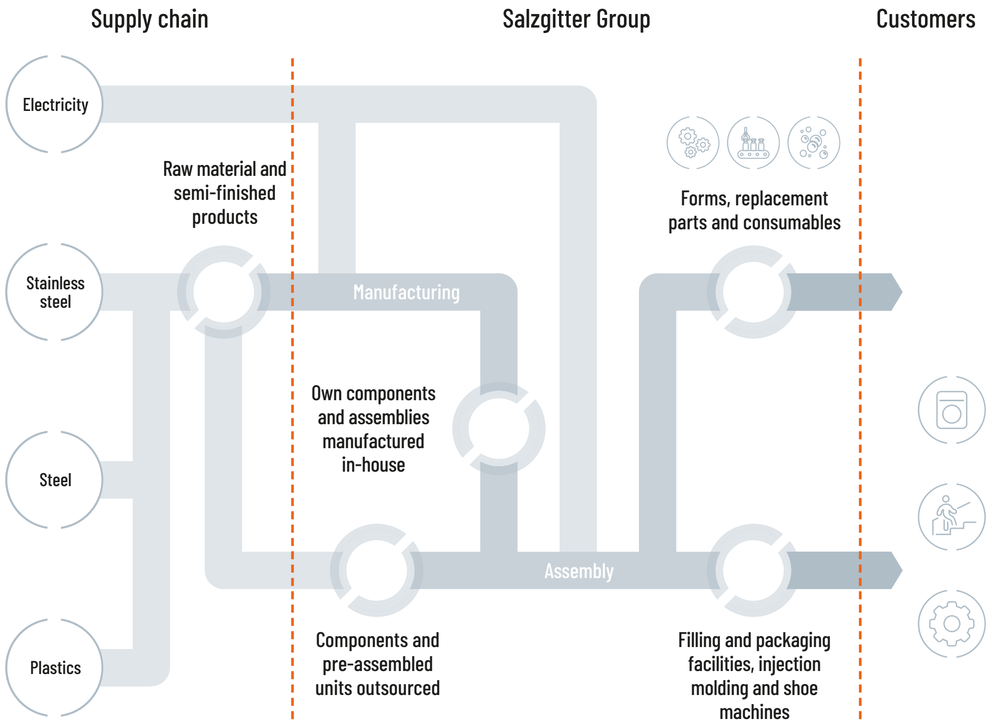
VALUE CHAIN STEEL SEGMENTS

The Salzgitter Group produces steel from the raw materials and energies via two process routes: Crude steel is smelted from iron ore, coking coal and scrap steel at the integrated steel mill in Salzgitter. With the current process route, this creates carbon dioxide as a byproduct gas by the nature of the process. The crude steel is then rolled into strip and plate steel from which customers and internal processors manufacture a wide range of finished products, from cars, household appliances and industrial goods to pipelines. The electric steel mill in Peine recycles around one million tons of scrap steel by smelting it in electric arc furnaces. Most of the crude steel produced in this way is rolled into sections in Peine, mainly for the construction industry, while a growing proportion is subsequently processed in Salzgitter rolling mills to form low carbon ↗ VERIsteel-certified strip steel.

VALUE CHAIN TECHNOLOGY SEGMENT

Special machinery manufacturers in the Technology Business Unit make their machines and spare parts from steel, stainless steel and plastic, as well as from components purchased from other engineering companies. The systems of the KHS Group are used by its customers for filling and packaging beverages and liquid foods, as well as non-food products such as washing-up liquids or liquid detergents, for example. DESMA Schuhmaschinen GmbH supplies the clothing industry with machines for direct shoe soling. The injection molding machinery of the Klöckner DESMA Elastomertechnik Group is mainly used by our customers to manufacture components for the automotive and mechanical engineering industries.





SUSTAINABILITY ASPECTS IN THE GROUP STRATEGY

With circularity as the core element, the new "Salzgitter AG 2030" Group strategy takes sustainability as its key entrepreneurial theme. By circularity, we mean keeping resources taken from nature in economic use for as long as possible, thereby minimizing the additional supply of finite resources into the economic cycle. We want to establish ourselves as the market leader for circular economy solutions with innovative products and processes, also with the aid of strong partnerships and networks, thereby advancing to Europe's strongest steel and technology group.

In steel we produce a durable material well suited to a circular economy that can be endlessly recycled with no loss of quality and that forms the starting point for further recyclable materials and products, serving as a pre-material in numerous value chains. We are building on this platform by strengthening our scrap recycling activities, speeding up the recycling of by-products and extending our range of low carbon green steel. The SALCOS® program that we aim to accelerate and have implemented by 2033 as part of the new Group strategy features as a central building block of our low carbon- steel production. → GRI 2-6

The "Salzgitter AG 2030" strategy enshrines the principle of the circular economy throughout the Group. Besides our activities in the areas of steel production and steel processing, we are also focusing on circular, sustainable market segments in the Technology and Trading business units.

SUSTAINABILITY STRATEGY

At the end of 2022, we initiated a process for defining a sustainability strategy for the Salzgitter Group in order to underscore the special status of sustainability topics and issues in the Group and put sustainability center stage in the Group strategy. As the ↗ Commitment to Sustainability issued by the Group Executive Board on sustainability clearly states, Salzgitter AG is aware of its responsibility toward present and future generations and is acting accordingly.

Through our sustainability strategy, we aim to operationalize sustainability in the Salzgitter Group, control measures in line with the overarching objectives of the Group strategy and document our progress. Our sustainability strategy comprises **six focus areas** of which two each are assigned to the dimensions of Ecological Responsibility ("Environmental"), Social Responsibility ("Social") and Corporate Responsibility ("Governance"). The topics and issues identified in the course of the → **materiality analysis** conducted in 2022 confirm our previous strategic course and have been translated into the six areas of focus in our sustainability strategy. In the coming years, these will form the common strategic thread to our measures and projects in the sustainability area.

ECOLOGICAL RESPONSIBILITY (ENVIRONMENTAL)

- The **Environmental** focus area implies responsible management and continuous reduction in the Salzgitter Group's consumption of resources, with priority given to closed material loops.
- The **Climate** focus area comprises measures to achieve Salzgitter AG's ambitious climate protection targets by 2030, particularly by converting to a low carbon steel production process and harnessing renewable energy more effectively.

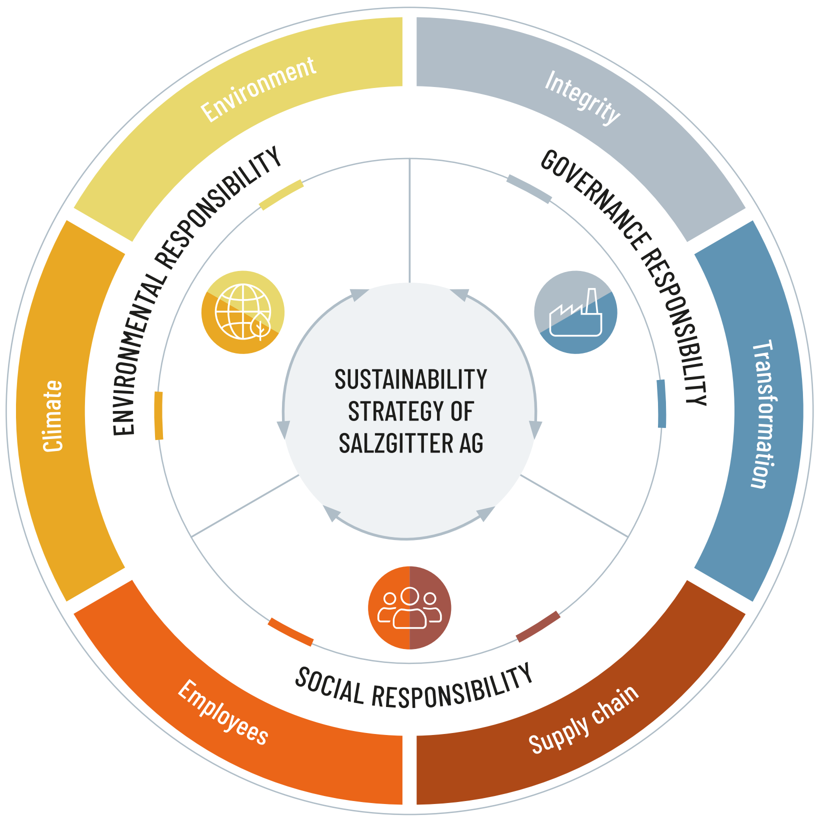
SOCIAL RESPONSIBILITY (SOCIAL)

- The **Employees** focus area aims to offer our employees sound and safe working conditions. With its personnel strategy, Salzgitter AG is positioning itself as a forward-looking employer.
- The **Supply Chain** focus area comprises the management of risks with respect to the environment and the observance of human rights as well as the development of preventive and remedial measures.

CORPORATE RESPONSIBILITY (GOVERNANCE)

- The **Transformation** focus area is designed to secure the long-term economic stability of the Salzgitter Group on its path to climate neutrality. It represents the active transformation of the core business to low carbon production, sustainable product design and innovative customer solutions.
- The **Integrity** focus area comprises the creation and observance of guidelines, structures and processes through which Salzgitter AG guarantees responsible entrepreneurship along the entire value chain and continuously refines its corporate culture aligned to sustainability.

Our Sustainability Strategy



TARGETS

In pursuing its "Salzgitter AG 2030" strategy, Salzgitter AG commits to qualitative and quantitative sustainability targets that have been summarized in a → **Scorecard.** These already defined targets relating to sustainability were initially assigned to the six focus areas of our sustainability strategy in 2022. In the coming years, we will bolster these focus areas with further specific, measurable targets in a continuous strategic process.

ENVIRONMENTAL FOCUS AREA

/ Expand scrap recycling

CLIMATE FOCUS AREA

/ Reducing greenhouse gas emissions impacting the climate (Scope 1+2)
/ Total focus on low carbon steel production and 1% savings of Germany's emissions
/ Procuring electricity exclusively from renewable sources

EMPLOYEES FOCUS AREA

/ Reducing accidents (LTIF)
/ Increasing the proportion of women in new positions not covered by collective agreements and managerial posts to be filled

INTEGRITY FOCUS AREA

/ Improving the ESG rating performance

The → **Goals and strategy** section of the management report includes an explanation of the aforementioned goals and the progress achieved in the reporting year. → GRI 2-22

STAKEHOLDER COMMITMENT

Openness and transparency towards our partners form part of our guiding principles and were confirmed as key themes for the Salzgitter Group in the past financial year. We have always perceived dialog with stakeholder groups that we conduct on different levels and in different ways, as a key factor for the long-term success of the company. It acts as a driving force and helps us to identify opportunities as well as risks at an early stage and take them into account in the way we conduct our business.

In the context of our activities revolving around the subject of sustainability and non-financial reporting, we rely on separate discussion panels with representatives of different groups in public life, politics as well as associations and organizations, customers, employee representatives and the press.

Our "Partnering for transformation" mission of the "Salzgitter AG 2030" strategy pursues the objective of securing central sections of our value chain with the aid of strategic partnerships, monitoring them on an ongoing basis and consequently realizing the overarching long-term aim of achieving market leadership in circular economy solutions. In summary, we can conclude that suppliers and customers alike, as well as Salzgitter AG and its subsidiaries, are faced with the task of transformation and that we can only meet these challenges together. Cross-sector support from collaboration activities offers Salzgitter AG and its partners investment security that is required across the entire value chain. Strategic partnership agreements allow us to secure and actively develop reference points of relevance to production at an early stage.

In this context, we are able to put down strong markers through new partnerships with companies from the raw materials and energy sectors. We create closed-loop solutions with our customers.
→ GRI 2-29

Stakeholder group	Examples of inclusion	Subjects for discussion
Customers	/ Various conferences / Customer events / Visits to Group facilities / Conversations at trade fairs / Ad-hoc discussions / dialog / Stakeholder survey as part of the materiality analysis	/ Strategy for the future (projects, products and innovation) / Ecological footprint of products (supply chain, recycling) / SALCOS®: Sustainable, low carbon steel production / Current ESG topics and issues
Employees	/ Co-determination bodies at Group and company level / Manager and employee events / Workforce meeting / Ideas management / Ad-hoc discussions / dialog / Stakeholder survey as part of the materiality analysis	/ Strategy for the future (projects, products and innovation) / SALCOS®: sustainable, low carbon steel production / Company development and corporate strategy / Occupational health and safety / Training and further education / Attractiveness of employer and employee offers / Investments / Current ESG topics and
Strategic partners	/ Visits to Group facilities / Memoranda of Understanding / Ad-hoc discussions / dialog / Stakeholder survey as part of the materiality analysis	/ Strategy for the future (projects, products and innovation) / Circular trade and business / Setting up closed loops / Ecological footprint of products (supply chain, recycling) / SALCOS®: sustainable, low carbon steel production / Investments / Infrastructure (EE, H2 and landfill) / Securing low carbon steel from the SALCOS® route
Suppliers and energy providers	/ Memoranda of Understanding / Bilateral exchange / Participation in regional and national information events / symposia / Stakeholder survey as part of the materiality analysis	/ Strengthening supplier relationships / Infrastructure (EE, H2 and warehouses) / Security of supply / Procurement of green electricity / Certification / certificates of origin for green electricity, climate-neutral gases and heat

Stakeholder group	Examples of inclusion	Subjects for discussion
Investors and banks	/ Various conferences / Shareholder events / Visits to Group facilities / Roadshows / Discussions with banks / Ad-hoc discussions / dialog / Stakeholder survey as part of the materiality analysis / Dialog as part of the perception study	/ Strategy / Governance / SALCOS®: sustainable, low carbon steel production / Current (risk) issues: COVID-19, war in Ukraine and energy shortages / Investments / Growth of company and business (liquidity, finance, reports and financial statements) / Annual General Meeting, stock and dividend / Current ESG topics and issues
Political circles	/ Various conferences / Conversations at trade fairs / Visits to Group facilities / Ad-hoc discussions / dialog / Stakeholder survey as part of the materiality analysis	/ Strategy for the future (projects, products and innovation) / SALCOS®: sustainable, low carbon steel production / Subsidies / Regulatory systems / Design of EU ETS and CBAMs / Current (risk) issues: COVID-19, war in Ukraine and energy shortages / Infrastructure (EE, H2 and warehouses) / Current ESG topics and issues
Regional communities, NGOs and research partners	/ Various conferences / Regional networks, meetings, associations, interest groups and universities / Visits to Group facilities / Conversations at trade fairs / Ad-hoc discussions / dialog / Stakeholder survey as part of the materiality analysis	/ SALCOS®: sustainable, low carbon steel production / Ecological footprint of products (supply chain, recycling) / Infrastructure (EE, H2 and warehouses) / Joint information events and regional projects / Current ESG topics and issues

GOVERNANCE ORGANIZATION

Corporate governance at Salzgitter AG is based on the regulations set out under the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code. In accordance with the required dual management structure, our governance structure consists of the Executive Board and the Supervisory Board. In line with the Coal and Steel Supplementary Co-Determination Act, the Supervisory Board is made up equally of ten representatives each of the shareholders and the employees, supplemented by one further, neutral member. The Executive Board bears sole responsibility for managing the company in accordance with the German Stock Corporation Act. In consultation with the Supervisory Board, it determines the strategic focus and further development of the company. Both bodies work closely together for the good of the company. Neither Supervisory Board nor Executive Board members reported any conflicts of interest to the Supervisory Board in the reporting year. We counteract conflicts of interest in the Executive Board by requiring any sideline activities undertaken by members of the Executive Board (beyond the non-competition clause pursuant to Section 88 of the German Stock Corporation Act) to be granted prior approval by the Supervisory Board and obliging members of the Executive Board to report any conflicts of interest without delay to the Chairman of the Supervisory Board or to the other members of the Executive Board or by ensuring that any transactions that carry the risk of a conflict of interest are subject to the prior approval by the Chairman of the Supervisory Board. Supervisory Board members must disclose any conflicts of interest to the Supervisory Board. In the event of material and not merely temporary conflicts of interest, the Supervisory Board member concerned must resign from their office.

The Supervisory Board implements a diversity concept for the composition of the Executive Board. This desire for the greatest possible diversity in terms of personal and professional skills, age and gender when appointing Executive Board members is to help ensure that the overall body's managerial duties are discharged in a qualified and responsible manner. When selecting candidates, the Supervisory Board also follows a diversity concept for its proposals to the Annual General Meeting for the election of Supervisory Board members. As a result, the target is to achieve the greatest possible diversity with regard to the professional and personal skills represented on the board, their educational and professional backgrounds as well as ensuring different perspectives due to age and gender. The diversity concept for the composition of both the Executive Board and the Supervisory Board was implemented as far as possible in 2022. Further details on the composition of the Executive and Supervisory Boards and on the way in which they perform their duties can be found in the → Declaration on corporate governance.

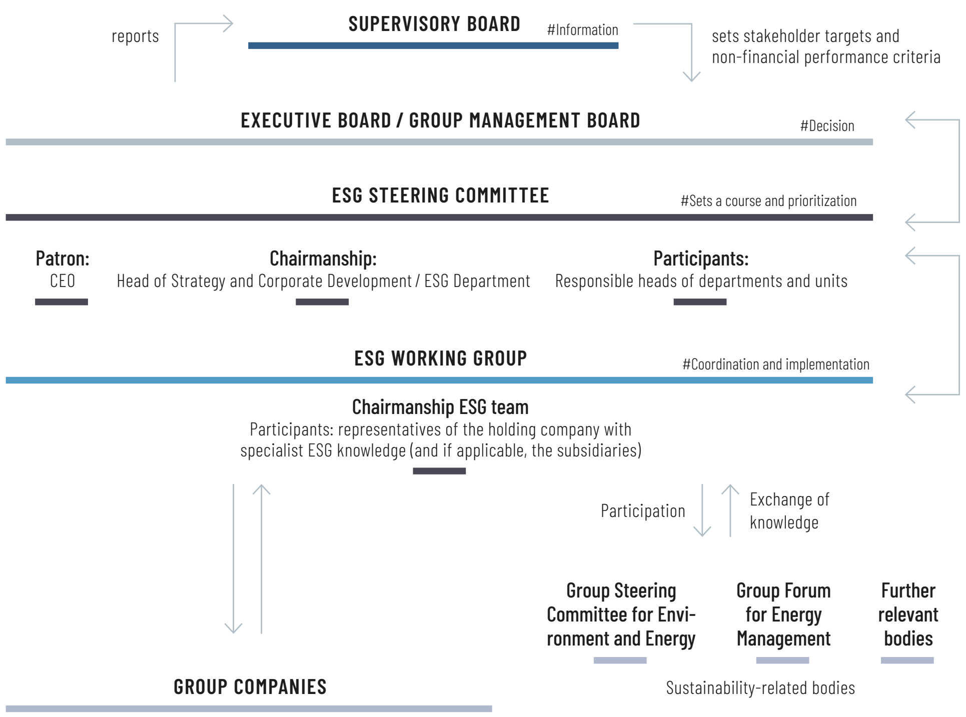
In order to reinforce the incentive of sustainable corporate growth for members of the Executive Board, 30 % of their variable remuneration paid in the form of an annual bonus and 30 % as a performance cash award depend on non-financial targets besides the financial component. When defining annual targets, the Supervisory Board ensures that they serve the Group strategy and the sustainability strategy, as well as the long-term growth of the company. In the process, the board takes into account priorities with a bearing on sustainability such as occupational health and safety, employee growth or implementation of the SALCOS® transformation program for the decarbonization of steel production. As a general rule, the non-financial targets are also anchored in the individual target agreements with managing directors and senior executives in Group companies in order to ensure that they are effectively pursued. Details of the remuneration system are outlined in the ↗ Remuneration report.

At Salzgitter AG, responsibility for ESG (Environmental, Social, Governance) topics and issues lies with the Executive Board and the Group Management Board. The Executive and Supervisory boards review the progress made and the results in the area of sustainability that are published in the separate combined non-financial report. In reviewing the report, the Supervisory Board is supported by an auditor (audit with limited assurance). Responsibility for conducting a preliminary audit of the non-financial Group report rests with the Supervisory Board's Audit Committee. The Supervisory Board in plenum is also responsible for monitoring the Executive Board, including in matters pertaining to sustainability.

We established a new **ESG organizational structure** in the 2022 reporting year. Under the leadership of the CEO, the ESG Steering Committee prioritizes the individual topics and issues and manages their operational implementation. The Steering Committee is comprised of the holding company's technically responsible departmental and unit heads and is headed by the Strategy and Corporate Development Department (SU) that is responsible for the overarching coordination of sustainability issues across the Group. For its part, the ESG working group serves the interdisciplinary exchange and knowledge transfer between the various technical departments dealing with sustainability issues. There is regular exchange of knowledge between sustainability-related bodies in the Group (e.g. the Group Steering Committee for Environment and Energy). The Executive Board bears the responsibility and decision-making authority for the ESG topics and issues and is informed every quarter in meetings of the Group Management Board of the current state of implementation. The Executive Board reports on developments and progress of significance in the sustainability area to Salzgitter AG's Supervisory Board on a regular basis.

The new ESG organization enables strategic decision-making processes to be pursued and managed and material sustainability aspects to be translated into corresponding Group directives, operating instructions and target agreements – always taking account of the professional and strategic expertise and responsibilities of the individual Executive Board remits and departments. → GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-17, 2-18, 2-19, 2-20

ESG organization



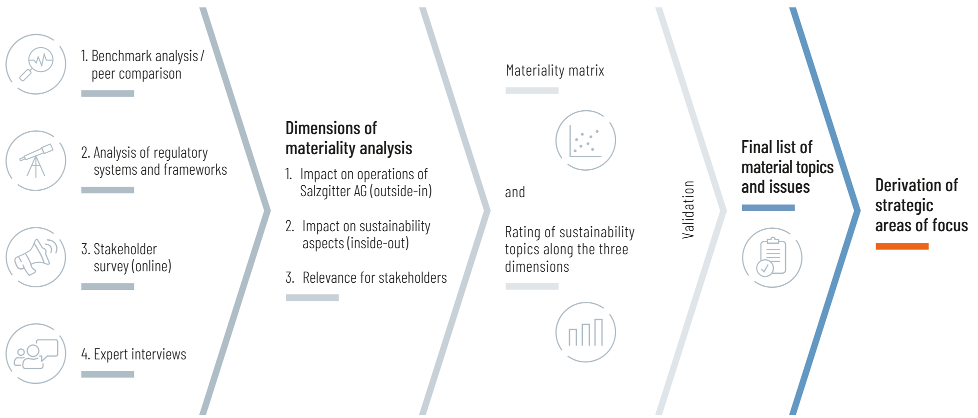
MATERIALITY ANALYSIS

In 2022, a comprehensive materiality analysis was conducted involving internal and external stakeholders. The results, together with the resulting materiality matrix, replace the key topics and issues determined in 2018 and confirmed in subsequent years.

METHODOLOGY

Potentially material topics and issues were first defined by means of an analysis of the competition and by comparison with existing sustainability standards and frameworks such as the Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI), among others. These topics were then assigned to the ESG dimensions and verified with internal stakeholders in an interdisciplinary workshop, extended and validated with the aid of expert interviews. The next step consisted of preparing the list of topics, validated and aligned with Salzgitter AG's corporate profile, for the online stakeholder survey with more extensive comments. Internal and external stakeholders commented on the topics in a questionnaire as part of the stakeholder survey and ranked them in terms of their materiality against a time horizon of three to five years. The survey results were then reviewed in a second validation cycle in internal workshops as well as by way of expert interviews at management level. The particular aim here was to rate the significance of the impact caused by the company on the one hand and the short-term and long-term effects of the sustainability topics on the success of the company on the other, taking account of stakeholder relevance. → GRI 3-1

Materiality analysis methodology



INCLUSION OF STAKEHOLDERS

A total of nine different internal and external stakeholder groups were identified for the survey, contacted and included in the evaluation and validation to ensure that Salzgitter AG's diverse stakeholders were thoroughly covered:

- Management
- Supervisory Board
- Employees
- Customers
- Suppliers and energy providers
- Political circles
- Investors and banks
- Regional communities, NGOs and research partners
- Strategic partners → GRI 2-29, 3-1

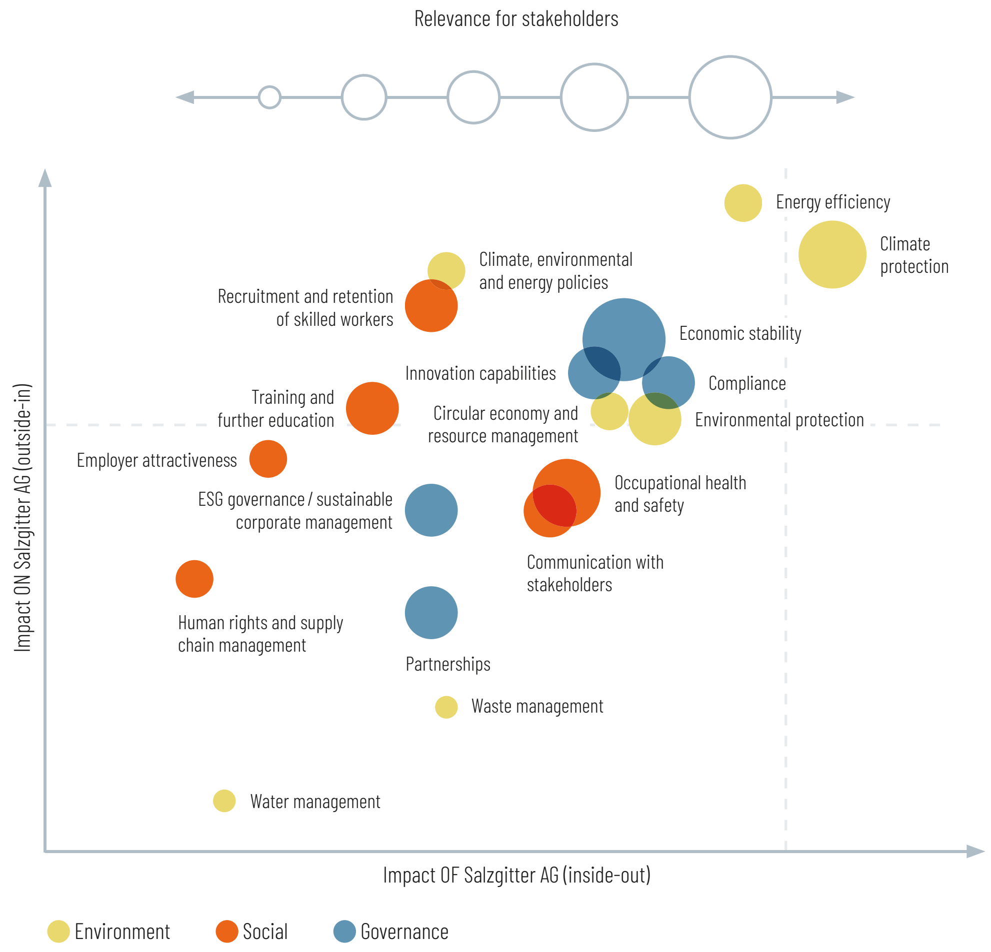
EVALUATION AND MATERIALITY MATRIX

Thanks to the online-based survey and by making contact with specific individuals, feedback was secured from each stakeholder group, along with subsequent evaluation. In addition, expert interviews were conducted in parallel with selected representatives from the stakeholder groups in order to obtain a qualitative assessment.

A total of 18 material ESG topics were identified. Materiality was identified in the evaluation on the basis of the mean value as a relative threshold and through subsequent validation rounds with relevant technical departments and governance bodies. All results were presented both to the Group management and in the Supervisory Board's Strategy Committee. We have summarized the results of the materiality analysis in a materiality matrix that shows the topics according to their evaluated impact and rated relevance.

In the adjacent graph, the x-axis shows the extent of the Salzgitter Group's influence on the relevant topics from the respondents' perspective. The y-axis illustrates the repercussions of the topics evaluated on the Group. As a third dimension, the size of the dots shows how important the topics are from the shareholders' perspective.

Salzgitter AG's material topics



→ GRI 3-2

The topics of “Climate protection” and “Energy efficiency” are ranked highest on both axes. But other topics from the Governance area such as “Economic stability”, “Compliance” and “Innovation Capabilities” rate highly along both axes. One particularly highly rated impact on the Salzgitter Group (y-axis) is to be found in the topics “Climate, Environmental and Energy Policy” from the “Environmental” domain and “Recruitment and Retention of skilled workers” from the “Social” area. The topic of “Human Rights and the Supply Chain” also achieved particularly high stakeholder affinity, and this topic consequently features for the first time in the selection of material issues.

The key topics from previous years have therefore once again been identified as material in partly adapted designations and complemented by dedicated aspects, particularly from the area of “Governance” such as “Partnerships”, “ESG Governance / Sustainable Management” and “Innovation Capabilities”. The topics of “Waste Management” and “Circular Economy and Resource Management” are also explicitly mentioned for the first time this year. We see the results of the materiality analysis as basic confirmation of our strategic focus in our “Salzgitter AG 2030” strategy as well as our current human resources strategy. At the same time, the material topics and issues identified represent an important platform for refining our → **Sustainability strategy** launched at the end of 2022.

IMPACT ON REPORTING

Individual material topics and issues are considered in detail in the following sections of the non-financial report that is also sub-divided by ESG dimensions in the description of the relevant management approaches. In the process, some individual sections frequently cover content relevant to several material topics, e.g. when describing the measures we have implemented in the “Climate Protection” and “Energy Efficiency” areas.

ENVIRONMENT, CLIMATE AND ENERGY

The protection of the environment and the climate, conservation of natural resources and frugal use of energy constitute important corporate goals of Salzgitter AG. Our understanding of climate and environmental protection extends beyond the mere observance of legal regulations and plays a major role in shaping our business decisions. Systems and production processes are subject to ongoing review and continuous improvement, including in respect of such understanding. This conviction is underlined by the systematic focus of the "Salzgitter AG 2030" strategy on low-CO_2 steel production and recyclable processes and products.

In its "Environmental Protection and Energy Policy" Group directive, the Executive Board has elevated the protection of the environment and climate as well as the prudent treatment of resources to a central management responsibility. The directive comprises ↗ Environmental and energy guidelines that are to be seen as principles for action defining aims and methods. Due to our high use of material and energy, our most important levers lie in steel production as well as the upstream supply chain in order to realize efficiency gains and savings potential and reduce the impact on the climate and the environment. Transformation of steel production, supplemented by the upstream and downstream value chain, is therefore at the heart of our management approach when it comes to protecting the climate and the environment.

The environmental and climate protection activities of the Salzgitter Group are based on an established organizational structure. We rely on the specific expertise and experience of our staff in companies on the ground as the significance of the subject of climate and environmental protection is directly linked to their respective production processes and techniques, as well as the potential environmental impact resulting from them. For example, there are considerably more specifications and requirements under environmental legislation applying to the integrated steel production at the Salzgitter location than is the case at Group companies exclusively devoted to processing steel.

The Environment and Energy Steering Committee also plays a key role in managing environmental and climate protection concerns in the Salzgitter Group. This body is integral to the Environmental Protection and Energy Policy Group directive. The steering committee represents the most important Business Units in terms of their environmental impact and consumption of resources, and it reports directly to the CEO of Salzgitter AG. The particular role of this body consists in organizing the exchange of relevant information on the topics and issues of climate, the environment and energy across the Group. As well as ensuring the information transfer within this network, it also coordinates uniform strategies throughout the Group on issues regarding environmental policy and energy management.

CERTIFICATIONS AND MANAGEMENT SYSTEMS

The majority of manufacturing Group companies in the business units of Steel Production, Steel Processing, Trading and Technology have established certified environmental management systems in accordance with the international DIN EN ISO 14001 standard and/or certified energy management systems in accordance with DIN EN ISO 50001. Further information can be found on our homepage under ↗ Certifications and management systems. The current expenditure on environmental protection offers clear evidence of the importance attached to it in the totality of our production processes. In the 2022 financial year, this expenditure amounted to around € 193 million (2021: € 175 million). → GRI 3-3, 301; 3-3, 302; 3-3, 303; 3-3- 305

MANAGEMENT PRIORITIES

Our key topics in the ecological responsibility area are outlined below in the four sections, "Water management", "Circular economy and resource management", "Climate protection" and "Energy efficiency" and explained in greater detail on the basis of key indicators, as well as the measures already implemented or in the pipeline. The key overarching subject of "Environmental protection" runs through all the topics covered in this chapter.

- The "**Water management**" section describes how the Salzgitter Group deals with the resource of water in terms of its treatment of cooling water and wastewater and consumption efficiency. → GRI 3-3, 303
- The section on "**Circular economy and resource management**" puts the spotlight on the responsible use of commodities and materials. Our company pays particular strategic attention to this aspect in the context of the "Salzgitter AG 2030" Group strategy. This section also covers the evolution of our waste management and changes in air emissions. → GRI 3-3, 301; 3-3, 306
- The "**Climate protection**" section documents Salzgitter AG's measures aimed at reducing the greenhouse gas emissions incurred in the course of our business activities which impact the

climate. We perceive our SALCOS® (Salzgitter Low CO_2 Steelmaking) transformation program as the key to low-CO_2 steel production and at the same time the path to securing the future of Salzgitter as a steel location. → GRI 3-3, 305

/ The "**Energy efficiency**" section describes the ongoing innovations through which the Group is lowering its energy consumption by means of efficiency gains. The network structures which guarantee the groupwide management of measures to enhance energy efficiency are also explained. → GRI 3-3, 302

The ecological indicators described in this report relate – unless otherwise specified – to the fully consolidated, manufacturing companies in the Steel Production and Steel Processing Business Units in which Salzgitter AG holds an interest of over 50 %.

The key indicators shown below for energy consumption, waste, air emissions and greenhouse gas emissions are partially based on the extrapolations of individual Group companies included in the report – particularly for the months of November and December. No extrapolations that may have been included in figures for the previous year have been retrospectively adjusted. Where indicators for the current reporting year differ from the previous year's figures by more than 10 %, corresponding comments on their movement can be found directly under their respective presentations. → GRI 2-4

WATER MANAGEMENT

Large volumes of cooling water and process water are consumed in the production of steel. Water is used principally for cooling in the production of pig iron and steel, in steel works and hot rolling mills, to quench steel and slag as well as for rinsing purposes in surface coating. Thanks to the constant optimization of our operating processes and measures to implement the recycling of cooling water and process water, we aim to use the valuable resource of water as carefully as possible. With reference to the GRI standard, the indicators reported in the previous year as "water consumption" and "wastewater discharge" are shown for the first time as "water withdrawal" and "water recycling". The sub-categories previously employed are dispensed with in favor of a breakdown by sources or wells as well as differentiation between volumes of water that we draw from our own sources and water from third parties provided, for example, by local water networks or other organizations. For example, recycling of water by third parties applies if Salzgitter AG passes on water and wastewater to other companies and organizations to enable them to use it. → GRI 3-3; 303-1

Water withdrawal (water consumption)

		2022	2021[1]	2020[1]
Total water withdrawal	Tm^3	19,219	19,439	17,135
Of which surface water	Tm^3	338		
Of which groundwater	Tm^3	18,498		
Of which seawater	Tm^3	0		
Of which produced water	Tm^3	0		
Of which water by third parties	Tm^3	383		

[1] Total volumes were shown as "water consumption" in previous years.

→ GRI 303-3, 303-5

Water recycling

		2022	2021[1]	2020[1]
Total water recycled	Tm^3	11,524	12,903	13,691
Of which surface water	Tm^3	11,348		
Of which groundwater	Tm^3	0		
Of which seawater	Tm^3	0		
Of which produced water	Tm^3	0		
Of which water by third parties	Tm^3	176		

[1] Total volumes were shown as "wastewater discharge" in previous years.

→ GRI 303-4

Salzgitter Flachstahl GmbH (SZFG) assumes special responsibility on the topics and issues of water as it passes on water supplied by the in-house waterworks Börßum-Heiningen as drinking water and process water to industrial customers such as MAN, Alstom and VW in the industrial area of Salzgitter-Watenstedt. The water drawn is deacidified, filtered, disinfected and then softened with the aid of lime. The calcium carbonate sludge thereby created is used as certified fertilizer – one example of Salzgitter AG's recycling-based management approach to the resource of water.

In 2022, the water withdrawal lay slightly below the previous year's level. Total water recycling decreased notably compared with 2021. Both results from an overlapping of the impacts of the lower crude steel production and the usual seasonal deviations. → GRI 303-1, 306-2

CIRCULAR ECONOMY AND RESOURCE MANAGEMENT

Closed loops form a key element of our Group strategy. By optimizing production processes – but also by way of new strategic partnerships – we intend to create additional closed loops for recycling scrap steel, thus realizing further savings potential in our use of primary materials.

Steel has ideal properties for closed loops. It is durable and can be reused almost indefinitely with no significant loss of quality. At the same time, however, the production of steel is unavoidably associated with the use of considerable resources. Nearly three quarters of the cost of steel production is accounted for by raw materials such as iron ore, scrap, reducing agents and energy. As before, enhancing the efficiency of our production processes has consistently ranked as a key goal of the Salzgitter Group, both from an economic perspective and for ecological reasons. → GRI 3-3, 301; 3-3, 306

MATERIALS

The production of high-quality steel at the Salzgitter Group's facilities requires the use of iron ore as the basic raw material as well as reducing agents and auxiliary materials. The addition of scrap as a substitute in the production process lowers the use of primary materials in keeping with our circularity approach. The figures shown below include the most significant material flows for steel production at the Peine and Salzgitter facilities in terms of volumes, i.e. materials which are used in the products and where the volume processed per year exceeds 50 kt.

Materials used

		2022	2021	2020
Iron ore (lump ore, pellets, ...)	kt	5,309	5,533	5,056
Reduction agents				
Coking coal	kt	1,789	1,771	1,676
Bought coke	kt	109	90	76
Anthracite and coal fines	kt	814	898	736
Other auxiliary materials				
Limestone and dolomite	kt	983	1,033	933
Alloys and metals	kt	87	93	85
Auxilliaries (e. g. dunite)	kt	191	196	197
Total scrap	kt	1,770	2,111	2,022

→ GRI 301-1, 301-2

		2022	2021	2020
Crude steel production	kt	4,933	5,362	4,982
Salzgitter Flachstahl GmbH	kt	4,154	4,341	3,944
Peiner Träger GmbH	kt	779	1,021	1,038

In the 2022 financial year, steel production was scaled back due to sluggish demand in the market in the second half of the year. Crude steel output in the Steel Production Business Unit fell accordingly by 8 % year on year. This was reflected in lower input volumes for iron ore, reducing agents as well as the process materials lime and dolomite. The significant decline in the use of scrap in the reporting year is primarily due to reduced production at Peiner Träger GmbH which fell by a quarter.

WASTE MANAGEMENT

Wherever waste in steel production has so far proved to be unavoidable in spite of innovative methods and high recycling rates of approximately one third, the company takes a responsible approach to its disposal. Besides the total volume of waste incurred, the key indicators reported this year also include the proportion of waste passed on for disposal, distinguishing between non-hazardous and hazardous waste. → GRI 3-3, 306

Waste

		2022	2021	2020
Waste incurred	kt	1,470	1,342	859
Of which non-hazardous waste	kt	1,404	1,286	819
Of which hazardous waste	kt	65	56	40
Waste diverted from disposal	kt	771		
Of which non-hazardous waste	kt	740		
Of which hazardous waste	kt	31		
Waste passed on for disposal	kt	699		
Of which non-hazardous waste	kt	664		
Of which hazardous waste	kt	35		

→ GRI 306-3, 306-4, 306-5

The waste incurred was significantly higher, especially in the Steel Production business unit, than one year before. The main reason for this lies in the preparatory structural measures within the realization of SALCOS®, which also lead to an increase of hazardous waste. → GRI 306-1

AIR EMISSIONS

Many of the manufacturing Group companies run operating plants requiring approval. In accordance with the German PRTR Act, we determine annual volumes of air-polluting substances and report them to the European Pollutant Release and Transfer Register. The main air emissions of nitrogen oxides, sulfur oxides and PM10 particulate matter are communicated here as part of the non-financial report.

Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions

		2022	2021	2020
NO_x	t	4,370	4,510	3,792
SO_x	t	5,139	4,804	4,081
Particulate matter (PM10)	t	107	101	108

→ GRI 305-7

The above table shows the annual volumes of NOx, SOx and PM10 for the last three years. The majority of the air emissions result from the operation of the plants and the power station of SZFG due to the processes involved. Deviations compared with the previous year are subject to the usual seasonal fluctuations.

CLIMATE PROTECTION

In terms of climate protection, the Salzgitter Group pursues ambitious targets for reducing CO_2 and has defined them in its "Salzgitter AG 2030" strategy. The target is to meet the technical requirements to lower the Group's Scope 1 and Scope 2 carbon emissions by 30 % by 2025 and to halve them by 2030. In choosing 2018 as the base year, we are aligning with the 2030 climate targets of the European Steel Association EUROFER.

The basis for measuring our progress is to register our greenhouse gas emissions (GHG emissions). Based on the system of the Greenhouse Gas Protocol on which the CDP (the former Carbon Disclosure Project) is also based, we report GHG emissions in the categories Scope 1 to Scope 3 as shown below.

The definitions are as follows.

/ Scope 1 = direct GHG emissions from operating plants
/ Scope 2 = indirect, energy-related GHG emissions
/ Scope 3 = further indirect GHG emissions from the purchase of raw materials

In order to calculate the GHG emissions in Scope 1 to Scope 3, we have therefore also pursued the approach of the "Corporate Accounting and Reporting Standard" of the Greenhouse Gas Protocol. The majority of our direct emissions are also subject to the European Emissions Trading System (ETS), with the result that the strict specifications contained in the corresponding Monitoring Regulation are applied in this area. The data for Scope 1 and 2 result from energy consumption figures given in the "Energy consumption" table as well as information from ETS monitoring.

GHG emissions

		2022	2021	2020
Direct GHG emissions from operating plants (Scope 1)	kt CO_2	8,002	8,196	7,646
Indirect GHG emissions (Scope 2)	kt CO_2	386	425	448
Other indirect GHG emissions from feedstock purchase[1] (Scope 3)	kt CO_2	1,294	1,378	1,375
Reduction of GHG emissions as a direct result of efficiency measures[2]	kt CO_2	204	207	203

[1] Without reducing agents; specific emission factors based on supplier information or common available sources. Survey is oriented to Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)

[2] Resulting from measures of the EE project of SZFG, affecting Scope 1 and Scope 2.

→ GRI 305-1, 305-2, 305-3

GHG emissions in 2022 are correlated with SZFG's lower primary crude steel production (Scope 1), lower external procurement of electricity (Scope 2) and lower use of raw materials (Scope 3). → GRI 3-3, 305

MEASURES IN THE AREA OF CLIMATE PROTECTION

The majority of the Salzgitter Group's emissions impacting the climate arise from the use of carbon-based energy sources in the blast furnaces of our steel mills. The SALCOS® program therefore takes avoidance of these direct CO_2 emissions as its starting point. The aim of SALCOS® is to convert steel production in Salzgitter to low-CO_2 crude steel production in three stages by 2033. The first stage, entailing a crude steel capacity of 1.9 million tons per year, is to be commissioned at the end of 2025. As part of the transformation, a total of two direct reduction plants and three electric furnaces will be installed which will then successively replace the blast furnaces and converters. The previous technique based on coking coal shall thereby be replaced by a new hydrogen-based method. On completion of the third stage in 2033, the target is to save around 95 % of today's annual Scope 1 CO_2 emissions of around 8 million tonnes. As a result, around 1 % of Germany's CO_2 emissions will be avoided. To fund the first stage, Salzgitter AG's Supervisory Board approved the release of € 723 million of the company's own funds in July 2022 to enable the first order for the installation of systems equipment to be placed in August. Furthermore, the EU Commission approved the subsidization of the SALCOS® program, declaring the application for a national subsidy to be compatible with European law. Subject to a positive final inspection and decision by the national funding bodies, we expect the Federal Republic of Germany to contribute up to € 700 million and the State of Lower Saxony up to € 300 million in support of SALCOS® in accordance with the administrative agreement concluded in September 2022.

By submitting its Commitment Letter on February 9, 2022, Salzgitter AG committed to the Net Zero Standard of the Science-Based Targets Initiative (SBTi) and thus to the 1.5° target of the Paris Climate Agreement in line with the ongoing implementation of SALCOS®. By the second quarter of 2023, we will draw up climate protection targets for 2030 and 2050 respectively, have them validated by the SBTi and then systematically implement them.

The management of emissions data in the Group is of elemental importance for meeting our targets. In the financial year 2022, we therefore completed our first groupwide survey of emissions data for Scopes 1-3 in accordance with the requirements of the Greenhouse Gas Protocol Standard for 2021 and transferred the results to a greenhouse gas balance sheet. In addition, the determination of our Corporate Carbon Footprint (CCF) is an important milestone in the continuous development of our management approach in the field of climate protection and energy efficiency. At the same time, we are thereby underscoring the target cemented in the Group strategy to reduce our Scope 1 and Scope 2 carbon emissions. → GRI 201-2; 3-3, 305

Since 2016, Salzgitter AG has participated annually in the CDP's reporting format. In 2022 we achieved the excellent "A-" rating for the first time. This means that our company remains significantly above the global average ("C") for companies in the metalworking sector analyzed by CDP.

As an integrated steel mill, SZFG occupies a special position within the Group, and it therefore operates its own energy savings scheme and GHG emissions reduction program. This "energy efficiency" project has been running since 2009 and as a result of the energy savings achieved, it is making a direct contribution to the Salzgitter Group's reduction targets with respect to greenhouse gas emissions impacting the climate. A project steering committee that meets three to four times a year provides information on the individual measures implemented and successes achieved. So far, 475 energy efficiency measures have been identified. These measures are examined in terms of their technical feasibility and economic viability, and 280 have already been implemented. As a direct consequence of the efficiency measures, cumulative savings in Scope 1 and Scope 2 emissions of 204 kt of CO_2 were achieved in 2022. → GRI 3-3, 302; 3-3, 305

With the commissioning of the "µDRAL" plant in 2022, SZFG recorded a further milestone on the path to low-carbon steel production. The demonstration plant on the SZFG site for the production of direct reduced iron can be operated flexibly with natural gas and hydrogen. Low-carbon steel slabs have also been produced in Peiner Träger GmbH's electric steel mill since the end of 2020 and subsequently further processed at SZFG into hot and cold strip in a differentiated range of sizes and grades. SZFG was the first European steel producer to receive conformity statements in accordance with TÜV SÜD's VERIsteel standard for this achievement. This method enables product-specific CO_2 emissions in steel production to be verified and goes hand-in-hand with the process of decarbonization. It shows that as a result of a change in the steel production process from the conventional blast furnace route to electric steel technology, a reduction of more than 75 % is achieved in the carbon footprint for slabs and more than 66 % in the carbon footprint for hot-dip galvanized coils. The low-carbon steel products have already been supplied to prestigious customers such as BMW, Daimler, BSH and Miele. → GRI 3-3, 201-2; 3-3, 305

ENERGY EFFICIENCY

We have been systematically analyzing energy savings potential for many years and implementing appropriate energy efficiency measures. In pursuing its new "Salzgitter AG 2030" strategy, our Group is now also striving to convert to renewable energy sources to complement its ongoing search for technical innovation. By 2025, 50 % of electricity requirements are to be met from non-fossil sources, and by 2030 this proportion is to reach 100 %.

Due to the decrease in crude steel production as described earlier, less primary energy sources as well as less external power supply were used or purchased, respectively. The increase in in-house production of steam and electricity by using byproduct gases and waste heat utilization mainly results from the measures taken to improve energy efficiency. → GRI 3-3, 201; 3-3, 302; 3-3, 305

Energy consumption[1]

		2022	2021	2020
Primary energy sources[2]	GWh	3,853	4,023	3,844
Energy used to generate steam and electricity from waste gas and waste heat	GWh	2,113	1,934	1,779
Electricity consumption	GWh	2,453	2,635	2,461
of which external power supply	GWh	919	1,160	1,117
Total energy consumption	GWh	4,773	5,183	4,961

[1] Also includes the data of relevant Group companies of the Trading Business Unit, Technology Business Unit, Industrial Participations / Consolidation and EUROPIPE sites. In detail: EUROPIPE GmbH, Berg Pipe Mobile Corporation, Berg Pipe Panama City Corporation, GESIS Gesellschaft für Informationssysteme mbH, Glückauf Immobilien GmbH, Hansaport Hafenbetriebsgesellschaft mbH, Klöckner Desma Elastomertechnik GmbH, DESMA Schuhmaschinen GmbH, KHS GmbH, MÜLHEIM PIPECOATINGS GmbH, Salzgitter Automotive Engineering GmbH & Co. KG, Salzgitter Hydroforming GmbH & Co. KG, Salzgitter Mannesmann Forschung GmbH, TELCAT KOMMUNIKATIONSTECHNIK GmbH, TELCAT MULTICOM GmbH, Verkehrsbetriebe Peine-Salzgitter GmbH, VPS Infrastruktur GmbH, KHS Corpoplast GmbH, Salzgitter Mannesmann Handel GmbH, Salzgitter Mannesmann Stahlhandel GmbH, Stahl-Center Baunatal GmbH, Universal Eisen und Stahl GmbH.
[2] Without reducing agents, they are considered under "Materials used".

→ GRI 302-1, 302-4

MEASURES IN THE AREA OF ENERGY EFFICIENCY

One important initiative in the energy efficiency area is the "Energy Management Group Forum" that has been in place since 2013. The initiative brings together the most important Group companies in terms of their energy consumption. The common objective is to improve energy efficiency through a continuous learning process characterized by a mutual exchange of information, thereby contributing among other things to a reduction in greenhouse gas emissions. The "Energy Efficiency Knowledge Platform" where efficiency measures already implemented or under examination are recorded and made available to all participants, constitutes an important element in this process. The platform currently comprises several hundred individual measures.

The "EηERGY" in-house energy efficiency network was successfully completed in October 2022. The aim of the project was to pool the strengths of individual departments within the company to leverage any remaining potential for saving energy, as well as further potential that can be economically tapped. Buoyed by our positive experience from the first network (2016-2019), we have raised the annual savings target to 105 GWh. This target has now been exceeded with 188 GWh per year achieved or a target achievement rate of 179 %. To this end, 76 measures were implemented, avoiding more than 50 kt of CO_2 per year. → GRI 3-3, 302; 3-3, 305-5

EU TAXONOMY

The European Union's EU Taxonomy Regulation (2020/852) is a regulatory requirement relevant to the financial sector as well as to the real economy and has a direct impact on reporting obligations in these areas.

Here, the EU Taxonomy pursues six **environmental objectives** defined by the European Commission:

- climate protection,
- adaptation to climate change,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- avoidance and reduction of environmental pollution, and
- protection and restoration of biodiversity and the eco systems.

Upon the coming into force of the Taxonomy Regulation on January 1 2022, companies subject to the CSR Directive Implementation Act are required to provide information on how and to what extent their business activities fall within the scope of the EU Taxonomy Regulation (hereinafter "taxonomy eligible") and are linked to the first two environmental objectives of the European Commission, namely "climate protection" and "adaptation to climate change". With regard to the financial year 2022, non-financial companies must additionally disclose for the first time to what extent their turnover (sales) and their operating and capital expenditure comply with the requirements defined under the EU Taxonomy Regulation and are therefore ecologically sustainable within the meaning thereof (hereinafter "taxonomy-compliant").

As a company under obligation to submit a non-financial declaration, we are reporting for the first time on the proportion of turnover from products or services in the context of taxonomy-eligible and -compliant activities, as well as the share of capital expenditure (CapEx) and operating expenses (OpEx) from assets or processes associated with taxonomy-eligible and -compliant activities.

TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

To ascertain whether economic activity can be classified as taxonomy-eligible, it must be recorded and described as an economic activity in one of the EU's delegated implementing acts. The fulfillment of several or of all technical measurement criteria does not constitute a precondition for taxonomy eligibility. A taxonomy-eligible activity is therefore not yet considered ecologically sustainable pursuant to Article 3 of the Taxonomy Regulation.

We have identified the following **economic activities** as **taxonomy-eligible** in the financial year 2022 **with regard to the "climate protection" environmental objective** within the meaning of Article 3 of the Taxonomy Regulation:

- Manufacture of iron and steel (Economic activity 3.9)
- Freight rail transport (Economic activity 6.2)

Under the EU Taxonomy, the manufacture of iron and steel is classified as taxonomy eligible. In line with NACE codes, this economic activity, along with the manufacture of steel (C24.10), also includes the manufacture of tubes, pipes, hollow profiles and related fittings, cold forming or folding (C24.20, C24.33), both within the Group and in the sale of the Group's own steel products (G46.72 – Wholesale of metals and metal ore). Moreover, supporting or secondary activities directly connected with the core activity of steel production are assigned to these economic activities. Such secondary activities include water supply, waste treatment, waste disposal, recycling of solid waste material, operating power plants based on byproduct gases, district heat generation and distribution and producing hydrogen for iron and steel production.

The activity of freight rail transport (H49.20) is associated with the business activity of Verkehrsbetriebe Peine-Salzgitter GmbH (VPS). VPS offers rail transport services both within the Group and to external customers. Transporting freight for external customers is classified as taxonomy-eligible.

In following the aforementioned procedure, we are reporting **48 %** of our **external sales** as **taxonomy eligible** in the financial year 2022. Classifiable economic activities are almost exclusively to be found in the steel producing and steel processing companies. These companies are more capital intensive than other parts of the Group, which explains the disproportionately higher proportion of **capital expenditure** and **operating expenses**, namely **73 %** and **81 %** respectively.

In the financial year 2021, we reported a share of taxonomy-eligible external sales of 38 %, taxonomy-eligible capital expenditure (CapEx) of 75 % and taxonomy-eligible operating expenses (OpEx) of 92 %. The difference compared with the KPIs reported in the previous year as part of the first report on the EU Taxonomy are attributable to developments in the methodology. Essentially, this led to the inclusion of the Trading Business Unit and its activities concerning the sale of the Group's own steel products in the reporting year 2022.

Activities in the Technology Business Unit, further processing and trading in steel products not originating within the Group, as well as the processing and recovery of steel scrap are not covered by the EU Taxonomy.

As part of identifying existing economic activities, we did not ascertain any activities in the field of nuclear energy and fossil gas pursuant to Annex 1 of the Delegated Regulation (EU) 2022/1214. For this reason, reporting forms 1 through to 5 are not required.

We make reference to the fact that uncertainties regarding the interpretation still prevail in the context of the Taxonomy Regulation.

TAXONOMY-COMPLIANT ECONOMIC ACTIVITIES

To be classified as ecologically sustainable or as taxonomy-compliant, an economic activity must, along with a description of the activity, fulfill the technical measurement criteria, thereby making a significant contribution to the climate target, while not being detrimental (doing no harm) to the other five environmental objectives, as well as complying with the minimum safeguards.

The conformity check had to be carried out for the financial year 2022 for the first time. As the Salzgitter Group's classifiable economic activities are allocated to the "climate protection" environmental objective, criteria are based on the Commission Delegated Regulation (EU) 2021/2139, in particular Annex I thereof.

SUBSTANTIAL CONTRIBUTION

Analyzing the significant contribution of economic activities was performed at the level of the Group companies.

The substantial contribution to climate protection of Economic activity 3.9 is fulfilled if the products from primary iron and steel production comply with the CO_2 limits prescribed for the respective production stage or, in the case of secondary iron and steel production, with the defined steel scrap proportions. Measurement applied to Economic activity 3.9 pertained to the companies and fully consolidated holdings with primary and/or secondary iron and steel production.

In the case of Economic Activity 6.2, the carriage of goods on behalf of external customers on the main transport networks or on secondary freight transport routes via locomotives powered by electricity makes a major contribution. Excluded from this is the transport of fossil fuels, however.

"DO NO SIGNIFICANT HARM"

To achieve an environmental objective, ecologically sustainable economic activities must make a substantial contribution but may not negatively impact the other environmental objectives. The so-called "Do No Significant Harm" (DNSH) criteria for economic activities define minimum requirements necessary for avoiding significant harm to other environmental objectives. These criteria are anchored in prevailing European law, the available scientific findings and life-cycle considerations.

As Economic activity 3.9 within the Salzgitter Group applies to a value chain spanning its companies, the locations of the steel producing companies and all other sites within the Group with product-related value added are subject to screening for DNSH.

The following **DNSH assessments** were carried with regard to the other environmental objectives based on checklists and their validation in expert discussion:

ENVIRONMENTAL OBJECTIVE 2 "ADAPTATION TO CLIMATE CHANGE"
Climate risk and vulnerability assessment at location level

ENVIRONMENTAL OBJECTIVE 3 "SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES"
Risk assessment regarding potential environmental damage for conserving water quality and for avoiding water shortage at location level; not relevant for Economic activity 6.2

ENVIRONMENTAL OBJECTIVE 4 "TRANSITION TO A CIRCULAR ECONOMY"
Assessment of activity-specific requirements in connection with the circular economy; not relevant for Economic activity 3.9

ENVIRONMENTAL OBJECTIVE 5 "AVOIDANCE AND REDUCTION OF ENVIRONMENTAL POLLUTION"
Reviewing of the bringing into circulation, production and use of substances and chemicals that are environmentally damaging and hazardous to health, as well as observance of the conclusions on the best available technologies; not relevant to Economic activity 6.2 Checking of activity-specific requirements in connection with engine emission limits; not relevant for Economic activity 3.9.

ENVIRONMENTAL OBJECTIVE 6 "PROTECTION AND RESTORATION OF BIODIVERSITY AND THE ECO SYSTEMS"
Risk assessment at location level for the protection or reinstatement of biodiversity and ecosystems; not relevant for Economic activity 6.2.

MINIMUM SAFEGUARDS

A further precondition for classifying an economic activity as ecologically sustainable lies in compliance with the regulations on minimum safeguards. To this end, companies must have implemented processes, directives and guidelines that ensure that the following **frameworks** are observed:

/ The United Nation's Guiding Principles On Business and Human Rights
/ The OECD Guiding Principles for Multinational Enterprises (OECD Guiding Principles)
/ The International Charter of Human Rights (the General Declaration of Human Rights and the UN conventions on civil and political rights, as well as economic, social and cultural rights)
/ The Declaration on Fundamental Principles and Rights at Work of the International Labour Organization's (ILO).

The EU platform for sustainable finance was requested by the EU Commission to consult on **Minimum safeguards** as defined under Article 18 of the Taxonomy Regulation. Four **key topics** were identified in the report as necessary for adherence to minimum safeguards. These are:

/ Human rights, including employee rights
/ Bribery / corruption
/ Taxation
/ Fair competition

The assessment of the minimum safeguards is performed at Group level and not at the level of individual economic activities.

CONFORMITY CHECK FINDINGS

TURNOVER KPI

An initial conformity check identified **7% taxonomy-compliant external sales** for the Salzgitter Group in the financial year 2022. This percentage is essentially attributable to turnover with the products of Peiner Träger GmbH (PTG) in the context of Economic activity 3.9 "Manufacture of iron and steel". With its scrap-based steel production, PTG qualifies for the material contribution to the "environmental protection" environmental target. Turnover is either generated by PTG itself or by various companies that are part of the Trading Business Unit. A very low proportion of taxonomy-compliant external sales is accounted for by VPS and its Economic activity 6.2. VPS achieves its substantial contribution with its locomotives powered by electricity. External sales in connection with the transport of fossil fuels have not been factored in.

The DNSH checks were carried out for relevant locations of PTG and VPS in accordance with the technical measurement criteria of the respective economic activity and the respectively relevant Annexes A through D of the Commission Delegated Regulation (EU) 2021/2139. Based on consistencies with the conformity criteria of PTG, the locations of the Trading Business Unit were not subjected to an additional check. The checks revealed that the **DNSH criteria are fulfilled**. For reasons of transparency, we would like to draw attention to the following:

ENVIRONMENTAL OBJECTIVE 2 "ADAPTATION TO CLIMATE CHANGE"

The scope of the climate risk and vulnerability measurement at VPS was limited to a risk assessment conducted on the Salzgitter location. Aside from this, we have not ascertained any material risks.

As a general point, it should be noted that climate risk analyses carried out on Environmental objective 2 do not yet fully comply with the criteria from the European Commission's FAQs dated December 19, 2022 with regard to selected climate scenarios. In our view, this does not stand in contradiction to the DNSH requirements of Environmental target 2 pursuant to Annex A of the Commission Delegated Regulation (EU) 2021/2139.

ENVIRONMENTAL OBJECTIVES 3 "SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES" AND 6 ""PROTECTION AND RESTORATION OF BIODIVERSITY AND THE ECO SYSTEMS"

Compliance with DNSH criteria regarding Environmental objectives 3 and 6 are ensured by PTG as follows: PTG's production operations are subject to regular external controls by the authorities in the form of inspections by Staatliche Gewerbeaufsichtsamt (German federal state factory inspectorate) and Untere Wasserbehörde Peine (lower level water authority), as well as external and internal audits to certified environmental management systems, pursuant to ISO 14001. These inspections are instrumental in monitoring compliance with the prevailing laws and regulations on the protection of environmental goods, not forgetting the steady mitigation of the company's own impact on the environment, for instance, with the aid of environmental aspect analyses in accordance with ISO 14001. PTG therefore fulfills the criteria of Environmental objective 3 in accordance with Annex B of the Commission Delegated Regulation (EU) 2021/2139.

Since the last comprehensive immission control approval procedure, including a new assessment conducted on the environmental effects under the "PTG 2010" project, no material changes have been implemented under immission control law. The findings and the conclusions from the new assessment of the environmental effects therefore continue to apply. Furthermore, the Peine location is not close to or even in the proximity of biodiversity-sensitive areas with special significance for protection. The PTG location therefore complies with the DNSH requirements of Environmental objective 6 in accordance with Annex D of the Commission Delegated Regulation (EU) 2021/2139.

ENVIRONMENTAL OBJECTIVE 4 "TRANSITION TO A CIRCULAR ECONOMY"

VPS complies with the DNSH requirements regarding Environmental objective 4 in accordance with Annex I of the Commission Delegated Regulation (EU) 2021/2139.

ENVIRONMENTAL OBJECTIVE 5 "AVOIDANCE AND REDUCTION OF ENVIRONMENTAL POLLUTION"

As part of the DNSH check regarding Environmental objective 5, PTG's Economic activity 3.9, namely the bringing into circulation, production and use of substances and chemicals that are environmentally damaging and hazardous to health as set out in Annex C of the Commission Delegated Regulation (EU) 2021/2139, was investigated. The analysis found that insulation materials based on zirconium-aluminum silicate-ceramic fiber have been installed in PTG's heating furnaces. These insulation materials comply with the criteria as defined in Article 57 of Regulation (EG) No. 1907/2006 and were identified in accordance with Article 59 (1) of the aforementioned regulation. We regard the use of these materials as essential as no other technical alternative is immediately available for the operation site and we view the benefit of steel manufacture as critical for the company. From our standpoint, we therefore fulfill the "Essential Use Criteria", the status of which has, at present, not yet been defined in more detail by the EU Commission.

In addition, due to unwanted impurities of steel scrap as feedstock, PTG's production operations may possibly produce unavoidable emissions of the substances cited in Annex C, while complying with the emission limits as defined under the law. We therefore view the DNSH requirements of Environmental objective 5 in accordance with Annex C of the Commission Delegated Regulation (EU) 2021/2139 as complied with.

CAPEX KPI

The **taxonomy-compliant CapEx of 25 %** essentially consists of capital expenditure in the existing taxonomy-compliant part of PTG's Economic activity 3.9 and of expenditures to achieve taxonomy conformity in primary steel production (Economic activity 3.9) in accordance with the SALCOS® CapEx plan. Capital expenditure incurred within the scope of the CapEx plan amounted to € 99.8 million in the financial year 2022. In this context, an amount of € 96.2 million was attributable to the first stage of the SALCOS® transformation project and € 3.6 million to the demonstration facilities for hydrogen-based direct reduction ("µDRAL" facilities). Furthermore, to a minor extent, taxonomy-compliance CapEx is included here that results on a pro-rata basis from the sale of products from PTG's scrap-based steel production (Economic activity 3.9) at companies of the Trading Business Unit and also from VPS's business activities.

OPEX KPI

The **7% taxonomy-compliant OpEx** comprises OpEx from Economic activity 3.9. that already complies today with taxonomy-compliant Economic activity 3.9 and the research and development expenses in accordance with the "SALCOS®" CapEx plan (Economic activity 3.9). In the reporting year, expenses of 2.8 million in connection with the CapEx plan were incurred for research, development and innovation activities. Marginal expenses incurred by the sale of products from PTG's scrap-based steel production (Economic activity 3.9) at companies of the Trading Business Unit are also included in taxonomy-compliant OpEx and recorded here on a pro rata basis, along with very low OpEx from VPS's business activities.

A definitive split between taxonomy-compliant CapEx B and OpEx B regarding environmental objectives "Climate protection" and "Adjusting to climate change" is currently not possible due to the complexity of the SALCOS® transformation program. As the CapEx plan's purpose primarily serves Environmental objective 1 "Climate protection", CapEx B and OpEx B are assigned to this objective.

MINIMUM SAFEGUARDS

In a final step, we **investigated business activities** for **minimum safeguards** in the light of the four core topics of human rights, including employee rights, bribery / corruption, as well as taxation and fair competition at Group level. In this context, we make reference to the chapters on → **Social aspects** and → **Governance and Compliance** for further information.

The Salzgitter Group's business covers a wide range of activities. These activities focus essentially on the production and sale of steel products and machinery, as well as global trading – including the project business – in steel products. The Salzgitter Group's economic activities are concentrated on Europe. Nevertheless, Group companies are increasingly operating in an international environment. Consequently, supplying customers, also in collaboration with suppliers that generate a heightened risk, is unavoidable. For this reason, measures have been implemented in the Salzgitter Group in order to fulfill human-rights related duty of care and to minimize the risks of possible breaches of human rights. Such measures include, among others, a pre-qualification process, the targeted addressing of high-risk suppliers identified (EcoVadis) and, in some cases, the possibility of terminating cooperation. At the same time, further formalization, structuring and development of HRDD (Human Rights Due Diligence) processes are planned in the following year 2023.

DETERMINATION OF TAXONOMY KEY PERFORMANCE INDICATORS

We have taken account of the main Group companies in determining the key indicators. Both qualitative and quantitative criteria have been applied in materiality calculations and are listed as follows:

/ In the first stage, all Group companies with sales of > 1% (measured by consolidated turnover) are included.

/ The second step takes account of investment activity (CapEx). In this context, Group companies with an investment volume of > 1% (measured against consolidated investment) are identified.

/ The third stage involves calculating the overall share in consolidated turnover and investments based on the pre-selection. The selected Group companies factored in an overall coverage of at least 90% each and, if appropriate, are supplemented by the Group companies next in line in terms of size to the extent that coverage from the two preceding stages is insufficient.

/ Determining operating expenditure (OpEx) that is also relevant within the scope of the EU Taxonomy is carried out under the assumption that expenditure on repair and maintenance is incurred in particular by capital-intensive companies. Accordingly, the selection based on CapEx also indirectly includes in the main expenses for repair and maintenance. In supplementation, expenses accruing from research and development are also considered, with the result that the research company as part of the Salzgitter Group is also explicitly incorporated.

In the context of an analysis, we investigated the economic activities together with the main Group companies and the associated sales revenues, capital and operating expenditures in order to identify taxonomy-eligible economic activities and parts thereof. In as much as economic activities pursuant to the EU Taxonomy are not provided for, we assigned the respective Group companies in terms of key performance indicators to non-classifiable activities (not taxonomy aligned). This mapping is also applied to Group companies of secondary importance to enable reporting below the line (denominator).

Allocating only one economic activity respectively per Group company eliminates duplication upfront in assigning the key performance indicators. The financial data relevant to the Salzgitter Group can be found in the consolidated financial statements drawn up according to IFRS for the financial year 2022.

The data were directly allocated to an economic activity to the extent possible. The Salzgitter Group comprises three Group companies producing iron and steel (Economic activity 3.9). The resulting movement of materials also occurs with Group companies (intra-group) and is accounted for by the Group companies engaged in processing and trading, for example. The Group companies in the two aforementioned areas source material both from within the Group and also from third parties not belonging to the combined group. Only the proportion of material movement within the Group is attributed to taxonomy-eligible activities, with the remainder recorded under non-classifiable activities. We have derived a pro-rata allocation key from these activities. The breakdown is applied equally to capital and to operating expenditure and uses the allocation key previously identified if no direct allocation is possible. The data have been assigned directly in respect of freight rail transport (Economic activity 6.2).

TURNOVER (SALES)

The proportion of turnover cited under Article 8 (2) letter a) of the Taxonomy Regulation is calculated as the share of net sales generated through goods or services, including intangible goods, associated with classifiable economic activities (numerator), divided by net sales (denominator) within the meaning of Article 2 item 5 of EU Accounting Directive 2013/34/EU.

Sales in the financial year 2022 represent the denominator of the turnover KPI and can be sourced from the Group's income statement drawn up pursuant to IAS 1. Using this as a basis, the proportion of external sales that – according to the EU Taxonomy – is attributable to taxonomy-eligible economic activities from contracts with customers (IFRS 15) and leases (IFRS 16) is calculated.

CAPITAL EXPENDITURE (CAPEX)

The amounts used to calculate the CapEx KPI (denominator) are based on the capital expenditure disclosed in the consolidated financial statements. In turn, this figure comprises additions in the financial year to property, plant and equipment (IAS 16, along with investment property pursuant to IAS 40) and other intangible assets (IAS 38), without considering scheduled depreciation and amortization. Capital expenditure accords with the data disclosed in the 2022 Annual Report under the section entitled "Notes to the Consolidated Financial Statements". In addition, the KPI takes account of usage rights from leases (IFRS 16) and additions from business combinations. This information is available in the → **Notes** under "Analysis of Fixed Assets 2022".

The proportion of the respective capital expenditure attributable to taxonomy-eligible economic activities (taxonomy-eligible CapEx) is calculated on this basis. For the purpose of identifying the taxonomy-eligible portions (numerators), the aforementioned individual items are compared against the descriptions of the economic activities pursuant to Annexes I and II of the Commission Delegated Regulation (EU) 2021/2139.

The taxonomy differentiates between three different kinds of classifiable CapEx and OpEx (numerators):

/ CapEx/OpEx A that pertains to assets and/or processes associated with taxonomy-eligible economic activities, and
/ CapEx/OpEx B that is part of a CapEx plan to expand taxonomy-eligible/-compliant economic activities (for example engaging in a new economic activity) or by converting taxonomy-eligible into taxonomy-compliant economic activities (for instance, the transformation initiated of the production process by the SALCOS® program), and
/ CapEx/OpEx C that pertains to the acquisition of production and services from taxonomy-eligible economic activities or individual measures through which the target activities are carried out on a low carbon basis or greenhouse gas emissions are lowered, provided that these measures are implemented and made fit for use within 18 months.

Essentially, investments that are aimed at expanding existing taxonomy-eligible economic activities (so-called CapEx A) or at converting these activities into taxonomy-compliant economic activities (so-called CapEx B) were included in the numerator for the reporting year 2022.

The SALCOS® CapEx plan in particular is aimed at mapping capital expenditure that, by the end of 2026, is intended to gradually transform Salzgitter Flachstahl GmbH's taxonomy-eligible Economic activity 3.9 "Manufacture of iron and steel" into taxonomy conformity in accordance with the "climate protection" environmental objective. The entire CapEx until conformity is achieved amounts to € 2.3 billion. The amount to be capitalized will be reduced accordingly by the anticipated CapEx funding.

OPERATING EXPENDITURE (OPEX)

According to the EU Taxonomy, the OpEx denominator basically comprises direct, non-capitalized costs associated with research and development, building renovation measures, short-term leasing, repair and maintenance, as well as all other direct expenditure necessary in connection with the daily maintenance of property, plant and equipment to ensure they remain fully operational. The denominator only comprises expenses of material Group companies.

The numerator is defined as the proportion of taxonomy-eligible/-compliant operating expenditure (taxonomy-eligible OpEx) from the denominator that is divided into three categories in accordance with the EU's definition (OpEx (a – c); see above).

OpEx is not a full disclosure of expenditure as is shown in the notes to the consolidated financial statements.

TAXONOMY KEY INDICATORS

Reporting form: Proportion of turnover from goods or services associated with taxonomy-compliant economic activities – disclosure for 2022

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activities	Code	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover 2022	Taxonomy-aligned proportion of turnover 2021	Category (enabling activity)	Category (transitional activity)
		€ m	%	%	%	%	%	%	%	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	%	E (enabling)	T (transitional)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
3.9 Manufacture of iron and steel	24.10	910.4	7 %	100 %							Y	Y		Y	Y	Y	7 %	n / a		
6.2 Freight rail transport	49.20	3.8	0 %	100 %							Y		Y	Y		Y	0 %	n / a		
Turnover of environmetally sustainable activities (Taxonomy-aligned) (A.1)		914.2	7 %	100 %													7 %	n / a		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.9 Manufacture of iron and steel	24.10, 24.20	5,063.8	40 %																	
6.2 Freight rail transport	49.20	10.8	0 %																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5,074.6	40 %																	
Total (A.1 + A.2)		5,988.8	48 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		6,564.5	52 %																	
Total (A + B)		12,553.3	100 %																	

Reporting form: CapEx proportion of turnover from goods or services associated with taxonomy-compliant economic activities – disclosure for 2022

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activities	Code	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx 2022	Taxonomy-aligned proportion of CapEx 2021	Category (enabling activity)	Category (transitional activity)
		€ m	%	%	%	%	%	%	%	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	%	E (enabling)	T (transitional)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
3.9 Manufacture of iron and steel	24.10	119.0	25 %	100 %							Y	Y		Y	Y	Y	25 %	n / a		
6.2 Freight rail transport	49.20	1.7	0 %	100 %							Y		Y	Y		Y	0 %	n / a		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		120.7	25 %	100 %													25 %	n / a		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.9 Manufacture of iron and steel	24.10, 24.20	215.5	45 %																	
6.2 Freight rail transport	49.20	11.6	3 %																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		227.2	48 %																	
Total (A.1 + A.2)		347.9	73 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		126.7	27 %																	
Total (A + B)		474.5	100 %																	

Reporting form: OpEx proportion of turnover from goods or services associated with taxonomy-compliant economic activities – disclosure for 2022

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activities	Code	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx 2022	Taxonomy-aligned proportion of OpEx 2021	Category (enabling activity)	Category (transitional activity)
		€ m	%	%	%	%	%	%	%	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	%	E (enabling)	T (transitional)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
3.9 Manufacture of iron and steel	24.10	49.0	7 %	100 %							Y	Y		Y	Y	Y	7 %	n / a		
6.2 Freight rail transport	49.20	0.1	0 %	100 %							Y		Y	Y		Y	0 %	n / a		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		49.1	7 %	100 %													7 %	n / a		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.9 Manufacture of iron and steel	24.10, 24.20	462.1	69 %																	
6.2 Freight rail transport	49.20	26.3	4 %																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		488.4	73 %																	
Total (A.1 + A.2)		537.5	81 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		128.5	19 %																	
Total (A + B)		666.0	100 %																	

SOCIAL ASPECTS

The Salzgitter Group attaches great importance to assuming social responsibility. In doing so, we place special emphasis on people, both within the company and externally. This approach is evidenced by our corporate claim "People – Steel – Technology" that we supplemented in 2022 by adding "People" as the key factor for success. We rely on committed employees to whom we aspire to offer an attractive, respectful and secure working environment. Furthermore, we are working on ensuring social responsibility along our entire value chain. Our goal is to strengthen and solidify this understanding with all of our suppliers as well and to foster the respect of human rights along the entire supply chain by working in this way.

KEY MANAGEMENT

Our key topics in the domain of social responsibility are elaborated on in the following in the chapters entitled "Employees" and "Supply chain".

/ The chapter on **"Employees"** explains management's approach and the development of the key themes of "employer attractiveness", "recruiting and retaining skilled employees" ("forward-looking employer"), "training and continuous professional development" as well as "occupational health and safety". → GRI 2-7; 3-3, 401; 3-3, 403; 3-3, 404; 3-3, 405; 3-3, 406

/ The chapter on the **"Supply chain"** outlines the Salzgitter Group's supply chain management. The main challenges, background information, and the progress achieved in 2022, particularly with regard to human rights, are presented in this chapter. → GRI 3-3, 308; 3-3, 414

The key data in the "employee" chapter provide an overview of how our workforce is structured and supplement the information on the aforementioned key topics. As a rule, key workforce data is based on the workforces of all consolidated domestic and foreign Group companies. If such data is only reported for domestic entities, this will be indicated accordingly. If key data for the current reporting year diverges by more than 10 % from information provided in the previous year, the development will be annotated directly below the respective sections. → GRI 2-29, 2-30, 3-3, 401; 3-3, 403; 3-3, 404; 3-3, 405; 3-3, 406

EMPLOYEES

Success and progress hinge on our employees in particular – it is they who shape the future of Salzgitter AG. Our employees play a key role in implementing our "Salzgitter AG 2030," corporate strategy and in realizing the transformation. Our personnel strategy is therefore aimed at offering people in our Group companies good and secure working conditions, while positioning the Salzgitter Group as a forward-looking employer. Our strategy addresses both topical and future requirements, such as, for instance, demographic change or skills shortages, and incorporates personnel matters of the Group and the companies.

Activities across the Group and other activities of a strategic nature that affect our employees are structured and managed by our Chief Personnel Officer and Industrial Relations Director and by the line departments and group functions reporting to him. Such activities include implementing legal and collective agreement rules and regulations, drawing up personnel guidelines and Group agreements, identifying and developing specialist and management staff across the Group, employer branding for Salzgitter AG, implementing remuneration and incentive systems, HR governance, as well as coordinating issues across all companies regarding occupational health and safety, along with further training.

Personnel work in the Group companies is carried out by local personnel departments and, along with groupwide requirements, is geared to regional requirements and those specific to the respective company. Involving and informing the local personnel departments is ensured through arranging regular meetings between the heads of these departments, information events on specific topics, as well as circulars, and an Intranet for all personnel managers. In addition, a HR Board consisting of the Industrial Relations Director and the personnel general managers of the business units functions as an accompanying committee for voting on current and future issues relating to personnel for the Group and the companies.

The exchange between companies and employee representatives is based on constructive collaboration. As a steel and technology company based in Germany, we are subject to the coal-and-steel codetermination system with regard to Salzgitter AG and the original iron and steel producing Group companies. This system endows employee representatives on the Supervisory

Board with an extensive right to influence key transactions and the appointing of a labor relations director. In addition to entrepreneurial objectives and performance under the law, the interests of our employees are represented by trade unions, works councils and other forms of employee representation. The Group Works Council is the central codetermination and participation body of the employees. In addition, each business unit has own work groups within the works councils. The Executive Board and senior management regularly participate in events organized by the Group Works Council and the works councils, which guarantees an extensive exchange of information and ideas between the company and employee representation. Special topics, such safety at work, health and environmental protection, are addressed by the Group's Works Council in committees specially set up for this purpose.

Through concluding collectively bargained agreements at various operational levels and at levels subject to collective-bargaining, we ensure both on a statutory and a voluntary basis that all employees interests are incorporated, as well as the application of uniform and objective procedures for structuring the business relationship with our employees. Moreover, establishing steering and control committees staffed on equal terms fosters the participation of employees in the development of the company and underpins diversity-oriented company leadership free of discrimination, while safeguarding social norms.

Including foreign companies when drawing up Group guidelines and circulars enlarges the scope of application of domestic standards within statutory provisions and – in as much as viable in terms of personnel policy and business – also encompasses our foreign locations. → GRI 3-3, 401

EMPLOYMENT STRUCTURE

The following key data provides an overview of the structure and composition of our workforce. In addition, key data on the topics of training and continuous professional development, for instance, will also be reported on in this report.

Total workforce

	2022	2021	2020
Total workforce	24,569	24,255	24,416

→ GRI 2-7

Core workforce by gender and employee group

	2022					2021					2020				
	total	m	%	f	%	total	m	%	f	%	total	m	%	f	%
Wage earners	12,605	12,198	96.8	407	3.2	10,288	10,024	97.4	264	2.6	10,499	10,225	97.4	274	2.6
Tariff	7,249	5,015	69.2	2,234	30.8	5,563	3,865	69.5	1,698	30.5	5,602	3,853	68.8	1,749	31.2
Non-tariff	2,472	2,108	85.3	364	14.7	1,909	1,634	85.6	275	14.4	1,923	1,658	86.2	265	13.8
Senior executives	296	267	90.2	29	9.8	261	234	89.7	27	10.3	273	243	89.0	30	11.0
Total core workforce	22,622	19,588	86.6	3,034	13.4	18,021	15,757	87.4	2,264	12.6	18,297	15,979	87.3	2,318	12.7

2020 – 2021 recording domestic only; as from 2022, recording domestic and international.

→ GRI 2-7, 405-1

Proportion of women on management boards

in %	2022	2021	2020
Supervisory Board Salzgitter AG	28.6	28.6	28.6
Executive Board and senior management (domestic)	7.7	5.0	5.1

→ GRI 2-9, 405-1

Employee groups

	2022	2021	2020
Permanent employee	21,869	17,503	17,861
Fixed-term employees	753	518	436
Full-time employees	21,652	17,248	17,566
Part-time employees	970	773	731

2020 – 2021 recording domestic only; as from 2022, recording domestic and international.

→ GRI 2-7

Employees by age group

	2022	2021	2020
Up to 30 years in %	12.7	12.4	12.7
31 to 50 years in %	45.5	45.3	45.4
Over 50 years old in %	41.8	42.3	41.9
Average age in years	45.5	45.7	45.6

Recording domestic only.

→ GRI 2-7

Persons with disabilities

In %	2022	2021	2020
Proportion of persons with severe disabilities	5.6	5.8	5.7

Recording domestic only.

→ GRI 2-7

Fluctuation

	2022	2021	2020
Fluctuation rate in %[1]	6.9	5.6	5.0
Average length of service in years	19.4	19.9	19.9

Recording domestic only.

[1] Percentage average of employees joining / leaving the core workforce

→ GRI 401-1

Employees by region

	2022	2021	2020
Germany	18,142	17,995	18,270
Rest of Europe	1,904	1,893	1,904
America	1,592	1,517	1,502
Asia	812	777	771
Other regions	172	174	157

→ GRI 2-7

Temporary staff outsourced

	2022	2021	2020
Temporary staff outsourced	686	671	687

→ GRI 2-8

The Group's workforce numbers remained largely steady compared with the previous year. Significant deviations have occurred among other reasons due to enlarging the scope of data collection to include foreign locations in the reporting year. The proportion of women on management boards and in managerial positions (domestic) rose in 2022 compared with the previous year as two further Group companies successfully filled vacant positions at senior management level with women. We continue to work on raising the proportion of women in managerial positions in the company. Information on the relevant activities can be found in the chapter on → **Promotion of women**. Our fluctuation rate shows the average of persons joining and leaving the core workforce (domestic) in percent. An increase in persons recruited externally resulted in stronger fluctuation than in previous years and, accordingly, in an increase in the fluctuation rate.

A more detailed description of trends in the workforce in the financial year 2022, along with information on the composition of our Supervisory Board, can be found in the management report in the sections entitled → **Employees** and → **Declaration on Corporate Governance**.

FORWARD-LOOKING EMPLOYER

Changed expectations in society and mega trends such as demographic shifts, the growing skills shortage, and digitalization in the working world also impacted the Salzgitter Group. The positioning of Salzgitter AG as an attractive and forward-looking employer is therefore a key component of our personnel work and a decisive factor for securing our need for skilled personnel. We are therefore working on implementing employee-centric personnel concepts and strive to offer our workforce extensive employer benefits, as well as transparent and fair remuneration. Beyond this, we actively include our employees in events in the company and aspire to facilitate an open exchange of ideas and information with the workforce.

EMPLOYEE-CENTRIC PERSONNEL POLICY AND EMPLOYER BENEFITS

As versatile as the Salzgitter Group's products are, its workforce, its jobs and the regional framework conditions at the individual locations are equally so. All these aspects necessitate a personnel policy that takes account of the various requirements placed on the Group companies, and enables fulfilling and valuable work for the employees through suitable measures, while sustainably securing the Group's performance in the long term.

RECONCILIATION OF FAMILY AND WORK

Works agreements specific to the various companies and rules and regulations on a wide range of different working time models, such as trust-based working, flextime and working time accounts enable our employees to structure their time at work, depending on the circumstances of their specific area while taking account of their own personal wishes. Furthermore, employees can avail themselves of the option of reducing their working time. Moreover, a "Mobile Working" group agreement was concluded in 2022. This agreement defines a standard basic framework for regulating home office in the Group's domestic companies.

For several years now, our employees in Germany have also been able to take advantage of a free family service that advises them and helps to arrange care for children or dependents in need of nursing care. Furthermore, in cooperation with external partners, the Salzgitter location offers vacation care for primary school children close to the workplace. Encouraged by the positive response, the number of places offered for care during vacation will be increased in 2023, thereby providing more parents with support in bridging childcare gaps. → GRI 3-3, 405; 3-3, 406

PROMOTION OF WOMEN

Women in vocational training and on degree courses in natural sciences and technology continue to be greatly underrepresented, a factor that has also influenced our company's workforce structure. We therefore regard the promotion and development of high-potential female employees as an important task and have anchored the objective of raising the proportion of women recruited to fill new non-tariff and management positions in our corporate goals under our "Salzgitter AG 2030" strategy.

Recruiting girls and young women for natural sciences and technical professions begins before they join the company. With this in mind, we encourage the interest of schoolchildren in the respective disciplines. Examples in this area include regular participation of Group companies in the Girls' Day and the ↗ Technology Center of Lower Saxony. This program enables female high school graduates to complete practical training at Salzgitter AG in parallel and to have a taste of studying engineering at one of the universities involved in the program.

Two components of our FORWARD personnel development program make an important contribution to promoting the Salzgitter Group's female employees:

Our "Career Path for Women" program is aimed at women in all functions who wish to actively plan their careers and who are considering a management career. The concept of the program takes account of their personal goals and prospects as well as the specific demands of different professions.

In addition, the target market for the mentoring program for women is composed of dedicated female managers and experts on every level of the hierarchy. The mentoring program is aimed at assisting the individual in developing in a management role, as well as at providing support on the path toward managerial responsibility. Acting in the role of mentors are senior executives or managing directors in the Group who are willing to share their professional experience and insights, as well as their network of contacts with the mentee in confidence and to support them as their career develops. GRI 3-3, 405; 3-3, 406

WORKPLACES ADAPTED TO EMPLOYEE NEEDS

With a view to integrating people with severe disabilities, the Salzgitter Group offers workplaces adapted to employee needs. A Group framework inclusion agreement also stipulates that the participation of employees with severe disabilities in training measures to maintain, expand and adapt their skills and knowledge must be promoted. Companies define their targets on their own initiative, e.g. the appointment or training of young people with disabilities. To meet these targets, individual companies can set up "Inclusion Teams" that draw up the specific measures to be implemented. → GRI 3-3, 406

COMPANY PENSION AND DEMOGRAPHIC FUND

Large parts of Salzgitter AG have a uniform model for pensions funded by the employer: the Salzgitter pension (company pension). The pension makes an important contribution towards securing employees' standard of living when they retire by reducing pension shortfalls between the final pay packet and their old-age pension. We also offer attractive options for deferred compensation in the form of a pension plan and as disability insurance. They complement the company pension and allow our employees to pursue individual solutions. Information on the expenses for pension schemes is available in the → **Notes to the Consolidated Financial Statements** of the annual report.

We are concerned with safeguarding our employees' health and their ability to work as best we can. Nevertheless, they will not all be able to work until the statutory retirement age. We were therefore one of the first companies in our sector to set up company demography funds financed in equal measure by employers and employees. These funds are used first and foremost for the early retirement of employees who work under particularly strenuous conditions, for instance to enable age-related part-time working arrangements provided that the respective job remains open.→ GRI 3-3, 201; 201-3

DISCOUNT PORTAL FOR EMPLOYEES

To reinforce our attractiveness as an employer, we have concluded cooperation activities with various discount portals. These portals give employees access to discounts on various third-party products and services.

PARTICIPATION AND COMMUNICATION

We continuously refine our products and processes. The creativity and the wealth of ideas of our employees that we value and wish to encourage as best we can are a major driver in these endeavors. The management of ideas offers employees the opportunity to submit their suggestions for improvements, thereby actively promoting change in their working environments. In 2022, we received 2,134 suggestions for improvements in Group companies in Germany (2021: 1,843).

We ensure that our employees are informed of current issues in the Group through our extensive Intranet, a range of printed matter and events. We are also making greater use of new digital formats such as video blogs and podcasts for this purpose. For example, the Executive Board provides regular information on the Group's current situation in the "InSZights" series as well as an outlook on future development. → GRI 2-29

TRANSPARENT AND FAIR REMUNERATION

Acting entrepreneurially in unison is a success formula of Salzgitter AG. One important condition is a transparent and fair remuneration policy consistent with economic growth and strategic development. This is guaranteed and supported by means of sector-specific collective agreements.

Commitment to the collective bargaining agreement

In %	2022	2021	2020
Proportion of employees subject to collective agreement	95.3	94.8	94.8

Core workforce - domestic.
→ GRI 2-30

A collective Group agreement on profit sharing in the Salzgitter Group governs the participation of our workforce in the success of the company for the majority of our companies in Germany. Participation is assessed on the basis of the Salzgitter Group's pre-tax earnings and the ROCE targets (ROCE = Return on Capital Employed) for Group companies that are defined annually by the Executive Board. If a Group minimum earnings target is met, all employees receive a basic bonus topped up by an additional company component in companies that meet the ROCE target. The variable remuneration of our employees paid at rates above the collective pay scale is also subject to standard Group rules in order to guarantee comprehensive fairness and transparency in the payment structure.

If short-time work is necessary, Group companies will pay top-up payments to the employees concerned on the basis of a Group framework works agreement, thus mitigating the associated loss of income.

When we employ temporary staff, we respect the statutory specifications and obligate the temp agencies, in compliance with industry-specific collective bargaining agreements, to pay any supplements to the collectively agreed rates of pay for the temporary agency sector or remuneration at the level of comparable wages for our own employees (equal pay). → GRI 2-7, 2-30

As compensation for the substantial increase in consumer prices, Salzgitter AG paid an additional company bonus in 2022 to all employees to compensate for inflation, both those covered by a collectively agreed pay scale and those who are not, as well as to trainees and temporary employees outsourced who have worked for the company on a long-term basis. The Executive Board and the Group Works Council have concluded the relevant collective Group agreement.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The dedication, knowledge and creativity of our employees are key success factors for our company. We firmly believe that sound training and education, along with lifelong learning and continuous professional development, form the basis for success at work. To enable our employees to develop their abilities and talents, we create an environment of opportunities and ample scope for further development. To this end, we offer suitable options within the Group for employees of any age and any position. Our education activities are flanked by our "Training" and "Continuous Professional Development" (CPD) Group framework works agreements that are instrumental in the implementation of uniform training and CPD standards within the Group.

CAREER GUIDANCE

To counter the imminent lack of specialists and engineers in good time, we promote young people also during their high school and college time, and offer vocational guidance. We focus our commitment on the disciplines of natural sciences and technology.

Visits to companies, practical days and company presentations, as well as comprehensive information from our "Career Blog" enable young people to gain practical insights and give them an idea of the wide-ranging professional prospects on offer in the Salzgitter Group. The STEP.ING project invites students from high schools in Salzgitter and the region to take a detailed look at the opportunities to study science and technology and the career prospects such courses offer. To this end, we offer training for career orientation and the opportunity to swap notes with engineers. The participants take charge of advertising this project themselves through a special Instagram account – by students for students. Since the summer of 2022, the Trading Business Unit has been providing easily graspable descriptions of everyday life in various vocational training programs on its "hier-passierts.de" website. Here pupils can gain a genuine insight into training and a sound basis for their imminent career choice. In addition, Salzgitter AG once again exhibited at IdeenExpo this year, Europe's largest youth event for technology and science.

Our commitment to higher education institutions serves to enthuse students for the tasks facing our Group and loyalize young, highly qualified and talented individuals to the company over the long term. To ensure that we are successful in that endeavor, we regularly attend university job fairs and work with numerous higher education institutions: We actively design curricula together, support students' projects, and offer a range of different internships, theses and work placements for students. → GRI 3-3, 404

VOCATIONAL TRAINING

Vocational training represents an important investment in the future in our eyes. To this end, Salzgitter AG offers training in a wide range of very different professions and dual study programs in the commercial and technical fields as well as IT. Securing the future prospects of trainees by giving them follow-on employment not exclusively based on immediate requirements reinforces the processes of obtaining and extending qualifications. In addition, the "Executive Board meets Trainee" scheme underscores the importance our company places on education and training activities. In a series of workshops, trainees from various Group companies work on entrepreneurial and strategic issues and subsequently discuss their conclusions together with the Executive Board.

With regard to graduates, there is an opportunity to get to know Salzgitter AG as an intern or as a working student or to join the company as a trainee. These trainee programs that serve to secure future specialists and managers have different emphases and are conducted by individual companies → GRI 3-3, 404

Training relationships

	2022	2021	2020
Apprentices	976	973	940
Sandwich students	62	68	80
Trainees	57	67	67
Interns and working students	218	202	177
Training relationships – total	1,313	1,310	1,264

→ GRI 404-1

Trainee ratio

In %	2022	2021	2020
“Apprentices and sandwich students” trainee ratio – domestic	5.3	5.3	5.2
“Apprentices and sandwich students” trainee ratio – global	4.4	4.5	4.3

→ GRI 404-1

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

As well as the initial training, continuous professional development (CPD) represents an essential means of securing motivated, qualified employees and of preserving their employability for the rest of their working lives. Our employees have access to a comprehensive training and CPD catalog that focuses on a range of different work-related and interdisciplinary topics. The systematic management of training requirements is exemplified by PEQO (Personalentwicklung, Qualität & Qualifizierung, Organisationsentwicklung – personnel growth, quality and qualification, organizational development) conducted by Salzgitter Flachstahl GmbH (SZFG). Employees meet with their supervisors once a year to discuss and clarify qualification requirements and career prospects. Leading on from this, measures and career development opportunities are agreed and generally realized within a year. Similar CPD models are applied in other companies.

Employee training and continuous professional development

	2022	2021	2020
Participants in training / CPD	22,903	18,206	16,202
Training & CPD measures implemented	61,718	48,388	40,908

2020 – 2021 recording domestic only; as from 2022, recording domestic and international.

→ GRI 404-1

With SAP SuccessFactors Learning as a component designed to strengthen and digitalize further training, SZAG moved ahead with its groupwide Learning Management System (LMS) in the reporting year. The aim of LMS is to create a groupwide range of education measures that provide training resources for specific target markets and companies, as well as enabling access to different learning content and formats. In addition, our training activities were also focused in 2022 on the creation and piloting of specific learning modules to support managers and employees in shaping digital change at the workplace and with a view to strengthening digital fitness in the Group. → GRI 3-3, 404; 404-2

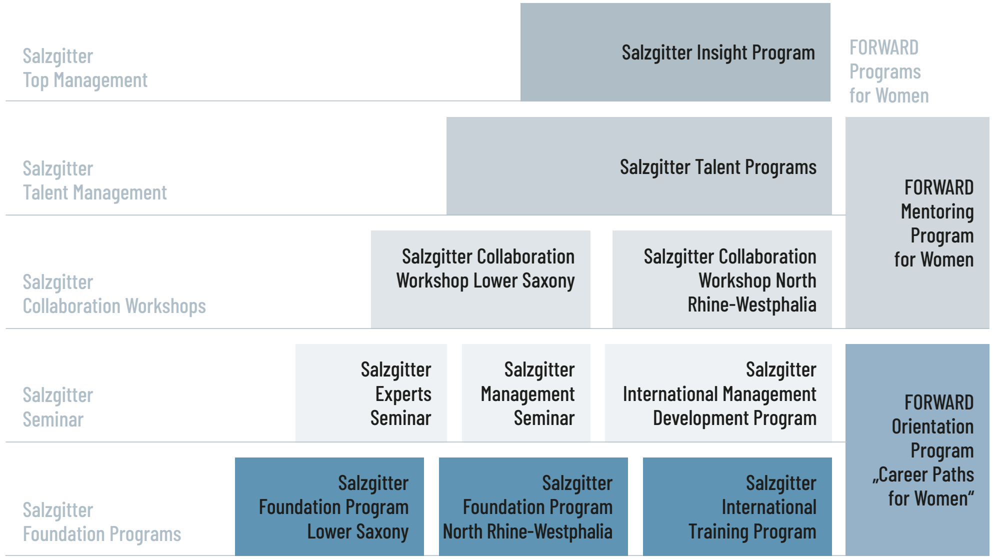
CAREER DEVELOPMENT

In the Salzgitter Group we have established a groupwide system called FORWARD for managers and experts encompassing all companies. This system fosters the commitment, innovation capability and the information sharing on the part of high achievers on all hierarchical levels. Our Salzgitter competence model defines interdisciplinary requirements that are particularly important, alongside expertise and professional experience.

Junior employees with a university degree and qualified staff with vocational training constitute the target market for FORWARD basic programs. The focus here is on the structured communication of knowledge and the systematic establishment and expansion of methodological expertise and social skills that are intended to enable students to take on departmental and managerial responsibility at a later date. There is a broadly diversified range of seminars on offer that not only offers interesting opportunities for further training in line with requirements and on an extracurricular basis, but also contributes towards the networking of junior staff between companies. Regular presentations from internal speakers provide insights into company structures, processes and subjects.

By way of more extensive programs on personnel growth, such as the Salzgitter Seminar for the target group of experienced specialists and managers, FORWARD promotes and supports the development of skills in high-potential individuals and high achievers for the long term. Along with the range on offer to domestic companies, two English-speaking programs also form part of the FORWARD system. Particular emphasis is placed on intercultural collaboration for the target group of international high achievers, along with instruction in extracurricular competences. In spite of the restrictions on contact caused by the pandemic, it proved possible to deliver the programs on a continuous basis by introducing virtual seminar formats. The "Insight" FORWARD program for top management allows the Salzgitter Group's senior management to access valuable and topical training in personnel development that provides new stimulus through the key areas of self-management, entrepreneurial action, leadership, communication, along with strategy and finance.

Personnel development program FORWARD



→ GRI 3-3, 404; 404-2

The aim of the Salzgitter Group's succession and talent management is initially to identify and encourage successors (with a specific target function) and talented individuals (with potential for more far-reaching management assignments without as yet any defined personal development target) for the general manager level and managers reporting directly to them in a standardized form across the Group. A precise analysis of their potential is obligatory for all those nominated. Talented individuals are integrated into a talent pool and they undergo a high-quality international program for personnel growth at a Group level. The development of successors is managed in the companies on a decentralized basis.

KNOWLEDGE TRANSFER

As a further component for ensuring knowledge, TransferWerk was implemented as a process for systematic knowledge transfer in the Salzgitter Group. The aim is to preserve knowledge in the company, especially when the incumbents of key functions change and, under normal circumstances, this knowledge will be made available to their successor. TransferWerk is flanked by a groupwide network of experts who regularly exchange information and ideas on knowledge transfer.

HEALTH AND SAFETY AT WORK

Occupational safety is one of SZAG's high-priority corporate goals. Our responsibility derives from our obligation for the well-being and physical safety of our own employees, but also with regard to the employees of partner companies, customers, suppliers and our visitors. The groupwide objective of our safety policy is therefore simple: zero accidents! Against this background, the subject of health and safety at work and lowering accident figures take a high priority and constitute objectives for our senior management as well as being anchored in our → **Scorecard objectives**. Against this backdrop, health and occupational safety concerns and issues regularly top the agenda in Group management meetings. The Executive Board and business unit managers discuss the relevant safety figures here, as well as events occurring in the Group and individual companies and relevant improvement measures.

Above and beyond this goal, we also want our employees to live healthy lives and to be able to work free of illness. This task is taking on ever greater significance with respect to longer working lives. We therefore attribute importance to having comprehensive health care management and take measures to promote, protect and sustain our employees' health. → GRI 3-3, 403

OCCUPATIONAL SAFETY MANAGEMENT

Our "Occupational safety" Group guideline defines Salzgitter AG's corporate policy on safety at work, along with the components and standards for occupational safety management. Nevertheless, the different requirements in the individual business units and companies of the Salzgitter Group necessitate that occupational safety be regulated on a decentralized basis. Every company is tasked with drawing up targets, priorities and programs and reviewing the effect of the measures taken. A current overview of the companies certified to ↗ ISO 45001 can be found on our homepage. The collaboration with partner companies is substantiated by corresponding guidelines in the individual companies, for instance with common and order-specific briefings as part of the contractor management. In this way, we are able to define a high standard across the Group and lay the foundation for continual improvement.

Moreover, occupational safety is a matter subject to codetermination as a rule. For example, there are various company agreements in place in the Group companies that reflect comprehensive health and safety at work as well as an integrated understanding of health. In terms of agreements on a collective level, in Germany, the collective agreement for shaping demographic change in the iron and steel industry is important. Among others, the collective agreement comprises aspects of health promotion and workplace design. It defines potential measures necessary for the health- and age-appropriate design of work conditions, operating processes as well as the work organization, for instance. → GRI 3-3, 403; 403-8

OCCUPATIONAL SAFETY MEASURES

We work consistently on the continuing to optimize the safety level in the Group and to raise our employees' awareness of safety at work. A Group committee for health and safety at work supports Group companies in their objective of continuously improving occupational safety. Members of the working group are at the companies' disposal for advice. In addition, regular conferences are held for the Group's safety officers in all the companies.

Measures and offerings specific to the location and operations are developed and implemented in the companies. Standardizing occupational safety of the stockholding steel trading's international locations was addressed this year in the Trading Business Unit, for instance. A focus at KHS GmbH was placed on intensifying information and communication of occupational safety topics. Safety at work was therefore a regular topic at workforce meetings, and training sessions for managers were carried out. The "Occupational Health and Safety Practice Days" were held for the first time at SZFG with more than 2,000 employees participating. In events, each lasting four hours, participants ran the gamut with importance attached to best practice examples of "We Work Safely", occupational safety, fire protection and healthcare.

The following key statistics in relation to employees are collected in the Salzgitter Group in accordance with statutory and trade association principles in order to evaluate health and safety at work and the situation with regard to accidents. → GRI 403-2; 403-5, 403-9

Occupational Safety

	2022	2021	2020
LTIF (Rate h*)[1]	6.8	9.5	8.4
Rate H[2]	5.1	7.1	6.1
Work-related accident per person rate[3]	10.0	12.8	11.3
Fatal occupational accidents	0	0	1

[1] Work-related accidents per 1 million work hours from the first day off work and fatal work-related accidents; core workforce and training contracts. 2020 – 2021 recording domestic only; as from 2022, recording domestic and international.
[2] Reportable work-related accidents per 1 million work hours from the fourth day off work and fatal work-related accidents; core workforce and training contracts. 2020 – 2021 recording domestic only; as from 2022, recording domestic and international.
[3] Work-related accidents per 1 million work hours from the first day off work; global core workforce and training contracts.

→ GRI 403-9

The fact that the number of work-related accidents was reduced compared with the previous year is gratifying. We will rigorously proceed with the measures we have reported on safety at work while continuing to work consistently on improving occupational safety.

MEASURES RELATED TO THE COVID-19 PANDEMIC

Regular coronavirus monitoring of the infection rate in the Group continued at SZAG in 2022 in order to tackle the pandemic. In addition, operational measures and hygiene concepts were implemented for the protection of our own workforce as well as outside employees (partner companies, suppliers, etc.). These measures were supplemented by a range of information and communication for employees and managers, in the form of news on the coronavirus, posted on the Intranet or podcasts by the occupational health care team.

A central element of our pandemic management consisted of offering vaccinations at work. Following the success of our operational coronavirus vaccination campaign the year before, employees were offered a second booster administered by the occupational health office in the autumn of 2022 in line with recommendations by the Standing Committee on Immunization (STIKO). To this end, a "vax drive-in" was set up at the Salzgitter location that enabled employees and their dependents to be given booster jabs against SARS-COV-2 while sitting in their cars. As a flanking measure, flu jabs were also offered again in many Group companies.

HEALTH MANAGEMENT

In 2004, we committed to the "Luxembourg Declaration on Workplace Health Promotion" in the EU. The intention of this declaration is not only to prevent occupational ill health but also to actively enhance health-promoting potential and to improve well-being at the workplace. Prevention is a pivotal aspect of our health management, meaning efforts to promote behavior conducive to good health. Offers in Group companies range from "The Health Check-up", through to proprietary fitness centers and collaborations with external partners and on to special action offers, with the emphasis on health and prevention.

The "Health Check-up" was developed further in 2022 drawing on new medical insights. The aim was to improve applying the findings and to embed the resulting recommendations more firmly into the offerings of workplace health management. Furthermore, check-ups are no longer carried out centrally by the health care team but as activities organized locally at the companies. As a result, occupational medicine and health topics address employees even more directly at their workplace, thereby becoming even more proactive and tangible.

In addition, employees with long-term illnesses are given special support to reacclimatize to working life. First and foremost, this includes measures individually tailored to those affected and their workplace demands. The highest priority is given to enabling them to return to their existing workplace. The close networking of all service providers allows a coordinated response to be quickly orchestrated.

In addition, SZFG ran a pilot project on the real-time analysis of movements and joint positions at various workplaces in production, carried out in collaboration with the healthcare team, physiotherapy, health management and the company. The aim of this project is to improve movement and production processes and to give employees concrete recommendations and corrective exercises for their area of work.

Occupational healthcare also places emphasis on employees' mental health. The range currently on offer at the Salzgitter location was supplemented in 2022 by adding the so-called "Mentaler Wegweiser" (guideline for mental health). Employees are now able to obtain direct personal advice from a psychological psychotherapist who, if appropriate, will act as an intermediary between other providers of health management at the workplace or in healthcare under the national health system. In addition, a workshop offering for managers on all levels was created in the reporting year and piloted at SZFG. The workshop is designed to provide guidance when dealing with the mental stress experienced by its employees. → GRI 403-1, 403-3, 403-4, 403-6

SUPPLY CHAIN

The Salzgitter Group is represented through more than 150 subsidiaries and affiliated companies in virtually all regions of the world. The exchange of goods and services, both within the Group and with suppliers and customers, is naturally part of our economic activities.

The principles laid down in the Salzgitter Group's ↗ Code of Conduct are at the heart of the Salzgitter Group's corporate culture while, at the same time, representing binding guidelines on the actions of all the Group's employees. An integral part of these rules consists of observing internationally recognized human rights. With regard to their corporate due diligence in respecting human rights, companies in the Salzgitter Group already take their bearings from the German federal government's National Action Plan (NAP) "Business and Human Rights".

Observing human rights in all parts of the Salzgitter Group is a matter of course for us. Beyond this, our goal is to establish this understanding with all our suppliers and to avoid violations of human rights across the entire supply chain. The subject is also clearly expressed in the ↗ Policy Statement of Salzgitter AG's Executive Board's in the context of the Salzgitter Group's human rights strategy.

With a view to the **Supply Chain Due Diligence Act** (Lieferkettensorgfaltspflichtgesetz – LkSG) that came into force on January 1, 2023, Salzgitter AG has set out clear responsibilities for implementing the principles that apply in the Salzgitter Group also in formal terms within the meaning of this law. Accordingly, the Salzgitter Group and each Group company has introduced supply chain risk management (SCRM) in a fashion commensurate with their size, the nature of their business and the risk situation, and in which internal responsibilities are clearly defined. We will continue to consistently develop this SCRM based on findings from risk analysis.

The **risk analysis** was based on an abstract consideration of risks carried out centrally at the start of 2022 on our own area of business and on direct suppliers. The information already available and sources from the Salzgitter Group's governance systems from which indicators for human rights and environmental risks can be derived served as a basis for the further analysis of the risks in the business of all the Group companies' direct suppliers.

At the start of the financial year, all domestic and foreign operating Group companies were required to identify and weight risks in their own areas of business in respect of legal positions protected by law and to clarify possible insights with regard to their direct suppliers. Based on the analysis of these clarifications, no heightened risk regarding human rights and the environment was ascertained for company's own area of business.

To supplement the assessment of the risk situation in its own business, Salzgitter AG carried out a further identification round based on selected, generally available implementation criteria in which it identified suppliers with a turnover > € 10,000, along with risks from countries and product groups relating to human rights and the environment. These suppliers were assessed further and prioritized in an additional identification round with the aid of a market tool (EcoVadis).*

Identifying and measuring risks is to be conducted in future centrally and on an ongoing basis with the aid of a recognized analysis tool specifically picked for this purpose. Accordingly, each operating Group company is required to assess its own risk situation, as well as that of its direct suppliers, taking account of risks pertaining to human rights and the environment while applying a set of groupwide standard risk indicators as a basis. Among other risks, this includes country and product risks in line with the assessment criteria stored in the analysis tool. If not otherwise explicitly stated, our understanding of human rights and environmental risks pertain to those within the meaning of the Supply Chain Due Diligence Act (LkSG). Risk identification is conducted continuously and on and events-driven basis, for instance if there are indications of a significantly changed or heightened risk situation, or if prompted by current market information or by reports to our whistleblowing system.

From 2023 onward, Salzgitter AG will draw up a central groupwide risk analysis on risks pertaining to human rights and the environment in the Salzgitter Group and with regard to its direct suppliers based on the findings of risk identification and assessment by the individual Group companies. The direct supplier risk profile will be assessed in future and will be used as a basis to derive weighting and prioritization.

The procurement activities of all Group companies are geared to the Salzgitter Group's procurement strategy and procurement practices and have been designed to minimize identified

* The results ascertained using the EcoVadis tool did not form part of the audit performed by KPMG AG Wirtschaftsprüfungsgesellschaft.

risks. In particular, a supplier's willingness to fulfill the Salzgitter Group's expectations regarding human rights and the environment will play a role in future in the selection of direct suppliers. In this context, we will be implementing our Policy Statement on human rights strategy in in all relevant business processes.

Our **supply chain training program** instructs employees – beyond general knowledge about human rights and environmental protection – about risks associated with human rights and the environment in the supply chains. The aim is to enable employees to be better equipped to recognize risks of this kind in the supply chains, thereby preventing human rights and environmental obligations from being breached. This also includes imparting the knowledge necessary for obtaining the requisite contractual assurances from our direct suppliers.

Our expectations with regard to human rights and the environment are also laid down in the ↗ Supplier Code and in the Policy Statement by Salzgitter AG's Executive Board on the Salzgitter Group's human rights strategy. In order to take our suppliers under obligation to fulfill these expectations and to provide us with suitable control options regarding compliance, this is to be agreed in gradual stages with all suppliers.

In its role as a competence center for a number of Group companies, SZFG's procurement department assesses the significant long-term suppliers of all products with relevance to quality and environmental protection once a year based on a range of different criteria. Along with standardized **supplier rating**, SZFG developed a separate form in 2015 to cover the most important sustainability issues which is closely based on the self-disclosure "Sustainability for Automotive Sector Suppliers" form used in the automotive industry. This form was first sent in 2016 to all major long-term suppliers of various raw materials. Since then, the group of suppliers to be assessed in application of sustainability criteria has expanded steadily and is to be enlarged step by step while taking account of the Supply Chain Due Diligence Act (LkSG) that entered into force in 2023. To promote this objective, combining the questionnaire to date and the future questionnaire in the context of this act is under consideration and will be implemented if the findings are positive.

If we discover that human rights or environmental obligations in the business area of Group companies or of a supplier have been breached or such breach is imminent, the respective Group company's management will immediately take remedial action. The remedial action to be taken will be determined on a case-by-case basis and selected in terms of measures that appear most suitable to prevent, immediately put an end to, or minimize the extent of violation.

The Salzgitter Group's → **Whistleblower system** offers all Group employees, business partners and all other stakeholders the possibility of drawing attention to circumstances in connection with the Salzgitter Group's business activities or that of its suppliers as a result of which they themselves or other people, the environment, Salzgitter AG or one of its Group companies have sustained damage, are unjustly disadvantaged, or life-sustaining natural environments are unlawfully impaired.

The effectiveness of the prevention and remedial measures taken and of the whistleblower system (complaints procedure) is to be reviewed by all management once a year in future, as well as on an events-driven basis, also by way of risk-based control measures. Salzgitter AG's Group Audit examined the concept and suitability of its SCRM, also by conducting sample audits on various domestic and foreign Group companies in 2022.

The results of continuous and events-driven risk identification and assessment, the implementation of prevention measures, along with concepts, progress and the results of any remedial measures to be taken will be documented in future by the Group companies and reported to Salzgitter AG. In future, they will be incorporated in condensed form, along with the findings of the Salzgitter Group's risk analysis, in Salzgitter AG's supply chain report. → GRI 2-23, 2-24, 2-25, 2-26, 2-30

GOVERNANCE AND COMPLIANCE

We perceive sound corporate governance and the compliance structures built upon it as key components of the Salzgitter Group's corporate culture. The foundation is provided by our corporate principles and management systems. We are convinced that responsible, transparent governance helps to meet the steadily growing need for information on the part of our stakeholders. The specific demands for sustainable business practices based on integrity are subject to a constant process of negotiation between the political sphere, business and society. Consequently, the Salzgitter Group has been working for years with associations and cross-sector initiatives as a repository of know-how in a spirit of trust-based collaboration.

MANAGEMENT PRIORITIES

Our key topics and issues in the entrepreneurial responsibility area are described below in the sections "Governance", "Compliance", "Integrated Risk Management" as well as "Political Dialog".

/ The **"Governance"** section explains the relevant objectives and substantive priorities of our wide-ranging voluntary commitments in the form of our mission statement, codes and Group directives. → GRI 2-23

/ The **"Compliance"** section describes the structures and systems within the Salzgitter Group that ensure the principles of responsible business practices are put into practice verifiably and transparently in all the company's activities and business relations. The compliance management system, the whistleblower system and compliance trainings constitute the key aspects in this regard. → GRI 2-24, 2-25, 2-26, 2-27

/ In the **"Integrated Risk Management"** section, we outline the structure and processes of integrated risk management, and provide information on how we register and assess both physical and transitory risks. We also make reference to the current status quo and the prospect of integrating further ESG risks into the risk management system. → GRI 2-9, 2-12, 2-13, 2-16

/ The **"Political Dialog"** section describes our approach to dialog with local, regional, national and European actors. Discussions focus on the topics of energy, environmental and climate protection policies. → GRI 2-28; 3-3, 415-1

GOVERNANCE

The Executive Board and Supervisory Board of Salzgitter AG aspire to align the corporate management and monitoring processes with recognized standards of good corporate governance, extending beyond the mere fulfillment of statutory requirements. For that reason, we generally meet the recommendations of the German Corporate Governance Code ↗ Declaration of Compliance for 2022.

In addition, we have adopted various sets of rules addressed to all employees of the Group which define a binding framework in order to ensure good corporate governance.

/ **YOUNITED,** the **mission statement of Salzgitter AG** (↗ YOUNITED), sets out our perception of ourselves, overarching objectives and corporate principles intended to help us realize our aspiration to remain among the best in steel and technology, now and in the future. Our mission statement formulates targets in the categories of sustainability, customer-orientation, innovation, reliability, groupwide collaboration as well as fairness and interacting as partners.

/ The Salzgitter Group's **Code of Conduct** (↗ Code of Conduct) sets out principles to be observed by all employees of the Group which serve the purpose of ensuring that all laws are adhered to at all times and places in the conduct of our business, that generally recognized, fundamental values are respected in our dealings with other people and companies, that we behave fairly and do our utmost to protect nature. The fundamental principles listed in the United Nations Global Compact form the basis of our actions.

- Our **Supplier Code** is based on the values of the Code of Conduct. It sets out rules on the observance of general human rights, environmental protection and laws, compliance with which should basically be a matter of course. The ↗ Supplier Code gives concrete form to the expectations placed on suppliers which the Executive Board of Salzgitter AG has expressed in its ↗ Declaration of Principle on the Human Rights Strategy.

- The Salzgitter Group also has organizational and management structures aimed at the continuous generation of profits and at increasing the value of the company taking account of its social responsibility. This serves as the foundation for strategically securing our future, for our unwavering focus on the market, for targeting both internal and external growth and for efficient management. Managing the Group through a holding company, splitting the operating business into business units and decentralization by means of independent operating companies constitute key governance elements. The **"Management and organization" Group directive** is one instrument the management relies on to put these principles into practice.

- The **"Corporate Compliance" Group directive** aims at
  - making it crystal clear that observance of statutory regulations and internal company rules represents an unshakable framework within which employees of the Salzgitter Group perform their duties for the company and that no breaches of any kind will be tolerated (zero tolerance).
  - leaving no doubt as to who is responsible for compliance with the regulations to be observed in the company's business activities,
  - specifying the organizational measures which all members of the Executive Board, all managing directors, all managers, all other senior executives and all employees are obliged to comply with as a minimum requirement,
  - clarifying that it is also the responsibility of all members of the Executive Board, all managing directors, all managers and all other senior executives to take steps to regularly monitor that their staff are meeting their obligations in this regard and what these obligations consist of, as well as
  - providing all employees with guidelines for complying with the standards in place in certain legal areas.

This is intended to ensure that every effort is made in the Salzgitter Group to avoid breaches of regulations as well as the ensuing disadvantages for Group companies and personal disadvantages for the employees concerned.

- The purpose of the **"Legal" Group directive** is to ensure that legal advice is obtained in all transactions of special legal import and that all Group companies receive the most comprehensive, qualified legal advice possible in accordance with uniform specifications.

- The **"Internal Control System" (ICS) Group directive** aims to create a system in order to
  - identify the conditions for a suitable control environment for the managements of Group companies,
  - give them clear specifications on what organizational security measures they themselves as well as all managers and all other senior executives must establish and maintain as a minimum standard for their respective spheres of responsibility, and
  - use a suitable reporting system to keep the Executive Board of Salzgitter AG informed of the measures implemented for an effective ICS in Group companies. You can find further details on the ICS in the → **Declaration of Corporate Governance**.

- The purpose of the **"Authorized signatories" Group directive** is to align responsibilities for the wide-ranging transactions and procedures in the operating companies within the Salzgitter Group with overarching, uniform corporate principles.

- The aim of the **"Corporate Due Diligence in the Supply Chain" Group directive** is to enable all Group companies falling within the scope of the German Supply Chain Due Diligence Act to comply with their resulting obligations, guarantee uniform implementation of the necessary duties of due diligence and define who is responsible for meeting and respecting these duties of due diligence.

- The **"Occupational Health and Safety" Group directive** defines our safety policy as well as the elements and standards of health and safety management. The significance of occupational health and safety results from a duty of care and obligation for the welfare of all employees and the knowledge that thinking and acting in a safety-conscious way makes a decisive contribution to the success of our company. The aim is to avoid accidents at all costs and thus to ensure the physical safety of employees, customers, suppliers, employees of partner companies and visitors.

- In the Salzgitter Group, environmental and climate protection as well as the prudent use of resources and energy rank among the central tasks of management and are perceived as an integral part of the corporate strategy. Relevant aspects in this regard are systematically identified and taken into account as part of the business activities of Group companies. The **"Environmental Protection and Energy Policy" Group directive** is intended to define uniform principles for environmental protection and the prudent use of energy in the Salzgitter Group and to assign responsibilities to ensure that these principles are respected and complied with in the Group. This directive is supplemented by ↗ Environmental and energy guidelines that are to be perceived as guiding principles defining aims and methods.

- Our capacity for innovation is supported by the **"Research and Development" (R&D) Group directive**. The systematic innovation process in the Salzgitter Group's R&D management and the handling of patents are defined in the directive. These processes are implemented at the Group company level. The → **Research and Development** section in the management report contains information on our research and development priorities, expenditure and patent and trademark rights.

- The aim of the **"Risk management" Group directive** is to achieve a functional, integrated Risk Management System (RMS). Supplemented by the guideline for the risk management system, this Group directive provides an unambiguous definition of the process and responsibilities for the entire RMS of the Salzgitter Group above and beyond the early warning system for risks. It comprises the management of all operational matters occurring in Group companies and in the corporate environment which might culminate in specific corporate and strategic/political risks. Since 2022, this has also explicitly included sustainability issues resulting from ESG risks. Further details are available under → **Integrated risk management**.

COMPLIANCE

Corporate compliance, the observance of all external and internal regulations applicable for our operations (laws, ordinances, provisions in articles of association, rules of procedure, internal directives and other guidelines) is regarded as an important part of corporate governance in the Salzgitter Group. The Executive Board of Salzgitter AG therefore works actively to ensure observance of the statutory provisions and internal guidelines to be complied with in business practices by means of systematic prevention, including the Salzgitter Group's Compliance Management System (CMS).

In the Salzgitter Group, every member of the Executive Board, every managing director and every other Group employee must ensure that all external and internal regulations pertaining to their assigned sphere of responsibility are observed.

Within the Executive Board, the CEO is assigned responsibility for compliance. At each meeting of the Executive Board, under the "Compliance" agenda item, the Board is informed by the Head of Compliance Management / the Compliance Officer of any new compliance issues and the status of any ongoing matters as well as the refinement of the CMS, and then discusses any such issues.

The CEO, the CFO, the Head of Legal and Insurance and the Head of Internal Audit together form Salzgitter AG's Compliance Committee. It serves as a platform for monitoring, exchanging views on and discussing any current compliance issues and for joint opinion-forming and decision-making – e.g. in the event of changes to the compliance organization or for the implementation of special compliance measures. The Compliance Committee meets as and when required but at least twice a year.

By designing preventive measures and refining the CMS in the Salzgitter Group, the Compliance Officer works to ensure that external and internal regulations are observed, and advises on questions relating to the implementation of the CMS in Group companies. At the same time, the Officer performs the compliance hotline function.

In each Group company, responsibility for compliance is assigned to one member of the management who at the same time implements a suitable CMS based on the size of the particular Group company, the nature of its business and its risk position. The design of this system is based on the standards in the Salzgitter Group's Code of Conduct as well as the "Corporate Compliance" Group directive. Depending on the nature of the business and the risk position of the relevant Group company, compliance committees are also established there or the management is supported by Compliance Officers in implementing the CMS.

With the aid of annual compliance surveys, all consolidated companies (100 % of the operational business locations of the Salzgitter Group) are reviewed among other things for corruption, antitrust and money-laundering risks as well as with respect to general indicators of changes to the compliance risk position and implementation of a suitable CMS based on the size of the relevant Group company, the nature of its business and its risk position.

The Executive Board explains the corporate compliance situation of the Salzgitter Group to the Supervisory Board in a detailed compliance report every year and on an ad hoc basis. An audit committee set up by the Supervisory Board also addresses issues relevant to compliance. The CEO and the chairman of the Supervisory Board remain in touch also between meetings of the Supervisory Board in order to discuss compliance issues as and when they arise. Salzgitter AG also reports on the Group's corporate compliance in its → **Declaration of Corporate Governance** which is published annually. → GRI 2-9, 2-22, 2-23, 2-24

Compliance organization

EXECUTIVE BOARD

COMPLIANCE COMMITTEE

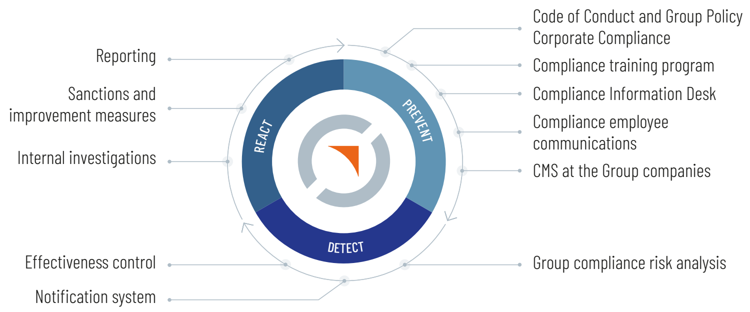
Chief Executive Officer	Chief Financial Officer	Head of Legal, Compliance & Insurance	Head of Internal Audit

COMPLIANCE MANAGEMENT / COMPLIANCE OFFICER

COMPLIANCE MANAGEMENT SYSTEM

The aim of the CMS in the Salzgitter Group is to prevent or reveal breaches of laws and internal directives and to respond to any such breaches appropriately and effectively. It is based on the three pillars **PREVENT**, **DETECT** and **REACT**. Implementation is based on IDW PS 980. The scope of the CMS includes all Salzgitter AG's Group companies (Sec. 18 (1) AktG). In order to ensure maximum efficiency, its design is closely linked to the management organization, i.e. compliance responsibility matches management responsibility.

Elements of the compliance management system



PREVENT

The rules contained in the Code of Conduct form the core of the Salzgitter Group's corporate culture. The Corporate compliance Group directive obliges all employees of the Group to observe the respective laws and internal guidelines and gives them specific rules of conduct for preventing corruption, for correct conduct under antitrust and competition law and for the avoidance of money laundering risks.

The compliance training program gives all employees the necessary knowledge to prevent corruption, on competition and antitrust law and to prevent money laundering to enable them to better detect the risk of breaches with regard to the sphere of responsibility assigned to them and to avoid such breaches.

The legal departments in the Salzgitter Group are available to all Group companies and employees as a point of contact for legal questions, and they guarantee comprehensive legal advice.

The instruments of employee communication are used to make all Group employees continuously aware of issues of relevance to compliance. → GRI 2-23, 2-24, 3-3, 205-1

DETECT
The Salzgitter Group's compliance risk position is regularly analyzed and evaluated.

Our whistleblower system gives all employees as well as customers, suppliers and other business partners the opportunity to draw attention to breaches of the law and misconduct.

The efficacy of the CMS of Salzgitter Group and its Group companies is regularly reviewed by internal audits.

REACT
Our aspiration is to thoroughly investigate and solve any suspected breach of the law or regulations.

Any breaches found are met with sanctions. Measures to bring about improvements are implemented to avoid repetitions.

The compliance reporting system guarantees that the Executive Board is quickly informed of compliance events. Equally, the Executive Board and Supervisory Board are kept regularly informed of refinements to the CMS and significant compliance events within the Salzgitter Group.

The compliance risk analysis conducted in 2022 did not identify any substantial risks not countered by clear prevention measures. There were also no transactions that had to be reported as a suspicious money laundering event to the Financial Intelligence Unit as the central body for investigating financial transactions.

No significant fines or monetary sanctions were imposed on Group companies in 2022 due to failure to observe laws or regulations. We also refer to the legal risks outlined in the → Opportunities and Risk Report, Guidance in the management report. → GRI 2-16, 2-27, 205-3, 206-1

WHISTLEBLOWER SYSTEM
The Salzgitter Group has set up the "FAIR TOGETHER" whistleblower system in order to learn of potential breaches of the law in connection with the economic activities of companies in the Salzgitter Group as well as of any human rights abuses along its supply chains and to counteract them. We provide information in this regard on the homepages of our Group companies and on the Group Intranet.

All Group employees, business partners and all other stakeholders of the Salzgitter Group can approach our reporting offices for information. "FAIR TOGETHER" offers an opportunity to draw attention to breaches of the law or to other circumstances as a result of which people, the environment, Salzgitter AG or one of its Group companies are harmed, unjustly disadvantaged or natural livelihoods linked to the economic activities of the Salzgitter Group or one of its suppliers are unlawfully impaired. As a general rule, information can be given in German or English, and it can be received by email, by post, telephone or in person. Information can be supplied in other languages by email or letter.

All information is treated confidentially. Information on persons and circumstances can only be accessed by employees who need it to process the case.

Anonymous tip-offs can be sent by letter or to the ↗ Ombudsperson. The ombudsperson will not pass on the identity of the whistleblower, or any other parties involved to the Salzgitter Group if the whistleblower so wishes.

No whistleblower who reports information which they had a right to believe was accurate at the time of giving it, needs to fear reprisals. The protection of Salzgitter Group employees who provide information is separately defined in the Corporate Compliance Group directive.

The Compliance Committee is informed of tip-offs relating to events of special significance or of groupwide relevance on an ad hoc basis or in the course of regular reporting. → GRI 2-25, 2-26

COMPLIANCE TRAINING
Our compliance training program provides employees with knowledge of external standards (laws, etc.) that are of special significance for Group companies and the Salzgitter Group due to their relevance to business activities and the level of sanctions to be feared in the event of breaches. This training puts employees in a better position to detect and avoid the risk of legal breaches in such legal areas (compliance expertise).

The areas for which training is offered include corruption prevention, the prevention of breaches of antitrust law, data protection law, money laundering prevention and the Supply Chain Due Diligence Act. The compliance training program is delivered through e-learning, face-to-face classes and management training. Thanks to e-learning, it is also possible to offer compliance training to those engaged in mobile working.

E-learning is available in German and English with the result that facilities abroad can also be included.

The managements of the Group companies are responsible for ensuring that employees working in compliance-sensitive fields take up the training offers applicable to them at least every three years. In the period from June 2021 to May 2022, 4,119 people participated in training on the subject of preventing corruption across all forms of training, 3,847 took part in training on antitrust law and 3,773 on the subject of money laundering prevention. Training on the Supply Chain Due Diligence Act has been conducted since September 2022. → GRI 3-3, 205-1; 3-3, 205-2

INTEGRATED RISK MANAGEMENT

The aim of Salzgitter AG's risk management is to identify risks at an early stage, assess their financial implications and put measures in place to avoid or mitigate the risks. Against the background of the growing importance of ESG risks, we incorporated such risks into the existing process of risk management in the reporting year.

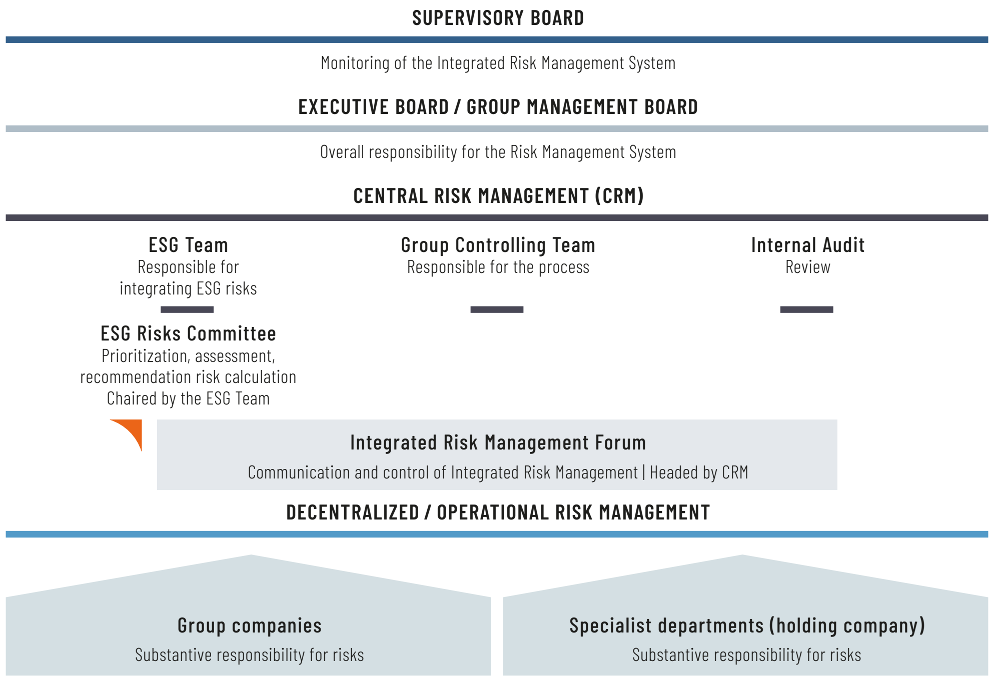
INTEGRATION OF ESG INTO RISK MANAGEMENT

The integration of ESG risks has adjusted the structure of Salzgitter AG's risk management.

RESPONSIBILITIES WITHIN RISK MANAGEMENT

The core element of Salzgitter AG's risk management is that responsibility for identifying, assessing and avoiding risks lies with all management staff in Group companies and the specialist departments of the holding company. The supplemented risk management organization subsequent to integrating ESG risks is as follows:

Organization of risk management



The Executive Board continues to bear the overall responsibility and is monitored by the Supervisory Board. It is also responsible for identifying and assessing ESG risks. Responsibility for the risk management process also remains with the Group Controlling Department and the monitoring function with the Group Internal Audit Department. Responsibility for integrating ESG risks lies with the ESG team in the holding company's Strategy and Corporate Development Department, supported both substantively and technically by the ESG Risks Committee. The ESG team supports the Group Controlling Department operationally. It chairs the ESG Risks Committee and introduces ESG topics to Decentralized Risk Management via the Integrated Risk Management forum.

The adapted instructions and responsibilities resulting from the new structure were included in the "Risk Management" Group directive in 2022.

In the groupwide ESG Risks Committee, there is a regular internal dialog between experts in the holding company and Group companies with specialist ESG knowledge. The committee initially identifies ESG risks, evaluates them in terms of their relevance to and impact on the Group and draws up recommendations for quantifying them for the risk managers in the Group companies and the holding company.

In future, the Integrated Risk Management forum will be used to inform risk representatives from the companies and the holding company of ESG risks, present new developments and ensure a uniform approach across the Group.

INTEGRATION OF ESG RISKS INTO EXISTING RISK TYPES

ESG risks are divided into physical and transitory risks with the growing number of extreme weather events and the fundamental changes in climatic conditions assigned to physical risks. Risks arising in connection with the transition to a low carbon economy, i.e. new legislation, altered customer behavior or changes in working conditions are classified as transitory risks.

The risk types used in Salzgitter AG's existing risk management have been extended to include the "Physical climate risks" risk type. "Transitory risks", on the other hand, have been assigned to existing risk types.

RISK PROCESS

ESG risks are included in the existing risk process. Associated management instruments such as the risk database and reporting channels (ad hoc, monthly, quarterly, annually) are described in detail in the → **Opportunities and Risk Report, Guidance** in the combinded management report.

IDENTIFICATION OF ESG RISKS

The systematic identification of ESG risks follows the framework of the Task Force on Climate-related Financial Disclosures (TCFD). Transitory ESG risks were identified by Central Risk Management on the basis of the materiality analysis conducted, and then elaborated upon and given concrete shape in interdisciplinary workshops with experts from the holding company and Group companies. Physical risks were analyzed with the aid of a data-driven risk analysis for Salzgitter AG's global facilities for their short-term, medium-term and long-term impact, drawing on climate scenarios.

ASSESSMENT, CONTROL AND MONITORING

The assessment of ESG risks with respect to the probability of their occurrence and the level of damage was initially conducted qualitatively with the help of the expertise of the ESG Risks Committee as well as the risk managers in the holding company and Group companies. Physical risks were analyzed by Central Risk Management across all companies. At the time of preparing the 2022 Non-Financial Report, the Salzgitter Group did not identify any material non-financial risks.

The mitigation and avoidance of ESG risks is the responsibility of all managers in the Group. A detailed, system-based documentation at the level of individual measures will be initiated in financial year 2023. Any ESG risks identified will then be included in the risk management database established in the Group and thus subject to standardized reporting and monitoring processes.
→ GRI 2-9, 2-12, 2-13, 2-16

POLITICAL DIALOG

Multilateral agreements and institutions are being increasingly called into question against the background of growing protectionist measures in (steel) exports. A lack of standards or different norms around the world in numerous political areas, e.g. in environmental, climate, energy and labor policy, are the cause of considerable distortion in competition. We therefore lobby political decision-makers for an international level playing field which provides fair production conditions for German industry.

To this end, we follow the political debate rigorously, maintain contact with relevant political institutions and contribute our expertise to the political process. In our dialog with local, regional, national and European bodies, we rely on precise information and credible, transparent communication. It is our declared corporate policy not to give any donations or payments to political parties. We see ourselves obliged to maintain political neutrality and we cultivate a dialog with all parties across the democratic spectrum.

The use of political monitoring to observe issues of relevance to the Group is the foundation for effectively helping to shape the political and social landscape. Parliamentary bills are substantially drafted at a European level. It is therefore crucially important to identify political projects which directly or indirectly impact on Group activities or its business environment at an early stage. In order to intensify our work in this area and strengthen the Group's lobbying at a European level, the Salzgitter Group maintains its own office in Brussels and as from 2023 will also have an office in Berlin. Due to these political activities, Salzgitter SZAG has been registered in the EU's public transparency register since 2014. Interested parties can obtain insights here into the funds and resources used in its political work at a European level. A public transparency register was also introduced on a national level as of January 1, 2022. Here, too, Salzgitter AG's entries in the lobby register are regularly updated by the responsible specialist department.

Besides policies on energy, the environment and climate protection (e.g. the transposition acts governing EU emissions trading from 2021, border adjustment mechanisms, low carbon technologies), the main political issues of the last few years actively followed by the Group included trade policy (EU trade protection procedures and instruments, in particular EU safeguards, and reform of the WTO), EU research and innovation policy (e.g. the ETS Innovation Fund, Important Projects of Common European Interest and Clean Steel Europe), the EU subsidy system, as well as employment and social policies.

The Salzgitter Group has been working for years with associations and initiatives across all sectors in a trust-based manner as a repository of expertise to follow legislative procedures and promote constructive cooperation between political circles, industry and society. Representatives of the Group are actively engaged in political (umbrella) associations both at a national and European level. Among the most important of these are the Federation of German Industries, the Business Confederation of Lower Saxony, the European Steel Association Eurofer, the German Steel Federation as well as Hydrogen Europe and the German Hydrogen and Fuel-Cell Association (DWV). The foundation of all work in associations is a set of rules on compliance organization meeting legal requirements and the observance of a lawful code of conduct. Beyond its participation in associations, Salzgitter AG is actively engaged in advisory groups in the public sector or the EU. Government commissions on important issues relating to policies on the environment and energy have a long tradition, especially in Lower Saxony. Experts from Salzgitter AG are regularly represented in these advisory bodies to the State government as well as in the working groups assigned to them. Salzgitter AG also played an active role in the development of the federal Government's "Action Plan for Steel – For a strong Steel Industry in Germany and Europe" dated July 15, 2021, and is involved in its continuing implementation under the new federal government.

Salzgitter AG also participates in the "Social Dialog Committee Steel" set up by the European Commission. Furthermore, delegates from the company take part in expert groups established by the European Commission such as the "RFCS – Steel Advisory Group (SAG)" and "RFCS – Technical Group (TGS9)". In addition, Salzgitter AG is regularly part of the German delegation in the OECD Steel Committee. → GRI 2-28, 3-3, 415-1

GRI INDEX

Salzgitter AG has reported the information cited in this GRI content index for the period January 1, 2022 through December 31, 2022 with reference to the GRI Standards.

GRI standards and Disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
	The company and its reporting practices			
2-1	Organizational details	84		
2-2	Entities included in the organization's sustainability reporting	83,84		
2-3	Reporting period, frequency and contact point	83		
2-4	Restatements of information	83, 95		
2-5	External assurance	81		
	Activities and employees			Employees
2-6	Activities, value chain and other business relationships	84 – 86		
2-7	Employees	110 – 112, 115		
2-8	Workers who are not employees	112		
	Governance			
2-9	Governance structure and composition	90, 112, 122, 125, 128		
2-10	Nomination and selection of the highest governance body	90, 91		
2-11	Chair of the highest governance body	90, 91		
2-12	Role of the highest governance body in overseeing the management of impacts	90, 122, 128		
2-13	Delegation of responsibility for managing impacts	90, 122, 128		
2-14	Role of the highest governance body in sustainability reporting	83, 90, 91		
2-15	Conflicts of interest	90		
2-16	Communication of critical concerns	122, 126, 128		
2-17	Collective knowledge of the highest governance body	90, 91		
2-18	Evaluation of the performance of the highest governance body	90, 91		
2-19	Remuneration policies	90	↗ Remuneration report	
2-20	Process to determine remuneration	90		

GRI standards and Disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
2-21	Annual total compensation ratio		In our opinion, this compensation indicator is not meaningful in terms of the fairness of remuneration. As the business activities in the Salzgitter Group are heavily diversified, a purely relative value – such as the ratio of the annual remuneration of the highest paid employee to the median of the total annual remuneration of all employees – does not adequately reflect this state of affairs. We do not, therefore, collect data for this indicator.	
	Strategies, directives and practices			Environment, employees, social matters, human rights, combating corruption and bribery
2-22	Statement on sustainable development strategy	86, 87, 125	↗ Commitment to Sustainability	
2-23	Policy commitments	121 – 125		
2-24	Embedding policy commitments	121, 122, 125		
2-25	Processes to remediate negative impacts	121, 122, 126		
2-26	Mechanisms for seeking advice and raising concerns	121, 122, 126		
2-27	Compliance with laws and regulations	122, 124 - 126		
2-28	Membership associations	122, 129		
	Inclusion of stakeholders			Employees, social matters
2-29	Approach to stakeholder engagement	88, 92, 110, 114		
2-30	Collective Bargaining (9.8)	110, 114, 115		
	Material topics 2021			
3-1	Process to determine material topics	91 - 93		
3-2	List of material topics	92		

GRI standards and Disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
3-3	Management approach Economic Performance 2016	98		
201-2	Financial implications and other risks and opportunities due to climate change	98		
201-3	Defined benefit plan obligations and other retirement plans	114	→ 2022 AR, Note (27) of the Notes: "Provisions for pensions and other obligations"	
3-3	Management approach Anti-corruption 2016	125-127		Combating corruption and bribery
205-1	Operations assessed for risks related to corruption	125 - 127		
205-2	Communication and training about anti-corruption policies and procedures	127		
205-3	Confirmed incidents of corruption and actions taken	126		
3-3	Management approach Anti-competitive behavior 2016	125 - 127		Combating corruption and bribery
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	126		
3-3	Management approach Materials 2016	94, 96		Environment
301-1	Materials used by weight or volume	96		
301-2	Recycled input materials used	96		
3-3	Management approach Energy 2016	94, 95, 98, 99		Environment
302-1	Energy consumption within the organization	99		
302-4	Reduction of energy consumption	98, 99		
3-3	Management approach Water and Effluents 2018	94, 95		Environment
303-1	Interaction with water as a shared resource	95, 96		
303-3	Water withdrawal	95		
303-4	Water discharge	95		
303-5	Water consumption	95		
3-3	Management approach Emissions 2016	94, 95, 97 - 99		Environment
305-1	Direct (Scope 1) GHG emissions	97, 98		
305-2	Energy indirect (Scope 2) GHG emissions	97, 98		
305-3	Other indirect (Scope 3) GHG emissions	97, 98		
305-5	Reduction of GHG emissions	99		
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	97		

GRI standards and Disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
3-3	**Management approach Waste 2020**	94, 96, 97		Environment
306-1	Waste generation and significant waste-related impacts	97		
306-2	Management of significant waste-related impacts	95, 96		
306-3	Waste generated	97		
306-4	Waste diverted from disposal	97		
306-5	Waste directed to disposal	97		
3-3	**Management approach Employment 2016**	110, 111		
401-1	New employee hires and employee turnover	112		
3-3	**Management approach Occupational Health and Safety 2018**	110, 117 - 119		Employees
403-1	Occupational health and safety management system	119		
403-2	Hazard identification, risk assessment, and incident investigation	118		
403-3	Occupational health services	119		
403-4	Worker participation, consultation, and communication on occupational health and safety	119		
403-5	Worker training on occupational health and safety	118		
403-6	Promotion of workers health	119		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	121		
403-8	Workers covered by an occupational health and safety management system	118		
403-9	Work-related injuries	118		
3-3	**Management approach Training and Education 2016**	110, 115 - 117		Employees
404-1	Average hours of training per year per employee	116		
404-2	Programs for upgrading employee skills and transition assistance programs	116, 117		
3-3	**Management approach Diversity and Equal Opportunity 2016**	110, 113, 114		Employees
405-1	Diversity of governance bodies and employees	111, 112		
3-3	**Management approach Non-discrimination 2016**	110, 113, 114		Employees
406-1	Incidents of discrimination and corrective actions taken		No data were collected in the reporting period	

GRI standards and Disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
3-3	**Management approach Supplier Social Assessment 2016**	110		Human rights
414-1	New suppliers that were screened using social criteria		No data were collected in the reporting period	
414-2	Negative social impacts in the supply chain and actions taken		No data were collected in the reporting period	

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In € million	Note	2022	2021
Sales	[1]	12,553.3	9,767.4
Changes in inventories/other own work capitalized		249.9	522.9
Overall performance		12,803.2	10,290.4
Other operating income	[2]	984.8	548.5
Cost of materials	[3]	8,639.4	6,746.1
Personnel expenses	[4]	1,883.4	1,769.7
Amortization and depreciation of intangible assets and property, plant and equipment	[5]	306.4	508.4
Other operating expenses	[6]	1,821.5	1,222.4
Result from impairment losses and reversal of impairment losses of financial assets		–12.9	1.8
Income from shareholdings		2.6	–0.0
Result from investments accounted for using the equity method	[13]	184.6	159.5
Finance income		12.7	15.3
Finance expenses		78.7	63.0
Earnings before tax		1,245.4	705.7
Income tax	[7]	160.0	119.6
Consolidated result		1,085.4	586.1
Consolidated net result due to Salzgitter AG shareholders		1,081.5	581.1
Minority interest in consolidated net result		3.9	5.0

Appropriation of profit in € million	Note	2022	2021
Consolidated result		1,085.4	586.1
Profit carried forward from the previous year		45.1	–
Minority interest in consolidated net result		3.9	5.0
Dividend payment		–40.6	–
Change in retained earnings		–1,025.9	–536.0
Unappropriated retained earnings of Salzgitter AG	[25]	60.1	45.1
Earnings per share (in €) – basic	[8]	20.00	10.74
Earnings per share (in €) – diluted	[8]	–	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € million	Note	2022	2021
Consolidated result		1,085.4	586.1
Recycling			
Changes in value from currency translation		9.2	17.5
Changes in value from cash flow hedges	[35]	60.2	85.6
Changes in fair value		74.5	86.1
Recognition with effect on income		15.7	37.4
Deferred tax		–30.0	–37.9
Changes in the value of investments accounted for using the equity method	[13]	34.3	–3.5
Changes in fair value (in particular cash flow hedges)		30.7	–14.0
Currency translation		7.0	8.5
Deferred taxes		–3.5	2.0
Deferred taxes on other changes with no effect on income		0.6	–0.7
		104.3	98.8
Non-recycling			
Changes in equity for financial equity instruments valued with no effect on income	[35]	0.5	–3.8
Changes in fair value		0.5	–3.8
Deferred taxes		0.0	–0.0

In € million	Note	2022	2021
Remeasurements		380.2	40.4
Remeasurement of pensions	[27]	516.7	77.6
Deferred taxes		–136.4	–37.1
Currency translation		–0.1	–0.1
Changes in the value of investments accounted for using the equity method	[13]	41.0	20.8
Changes in fair value		5.2	9.4
Remeasurement of pensions		59.3	11.9
Currency translation		0.0	0.0
Deferred taxes		–23.5	–0.4
		421.7	57.4
Other comprehensive income		526.0	156.3
Total comprehensive income		1,611.4	742.3
Total comprehensive income due to Salzgitter AG shareholders		1,607.3	737.3
Total comprehensive income due to minority interest		4.1	5.0

CONSOLIDATED BALANCE SHEET

Assets in € million	Note	2022/12/31	2021/12/31
Non-current assets			
Intangible assets	[9]	205.5	216.5
Property, plant and equipment	[10]	2,211.0	2,051.4
Investment property	[11]	78.1	79.5
Financial assets	[12]	38.3	51.4
Investments accounted for using the equity method	[13]	1,565.3	1,327.8
Trade receivables	[16]	3.5	8.3
Other receivables and other assets	[18]	15.7	21.6
Income tax assets	[19]	–	1.9
Deferred income tax assets	[14]	392.6	491.8
		4,510.0	4,250.1
Current assets			
Inventories	[15]	3,474.3	3,123.3
Trade receivables	[16]	1,543.8	1,452.8
Contract assets	[17]	318.3	323.0
Other receivables and other assets	[18]	217.9	296.7
Income tax assets	[19]	23.6	17.0
Securities	[20]	0.0	49.7
Cash and cash equivalents	[21]	988.4	741.8
Assets held for sale	[22]	27.1	0.5
		6,593.3	6,004.7
Total assets		11,103.3	10,254.9

Equity and liabilities in € million	Note	2022/12/31	2021/12/31
Equity			
Subscribed capital	[23]	161.6	161.6
Capital reserve	[24]	257.0	257.0
Retained earnings		4,585.7	3,170.3
Other reserves		145.5	82.0
Unappropriated retained earnings	[25]	60.1	45.1
Subtotal		5,209.9	3,716.0
Treasury shares		–369.7	–369.7
Amount due to Salzgitter AG shareholders		4,840.2	3,346.3
Minority interest		10.2	10.7
		4,850.4	3,357.0
Non-current liabilities			
Provisions for pensions and similar obligations	[27]	1,618.8	2,178.6
Deferred income tax liabilities	[14]	195.2	147.1
Income tax liabilities	[19]	33.5	25.7
Other provisions	[28]	272.3	267.5
Financial liabilities	[29]	579.3	621.5
Other liabilities		5.2	6.6
		2,704.3	3,247.0
Current liabilities			
Other provisions	[28]	246.2	263.1
Financial liabilities	[30]	1,119.1	893.2
Trade payables		1,331.8	1,728.9
Contract liabilities	[31]	412.3	353.8
Income tax liabilities	[19]	51.2	36.1
Other liabilities	[32]	380.9	375.6
Liabilities associated with assets held for sale	[22]	7.2	–
		3,548.7	3,650.7
Total assets		11,103.3	10,254.9

CONSOLIDATED STATEMENT OF CASH FLOWS

In € million	2022	2021
Earnings before taxes	1,245.4	705.7
Depreciations and impairment (+) / (-) of non-current assets	306.0	507.6
Income tax paid (–) / refunded (+)	–102.3	–54.9
Other non-cash expenses (+) / income (–)	21.8	33.3
Interest expenses	78.7	62.7
Gain (–) / loss (+) from the disposal of non-current assets	5.7	–14.4
Increase (–) / decrease (+) in inventories	–352.8	–1,173.2
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–47.2	–576.9
Use of provisions affecting payments, excluding use of tax provisions	–236.1	–199.5
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	–322.6	1,039.0
Cash inflow from operating activities	**596.5**	**329.4**

In € million	2022	2021
Cash inflow from the disposal of non-current assets	11.4	24.6
Cash outflow for investments in intangible assets and property, plant and equipment	–442.5	–343.4
Cash inflow from investments of funds	50.0	–
Cash outflow for financial investments	–	–50.0
Cash inflow from the disposal of other non-current assets	14.7	8.9
Cash outflow for investments in other non-current assets	–1.3	–6.7
Cash outflow from investment activities	**–367.7**	**–366.6**
Cash outflow in payments to company owners	–40.6	–
Deposits from taking out loans and other financial debts	1,137.5	503.8
Repayment of loans and other financial liabilities	–993.2	–300.8
Interest paid	–92.4	–56.7
Cash flow from financing activities	**11.3**	**146.3**
Cash and cash equivalents at the start of the period	741.8	621.4
Cash and cash equivalents relating to changes in the consolidated group	0.5	–
Gains and losses from changes in foreign exchange rates	5.9	11.3
Payment-related changes in cash and cash equivalents	240.1	109.1
Cash and cash equivalents at the end of the period	**988.4**	**741.8**

For information on the composition of cash and cash equivalents, please refer to Note 21 → Cash and Cash Equivalents.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Other reserves from				Unappropriated retained earnings	Share of the Salzgitter AG shareholders	Minority interest	Equity
In € million					Currency translation	Cash flow hedges	Equity instruments measured at fair value without effect on the income	Investments accounted for using the equity method				
Note	[23]	[24]				[35]	[35]	[13]	[25]			
As of 2021/1/1	161.6	257.0	-369.7	2,594.5	-33.9	18.5	18.8	23.1	0.0	2,669.8	9.1	2,678.9
Consolidated result	–	–	–	–	–	–	–	–	581.1	581.1	5.0	586.1
Other comprehensive income	–	–	–	39.7	17.4	85.6	-3.8	17.3	–	156.2	-0.0	156.2
Total comprehensive income	–	–	–	39.7	17.4	85.6	-3.8	17.3	581.1	737.3	5.0	742.3
Basis adjustments	–	–	–	–	–	-61.1	–	–	–	-61.1	–	-61.1
Dividend	–	–	–	–	–	–	–	–	–	–	-3.4	-3.4
Change in retained earnings	–	–	–	536.0	–	–	–	–	-536.0	–	–	–
Other	–	–	–	0.3	–	–	–	–	–	0.3	–	0.3
As of 2021/12/31	161.6	257.0	-369.7	3,170.4	-16.5	42.9	15.0	40.5	45.1	3,346.3	10.7	3,357.0
Consolidated result	–	–	–	–	–	–	–	–	1,081.5	1,081.5	3.9	1,085.4
Other comprehensive income	–	–	–	380.6	9.3	60.2	0.5	75.2	–	525.8	0.2	526.0
Total comprehensive income	–	–	–	380.6	9.3	60.2	0.5	75.2	1,081.5	1,607.3	4.1	1,611.4
Basis adjustments	–	–	–	–	–	-81.6	–	–	–	-81.6	–	-81.6
Dividend	–	–	–	–	–	–	–	–	-40.6	-40.6	-4.6	-45.1
Change in retained earnings	–	–	–	1,025.9	–	–	–	–	-1,025.9	–	–	–
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	8.2	–	–	–	–	–	8.2	–	8.2
Other	–	–	–	0.6	–	–	–	–	–	0.6	–	0.6
As of 2022/12/31	161.6	257.0	-369.7	4,585.7	-7.2	21.5	15.5	115.7	60.1	4,840.2	10.2	4,850.4

NOTES

SEGMENT REPORTING

	Steel Production[1]		Steel Processing[1]		Trading		Technology		Total segments		Reconciliation[1]		Group	
In € million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External sales	4,262.7	3,127.0	2,105.9	1,509.8	4,580.9	3,603.1	1,429.9	1,360.5	12,379.4	9,600.4	173.9	166.9	12,553.3	9,767.4
Sales to other segments	1,542.8	1,160.7	944.6	561.0	70.4	51.5	1.0	0.8	2,558.8	1,774.1				
Sales to group companies that are not allocated to an operating segment	5.2	3.7	225.0	224.2	0.1	0.1	–	–	230.3	228.0				
Segment sales	5,810.7	4,291.4	3,275.5	2,295.0	4,651.3	3,654.8	1,430.9	1,361.3	15,168.5	11,602.5				
Interest income (consolidated)	0.3	0.2	1.7	1.0	4.1	2.1	2.8	3.7	8.9	7.0	3.5	8.2	12.4	15.3
Interest income from other segments	0.0	–	–	–	–	–	–	–	0.0	–				
Interest income from group companies that are not allocated to an operating segment	18.4	1.6	4.8	4.7	14.3	15.3	1.7	2.1	39.2	23.7				
Segment interest income	18.7	1.8	6.5	5.6	18.3	17.5	4.5	5.8	48.1	30.7				
Interest expenses (consolidated)	19.0	12.0	7.1	6.7	26.3	11.7	2.3	2.4	54.7	32.8	23.9	30.0	78.7	62.7
Interest expenses to other segments	–	–	–	–	0.0	–	–	–	0.0	–				
Interest expenses from group companies that are not allocated to an operating segment	6.1	5.1	11.2	5.9	0.3	0.1	1.2	0.9	18.8	12.1				
Segment interest expenses	25.1	17.1	18.2	12.6	26.6	11.9	3.5	3.3	73.5	44.8				
Scheduled depreciation of property, plant and equipment and amortization of intangible assets (excluding impairment costs in accordance with IAS 36)	149.0	146.9	55.0	71.9	16.6	16.2	29.8	27.5	250.4	262.4	36.1	37.7	286.5	300.1
Impairment of tangible and intangible assets (according to IAS 36)	–	–	19.9	200.1	–	–	–	–	19.9	200.1	–	8.2	19.9	208.3
Segment earnings before taxes	790.9	494.9	86.2	-308.5	243.1	352.5	48.0	59.2	1,168.2	598.2	77.1	107.5	1,245.4	705.7
of which resulting from investments accounted for using the equity method	–	–	27.7	-58.2	–	–	–	–	27.7	-58.2	156.8	217.7	184.6	159.5
Material non-cash items	47.7	75.4	54.9	51.7	9.7	16.6	23.4	16.3	135.7	160.0	18.9	29.0	154.6	189.0
Investments in property, plant and equipment and intangible assets	293.3	177.5	83.7	109.6	31.3	15.3	28.5	29.5	436.9	331.8	37.7	35.3	474.5	367.1

[1] Adjustment of the previous year's figures due to the new Group structure

For further information, please refer to Note 37 → **Notes to the Segment Reporting**. This section also includes notes on the reconciliation.

ANALYSIS OF FIXED ASSETS 2022

In € million	Acquisition and production costs						Valuation allowances						Book values	
	2022/1/1	Currency translation differences	Additions	Disposals	Transfers to other accounts	2022/12/31	2022/1/1	Currency translation differences	Depreciation in the financial year[1]	Disposals	Transfers to other accounts	2022/12/31	2022/12/31	2021/12/31
Intangible assets														
Purchased concessions, brand names, industrial property rights plus licenses and emission rights	441.8	0.2	12.1	-32.7	6.9	428.3	-255.0	-0.1	-24.4	16.7	–	-262.9	165.4	186.7
Payments on account	32.5	-0.0	15.4	-0.0	-5.0	42.9	-2.8	0.0	-0.1	–	–	-2.8	40.1	29.7
	474.3	0.2	27.5	-32.8	2.0	471.2	-257.8	-0.1	-24.4	16.7	–	-265.7	205.5	216.5
Property, plant and equipment														
Land, similar rights and buildings, including buildings on land owned by others	1,977.4	2.1	29.3	-10.6	26.8	2,028.8	-1,197.8	-0.7	-43.7	9.4	–	-1,233.5	795.2	779.6
Plant equipment and machinery	7,122.6	6.3	165.7	-117.9	177.5	7,356.8	-6,217.0	-3.6	-196.1	106.9	-0.1	-6,311.0	1,045.8	905.6
Other equipment, plant and office equipment	519.9	0.1	44.3	-27.3	6.4	543.6	-424.1	-0.0	-40.8	26.0	0.1	-439.1	104.5	95.8
Payments made on account and equipment under construction	282.7	0.3	207.7	-0.3	-212.6	277.8	-12.3	–	–	–	–	-12.3	265.5	270.4
	9,902.5	8.8	447.1	-156.1	-2.0	10,206.9	-7,851.2	-4.3	-280.5	142.3	–	-7,995.9	2,211.0	2,051.4
Investment property	100.2	–	–	–	–	100.2	-20.6	–	-1.5	–	–	-22.1	78.1	79.5
	10,477.0	8.9	474.5	-188.9	–	10,778.2	-8,129.6	-4.4	-306.4	159.0	–	-8,283.7	2,494.6	2,347.4

[1] Impairment (unscheduled amortization and depreciation) under this item is summarized under note 5.

ANALYSIS OF FIXED ASSETS 2021

In € million	Acquisition and production costs						Valuation allowances						Book values	
	2021/1/1	Currency translation differences	Additions	Disposals	Transfers to other accounts	2021/12/31	2021/1/1	Currency translation differences	Deprecia-tion in the financial year	Disposals	Transfers to other accounts	2021/12/31	2021/12/31	2020/12/31
Intangible assets														
Purchased concessions, brand names, industrial property rights plus licenses and emission rights	454.3	0.3	8.7	-29.7	8.1	441.8	-253.0	-0.2	-17.3	15.4	0.1	-255.0	186.7	201.2
Payments on account	24.6	0.0	15.3	–	-7.5	32.5	-2.8	–	–	–	–	-2.8	29.7	21.8
	478.9	**0.3**	**24.1**	**-29.7**	**0.7**	**474.3**	**-255.8**	**-0.2**	**-17.3**	**15.4**	**0.1**	**-257.8**	**216.5**	**223.1**
Property, plant and equipment														
Land, similar rights and buildings, including buildings on land owned by others	1,927.6	5.3	18.3	-15.0	41.2	1,977.4	-1,141.1	-1.6	-64.0	9.8	-0.9	-1,197.8	779.6	786.5
Plant equipment and machinery	6,934.2	8.3	147.6	-94.9	127.3	7,122.6	-5,923.4	-4.7	-381.4	91.6	1.0	-6,217.0	905.6	1,010.8
Other equipment, plant and office equipment	512.9	1.3	37.7	-34.5	2.4	519.9	-411.7	-0.9	-44.2	33.4	-0.5	-424.1	95.8	101.2
Payments made on account and equipment under construction	314.3	0.5	139.5	-0.3	-171.3	282.7	-12.4	–	–	–	0.1	-12.3	270.4	301.9
	9,689.0	**15.4**	**343.1**	**-144.6**	**-0.4**	**9,902.5**	**-7,488.5**	**-7.2**	**-489.6**	**134.7**	**-0.4**	**-7,851.2**	**2,051.4**	**2,200.5**
Investment property	100.7	–	–	-0.6	0.1	100.2	-19.2	–	-1.5	–	0.0	-20.6	79.5	81.5
	10,268.6	**15.7**	**367.1**	**-174.8**	**0.3**	**10,477.0**	**-7,763.5**	**-7.4**	**-508.4**	**150.1**	**-0.3**	**-8,129.6**	**2,347.4**	**2,505.0**

PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are based on the audited financial statements of the ultimate parent company Salzgitter AG (SZAG) as well as the largely audited statements of the companies to be included in these financial statements. SZAG is entered in the Commercial Register at Braunschweig Local Court, Germany, under HRB 9207 and has its headquarters in Salzgitter. The Group's business covers the production and further processing of rolled steel and tube products, trading in such products as well as the construction of special machinery and systems. The address of the SZAG Executive Board is Eisenhüttenstraße 99, 38239 Salzgitter, Germany.

The accounting rules of the International Accounting Standards Board (IASB) that are mandatory in the European Union as of the balance sheet date, as well as the supplementary rules of Section 315a (1) German Commercial Code (HGB) are authoritative for the preparation of SZAG's consolidated financial statements. These rules, together with the interpretations based on them, constitute the foundation for the accounting and valuation principles that must be applied uniformly throughout the Group. All of the requirements set down in these standards were fulfilled, with the result that the consolidated financial statements were prepared in compliance with the applicable accounting rules (IFRS). The consolidated financial statements of SZAG are prepared in euros. Unless otherwise indicated, the amounts are stated in millions of euros (€ m). As a result, there may be deviations from the unrounded amounts.

On December 8, 2022, the Executive Board and the Supervisory Board issued the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the company's website (↗ Declaration of Conformity). The Declaration of Conformity is also printed in the → **Corporate Governance Statement** section of the Annual Report.

The consolidated financial statements and the Group management report were approved by the Executive Board on March 23, 2023, for submission to the Supervisory Board. They will then be published in the German Federal Gazette.

ACCOUNTING AND VALUATION PRINCIPLES

EFFECTS OF STANDARDS APPLIED FOR THE FIRST TIME OR AMENDED STANDARDS

Standards / Interpretation		Mandatory date in financial year	Adoption by EU Commission	Effects
IAS 37	Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract	2022	yes	none
IAS 16	Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	2022	yes	none
IFRS 1	AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	2022	yes	none
IFRS 3	Business Combinations - Reference to the Conceptual Framework	2022	yes	none
IFRS 9	AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	2022	yes	none
IAS 41	IP IAS 41 Agriculture – Taxation in fair value measurements	2022	yes	none

The recognition of provisions for contingent losses already complied with the requirements specified in the amendments to IAS 37 as the Group had already made the allocation to overheads on the basis now clarified.

LIKELY EFFECTS OF NEW AND / OR AMENDED STANDARDS TO BE APPLIED IN THE FUTURE

Standards / Interpretation		Mandatory date in financial year	Adoption by EU Commission	Likely effects
IFRS 17	Insurance Contracts	2023	yes	none
IAS 8	Definition of Accounting Estimates – Amendments	2023	yes	none
IAS 1	Disclosure of Accounting Policies - Amendments	2023	yes	Notes
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023	yes	none
IFRS 16	Lease Liability in a Sale-and-Lease Back - Amendments	2024	no	none
IAS 1	Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	2024	no	no material effects

CONSOLIDATION PRINCIPLES AND METHODS

SUBSIDIARIES

All of the material subsidiaries are fully integrated into the consolidated financial statements. Subsidiaries are commercial entities over which SZAG, in accordance with IFRS 10, has indirect or direct power of disposition (control) and consequently receives both positive and negative variable returns whose amounts can be influenced by the power of disposition.

These subsidiaries are included fully in the consolidated financial statements as of the time when the possibility of being controlled commences. Changes in SZAG's ownership interest in a subsidiary that do not lead to a cessation of control are shown in the balance sheet as equity transactions. If the potential for control of a subsidiary by the Group ceases, that entity is excluded from the consolidated group.

Capital consolidation is carried out by setting off the acquisition cost of the shareholding against the proportionate amount of the newly valued equity at the time when the subsidiary was purchased. Intercompany sales, expenses, and income are eliminated within the scope of consolidation, while receivables and liabilities between the companies included in the financial statements are eliminated within the scope of debt consolidation. Intercompany results deriving from intercompany deliveries and services are eliminated with effect on income, taking deferred taxes into account. Minority interest in the consolidated companies is reported separately within equity (minority interest).

JOINT ARRANGEMENTS

Arrangements in which SZAG contractually exercises the management functions together with one or more partner entities are classified as joint arrangements in accordance with IFRS 11. In accounting for the joint arrangements in the balance sheet, a distinction is made between joint ventures and joint operations.

The distinction depends on the rights and obligations of the parties. Joint operations are characterized by the fact that the parties possess rights to the assets and have obligations for the liabilities in the arrangement, whereas the parties to joint ventures possess rights to the net assets in the arrangement. Joint ventures are accounted for using the equity method, while joint operations are included proportionally in the consolidated financial statements (proportional application of the consolidation rules).

ASSOCIATED COMPANIES

According to IAS 28, moreover, those participating interests in associated companies in which SZAG is able to participate in the respective financial and business strategy decisions, but where neither control nor joint management applies (significant influence), are accounted for using the equity method.

The times of admission into and departure from the group of consolidated companies accounted for using the equity method are determined by applying the same principles that are used for subsidiaries. The associated companies are reported using the revaluation method with their proportionate equity at the time of acquisition. As a general rule, the equity valuation is based on the last audited annual financial statements or consolidated financial statements, in the case of a financial year that diverges from the consolidated financial statements, the (consolidated) interim financial statements as of December 31.

SHAREHOLDINGS

If SZAG is unable either to exercise significant influence or to participate in the respective financial and business strategy decisions, the shares in the company are accounted for at their fair value as financial assets in accordance with IFRS 9.

CONSOLIDATED GROUP

In addition to the annual financial statements of the parent company, the consolidated financial statements include the annual financial statements of 52 (previous year: 55) domestic and 64 (previous year: 61) foreign affiliated companies. The change in the number of domestic companies is the result of mergers of consolidated companies. The financial year of SZAG and its subsidiaries included in the consolidated financial statements corresponds to the calendar year.

A total of six (previous year: six) domestic and nine (previous year: twelve) foreign subsidiaries have still not been consolidated due to their minor overall significance for the Group's net assets, financial position and results of operations, but shown as other non-current financial assets. Most of these companies are non-operational shell or holding companies and very small marketing or real estate companies.

As in the previous year, one domestic company is being included proportionally in the consolidated financial statements as a joint operation. The company in question is Hüttenwerke Krupp Mannesmann GmbH (HKM), Duisburg, in which Salzgitter Mannesmann GmbH has a 30 % participating interest. HKM's commercial activities consist in supplying the partners with input material. For this reason, HKM's operating result is dependent in particular on orders from the partners, with the result that they also assume the rights to the assets and the obligations for the liabilities.

Salzgitter Mannesmann GmbH continues to hold an interest of 29.99 % in Aurubis AG, relative to the total number of outstanding shares. As an affiliated company, Aurubis AG is accounted for by the equity method. For the purposes of group accounting, the share of equity is allocated taking account of Aurubis' treasury shares which reduce its equity. As of the reporting date, the equity portion is thus 30.89 %. This share did not change during the year. There are no commercial relationships of a substantial nature between the groups. Salzgitter Mannesmann GmbH has a 50 % participating interest in EUROPIPE GmbH, Mülheim an der Ruhr. As both owners of EUROPIPE GmbH run the company jointly and have a contractual share in its net assets, this constitutes a joint venture. The EUROPIPE Group is therefore also accounted for using the equity method. The EUROPIPE Group procures input material from the Salzgitter Group. In addition, Wohnungsbaugesellschaft mit beschränkter Haftung Salzgitter, Salzgitter, whose business purpose consists of the construction, administration and management of real estate, and the holding in the Turkish pipe manufacturer Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul, are accounted for by the equity method. Salzgitter Mannesmann GmbH holds participating interests in these companies of 25.05 % and 23.00 % respectively. Companies in the Salzgitter Group maintain business relationships of minor significance with the two companies.

As part of SZAG's annual financial statements and consolidated financial statements, a list of its entire shareholdings pursuant to Sec. 285 No. 11 HGB can accessed on the ↗ electronic company register as well as under ↗ Financial reports.

CURRENCY TRANSLATION

In the individual annual financial statements of the Group companies, business transactions in foreign currencies are valued at the exchange rate prevailing at the time when they were first recorded. Exchange gains and losses incurred due to the valuation of receivables and / or liabilities up to the reporting date are taken into consideration and impact the profit and loss.

Annual financial statements are prepared in the functional currency of the individual company. A company's functional currency is defined as the currency of the economic environment in which it primarily operates. With the exception of a few companies, the functional currencies of subsidiaries correspond to the currency of the country in which the relevant subsidiary has its head office.

Assets and liabilities are translated at the exchange rates prevailing on the reporting date; the positions in the income statement are translated at the annual average exchange rate. The resulting differences are reported in the currency translation reserve in equity without effect on income until such time as the subsidiary is sold.

A similar approach is adopted when translating equity rollover for foreign companies that are included in the consolidated financial statements using the equity method. Differences from the previous year's translation are reported in other reserves with no effect on income. Income and expenses are translated at annual average exchange rates, while changes in reserves are translated at the rate prevailing on the reporting date.

ESTIMATES AND ASSUMPTIONS

When the consolidated financial statements were being prepared, estimates and assumptions were made that impacted the amounts and reporting of the assets and liabilities, the earnings and expenditure and the contingent liabilities that are included in the balance sheet. All estimates and assumptions were made in a way that conveys a true and fair picture of the Group's net assets, financial position and results of operations. The actual values may deviate from the assumptions and estimates in individual cases. Deviations of this kind are accounted for as of the time when better knowledge becomes available. Significant estimates and assumptions are used primarily for the following items explained below: "Impairment of intangible assets, property, plant and equipment, investments in companies accounted for by using the equity method and investment property", "Impairment of financial instruments", "Inventories", "Recognition of sales", "Income taxes", "Provision for pensions and similar obligations" as well as "Provisions for typical operational and other risks".

IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, SHARES IN EQUITY-ACCOUNTED COMPANIES AND INVESTMENT PROPERTY

As of every balance sheet date, the Group must estimate whether there is any concrete indication that the carrying amount of an intangible asset, tangible fixed asset, shares in equity-accounted companies or property held as a financial investment could be impaired. Should this be the case, the recoverable amount of the asset in question or the cash generating unit is estimated using recognized measurement methods. The recoverable amount is either the fair value less selling costs or the value in use, whichever is higher. The calculation is basically made at fair value less selling costs. To determine the value in use in this context, the discounted future cash flows of the asset in question must be determined. The estimate of the discounted future cash flows is based on fundamental assumptions concerning, for example, future selling prices and selling volumes, costs and discount rates. Comparable estimates arise with purchase price allocations in acquisitions. As part of the impairment test, models are run for the cash-generating entity Salzgitter Flachstahl as well as for Hüttenwerke Krupp Mannesmann including the possible effects of CO_2 emissions. The underlying estimates and assumptions take account of future price trends for CO_2 certificates, the likely CO_2 allocation quotas as well as their effect on sales prices. In the case of Salzgitter Flachstahl GmbH, the investment costs to be expected in connection with the SALCOS® project are also taken into account as part of the valuation and external support assumed for the implementation of low CO_2 steel production (for example, in the form of government subsidies). In March, new developments relating to the expected project budget were presented at an extraordinary meeting of the Supervisory Board. As planned, a resolution on this was not planned until the regular Supervisory Board meeting on March 23, after the consolidated financial statements had been certified. Irrespective of the decision of the Supervisory Board, the new findings have been taken as a precautionary measure to review the impairment test for this investment, taking into account the new premises. It is also assumed that future increases in production costs for other reasons (for example, rising energy prices) will be largely passed on in product sales prices.

Supplementary scenario analyses were carried out as part of this year's impairment tests. In particular, these are used to determine the potential effects of changes in energy prices as a result of the Russia-Ukraine conflict. The economic sanctions imposed by the EU on Russia and vice versa, on the other hand, have no significant negative effects on our business models. On the contrary, restricted competition on the plate market caused by the sanctions and unusually high demand for strip steel led to unexpectedly positive results in the short term.

Due to these partially new circumstances, the impact on earnings resulting from expected price changes in the main input materials (iron ore, coking coal and scrap) and the energy sources of electricity and gas was determined for the main cash-generating units and their effect on fair value measured. According to this analysis, the cash-generating units are to a large extent able to promptly pass on price changes due to their predominantly short-term delivery obligations. In the case of longer-term delivery commitments and substantial changes in prices, the aim is to minimize their impact on earnings by means of possible escape clauses in contracts and increasing use of price escalation clauses. In addition, cost benefits are achieved by the central procurement of electricity and gas and price fluctuations reduced by concluding forward contracts. On the basis of historically observable, regular market conditions, the price changes assumed did not lead to any substantial, lasting change in fair value for the cash-generating units under consideration.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

With regard to the assessment of the impairment of financial instruments for which there is no active market, alternative actuarial assessment methods are used. The parameters taken into consideration in determining the fair value are based partly on forward-looking assumptions. Further comments can be found in the section → **Financial assets – categorization and measurement** as well as in Note 35 → **Financial instruments**.

External and internal credit ratings are used to assess any impairment of receivables and contract assets in accordance with the expected losses model. The parameters on which the determination of credit ratings is based partially on forward-looking assumptions. Further comments can be found in the section → **Financial assets – accounting treatment of impairment losses** as well as in Note 35 → **Financial instruments**.

INVENTORIES

If it is discernible on the reporting date that pending sales contracts are likely to result in imminent losses and the semi-finished goods for such orders are included in inventories on the reporting date, the inventories are written down accordingly. To determine the need for a writedown, the realizable net sales prices are deducted from the production costs and the difference recognized as a writedown. The probable full order-related costs (unavoidable costs) are used as the production costs. Due to production still outstanding in some cases as of the reporting date, estimates have to be made, particularly with regard to the actual costs such as raw materials or energy. Some of the sales contracts also contain variable price components which can only be calculated after production.

REVENUE RECOGNITION

Ascertaining the progress made so far in order to account for existing orders for the manufacture of machines and technical systems necessitates a precise estimate of the total costs of the contract, the costs still to be incurred before completion, total revenues from the contract, the risks associated with the contract and other assumptions. Estimates with respect to revenues, costs or progress of the contract are corrected if circumstances change. Any resulting increases or decreases in the estimated revenues or costs are recognized in profit and loss at the time when management becomes aware of the circumstances giving rise to the correction. For further estimates and assumptions in revenue recognition, please refer to the explanations in → **Revenue recognition**.

TAXES ON INCOME

As the Group operates and generates income in numerous countries, it is subject to an extremely wide variety of tax laws under a multiplicity of taxation authorities. To ascertain the Group's tax liabilities worldwide, a number of fundamental assessments must therefore be made. The carrying of potential tax risks in the Group as a liability is effected on the basis of the best possible estimate.

Provisions are formed for potential income tax back payments from preceding years with associated interest. The Salzgitter Group is continually audited by the local tax authorities. Ongoing changes to tax laws, tax case law and its interpretation by the national tax authorities can result in discrepancies between the actual taxes to be paid and the estimates and expectations formed in the financial statements. Measurement of the provision for income tax is based on the most likely value at which an uncertain event may be realized. The Salzgitter Group decides whether to show several tax uncertainties individually or as a group in each instance on the basis of which presentation is better suited to estimating the risk. From a tax perspective, the Salzgitter Group sees estimation uncertainties with regard to the timing of tax deductibility and the measurement of balance sheet items including provisions and capitalization and also off-balance sheet additions, for example, in the area of tax-related transfer pricing. Potential recourse to comparable market prices or similar accounting circumstances is subject to considerable uncertainty with regard to tax implications. The best possible estimate is made based on the facts known on the reporting date.

As of every balance sheet date, the Group, on the basis of a three-year planning period, assesses whether the realizability of future tax benefits is sufficiently probable for the reporting of deferred tax assets. Among other things, this requires management to assess the tax benefits that arise from the available tax strategies and future taxable income, and to take other positive and negative factors into account.

PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Pensions and other obligations are reported in the balance sheet in accordance with actuarial valuations. These valuations are based on statistical and other factors with a view to anticipating future events. These encompass actuarial assumptions such as interest rates, expected salary increases and mortality rates. Further explanations on the assessment of this provision can be found in Note 27 → **Provisions for pensions and similar obligations**.

PROVISIONS FOR OPERATIONAL AND OTHER RISKS

Any potential obligation is recognized taking account of its probability of occurrence. An amount is used to assess the obligation which matches the most likely scenario on the basis of the best possible estimates.

In determining obligations, assumptions must be made on future cash flows and, in the case of long-term obligations (particularly in the Steel Production Business Unit), also on cost increases. The actual figures may diverge from the assumptions made if the underlying conditions change against expectations on the reporting date. Deviations of this kind are accounted for in profit or loss as of the time when greater insight becomes available. If necessary, the facts of the matter are assessed with the help of external advisors. Further explanations and details on this can be taken from Note 28 → **Other provisions**.

IMPACT OF CLIMATE CHANGE

As a result of heightened social and political discussions surrounding the need for (tougher) climate protection measures, the Salzgitter Group sees itself exposed to new risks in the form of regulatory measures (for example, changes to CO_2 emissions trading) as well as a structural change in production methods with the aim of achieving a significant, long-term reduction in CO_2 emissions as our contribution towards climate protection. These risks may have an effect on the impairment of assets as the useful lives of property, plant and equipment have to be re-estimated or future cash flows are affected.

We regard the further development of the European greenhouse gas emissions trading system as a key regulatory measure. Detailed rules are still awaited but changes have already been announced by the EU Commission for the fourth trading period lasting up to and including 2030. As we acquired CO_2 certificates as a precautionary measure in earlier years, it should be possible to largely offset the estimated medium-term shortfall for SZAG's fully consolidated subsidiaries covered by emissions trading, after allocations. It will only be possible to be more specific once more detailed rules are in place for all aspects relevant to allocations and it becomes clear whether and to what extent the envisaged raising of the EU's climate target by 2030 is to impact the budget for free allocation. On this basis and due to the fact that our fully consolidated subsidiaries have plans in place to cover any shortfalls in CO_2 certificates, we are not expecting any relevant risk on average. If we assume that the underlying political framework will turn unfavorable, a requirement to buy further CO_2 certificates, no later than towards the end of the fourth trading period, cannot be ruled out on current assessments.

The change of production methods will make itself felt on an industrial scale, particularly with the implementation of SALCOS® (Salzgitter Low CO_2 Steelmaking). Implementation of the first development phase is scheduled to start at the end of 2025. In the following year (2026), 30 % of SZFG's primary steel production – over 1 million tons of steel – is set to be produced without the use of coking coal. Complete implementation is planned by 2033.

The long-term consequences of climate change on measurements and the regulatory requirements to which we are responding with our SALCOS® transformation project, were already included in earlier impairment tests. We currently see no additional effect on measurements resulting from the price increase in CO_2 certificates which is expected to be long-term as well as any possible requirement to purchase additional certificates at the end of the current trading period and after 2030 as, by comparison with the previous year, we were essentially able to retain our planning assumptions.

The successive conversion of the production process described above as a result of climate-related demands did not lead to any change in estimates of useful lives.

For further comments on the possible effects of expected price changes in the main input materials (iron ore, coking coal and scrap) as well as the energy sources of electricity and gas, please refer to Note 5 → **Amortization and depreciation and impairment losses on intangible assets and property, plant and equipment.**

INTANGIBLE ASSETS

Intangible assets acquired against payment are reported at acquisition cost and amortized on a straight-line basis over the period of their likely economic useful lives, generally between three and five years.

Intangible assets generated internally are capitalized if it is probable that their usefulness for the Group is reliable and if the acquisition or production costs can be measured with accuracy. The production costs of internally generated intangible assets are determined on the basis of directly attributable costs. Costs that are necessary for the creation, production and development of the asset so that it is in good operational condition for the purposes intended for it by the Group's management are included. These intangible assets are usually amortized over a period of five years.

The assets identified within the framework of the purchase price allocations are amortized regularly over periods of between ten and 26 years using the straight-line method.

Development costs are capitalized if a newly developed product or process can be clearly defined, is technically feasible and is intended for either the company's own use or for selling. Moreover, capitalization presupposes that development costs will with sufficient probability be covered by future inflows of cash and cash equivalents. The development process must be distinguished from a research phase. Development is the application of the research result and takes place before the start of commercial production or use. If the prerequisites for capitalization are not satisfied, the expenses are set off with effect on income in their year of origin.

The acquisition or production costs in question encompass all costs that are directly attributable to the development process, as well as similarly directly attributable parts of the development-related overheads. They are amortized from the start of production onward on a straight-line basis over the likely economic useful life of the developed asset models.

Rights to emit CO_2 are reported under intangible assets if the intention is to use emission rights for production purposes. The resulting expenses are recognized in cost of materials. Initial ownership of emission rights that were acquired gratuitously are recorded at an acquisition cost of € 0. Paid-for emission rights are reported at their acquisition cost.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at acquisition or production cost, less accumulated depreciation and impairment costs. Any investment grants received are shown as a reduction in the acquisition and production costs. The residual book values and the economic useful lives are examined on every reporting date and adjusted if necessary.

The production costs of internally generated intangible assets are determined on the basis of directly attributable costs.

The costs incurred by the regular maintenance and repair of property, plant and equipment are recognized as expenses. Renewal and maintenance expenses are capitalized as subsequent production costs only if they result in an extension of the useful life or an improvement or change in the use of the said property, plant and equipment.

Material components of property, plant and equipment that require replacement at regular intervals are capitalized as autonomous assets and depreciated over the course of their economic useful lives.

The scheduled straight-line depreciation is essentially based on the following economic useful lives:

Economic useful lives	
Buildings including investment property	10 to 50 years
Fixtures on properties	5 to 40 years
Technical machinery and equipment	5 to 33 years
Other equipment, factory and office equipment	3 to 20 years

LEASES

A right of use and lease liability are generally recognized for leases under IFRS 16.

Initial recognition of the lease liabilities assigned to financing liabilities is determined by the present value of the lease payments to be made. In the subsequent measurement, the carrying amount of the lease liability is compounded and reduced by the lease payments made with no effect on income. Lease payments include fixed payments (including de facto fixed payments) less any lease incentives to be received, variable lease payments linked to an index or interest rate and amounts that have to be paid as residual value guarantees. Lease payments also comprise the exercise price of a purchase option if it is regarded as reasonably certain that it will be exercised, and contractual penalties for terminating the lease if its term reflects the possibility that a termination option will be exercised. Variable payments not linked to an index or interest rate are recognized as expenses in profit and loss. In calculating the present value, the Salzgitter Group uses the incremental borrowing interest rate because the interest rate underlying the lease cannot be readily determined. To determine the incremental borrowing interest rate, reference interest rates are derived for a period of up to 30 years from the yields of corporate bonds for industrial companies from Europe which match the Salzgitter Group’s rating class. Country-specific circumstances are taken into account for foreign Group companies.

Rights of use shown in tangible assets are recognized at the cost of acquisition less cumulative depreciation as well as any necessary impairment. The cost of acquiring the right of use is determined by the present value of all future lease payments plus the lease payments made at or before the beginning of the lease term as well as the cost of concluding the contract and the estimated cost of dismantling or restoring the leased object. All lease incentives received are deducted. In this context, the Salzgitter Group makes use of its option to consider payments for non-lease components as lease payments as a general rule. Leases for property and vehicle fleets constitute an exception. If the lease payments to be taken into account also comprise the transfer of ownership of the underlying asset at the end of the lease term, including the exercise of a purchase option, amortization will be applied over the economic useful life. Otherwise, the right of use is amortized over the term of the lease.

During the term of the lease, the right of use must be amortized and the lease liability amortized by using the effective interest method and taking account of lease payments. Under IFRS 16, application relief is available for short-term and low-value leases which the Salzgitter Group takes advantage of and therefore does not recognize any right of use or liability for such leases. Lease payments in this respect are recognized as an expense in profit and loss. The option not to apply IFRS 16 to intangible assets is also taken into account.

In determining the term of contracts with options to extend or terminate, all facts and circumstances which offer a financial incentive to exercise extension options or not to exercise termination options are taken into account. Changes to terms resulting from the exercise and/or non-exercise of such options are only taken into account in the term of the contract if they are reasonably certain. Lease agreements for real estate and land, in particular, contain extension and termination options in the Salzgitter Group. For details of possible future lease payments for periods after the time when extension and termination options not reflected in the term of the lease will be exercised, please refer to Note 38 → Notes to Leases.

Lessors must classify leases as finance or operating leases on the basis of the distribution of opportunities and risks arising from the asset. In the case of an operating lease in the Salzgitter Group, the leased object is reported as an asset at amortized cost in tangible assets, and the lease installments collected shown under other operating income. With a finance lease, the asset is derecognized and shown instead under receivables at the level of the net investment value.

INVESTMENT PROPERTY

Investment property comprises property that is used to generate rental income or long-term value appreciation and not for production or administration purposes. This property is recognized at cost in accordance with IAS 40 taking into account unscheduled depreciation ("cost model").

FINANCIAL ASSETS – CATEGORIZATION AND MEASUREMENT

On initial recognition, a financial asset is classified for subsequent measurements as to be reported at "amortized cost", recognized "in profit or loss at its fair value" or "at its fair value with no effect on profit or loss".

CATEGORIZATION

BUSINESS MODEL CONDITION AND PAYMENT FLOW CONDITION

In accordance with IFRS 9, the categorization and measurement of financial assets are determined by the business model and the structure of the agreed payment flows. The financial instruments are allocated to different categories on the basis of these two conditions.

AT AMORTIZED COST

A financial instrument falls into the category of "at amortized cost" if the objective of the business model consists of holding a debt instrument in order to generate the contractual payment flows (for example, interest income), and at the same time, the terms of the contract lead to payment flows at certain defined times constituting payments of principal and interest.

RECOGNIZED AT FAIR VALUE IN PROFIT OR LOSS

A financial instrument falls into the category "at fair value recognized in profit or loss" if the objective of the business model consists of holding the debt instruments or equity instruments for the short term in order to realize price gains (business model condition), and in the case of debt instruments, interest payments and principal repayments are not exclusively generated on the outstanding principal (payment flow condition). In addition, derivatives not used in hedge accounting are also shown in this category.

AT FAIR VALUE WITH NO EFFECT ON PROFIT OR LOSS

A financial instrument defined as a debt instrument falls into the category "at fair value with no effect on profit or loss" if it has not been designated as "at fair value recognized in profit or loss" and the objective of the business model consists both in holding the financial assets to collect the contractual payment flows of the debt instrument and in selling the debt instrument, and the terms of the contract lead to payment flows at defined times that represent exclusively principal repayments and interest payments on the outstanding principal.

A financial instrument defined as an equity instrument in which the contractual conditions do not lead to cash flows exclusively representing payments of principal and interest on the outstanding capital can be reported in the category "at fair value with no effect on profit or loss" if it is not only held for the short term to realize price gains. If this option is exercised, the cumulative gains and losses in other comprehensive income are not derecognized through profit or loss when the financial asset is derecognized (no recycling) but are recognized directly in retained earnings. The Salzgitter Group makes use of this option provided the conditions described are met. Irrespective of the above, dividends are recognized in profit or loss unless they represent the repayment of part of the cost of acquiring the equity instrument.

Derivatives that, according to hedge accounting rules, are accounted for without affecting profit or loss as part of a cash flow hedg, are also assigned to this category.

No use is made in the Salzgitter Group of the option to account for financial assets or liabilities at their fair value (fair value option) in profit or loss.

INITIAL AND SUBSEQUENT EVALUATION

Regular purchases and disposals of financial assets are recognized as of the trading date, the day on which the Group undertakes to purchase or dispose of a financial asset.

Financial assets are initially recognized at fair value.

Financial instruments are attributed to non-current assets if management does not intend to sell them within twelve months of the reporting date.

Financial instruments in the categories "at fair value recognized in profit or loss" and "at fair value with no effect on profit or loss" are subsequently measured at fair value. The category "at amortized cost" is subsequently measured at amortized cost using the effective interest method.

Market values are determined for forward exchange and commodity futures transactions by means of recognized actuarial methods. In the event of substantial market values, the counterparty risk is taken into account by way of a credit risk discount.

Forward exchange contracts are valued using the Group's own calculations. The outright rates applicable on the reporting date were determined on the basis of the ECB's reference rates for the respective currency pairs and the interest rate differences between the various terms of the forward exchange contracts. Working on the assumption of standardized terms, the interest rate differences between the actual terms were determined by means of interpolation. The information regarding the standardized terms was obtained from a standard market information system. The difference ascertained between the contractually agreed foreign exchange amount at the forward exchange rate and the cut-off date exchange rate is mainly discounted as of the reporting date using the Euribor interest rate in accordance with the residual term.

Open iron ore, coking coal and HRC swaps are measured with the aid of monthly forward prices. The future cash flows from these derivatives are discounted in accordance with their maturity. On the basis of these parameters, a market value is initially calculated for the open volume in foreign currency with no credit risk exposure. The second step is to determine a correction amount to take account of the credit risk in accordance with IFRS 13. This correction amount acts as an adjustment to the risk-free market value and takes account of the counterparty credit default risk (CVA = Credit Value Adjustment) and the company's own credit default risk (DVA = Debit Value Adjustment). The market value in foreign currency is finally converted to euros using the current rate of exchange.

Unrealized profits and losses arising from changes in the fair value of financial instruments in the "at fair value with no effect on profit or loss" category are posted to equity. If assets in this category defined as a debt instrument are sold, the cumulative adjustments to fair value under equity are posted to income in the income statement. If assets in this category defined as an equity instrument are sold, the gains and losses accumulated with no effect on income are not to be derecognized through profit or loss when the financial asset is derecognized (no recycling in other words). Accumulated gains and losses not recognized in profit or loss are transferred to retained earnings.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are shown directly in the income statement.

DERECOGNITION

Financial instruments are written off if the rights to payments from the investment have expired or were transferred and the Group has essentially transferred all risks and opportunities associated with their ownership.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are netted and shown as a net amount in the balance sheet only if there a legal entitlement to this, plus an intention to bring about the settlement on a net basis or, at the same time, to utilize the asset concerned in order to redeem the associated liability. The legal right to netting out may not depend on some future event and must be enforceable both in the normal course of business and in the event of a default or an insolvency.

FINANCIAL ASSETS – ACCOUNTING TREATMENT OF IMPAIRMENT LOSSES

EXPECTED LOSSES MODEL

The impairment model under IFRS 9 is based on the premise that the credit losses actually to be expected can be reflected as soon as financial assets are recognized.

The expected loss ratios are based on external and internal credit ratings. To judge whether the default risk has increased significantly, the default risk with respect to the closing date is compared with the default risk at the time of initial recognition. Besides external credit ratings, weight is given to internal credit ratings and significant changes to the expected profitability and payment behavior of the debtor.

STAGED MODEL (GENERAL APPROACH)

Assets for which expected losses are to be reflected in accordance with the expected losses model, are assigned to one of three stages depending on movements in the default risk (3-stage concept). A loss allowance is generally formed in all stages. All financial assets are to be assigned to Stage 1 when they are first recognized. Financial assets that are already impaired at the time of acquisition form an exception to this rule.

STAGE 1

The extent to which expected losses are recognized depends on whether the default risk of financial assets has substantially deteriorated since their acquisition or not. If substantial deterioration applies and the default risk on the closing date is not to be rated as low, all losses over the entire term must be recognized from that moment onward (Stages 2 and 3). Otherwise, only the expected losses over the life of the receivable resulting from possible future loss events within the next twelve months are to be taken into account (Stage 1).

STAGE 2

If the credit risk increases significantly after acquisition, the financial instrument is transferred to Stage 2. When calculating the loan loss provision in Stage 2, the expected losses over the entire residual term of the financial asset must be taken into account.

STAGE 3

The financial asset must be assigned to Stage 3 if its credit quality has deteriorated further and there is objective evidence of impairment. Breach of contract or considerable financial difficulties on the part of the debtor may represent objective evidence, for example. The loan loss provision is calculated as in Stage 2; however, the effective interest income must then be calculated not on the gross but on the net carrying amount (after deducting the loan loss provision).

SIMPLIFIED APPROACH

Derogations apply to trade receivables and contract assets under IFRS 15. For these assets, all expected losses over the entire life can be taken into account on acquisition of the financial instrument. The simplified impairment model contained in IFRS 9 is applied in the Salzgitter Group for trade receivables and contractual assets as a result of which the impairment is determined on the basis of the losses expected over the residual term and immediately recognized in profit or loss. The staged model is not applied as part of the simplified approach.

To calculate the expected credit losses, trade receivables and contract assets are aggregated on the basis of common credit risk characteristics. Contract assets relate to services already provided which it has not yet been possible to invoice and essentially exhibit the same credit risk characteristics as trade receivables for the same types of contract. The Salzgitter Group therefore applies the same loss ratios as for trade receivables when measuring the expected losses from contract assets.

FINANCIAL INSTRUMENTS – ACCOUNTING TREATMENT OF HEDGE INSTRUMENTS

The method used to report gains or losses from derivatives depends on whether the derivative was designated a hedging instrument and, if this was the case, on the type of hedging arrangement. The Group designates derivatives either as hedging the fair value of an asset or a liability reported in the balance sheet (fair value hedge), as hedging payment flows from a transaction that is regarded as highly likely, or as hedging the currency risk inherent in a firm obligation (both cash flow hedges). The underlying and hedging transactions designated as a hedging relationship (hedge accounting) are managed and monitored within the scope of corporate risk management.

FAIR VALUE HEDGE

In the past financial year, no derivatives were qualified as fair value hedges in the Salzgitter Group.

CASH FLOW HEDGE

The effective portion of changes in the market value of derivatives that are designated for hedging cash flows or for the currency risk inherent in firm obligations and qualify as cash flow hedges is recognized under equity. The ineffective portion of the changes in value, on the other hand, is recognized immediately in the income statement.

When a hedged future transaction results in the recognition of a non-financial asset (e.g. inventories), the gains or losses previously recognized in equity are included directly in the initial measurement of the cost of the non-financial asset (adjusted basis). When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements of hedge accounting, the cumulative gain or loss remains in equity and is not recognized as an adjusted basis in the balance sheet or disclosed in the income statement until the underlying transaction occurs.

If the forecast transaction is no longer expected to take place, the cumulative gains or losses that were recorded directly in equity must be transferred immediately to the income statement.

INVENTORIES

Inventories are recognized at acquisition or production cost or the net selling value, whichever is lower. Inventories are valued at average costs or individually attributed acquisition or production costs. The production costs are determined on the basis of normal capacity utilization. Specifically, the production costs include not only the directly attributable costs but also the production-related material costs and production overheads, including production-related depreciation. If the values as of the reporting date are lower because of a decline in net realizable values, these are reported. If the net selling value of previously written-down inventories has increased, the resultant reversal of write-downs is recorded as a reduction in the cost of materials or a change in inventories.

Unfinished and finished products, as well as raw materials generated internally, are valued at Group production cost that, in addition to direct costs, includes the variable and fixed overhead costs that are calculated systematically or attributed.

CONTRACT ASSETS AND CONTRACT LIABILITIES

The companies in the Salzgitter Group must determine on each reporting date the extent to which the parties involved in a customer contract have fulfilled the contract and show the net contract position in the balance sheet. This results in a contract asset if our Group company has fulfilled a greater part of the contract than the customer or a contract liability if the customer's consideration received in advance is not yet matched by complete fulfillment. Prepayments received are deducted from contract assets on an order-specific basis. If the payments received on account for individual customer contracts exceed the receivables from customer contracts, the excess amount is reported under contract liabilities. If total contract costs are likely to exceed total contract revenues, the anticipated loss is recognized immediately as an expense and, if it exceeds the contract costs already incurred, reported as a contract liability.

For the realization of sales revenues and further assumptions regarding customer contracts, reference is made to the section "Revenue recognition".

PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions and similar obligations are formed as a result of benefit plans for retirement and invalidity pensions and provisions for surviving dependents. These provisions are formed exclusively for defined benefit plans under which the company guarantees that employees will receive a specific level of pension. The pension provisions also include bridging payments in the event of death.

The pension obligations are valued on the basis of actuarial assumptions and calculations. The defined benefit obligations are determined using the usual projected unit credit method prescribed by IFRS. The actuarial interest rate for measuring pensions under IFRS is determined on the basis of the "Mercer Yield Curve Approach". According to this approach, a spot rate yield curve is calculated in the eurozone on the basis of high-quality corporate bonds. In order to represent the current market value of the money appropriately in accordance with IAS 19.84, both statistical outliers which are significantly higher or lower in their risk rating, as well as bonds with interest-distorting options are ignored. The yield curve is extrapolated in order to obtain an interest rate to match the duration of the obligation.

In contrast to this principle, pension commitments for which benefits are based on the growth of securities are, as a general rule, shown at the fair value of the underlying securities (securities-based commitments). To the extent that any minimum interest is guaranteed on the contributions made, a minimum, actuarially determined obligation is shown if it exceeds the current market value of the securities.

INCOME TAXES

In accordance with IAS 12, deferred taxes are calculated using the balance-sheet-oriented liability method. Under this method, reductions in the tax burden and charges that are likely to arise in future are reported for temporary differences between the book values shown in the consolidated financial statements and the values attributed to assets and liabilities for tax purposes.

As of December 31, 2022, the deferred taxes of domestic corporate entities were evaluated with an overall tax rate of 31.5 % (previous year: 31.5 %). This tax rate comprises the 15.7 % trade tax rate that prevails in the Group (previous year: 15.7 %) and the 15.8 % rate of corporate income tax (including the solidarity surcharge; previous year: 15.8 %).

The calculation of foreign income tax is based on the laws and regulations applicable in the individual countries.

The anticipated tax savings resulting from the utilization of loss carryforwards whose realization is expected in the future are capitalized. When capitalized assets are valued for future reductions in the tax burden, consideration is given to the probability of the expected tax benefit being realized.

Assets deriving from future reductions in the tax burden include deferred tax assets arising from temporary differences between the book values stated in the consolidated balance sheet and values attributed for tax purposes, as well as tax savings resulting from loss carryforwards whose realization is anticipated at a future date.

Deferred tax claims in a particular area of fiscal jurisdiction are offset against deferred tax liabilities in the same area if the company is entitled to offset actual tax liabilities against tax claims and the tax is levied by the same tax authority; the offsetting is carried out on condition that there is matching maturity.

Provided that they relate to the same geographical area of fiscal jurisdiction and their types and maturities match, income tax liabilities are set off against corresponding tax refund claims.

OTHER PROVISIONS

Provisions are formed for current legal or factual obligations to third parties whose occurrence would be likely to burden Group assets. They are reported at their likely settlement amount, taking account of all the discernible risks involved, and are not offset against recourse claims. If discounting results in any significant effect, the provisions will be made at their present value. The interest rate used will be appropriate to the term and currency and free of risk. There will be no compounding if interest rates are negative for reasons of materiality.

SHARE-BASED PAYMENTS

Share-based payment plans existing in the Group constitute payment plans settled in cash. The Group's resulting liability is determined at fair value and recognized as an expense over the period until the claim for cash settlement has been unalterably established. Until it is settled, the fair value of the liability is remeasured on each reporting date and any changes in the fair value recognized in profit or loss. An appropriate option pricing model is used to determine the fair value.

FINANCIAL LIABILITIES

CATEGORIZATION

Financial liabilities are categorized and measured at their amortized cost or at their fair value through profit or loss.

AMORTIZED COST

When financial liabilities are recognized for the first time, they are stated at fair value less transaction costs. In subsequent periods they are basically valued at amortized cost. Each difference between the amount paid out and the amount repaid is then spread over the term of the loan using the effective interest method. Supply chain finance agreements concluded with financial institutes correspond to the usual payment terms and do not change the original liability to the suppliers with the result that the amounts continue to be reported in trade accounts payable.

RECOGNIZED IN PROFIT OR LOSS AT FAIR VALUE

As the Salzgitter Group does not designate financial instruments for valuation at fair value through profit and loss when first recognized (non-application of the fair value option), this category comprises only those derivatives with a negative fair value that are not shown in the hedge accounting.

DERECOGNITION

Financial liabilities are derecognized if the contractual obligations have been fulfilled, annulled or have expired.

REVENUE RECOGNITION

Revenue recognition under IFRS 15 is based on the transfer of control principle. The basic concept states that the recognition and measurement of assets and sales revenues be determined by applying five steps:

/ Identify the contract with the customer
/ Identify separate contractual obligations
/ Determine the transaction price
/ Split the transaction price across the contractual obligations identified
/ Realize the sales revenues when the contractual obligation is met

Revenues from contracts with customers are recognized when the delimitable contractual obligations, in other words, the contractually agreed goods or services, have been transferred. This is basically the case if the customer is able to decide on his use of the goods or services transferred and essentially derive the remaining benefit from them. Revenues must be recognized at the time when and in the amount at which contractual obligations are met. The fulfillment of contractual obligations is therefore classified by time or period. Revenues from sales are recognized at the level of the price defined in the contract – after deducting any reductions such as bonuses, cash discounts or rebates – and therefore equate to the transaction price. They are recognized to the extent that it is highly likely that no significant cancellation of the sales will become necessary provided there is no further uncertainty in this regard.

In the Salzgitter Group, power of disposal over products is generally transferred to the customer on delivery to the customer in accordance with the contractually agreed delivery terms.

No major financing components are included. There are no significant obligations to take back products, provide reimbursement or similar obligations which exceed normal assurance-type warranties. In the case of contracts with customers containing a bundle of contractual obligations, the prices of such obligations are largely estimated on the basis of existing individual sales prices.

Contract assets are subject to the expected losses model contained in IFRS 9. Impairment losses are recognized at the level of the expected credit loss over the term.

SALE OF STRIP STEEL AND PLATE STEEL, SECTION STEEL PRODUCTS, TUBES AND PIPES AS WELL AS OTHER PRODUCTS

The Group sells its products in the steel production and steel processing segments both directly to customers and with the involvement of the trade. Revenues from sales are recognized when power of disposal has been transferred to the buyer and no unfulfilled obligations remain that might affect the customer's acceptance of the products. This is predominantly the case with the transfer of physical possession to the customer. Payment terms of less than six months are usually agreed with customers.

Revenues from sales are recognized at the level of the price defined in the contract – after deducting any reductions such as bonuses, cash discounts or rebates. Sales revenues are only recognized to the extent that it is highly likely that no significant cancellation of the sales will become necessary provided there is no further uncertainty in this regard.

SALE OF MACHINERY AND TECHNICAL EQUIPMENT

As a general rule, the Group sells machines and technical equipment directly. Spare parts and maintenance services are also offered. Revenues from sales are recognized both by time and period.

In the case of time-related recognition, revenues from sales are recognized when power of disposal has been transferred to the buyer and no unfulfilled obligations remain that might affect the customer's acceptance of the products. This is predominantly the case on delivery.

In the case of period-related recognition, the revenues are recognized over the term of the contract to the extent that a claim for the agreed payment by the customer is established by performance of the service already rendered provided the contract is structured accordingly. Payment terms of less than twelve months are usually agreed with customers. A receivable is shown on dispatch or delivery of the goods as at this point the claim for consideration is unconditional, in other words, payment will automatically become due with the lapse of time from this moment onward.

Applying IFRS 15, revenues from contracts with customers are realized as period-related sales if performance of the contract gives rise to a claim for the agreed payment by the customer. The Group provides its performance for contracts with customers on a period basis if performance gives rise to an asset with no alternative economic benefit, and an enforceable legal claim to consideration (including margin) for the contractual obligations fulfilled applies. Costs for the products sold and services provided are recognized at the end of the period in accordance with the stage of completion.

The input-oriented "cost-to-cost method" is used almost exclusively in the Group to determine the stage of completion as this method is best suited to reflecting the transfer of assets to the customer. The determination is based on the ratio between the costs accumulated by the closing date and the current estimate of the total costs.

Methods, assumptions and estimates are applied consistently. Losses on contracts are recognized in the period in which the latest estimate for the total costs of the contract exceeds the total contract revenues. Contract costs are estimated on the basis of project calculations, updated monthly. They also contain estimated follow-on costs.

If the sales revenues for an individual order recognized by the stage of completion exceed payments received and advance payments requested, a contract asset is recognized for the excess amount. If the revenues are lower, a contract liability is recognized. If a claim for payment is successively established against the customer for an order for which a contract asset is shown, or if the customer pays the relevant order, the contract asset is reduced accordingly and a receivable is recognized; if the company successively meets its performance obligations for an order for which a contract liability is shown, the contract liability is reduced and sales are shown.

REALIZATION OF DIVIDENDS, INTEREST AND PUBLIC GRANTS

Dividends are collected when the claim has been legally accrued. Interest expenses and interest income are reported pro rata temporis. When there are changes in the consolidated group, acquired dividend claims are recorded without effect on income as part of the capital consolidation.

Government grants are not reported in the balance sheet until the necessary claim prerequisites have been fulfilled and it can be anticipated that the grants will actually be paid out. Grants relating to assets are always reported as deductions from acquisition or production costs. Performance-based remuneration is reported as other operating income. If performance-based remuneration relates to future financial years, it is accrued appropriately.

IMPAIRMENT OF ASSETS (IMPAIRMENT TEST)

As of every balance sheet date at the latest, the Group reviews the carrying amounts of its intangible assets, property, plant and equipment, investments in companies accounted for by the equity method and investment property to establish whether there are any signs of impairment. If such signs are discernible, the recoverable amount is ascertained and compared with the carrying amount of the asset concerned, taking account of corporate assets. If the recoverable amount for the individual asset cannot be estimated, an impairment test is carried out at the level of the cash generating unit to which the asset belongs. If the carrying amount of an asset or a cash generating unit exceeds the respective recoverable amount, the asset is impaired and will be subjected to unscheduled depreciation at its recoverable amount. If the reason for a previous unscheduled depreciation no longer applies, a reversal is carried out.

FINANCIAL RISK MANAGEMENT

The Group's commercial activities expose it to a variety of financial risks: market risk (currency, interest rate and market price risk), credit risk and liquidity risk. The Group's overarching risk management aims to minimize the potentially negative effects of financial market developments on the Group's financial position.

Risk management is carried out independently by the subsidiaries and associated companies of Salzgitter AG in accordance with guidelines approved by the Executive Board. The Executive Board issues written principles for overall risk management, as well as guidelines for specific areas such as the hedging of currency risks, interest rate and credit risks, the use of financial instruments as well as the investment and borrowing of funds.

CURRENCY RISK

The Group operates internationally and is therefore exposed to currency risks based on fluctuations in the exchange rates between various foreign currencies. Currency risks arise from expected future transactions and from assets and liabilities reported in the balance sheet. The risks arise when transactions are denominated in a currency that is not the functional currency of the company. At the level of Group companies, forward currency transactions are generally concluded with a central Group organization. Within the framework of the hedging strategy applicable in each case, this organization decides on the use of suitable financial instruments.

In the Group, the hedging relationship between the hedging instrument and the underlying transaction, the objective of the Group's risk management and the strategy underlying the hedging transactions are documented when an effective hedging transaction is concluded. The estimation as to whether the derivatives used in the hedging relationship are highly effective in compensating for the changes in the current value or the underlying is examined in the Group at the start of the hedging relationship and continuously thereafter.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's interest rate risk arises from interest-bearing receivables and liabilities. The variable interest rates expose the Group to a cash flow interest rate risk that influences interest expenses and interest income. The fixed-interest liabilities give rise to a fair value interest rate risk, although this has an impact on the balance sheet only if the financial instruments are reported at current value.

The Group's risk of interest rate changes is always viewed and analyzed in connection with ongoing or planned financing measures. The use of derivative interest rate hedging instruments is only considered for existing or highly probable underlying transactions. In order to reduce the risks arising from derivative financial instruments, risks of interest rate changes are not decoupled from liquidity risks. As a general rule, market-related risks of interest rate changes are preferred to additional liquidity risks posed by asymmetric interest rate hedging transactions.

MARKET PRICE RISK

The Salzgitter Group counters the risk of fluctuating market prices, especially in the procurement of raw materials and energy, with price and supply contracts. Hedging is also used to a limited extent, primarily for ore and coking coal. The analysis period for hedging is based on the medium-term three-year plan. Starting from a hedging ratio up to the mid-double-digit range, the aim is to reduce this over the following years. A risk committee manages the risk exposure as a function of the market situation and business position and implements suitable measures.

CREDIT RISK

In respect of potential credit risks, the Group has trading rules and regulations and a consistent receivables management system that ensure that products are sold only to customers with an appropriate payment history. Contracts involving derivative financial instruments and financial transactions are restricted to financial institutions with good credit standing. The Group's business policy is to limit the amount of credit exposure in respect of the individual financial institution. As regards the financial institutions, there were no significant risk clusters in the financial year ended.

LIQUIDITY RISK

The Group's liquidity management includes an adequate reserve of cash and cash equivalents, marketable securities, and the possibility of financing with bilateral credit lines, a medium-term syndicated loan limit and capital market instruments. In the past financial year, the Salzgitter Group was able to maintain its previous financing strategy, and was able at all times to show sufficient liquidity through independent measures without any specific government support for the Group.

CAPITAL RISK MANAGEMENT

To reduce its capital costs, the Group pursues the objective of maximizing the earnings from its shareholdings by optimizing the relationship between equity and debt. In the process, it is ensured that all of the Group companies can operate under the going concern premise.

In order to maintain or optimize the capital structure, the Group is obliged to adjust the amount of the dividend payments, make repayments of capital to the shareholders, issue new shares or dispose of assets for purposes of debt reduction.

Preservation of Salzgitter AG's independence is the focus of its corporate policy. One prerequisite is the maintenance of a sound balance sheet and financial structure in order to secure its freedom to act at all times with regard to the operational, financial and strategic growth of the Group. Looking at the way in which a very robust equity ratio of 43.7 % (previous year: 32.7 %) has been preserved, we have once again succeeded in meeting this goal. As before, we consider it essential to keep sufficient cash funds available for the Group's financial management to ensure that, in the event of a deterioration in the environment, we will not be dependent on the capital market. An undrawn € 560 million syndicated loan facility with eight banks running until July 2024, bilateral annual credit lines with over ten credit institutes, further fungible assets and an established position in the capital market as an issuer are intended to secure our liquidity needs.

NOTES TO THE INCOME STATEMENT

(1) SALES

In € million	2022	2021
By product group		
Strip Steel	5,116.1	3,750.0
Section Steel	1,145.1	944.1
Plate	1,879.7	1,408.2
Pipes	1,805.5	1,341.4
Filling and packaging machinery	1,402.4	1,339.3
Other	1,204.5	984.4
	12,553.3	9,767.4
Breakdown by region		
Domestic	5,763.8	4,416.3
Other EU	3,636.3	2,714.8
Rest of Europe	612.9	438.3
America	1,238.5	1,098.1
Asia	818.8	702.7
Africa	458.7	377.1
Australia / Oceania	24.4	20.1
	12,553.3	9,767.4

The breakdown of sales represents a breakdown by product category that does not correspond to segment reporting.

Sales revenues comprise time-related revenues amounting to € 11,759.6 million (previous year: € 8,960.2 million) as well as period-related revenues totaling € 793.7 million (previous year: € 807.3 million). Time-related revenues result from the sale of goods. Period-related sales predominantly comprise work in progress for construction contracts for which a contract asset has been recognized. Other services are also classified as period-related.

The amount of sales revenues comprised at the start of the period in net contract liabilities stands at € 221.3 million (previous year: € 141.8 million). Sales revenues from contractual obligations already fulfilled or partially fulfilled in earlier periods come in at € 7.0 million (previous year € 2.3 million).

Fixed contractual obligations not yet completely fulfilled as of the closing date are likely to lead to the realization of the following sales:

In € million	2022	2021
up to 6 months	48.0	17.9
7 months to 12 months	45.5	79.6
over 12 months	58.1	–
	151.7	97.5

As a general rule, the transaction prices of the remaining contractual obligations are determined at the level of the volumes and services contractually agreed with customers as of the closing date for which the customer has an obligation to buy and the Group an obligation to supply. Unfulfilled (or partly unfulfilled) contractual obligations as of the end of the financial year with an original term of no more than one year are not disclosed, as is permitted under IFRS 15.121.

(2) OTHER OPERATING INCOME

Other operating income comprises income from the release of provisions amounting to € 54.8 million (previous year: € 60.8 million), from exchange rate changes in an amount of € 352.4 million (previous year: € 118.5 million) as well as from the measurement of financial derivatives and foreign exchange positions amounting to € 431.9 million (previous year: € 174.8 million). Furthermore, this item also contains lease income amounting of € 5.8 million (previous year: € 5.4 million) as well as subsidies amounting to € 6.6 million (previous year: € 12.0 million).

(3) COST OF MATERIALS

In € million	2022	2021
Cost of raw materials, consumables, supplies and goods purchased	8,137.5	6,316.5
Cost of services purchased	502.0	429.5
Cost of materials	**8,639.4**	**6,746.1**

(4) PERSONNEL EXPENSES

In € million	2022	2021
Wages and salaries	1,555.1	1,457.7
Social security, pensions and other benefits	328.3	312.0
of which pension plans and retirement benefits	[143.1]	[145.1]
Personnel expenses	**1,883.4**	**1,769.7**

In the financial year, the sum total of all defined-contribution pension expenses in the Salzgitter Group stood at € 109.8 million (previous year: € 107.8 million). The past service cost for defined-benefit commitments in the financial year amounted to € 33.3 million (previous year: € 37.3 million).

Average number of employees (excl. employees in non-active age-related part-time employment)	2022	2021
Wage labor	12,637	12.531
Salaried employees	9,967	9.883
Group core workforce	**22,604**	**22.414**

Of the Group employees, 847 (previous year: 857) are involved in our part of the joint activities.

(5) AMORTIZATION AND DEPRECIATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The scheduled depreciation and amortization comprise amortization of intangible assets and depreciation of property, plant and equipment, and are shown in the assets analysis.

Impairment losses were required in financial year 2022:

In € million	2022	2021
Intangible assets		
Purchased concessions, brand names, industrial property rights plus licenses and emission rights	8.3	0.5
Property, plant and equipment		
Land, similar rights and buildings, including buildings on land owned by others	0.5	20.8
Plant equipment and machinery	10.5	182.6
Other equipment, plant and office equipment	0.6	4.4
Impairment losses	**19.9**	**208.3**

The fair value less selling costs was calculated using the discounted cash flow method based on an interest rate of 8.61 % (previous year: 7.41 %) for the Technology Business Unit and 8.41 % (previous year: 6.48 %) for the other business units. The calculation is based on the current plans prepared by management for the three following years (Level 3 of the valuation hierarchy). The planning assumptions are adjusted to reflect today's knowledge. This is based on general business and economic data supplemented by our own estimates. Basic assumptions are made especially in the areas of sale and procurement prices as well as sales volumes. The recoverable amount in each case equates to the fair value less selling costs.

The impairment expenses of € 19.9 million were wholly attributable to the cash-generating unit of the stainless steel processing Mannesmann Stainless Tubes Group (Steel Processing Business Unit) which does not procure any input material from within the Group. The impairment is due to the extreme energy price rises in Europe that could not be passed on in full to customers with a predominantly global focus. The recoverable amount was determined to be € 205.1 million, corresponding to the fair value less sales costs.

For a more detailed explanation of the impairment losses in the Europipe Group, please refer to Note 13 → **Investments in companies accounted for using the equity method.**

(6) OTHER OPERATING EXPENSES

This item essentially comprises expenses for external services in an amount of € 378.8 million (previous year: € 315.9 million), expenses from the measurement of financial derivatives and foreign exchange positions amounting to € 374.2 million (previous year: € 113.2 million), losses from exchange rate changes in an amount of € 338.8 million (previous year: € 158.0 million) as well as sales expenses in an amount of € 331.9 million (previous year: € 291.6 million).

(7) TAXES ON INCOME

In € million	2022	2021
Income tax		
current tax expenses / tax income (+/–)	140.7	103.4
deferred tax expenses / tax income (+/–)	19.4	16.3
	160.0	119.6
of which unrelated to the reporting period	[10.3]	[6.1]

The income taxes amounting to € 160.0 million relate to earnings before taxes. The income taxes unrelated to the reporting period comprise deferred and actual taxes for previous years, of which actual income taxes comprise € 8.9 million (previous year: € 6.7 million).

The increase in actual income taxes to € 140.7 million reflects extraordinary consolidated earnings in financial year 2022. All in all, the actual income taxes applicable to foreign companies amount to € 42.7 million (previous year: € 43.6 million). The deferred tax expense of € 19.4 million is essentially due to the realization of deferred tax assets on temporary differences and loss carryforwards, and the reassessment of deferred tax assets on loss carryforwards in domestic Group companies.

Thanks to the use of tax loss carryforwards that had not previously been availed of, the tax expenses were reduced by € 38.6 million (previous year: € 38.2 million).

The following deferred tax assets/liabilities reported in the balance sheet are recognized in respect of the differences between reported book values and attributed tax valuations:

In € million	2022/12/31		2021/12/31	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	3.1	15.6	2.8	14.7
Property, plant and equipment	49.0	31.7	50.9	26.9
Financial assets	1.1	1.0	0.4	1.6
Current assets	76.2	218.3	59.6	179.4
Pension provisions	133.9	–	274.6	–
Other provisions	79.3	4.7	85.3	4.0
Special reserve with equity portion	–	2.1	–	2.2
Liabilities	12.6	17.3	16.8	14.6
Other items	4.9	0.5	3.2	1.3
Total	**360.1**	**291.2**	**493.7**	**244.7**

The deferred tax assets and liabilities shown are recognized in profit or loss or equity depending on the underlying circumstances. Circumstances recognized in equity can be seen in the → Statement of comprehensive income.

Summary of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € million	2022/12/31	2021/12/31
Corporate income tax	79.2	48.1
Trade tax	49.3	47.6
Capitalized tax savings, 12/31	**128.5**	**95.8**

Development of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € million	2022/12/31	2021/12/31
Capitalized tax savings, 01/01	95.8	35.2
Changes in the consolidated group	0.0	–
Use of losses carried forward	–93.2	–33.3
Valuation allowances from losses carried forward	–1.1	–0.0
Capitalization of tax savings from losses carried forward	127.0	93.9
Capitalized tax savings, 12/31	**128.5**	**95.8**

As a result of the "minimum taxation" that applies in Germany, the tax loss carryforwards are offset against the ongoing tax result in full up to an amount of € 1 million but only up to 60 % thereafter.

For a number of domestic companies, no deferred taxes were recognised for trade tax loss carryforwards amounting to € 1,090.9 million (previous year: € 1,451.7 million) or corporation tax loss carryforwards amounting to € 1,311.1 million (previous year: € 1,847.9 million) because, from a current viewpoint, the possibility of their being used can be regarded as unlikely. The tax loss carryforwards can be utilized without time restrictions.

For foreign loss carryforwards without intrinsic value in an amount of € 162.8 million (previous year € 153.8 million) deferred tax assets were likewise not capitalized. Of this amount, € 133.6 million (previous year: € 127.9 million) can be utilized for an unlimited period of time, € 8.6 million (previous year: € 6.0 million) limited to the next five years and € 20.6 million (previous year: € 19.9 million) limited to the next 20 years. For domestic and foreign companies, moreover, no deferred tax assets for deductible temporary differences in the amount of € 66.6 million (previous year: € 92.4 million) were formed.

In the case of Group companies that have generated tax losses in the current or previous financial year, deferred tax assets amounting to € 1.1 million (previous year: € 337.1 million) are reported as of December 31, 2022 because of anticipated future taxable income. No deferred tax liabilities were formed for temporary differences between net assets and the tax base of Group companies of SZAG amounting to € 26.0 million (previous year € 20.3 million) as it is not expected that the temporary differences will reverse in the near future.

Reconciliation of the anticipated and income tax expenses shown (+) and / or income (–):

In € million	2022/12/31	2021/12/31
Earnings before tax	1,245.4	705.6
Expected income tax expenses (+) / income (–) (31.5 % / 31.5 %)	392.3	222.3
Tax share for:		
differences between tax rates	–12.5	–19.9
effects of changes in statutory tax rates	–0.0	0.1
tax credits	–0.2	–0.8
tax-free income	–58.1	–69.0
non-deductible tax expenses and other additions	3.6	51.7
Effects of differences and losses		
without capitalization of deferred tax	8.7	60.9
adjustments in the value of capitalization benefits	–145.1	–93.8
utilization of benefits not previously capitalized	–38.6	–38.2
tax expenses and income unrelated to the reporting period	10.3	6.1
other deviations	–0.3	0.3
Disclosed income tax expenses (+) / income (–)	160.0	119.6

The income tax expense of € 160.0 million differs from the expected income tax expense of € 392.3 million by a total of € 232.3 million. This results essentially from the reassessment of capitalized benefits as well as tax-free income and from the use of benefits previously not capitalized. This is offset in particular by tax expenses and tax income relating to other periods as well as non-tax-deductible expenses and additions.

(8) EARNINGS PER SHARE

The basic earnings per share are determined in accordance with IAS 33 as the ratio of consolidated net income or loss for the financial year to which the shareholders of SZAG are entitled to the weighted average number of no-par bearer shares in circulation during the financial year. A dilution would occur if the earnings per share were reduced by issuing potential shares from option and conversion rights. There were no such rights in the financial year under review.

	Shares issued	Treasury shares	Shares in circulation	Potentially diluting shares
Beginning of financial year	60,097,000	6,009,700	54,087,300	0
Change	–	–	–	0
End of financial year	60,097,000	6,009,700	54,087,300	0
Weighted number of shares	60,097,000	6,009,700	54,087,300	0

Earnings per share		2022	2021
Consolidated result	In € million	1,085.4	586.1
Minority interest	In € million	3.9	5.0
Amount due to Salzgitter AG shareholders	In € million	1,081.5	581.1
Earnings per share – basic	(in €)	20.00	10.74
Diluted result	In € million	–	–
Earnings per share – diluted	(in €)	–	–

NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

(9) INTANGIBLE ASSETS

Total research and development costs in the reporting year amounted to € 87.8 million (previous year: € 82.4 million) including € 10.5 million (previous year: € 10.5 million) for external companies. Expenditure on research and development does not include any expenditure by equity-accounted companies.

Restraints on the right of ownership or disposal amount to € 63.6 million (previous year: € 41.4 million). These are CO_2 certificates temporarily not required for production and transferred as security for raising funds.

(10) PROPERTY, PLANT AND EQUIPMENT

The restraints on the right of ownership or disposal of property, plant and equipment are unchanged at 1.2 € million (previous year: € 1.2 million) due to debt financing conditions abroad.

Government grants amounting to € 1.2 million (previous year: € 3.5 million) were deducted from the acquisition costs of property, plant and equipment. The conditions to which the public financial assistance was attached were fulfilled as of the balance sheet date.

"Advance payments and assets under construction" include prepayments amounting to € 15.7 million (previous year: € 11.6 million).

(11) INVESTMENT PROPERTY

Investment property Investment property comprises undeveloped and developed land that is held to generate rental income or for the purpose of long-term value appreciation and not for production or administration purposes.

In the reporting period, rental income amounted to € 6.8 million (previous year € 7.6 million). The direct operating expenses totaled € 2.4 million (previous year € 2.1 million) and were basically incurred for properties that generated rental earnings in the reporting year.

As of 31 December 2022, the fair value of the investment properties stood at € 103.1 million (previous year: € 103.1 million). The fair values are unchanged due to insignificant and largely mutually offsetting measurement effects in terms of the assumptions made, e.g. as a result of changes in the rate of inflation or interest rate movements. Fair value is calculated using the discounted cash flow method and comparisons with current market values of comparable properties. Input factors used to measure the fair values include anticipated rental income, possible vacancy costs and maintenance costs. The fair values of the investment properties are assessed at regular intervals by independent experts. The valuation is based on an alternative utilization of potential, the "highest and best use method", in accordance with IFRS 13, and must be classified in Level 3 of the fair value hierarchy

(12) FINANCIAL ASSETS

In € million	2022/12/31	2021/12/31
Financial investments	28.2	26.6
Other loans	9.7	24.4
Other financial assets	0.4	0.4
Financial assets	**38.3**	**51.4**

Other loans relate largely to a company that has been consolidated proportionally.

(13) INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

	Aurubis AG, Hamburg		EUROPIPE Group		Other		Total	
In € million	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance 01/01	1,210.3	1,001.5	61.4	112.8	56.1	54.8	1,327.8	1,169.1
Result of current financial year	156.3	217.1	14.6	–59.5	13.7	1.8	184.6	159.5
Proportionate gain / loss	156.3	217.1	–5.4	–24.5	13.7	1.8		
Adjustments with effect on the income under the "at-equity method"	–	–	20.0	–35.0	–	–		
Dividends	–21.6	–17.5	–	–	–0.6	–0.6	–22.2	–18.2
Changes in shares	–	–	–	–	–	–	–	–
Other changes in equity	55.3	9.2	19.8	8.0	0.1	0.1	75.2	17.3
Proportional other income	55.3	9.2	19.8	8.0	0.1	0.1		
Book value, 12/31	1,400.3	1,210.3	95.7	61.4	69.2	56.1	1,565.3	1,327.8

The adjustments recognized in income as part of the equity method at the EUROPIPE Group (Steel Processing Business Unit) include income of € 20.0 million from the partial reversal of the unscheduled writedown recognized in the previous year. In 2022, the business prospects for the large-diameter pipe division of the Europipe Group based in Europe improved. With fewer suppliers now, partly as a result of the Russia-Ukraine conflict, we expect project business to remain stable, if not to increase slightly, over the medium to long term. From a competitive perspective, the Europipe Group is also benefiting from customers' increasing preference for stable plate supply from Europipe shareholders. The impairment loss recognized in the previous year was therefore reversed insofar as it related to the European large-diameter pipe sector.

The fair value of the holding in Aurubis AG is based on the share price as of December 31, 2022 and amounts to € 1,029.9 million (previous year: € 1,187.7 million). An impairment review was carried out on the carrying amount on the basis of the value-in-use of the shares, and it did not reveal any need for impairment.

With regard to shareholdings, please refer to our comments on the → **Consolidated group**.

The investments in companies accounted for using the equity method are as follows (100 % figures):

	Aurubis AG, Hamburg		EUROPIPE Group	
In € million	2022	2021	2022	2021
Non-current assets	2,175.0	2,040.0	171.8	148.6
Current assets	5,340.0	5,020.0	547.4	246.8
Non-current liabilities	957.0	1,160.0	130.0	114.1
Current liabilities	2,237.0	2,156.0	367.6	88.5
Sales	18,210.5	17,242.8	579.0	248.9
Profit / loss	471.0	741.0	–10.8	–48.9
Other comprehensive income	176.5	30.6	39.6	16.1
Total comprehensive income	647.5	770.6	28.8	–32.8
Dividends received	21.6	17.5	–	–
Net assets	4,321.0	3,744.0	221.5	192.7
Pro rata net assets	1,334.8	1,122.8	110.7	96.4
Addition from purchase of own shares resp. disposals of investments accounted for using the equity method	–4.4	–4.4	–	–
Impairments / reversal of impairments	–	–	–15.0	–35.0
Consolidation effects	70.0	73.8		–
Purchase of own shares of investments accounted for using the equity method	–	18.1		–
Investment book value	1,400.3	1,210.3	95.7	61.4

	Wohnbaugesellschaft mbH		Borusan Mannesmann Boru Yatirim Holding A.S.	
In € million	2022	2021	2022	2021
Non-current assets	125.1	120.1	480.7	415.1
Current assets	19.7	24.7	688.8	504.3
Non-current liabilities	62.8	65.4	150.7	167.3
Current liabilities	16.1	13.5	638.4	483.3
Sales	29.1	27.8	1,272.9	697.7
Profit / loss	2.1	2.2	77.4	9.0
Dividends received	0.6	0.6	–	–
Net assets	65.9	65.9	380.4	268.9
Pro rata net assets	16.5	16.5	87.5	61.8
Consolidation effects	–	–	–34.7	–22.2
Investment book value	16.4	16.5	52.8	39.6

The US dollar is used as the functional currency in the consolidated financial statements of Borusan Mannesmann Boru Sanayi ve Ticaret A.S., the only significant shareholding of Mannesmann Boru Yatirim Holding A.S.

Further summarizing financial information for joint ventures:

	EUROPIPE Group	
In € million	2022	2021
Cash and cash equivalents	81.0	74.6
Current financial liabilities	22.2	43.4
Non-current financial liabilities	13.5	14.1
Depreciation and amortization	18.4	17.4
Interest income	0.5	0.3
Interest expenses	4.9	2.8
Income tax expense (-) / - income (+)	7.6	0.2

Non-reclassifiable gains and losses from companies accounted for by the equity method are essentially composed of valuations of pensions and financial investments.

(14) DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

If it is likely that tax benefits will be realized, they must be capitalized. Netting is possible only if the deferred tax assets and liabilities have matching maturities and relate to the same tax authority. After offsetting, the deferred tax assets and liabilities for the financial year 2022 are as follows:

In € million	2022/12/31	2021/12/31
Deferred income tax assets	**392.6**	**491.8**
Realization within 12 months	13.4	10.3
Realization after more than 12 months	379.2	481.5
Deferred income tax liabilities	**195.2**	**147.1**
Realization within 12 months	194.8	143.9
Realization after more than 12 months	0.4	3.2
Balance of deferred tax assets and deferred tax liabilities	**197.4**	**344.7**

CURRENT ASSETS

(15) INVENTORIES

In € million	2022/12/31	2021/12/31
Raw materials, consumables and supplies	1,174.5	969.2
Unfinished products	966.8	843.5
Unfinished goods or services	22.0	15.1
Finished goods	601.0	525.4
Goods	664.5	750.0
Payments on account	45.3	20.1
Inventories	3,474.3	3,123.3

In the reporting period there were write-ups amounting to € 0.6 million (previous year € 1.8 million). Inventory impairments of € 145.6 million (previous year € 31.4 million) were posted to expenses. The rise in impairment losses results essentially from the declining price levels in the sales market towards the end of the year, after the 2022 financial year had been characterized in particular by high prices. The book value of the inventories reported at fair value less selling costs amounted to € 908.1 million (previous year € 494.3 million). Due to an Increase in stocks and higher prices, inventories grew accordingly.

(16) TRADE RECEIVABLES

Trade receivables subject to restrictions on ownership or disposal amount to € 154.9 million (previous year € 169.2 million). These are accounted for by the forfeiting and factoring of receivables. For further details, please refer to Note 30 → **Current financial liabilities**.

(17) CONTRACT ASSETS

Net contract assets fell in the reporting period from € 323.0 million to € 318.3 million. This decline relates almost exclusively to technical machinery and equipment in the Technology Business Unit. As of 2021/1/1, the balance of contract assets amounted to € 300.2 million.

(18) OTHER RECEIVABLES AND OTHER ASSETS

The item "Other receivables and other assets" comprises numerous minor transactions on the part of the consolidated companies.

Other receivables are subject to restrictions on ownership or disposal amounting to € 3.0 million (previous year € 3.1 million).

Derivative financial instruments with positive market values are reported under the item "Other receivables and other assets". Further information on the derivatives accounted for in the Salzgitter Group can be found in under → **Financial instruments**.

(19) INCOME TAX ASSETS AND INCOME TAX LIABILITIES

The existing income tax assets as of December 31, 2022 amounting to € 23.6 million (previous year: € 18.9 million) largely concern capital gains tax demands from domestic Group companies. On the other side there are long-term income tax liabilities of € 33.5 million (previous year: € 25.7 million) and short-term income tax liabilities of € 51.2 million (previous year: € 36.1 million).

Refund claims are set off against tax liabilities if there is an enforceable right to set off the reported amounts against each other and the intention is to settle on a net basis. The prerequisite for this is that the tax refund claim and the tax liability both relate to the same tax authority and that the tax authority allows their offsetting

(20) SECURITIES

In the previous year, funds for short-term financial investments with a term of less than twelve months totaling € 49.7 million were shown under securities.

(21) CASH AND CASH EQUIVALENTS

In € million	2022/12/31	2021/12/31
Cash at banks	586.1	581.2
Term deposits	400.0	160.3
Checks, cash in hand	2.2	0.3
Cash and cash equivalents	988.4	741.8

The securities shown under time deposits have a total term of one to three months.

(22) ASSETS HELD FOR SALE AS WELL AS LIABILITIES IN CONNECTION WITH ASSETS HELD FOR SALE

Both items relate to the sale of the fully consolidated company, Salzgitter Bauelemente GmbH, Salzgitter, from the Steel Production Business Unit as part of a share deal with economic effect from January 1, 2023.

EQUITY

(23) SUBSCRIBED CAPITAL

SHARE CAPITAL, TREASURY SHARES, AUTHORIZED AND CONTINGENT CAPITAL

The subscribed capital (share capital) remained unchanged at € 161,615,273.31. After setting off the notional value of treasury shares (€ 16,161,527.33), the subscribed capital amounts to € 145,453,745.98 equating to a total of 54,087,300 no-par value shares. The pro-rata amount of share capital accounted for by each individual bearer share is € 2,69 per share. The shares issued are fully paid in.

As of the reporting date, Salzgitter Aktiengesellschaft continued to hold 6,009,700 treasury shares. As before, they account for € 16.161.527,33 (= 10.00 %) of the share capital.

All of these shares were acquired on the basis of Section 71 (1) item 8, German Stock Corporation Act, based on authorization given by the Annual General Meeting of Shareholders (2,487,355 shares from May 26, 2004, 462,970 shares from June 8, 2006, 2,809,312 shares from May 21, 2008, 35,600 shares from May 27, 2009, and 214,463 shares from June 8, 2010), to be able to use them in particular for future acquisitions, to fulfill option or convertible rights from options or convertible bonds or to issue them to employees of the company or an affiliate of the company.

The Executive Board is authorized to increase the share capital with the approval of the Supervisory Board by up to a nominal amount of € 80,807,636.65, in the period up to June 1, 2027, by issuing up to 30,048,499 new no par value bearer shares against payment in cash or kind (Authorized Capital 2022). Under certain conditions, this capital, combined and to the exclusion of the shareholders' subscription rights, may be increased only by up to € 32,323,054.66, (20 % of the share capital) through the issuance of up to 12,019,400 new no par value bearer shares. The 20 % ceiling is reduced by the pro-rata amount of the share capital to which option or conversion rights, or option or conversion obligations from warrant-linked bonds, convertible bonds, profit-sharing rights and / or participating bonds and / or combinations of these instruments that were issued since June 2, 2022, to the exclusion of subscription rights, relate. By the reporting date no such bonds or instruments had been issued since June 2, 2022.

Moreover, upon approval by the Supervisory Board, the Executive Board may issue bonds in a total nominal amount of up to € 1 billion on or before June 1, 2027, and grant the holders of the respective bonds option or conversion rights to shares of the company in a total amount of up to 30,048,499 units (Contingent Capital 2022). Shareholders' subscription rights to bonds linked to option or conversion rights to shares may be excluded under certain conditions. Such bonds excluding shareholder subscription rights may only be issued if shares making up a proportion of 20 % of the capital stock, excluding subscription rights, from the Authorized Capital have not yet been issued since June 2, 2022. By the reporting date no shares had been issued from the Authorized Capital since June 2, 2022.

The Executive Board is authorized to purchase the company's own shares equivalent to a proportion of the capital stock of up to 10 % in the period on or before July 7, 2025, and to use these shares for all purposes permitted under the law.

(24) CAPITAL RESERVE

Of the capital reserve of € 257.0 million (previous year: € 257.0 million), a sum of € 115.2 million is accounted for by a premium contributed at the time of the capital increase on October 1, 1970 and a further € 7.9 million by two premiums contributed from the exercise of bonds with warrants from 2004 and 2005.

As part of the divestiture agreement, certain assets were sold to Salzgitter AG by Preussag AG for € 0.51 each. These assets were reported at the time of acquisition at their fair values (€ 49.2 million) and the differences posted to the capital reserve.

The value of the equity component of the convertible bond issued on October 6, 2009 and in the meantime replaced, in a total nominal amount of € 296,450,000 stands at € 54.4 million.

The value of the equity component of the convertible bond issued on June 5, 2015, and in the meantime replaced, in a total nominal amount of € 167,900,000 stands at € 18.3 million. The transaction costs reported as a deduction from equity amount to € 0.2 million.

Other contributions paid by shareholders from 1995 amount to € 12.0 million.

(25) UNAPPROPRIATED RETAINED EARNINGS

Under the German Commercial Code (HGB), dividend payments to shareholders in Salzgitter AG depend on the year-end result reported by Salzgitter AG. The unappropriated retained earnings are shown at the same level in both the consolidated financial statements of the Salzgitter Group and in the annual financial statements of Salzgitter AG. The reconciliation of the consolidated net profit for the year to Salzgitter AG's unappropriated retained earnings is shown in the income statement.

Salzgitter AG (SZAG) reported a net profit of € 60.1 million in the financial year 2022. The Executive Board and Supervisory Board are proposing to the Annual General Meeting to use the net profit (€ 60.1 million) to distribute a dividend of € 1.00 per share (in relation to the share capital of € 161.6 million divided into 60,097,000 shares) and to carry the remaining amount forward to new account. If the company holds treasury shares on the day of the Annual General Meeting of Shareholders, the proposed appropriation of profit will be adjusted accordingly since treasury shares are not eligible for dividend. Based on the Salzgitter stock's closing XETRA price of € 28.52 on December 31, 2022, the dividend yield amounts to 3.5 % (previous year: 2.4 %).

A dividend of € 0.75 per share was paid in the financial year resulting in a total amount of € 40.6 million.

(26) FURTHER DETAILS OF SHAREHOLDERS' EQUITY

DETAILS OF THE EXISTENCE OF A PARTICIPATING INTEREST / VOTING RIGHTS DISCLOSURES IN ACCORDANCE WITH SECTION 160 (1) ITEM 8 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

As of the 2022 reporting date, there are participating interests in Salzgitter AG that have been reported in accordance with Section 33 (1) of the German Securities Trading Act (WpHG; Section 21 (1) of the old version) and published in accordance with Section 40 (1) of the German Securities Trading Act (WpHG; Section 26 (1) of the old version).

Hannoversche Beteiligungsgesellschaft mbH, Hanover, Germany, informed us on April 2, 2002 that on April 1, 2002 it held 25.5 % of the voting rights in Salzgitter AG.

In addition, the **State of Lower Saxony**, represented by the Ministry of Finance for Lower Saxony, Hanover, has informed us that it is entitled to this 25.5 % of the voting rights in Salzgitter AG. According to the Ministry, these entire voting rights are to be attributed to the State of Lower Saxony in accordance with Section 22 (1) sentence 1 item 1 of the old version of the German Securities Trading Act (WpHG).

It is noted here that due to the changes in the total number of shares in Salzgitter AG that have now been completed, the aforementioned number of voting rights currently corresponds to a voting share of 26.48 %.

Salzgitter AG, Salzgitter, Germany announced on July 8, 2010 with respect to its treasury shares in accordance with Section 26 (1) sentence 2 of the old version of the Germany Securities Trading Act (WpHG) in conjunction with Section 21 (1) sentence 1 of the old version of the German Securities Trading Act (WpHG) that its holding of treasury shares had reached the 10 % threshold on July 6, 2010. Its share of voting rights with respect to treasury shares is 10.000 %. Salzgitter AG currently holds 6,009,700 treasury shares. This equates to a share of voting rights of 10.000 %.

Günter Papenburg, Hanover, informed us on February 25, 2022 in accordance with Section 33 (1) of the German Securities Trading Act (WpHG) that his share of voting rights in Salzgitter AG, Salzgitter, Germany, had exceeded the 20 % threshold of voting rights on February 24, 2022 and stood at 20.08 % on that day (equating to 12,070,400 voting rights). Of these, 20.08 % of voting rights (equating to 12,070,400 voting rights) held by GP Günter Papenburg AG, Hanover, are attributable in accordance with Section 34 of the German Securities Trading Act. Günter Papenburg also informed us on May 9, 2022 in accordance with Section 33 (1) of the German Securities Trading Act that his share of voting rights in Salzgitter AG, Salzgitter, Germany had exceeded the threshold of 25 % of the voting rights on May 6, 2022, amounting on this day to 25.05 % (corresponding to 15,054,700 voting rights). Of these, 25.05 % of voting rights (equating to 15,054,700 voting rights) held by GP Günter Papenburg AG, Hanover, are attributable in accordance with Section 34 of the German Securities Trading Act.

NON-CURRENT LIABILITIES

(27) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

In Germany there are collective and individual commitments in the form of direct commitments made by the employer. The great majority of the employees in the Salzgitter Group's German-based companies receive retirement pensions that are essentially based on a collective Group agreement concluded in December 2006 ("Salzgitter pension"). Within the scope of the pension commitment guaranteed in this agreement, the employer pays an annual fixed percentage contribution into the employee's individual pension account. The amount of the resultant pension component depends on the age of the employee entitled to pension payments in the respective contribution year. When payment becomes due, the employee or his / her surviving dependents is / are entitled to a monthly pension – with no lump-sum option. The pension commitments granted before the collective Group agreement came into effect generally provided for pension payments dependent on the income situation upon the employee's departure from the company and / or initial receipt of pension payments (final-salary pension commitments). These entitlements were replaced within the scope of the collective Group agreement and transferred to the Salzgitter pension by means of transition arrangements. Furthermore, employees can convert part of their gross salary into pension benefits (deferred compensation). The amounts accumulated as part of the deferred compensation commitment will be invested in fund units. When payment becomes due, the employee will receive the income generated by the fund shares, but no less than his deferred contributions plus guaranteed minimum interest (so-called securities-based commitment).

For managing directors and selected executives of the Salzgitter Group companies there are individual pension commitments based essentially on the pension tables drawn up by the Essener Verband. In accordance with these pension arrangements, employees with expectant rights are allocated to a particular benefits category in line with their position in the company. The respective benefits category's maximum entitlement has generally been reached after 25 years and is earned in stages. When payment becomes due, the employee or his / her surviving dependents is / are entitled to a monthly pension with no lump-sum option.

As part of the process of concluding new contracts for members of the Executive Board, the previous performance-related commitments made to Board members Becker and Kieckbusch with effect from December 31, 2018 were frozen and replaced by "defined contribution" commitments with effect from January 1, 2019. A similar "defined contribution" pension commitment was also made to the CEO, Mr Groebler. These pension commitments provide for fixed annual pension contributions which are invested in fund units. When payment becomes due, the Board member will receive the fund income but not less than the contributions plus guaranteed minimum interest (so-called securities-based commitment). Payment will be made as a one-off capital payment or, if applicable, in 10-year installments.

The pension payments made to the recipients on the basis of the collective agreements are revised every three years in accordance with Section 16, German Occupational Pensions Act (BetrAVG) and, in the event of an adjustment being necessary, adjusted to the trend in consumer prices. In the individual commitments area, the pension commitment is determined annually by the Essener Verband and accepted by the company in unchanged form. An asset-liability matching procedure has been waived due to the insignificance of the plan assets. The likely cash outflows are measured within the scope of the rolling corporate plans and included in the Group's cash flow planning.

Pension commitments exist only to an immaterial extent in the Salzgitter Group's foreign companies, and where they do exist, they are covered to a minor extent by plan assets (mainly insurance policies).

In addition, one company in the Salzgitter Group has a reimbursement claim against the public authorities in connection with its pension obligations. The present value of this claim is recognized under "Other receivables and other assets".

Overview of the treatment of pensions and similar obligations in the consolidated financial statements:

Balance sheet

In € million	2022/12/31	2021/12/31
Provisions for pensions and similar obligations		
Net pension provision	1,618.8	2,178.6
Other receivables and other assets		
Reimbursement right	1.2	1.3

Income Statement

In € million	2022	2021
Personnel expenses		
Service cost	33.3	37.3
Finance expenses		
Net interest	27.9	25.0

Other comprehensive income

In € million	2022	2021
Remeasurement of pensions		
Remeasurements from pension provisions	516.4	77.5
Remeasurements from reimbursement rights	0.0	0.1
	516.4	77.6

The net pension commitment as of December 31, 2022 is calculated as follows:

In € million	Defined benefit obligation	Plan assets	Net pension provision
As of 2022/1/1	2,250.1	71.5	2,178.6
Service cost			
Current service cost	37.5	3.1	34.5
Past service cost	-1.2	–	-1.2
Gain (-) / loss (+) on settlement	–	–	–
	36.3	3.1	33.3
(Net) Interest expense / income	28.2	0.4	27.9
Remeasurements			
Experience-based gains (-) / losses (+)	83.1	–	83.1
Gain (-) / loss (+) from change in demographic assumptions	0.0	–	0.0
Gain (-) / loss (+) from change in financial assumptions	-608.1	–	-608.1
Return on plan assets excluding amounts included in interest income	–	-8.6	8.6
	-525.0	-8.6	-516.4
Benefits paid	-104.8	-4.3	-100.5
Contributions			
Employers	–	0.8	-0.8
Employees	–	–	–
	–	0.8	-0.8
Currency translation differences	0.4	0.0	0.4
Changes in the consolidated group	–	–	–
Transfers / transfers to other accounts	-3.8	-0.2	-3.7
As of 2022/12/31	1,681.5	62.6	1,618.8

As of December 31, 2022 plan assets are essentially made up of investment funds (€ 59.7 million) and other equity instruments (€ 1.9 million), whose present values were determined on an active market on the closing date. Plan assets also consist of insurance contracts (€ 1.0 million), the present values of which were not determined on an active market.

The net pension commitment as of December 31, 2021 was calculated as follows:

In € million	Defined benefit obligation	Plan assets	Net pension provision
As of 2021/1/1	2,366.7	68.1	2,298.6
Service cost			
Current service cost	40.6	3.1	37.4
Past service cost	-0.1	–	-0.1
	40.5	3.1	37.3
(Net) Interest expense / income	25.3	0.3	25.0
Remeasurements			
Experience-based gains (-) / losses (+)	-5.9	–	-5.9
Gain (-) / loss (+) from change in demographic assumptions	-0.0	–	-0.0
Gain (-) / loss (+) from change in financial assumptions	-69.6	–	-69.6
Return on plan assets excluding amounts included in interest income	–	2.0	-2.0
	-75.5	2.0	-77.5
Benefits paid	-107.2	-3.3	-103.9
Contributions			
Employers	–	0.9	-0.9
Employees	–	–	–
	–	0.9	-0.9
Currency translation differences	0.3	0.3	0.1
As of 2021/12/31	2,250.1	71.5	2,178.6

The net present value of the obligation can be allocated as follows:

In € million	2022/12/31	2021/12/31
Actual net present value of the defined benefit obligation (Germany)	1,667.1	2,232.4
of which aspirants	585.5	972.3
of which recipients	1,081.5	1,260.2
Actual net present value of the defined benefit obligation (abroad)	14.4	17.7
	1,681.5	2,250.1

The sensitivity of the defined benefit obligation is as follows:

In € million	2022/12/31			
	Reference	Degree of sensitivity	+ Unit	- Unit
Discount rate	4.10 %	0.25 % points	-47.6	+50.3
Salary trend	2.75 %	0.5 % points	+2,0	-1.9
Pension trend	2.25 %	0.25 % points	+35.3	-34.1
Mortality	Heubeck 2018G	1 year	+80.1	-81.0

In € million	2021/12/31			
	Reference	Degree of sensitivity	+ Unit	- Unit
Discount rate	1.30 %	0.25 % points	-82.9	+88.7
Salary trend	2.50 %	0.5 % points	+4.2	-4.0
Pension trend	1.50 %	0.25 % points	+62.2	-59.7
Mortality	Heubeck 2018G	1 year	+114.4	-113.6

The sensitivity of this value is ascertained analogously to the calculation of the present value of the obligation shown in the balance sheet. In each of these process steps, one assumption is changed while the other assumptions remain the same. Possible dependencies between the assumptions are not taken into account.

The following pension payments will probably have to be made over the next 20 years:

In € million	
2023	108.8
2024	105.6
2025	103.8
2026	103.1
2027	102.4
2028-2032	482.6
2033-2042	858.0

The duration of the obligation's net present value according to Macaulay as of December 31, 2022 is 12.61 years.

(28) OTHER PROVISIONS

The development of other short-term and other long-term provisions is shown in the following table:

In € million	2022/1/1	Currency differences	Addition / disposal from changes in cons. group	Transfer	Reclassification	Used	Reversal	Allocation	Compound interest	2022/12/31	of which long-term
Other taxes	5.5	-0.0	–	–	-0.0	-0.8	-0.8	1.9	–	5.8	3.5
Personnel	170.9	0.2	–	-0.0	-0.9	-57.4	-13.3	61.3	0.8	161.4	102.2
of which anniversary provisions	[63.4]	[0.0]	[-]	[-]	[-0.2]	[-3.7]	[-6.3]	[1.3]	[0.5]	[55.0]	[50.5]
of which for the social compensation / age-related part-time employment / demographics fund	[71.4]	[-0.0]	[-]	[-0.0]	[-]	[-42.7]	[-2.2]	[43.1]	[0.2]	[69.7]	[39.4]
Operating risks	125.9	-0.0	–	–	–	-5.5	-2.9	2.7	–	120.2	108.1
Other risks	228.3	1.5	0.0	–	-0.8	-71.2	-43.1	116.2	0.0	230.9	58.5
Of which risks from invoiced orders	[60.7]	[0.3]	[-]	[-]	[-0.7]	[-16.5]	[-22.4]	[39.9]	[-]	[61.3]	[0.0]
of which risks from pending transactions	[28.3]	[0.2]	[-]	[-]	[-]	[-15.2]	[-8.1]	[19.4]	[-]	[24.5]	[0.9]
Total	530.6	1.6	0.0	-0.0	-1.7	-134.9	-60.0	182.1	0.8	518.4	272.3

The anniversary provisions shown under personnel provisions have a duration of ten years.

With regard to explanations of the share-based remuneration under IFRS 2, please refer to the explanations provided in Note 43 → **Disclosures on the Remuneration of the Executive Board, Supervisory Board and other Members of the Key Management Personnel**.

Provisions for typical operational risks are formed, in particular for landfill obligations, and have a duration of eight years. The provisions for other risks comprise provisions for risks from invoiced orders, litigation risks, warranties and risks from pending transactions.

The restructuring costs for the year total € 4.2 million, of which € 4.1 million is caused by the addition to the provision, and € 0.1 million was recognized as current expenditure for restructuring. The release of restructuring provisions in an amount of € 2.4 million relates to obligations to be released on the reporting date for which there was no longer any likelihood that they would be required.

(29) NON-CURRENT FINANCIAL LIABILITIES

In € million	2022/12/31	2021/12/31
Liabilities to banks	453.9	502.7
Lease liabilities	122.3	115.8
Liabilities from financing	0.1	0.1
Other borrowings	3.0	3.0
Financial liabilities	**579.3**	**621.5**

Non-current liabilities to banks include the following variable interest rate portions:

Currency	Book value	Interest	End of term
Euros	125.5	6-month Euribor	2024/05/31
Euros	6.8	3-month Euribor	2026/09/30
Euros	5.5	6-month Euribor	2026/05/31
Euros	1.0	6-month Euribor	2029/05/31
US Dollar	36.5	3-month Libor	2024/05/31

The Group closely observed the market and the results of various industry working groups managing the transition to the new reference interest rates. This includes announcements from the responsible regulatory authorities. The latter have clarified that, immediately after June 30, 2023, the 3-month USD Libor will either no longer be published or will no longer be representative.

The method for calculating Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority issued approval for the Euribor in accordance with the European Union Benchmarks Regulation. This allows market participants to continue using the Euribor both for existing and for new contracts, and the Group assumes that the Euribor will remain as a reference interest rate for the foreseeable future.

Consequently, the Group's only IBOR risks as of December 31, 2022 relate to loan liabilities with variable interest rates which are linked to the USD Libor. For these loan liabilities, the reference interest rate will be converted to the Secured Overnight Financing Rate (SOFR) as of 06/30/2023.

CURRENT LIABILITIES

(30) CURRENT FINANCIAL LIABILITIES

In € million	2022/12/31	2021/12/31
Other borrowings	796.0	517.6
Liabilities from factoring	154.9	169.2
Liabilities to banks	146.8	185.8
Lease liabilities	21.4	20.6
Current financial liabilities	**1,119.1**	**893.2**

"Other financial liabilities" result essentially from taking out loans as part of financing transactions with banks and listed international industrial companies from the energy sector. CO_2 certificates temporarily not required for production were transferred here as security.

Companies in Germany and abroad have made external financing arrangements outside of the Group. The resulting liabilities from factoring are secured by trade receivables. The default risk and the late payment risk regarding the sold receivables continue to be borne by the companies. The receivables will continue to be disclosed in full in the companies' balance sheets. The funds received are reported as liabilities. Due to their short terms, the book value of the receivables and liabilities corresponds to their fair value. The receivables will be assigned to the bank. The bank has the right to transfer the assigned receivables to third parties, but without the reciprocal rights and obligations being infringed.

(31) CONTRACT LIABILITIES

Net contract liabilities increased in the reporting period from € 353.8 million to € 412.3 million. The increase relates mainly to technical machinery and equipment in the Technology Business Unit. As of January 1, 2021, the balance of contract liabilities amounted to € 272.8 million.

(32) OTHER LIABILITIES

In € million	2022/12/31	2021/12/31
Liabilities to employees	185.7	127.2
Tax liabilities	72.3	121.6
Liabilities from derivatives	19.8	16.5
Liabilities from social security contributions	16.4	15.0
Customer credit balances	16.0	18.2
Other liabilities	70.7	77.0
Other liabilities (current)	**380.9**	**375.6**

The item “Other liabilities” contains numerous minor transactions on the part of the consolidated companies.

As well as the liabilities from factoring secured by receivables, liabilities in an amount of € 22.8 million (previous year: € 32.4 million) are secured through mortgages.

(33) CONTINGENCIES

Contingent liabilities are existing collateral commitments for third-party liabilities which are not expected to be utilized, however. Valued on the closing date, these commitments amounted to € 15.1 million (previous year: € 18.0 million).

Taking account of individual risk assessments as well as the actual contractual obligations as of the balance-sheet date, the contingencies comprise sureties and guarantees in an amount of € 2.6 million (previous year: € 5.4 million). Based on past experience, the probability of their being utilized can be regarded as low.

Contingent liabilities also comprise the Group's own liabilities where the probability of occurrence involving a possible outflow of resources is less than 50 % but not entirely unlikely.

In connection with the sanctions imposed by the Federal Competition Authority in earlier years due to the suspicion of antitrust collusion on premiums and surcharges in the Steel Processing Business Unit, individual customers approached us with claims for compensation. We regard these demands as largely unjustified or unenforceable, and we are confident that we will be able to successfully reject them or settle them at a relatively low level. The costs incurred as a result, particularly for legal advice in this regard are included in the consolidated financial statements in the form of provisions.

In addition to the legal disputes listed, further legal and arbitration proceedings have been filed against one company in the Salzgitter Group. It is extremely difficult to make any meaningful forecast on the course of such legal disputes and their outcome is uncertain as no oral hearings have been held as yet. We have decided not to provide any individual description of the circumstances as this is an ongoing case and any comments we make might be held against us. We also expect that we will be able to successfully defend the law suits filed against us. Nevertheless, we cannot rule out with total certainty that the legal cases will unexpectedly go against us with an equally significant impact on net assets, financial position and results of operations. The probable costs for external legal representation in these proceedings are included in "Other provisions".

Neither Salzgitter AG nor any of its Group companies are involved in any further ongoing or imminent court or arbitration proceedings that might have a substantial effect on its financial position.

(34) OTHER FINANCIAL OBLIGATIONS

In € million			2022/12/31
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments (essentially property, plant and equipment)	373.4	283.4	–
Obligations from rental and leasing agreements	6.5	3.2	0.0
Other financial obligations	442.0	495.8	882.3
Total	822.0	782.4	882.3

In € million			2021/12/31
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments (essentially property, plant and equipment)	142.5	59.5	–
Obligations from rental and leasing agreements	6.9	11.4	6.3
Other financial obligations	520.0	276.0	76.9
Total	669.4	346.9	83.2

The other financial obligations primarily concern long-term purchasing commitments whose purpose is to ensure the procurement of input material for raw materials and sea freight as well as obligations from long-term electricity supply contracts. The latter agreements are the main reason for the rise in other financial obligations by comparison with the previous year.

The obligations arising from rental, tenancy and lease agreements include those non-capitalized lease agreements that continue to be recognized in profit and loss as part of the application relief. In addition, this item also reflects future leases which the Salzgitter Group has already entered into whose date of provision falls after the closing date, however.

(35) FINANCIAL INSTRUMENTS

In the case of highly likely procurement transactions and for foreign currency transactions, definable risk components forming part of cash flow hedges can be designated as underlying transactions for treatment as hedge accounting. The Salzgitter Group avails itself of this option. Hedging transactions, underlying transactions and the management of risks are described in the course of this section.

Investments for the generation of dividend income are held in a separate portfolio within financial assets. These equity investments represent investments that the Group is holding for the long term. The Salzgitter Group has designated these investments as "fair value through other comprehensive income" in equity instruments. The accumulated reserve from changes in fair value in connection with these investments is never reclassified to profit and loss.

Hedging transactions not forming part of hedge accounting are classified at "fair value through profit and loss" as the payment flows from these transactions do not consist exclusively of interest payments and principal repayments.

CATEGORIES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

As of the balance sheet date of December 31, 2022, the reconciliation of the balance sheet items to the various categories of financial instruments was as follows:

2022 in € m				Valuation according to IFRS 9			Valuation according to IFRS 15 and IFRS 16	
	2022/12/31	Out of scope of IFRS 7	In scope of IFRS 7	At amortized costs	At fair value (OCI)	At fair value (P&L)	At amortized costs	Fair value
Assets								
Financial assets	38.3	–	38.3	10.1	28.2	–	–	38.3
Other non-current receivables and assets	15.7	3.1	12.6	0.6	12.0	–	–	12.6
Long-term and short-term trade receivables	1,547.3	–	1,547.3	1,547.3	–	–	–	1,547.3
Contract assets	318.3	–	318.3	–	–	–	318.3	318.3
Other current receivables and assets	217.9	71.8	146.1	105.6	26.9	13.6	–	146.1
Securities	0.0	–	0.0	0.0	–	–	–	0.0
Cash and cash equivalents	988.4	–	988.4	988.4	–	–	–	988.4
Assets financial instruments			3,051.0	2,652.0	67.1	13.6	318.3	
Equity and liabilities								
Non-current financial liabilities	579.3	–	579.3	457.0	–	–	122.3	552.3
Other non-current liabilities	5.2	5.2	0.0	0.0	–	–	–	0.0
Current financial liabilities	1,119.1	–	1,119.1	1,097.7	–	–	21.4	1,123.4
Trade payables	1,331.8	–	1,331.8	1,331.8	–	–	–	1,331.8
Other current liabilities	380.9	304.1	76.8	57.0	6.6	13.2	–	76.8
Equity and liabilities financial instruments			3,107.0	2,943.5	6.6	13.2	143.6	

As of the balance sheet date of December 31, 2021, the reconciliation of the balance sheet items to the various categories of financial instruments was as follows:

2021 in € m				Valuation according to IFRS 9			Valuation according to IFRS 15 and IFRS 16	
	2021/12/31	Out of scope of IFRS 7	In scope of IFRS 7	At amortized costs	At fair value (OCI)	At fair value (P&L)	At amortized costs	Fair value
Assets								
Financial assets	51.4	–	51.4	24.8	26.6	–	–	53.7
Other non-current receivables and assets	21.5	7.4	14.1	2.2	11.9	–	–	14.1
Long-term and short-term trade receivables	1,461.0	–	1,461.0	1,461.0	–	–	–	1,461.0
Contract assets	323.0	–	323.0	–	–	–	323.0	323.0
Other current receivables and assets	296.6	74.1	222.5	122.5	57.6	42.4	–	222.5
Securities	49.7	–	49.7	0.0	–	49.7	–	49.7
Cash and cash equivalents	741.8	–	741.8	741.8	–	–	–	741.8
Assets financial instruments			2,863.6	2,352.4	96.2	92.1	323.0	
Equity and liabilities								
Non-current financial liabilities	621.5	–	621.5	505.8	–	–	115.8	624.0
Other non-current liabilities	6.6	4.2	2.4	0.1	2.3	–	–	2.4
Current financial liabilities	893.2	–	893.2	872.7	–	–	20.6	898.7
Trade payables	1,729.0	–	1,729.0	1,729.0	–	–	–	1,729.0
Other current liabilities	375.7	289.8	85.9	69.3	5.3	11.2	–	85.9
Equity and liabilities financial instruments			3,332.0	3,176.8	7.7	11.2	136.3	

DETERMINATION OF FAIR VALUES OF FINANCIAL INSTRUMENTS

Trade receivables and cash and cash equivalents have short residual terms for the most part, and as a result their book values correspond to their fair values as of the reporting date. With regard to the fair values of derivatives, please refer to "Financial assets – recognition and measurement" in the section on → **Accounting and Valuation Principles**. The book value of the derivative financial instruments corresponds to their market value.

Trade payables and other liabilities regularly have short residual terms, and as a result their reported values correspond to their fair values.

Fair value disclosures for financial assets and debts not measured at fair value within the scope of IFRS 7 are calculated by discounting future cash flows. This is performed by using a term-dependent interest rate that reflects the risk-free rate and the counterparty risk or Salzgitter Group's counterparty default risk deduced on the basis of a peer group. The calculation parameters are based on data from directly and indirectly observable input factors. The fair value disclosures in the fair value column in the above table are therefore to be assigned overall to Level 2. Further information on the fair value hierarchy and the categorization of financial instruments in hedge accounting can be found in the explanations of the fair value hierarchy below.

When calculating the fair value of an asset or a liability, the Group uses observable market data as far as possible. Based on the input factors used in the calculation techniques, the fair values are assigned to different levels in the fair value hierarchy.

Level 1: listed prices on active markets for identical assets and liabilities.

Level 2: Valuation parameters that are not concerned with the listed prices taken into account in Level 1, but can be observed either directly or indirectly (from the derivation of prices) for the asset or liability in question.

Level 3: Valuation parameters for assets or liabilities not based on observable market data

If the input factors used for calculating the fair value cannot be assigned to one single level, they are assigned collectively to the level of the input factor of decisive significance for the measurement process.

Market values were determined on the basis of conditions that prevailed on the reporting date, using the values at which the relevant financial instruments were traded or listed. The current value of the derivatives to be reported derives from the valuation of the hedged foreign currency amount or commodity price, with the difference between the rate applying when the forward contract was entered into and the forward rate on the reporting date; this amount is discounted to the balance sheet date in accordance with the residual term.

Fair value calculation:

2022 in € m	Fair value						
	At fair value with no effect on the financial investments income	At fair value with no effect on hedge accounting income	At fair value (P&L)	Total	of which level 1	of which level 2	of which level 3
Assets							
Financial assets	28.2	–	–	28.2	–	–	28.2
Other non-current receivables and assets	–	12.0	–	12.0	–	12.0	–
Other current receivables and assets	–	26.9	13.6	40.5	–	40.5	–
Securities	–	–	–	–	–	–	–
Assets fair value	28.2	38.9	13.6				
Equity and liabilities							
Other non-current liabilities	–	–	–	–	–	–	–
Other current liabilities	–	6.6	13.2	19.8	–	19.8	–
Liabilities fair value	–	6.6	13.2				

Financial investments measured at their fair value with no effect on income represent exclusively long-term holdings in companies over which the Salzgitter Group is unable to exert any significant influence. The measurement chosen through other comprehensive income with no subsequent reclassification to the income statement is regarded as appropriate as there is no intention to achieve short-term profits with these investments.

The subsequent measurement of the equity instruments held with no effect on income increased their carrying amounts by € 1.6 million (previous year: decrease of € 3.9 million). The carrying amounts of all financial investments as of the closing date of December 31, 2022, as well as the carrying amounts of the previous year are disclosed in the notes to items in the balance sheet.

No financial investments in equity instruments were sold in the 2022 financial year. No cumulative gains or losses were transferred within equity in this context.

The market value of these equity instruments was determined on the basis of parameters for which there are no observable market data. The equity instruments assigned to Level 3 and measured at fair value with no effect on profit or loss with a carrying amount of € 28.2 million (previous year: € 26.6 million) constitute investments measured on the basis of the best information available on the closing date.

The main unobservable input factors for measuring the fair value of financial investments assigned to Level 3 of the measurement hierarchy consist of dividend payments and the imputed cost of capital. The fair value is determined on the basis of these input factors using a discounted cash flow method. If the cost of capital changes by +/- 1%, the fair value would fall by € 1.8 million (previous year: € 1.4 million) or increase by € 2.2 million (previous year: € 1.7 million). Financial instruments measured at fair value and recognized in profit or loss essentially contain derivatives for currency hedging outside the scope of hedge - accounting as well as fund assets.

The assessment as to whether in the case of financial assets and liabilities recognized at fair value, there has been a transfer between fair value hierarchy levels is made at the end of each reporting period. No reclassifications were made in the past reporting period.

2021 in € m		Fair value					
	At fair value with no effect on the financial investments income	At fair value with no effect on hedge accounting income	At fair value (P&L)	Total	of which level 1	of which level 2	of which level 3
Assets							
Financial assets	26.6	–	–	26.6	–	–	26.6
Other non-current receivables and assets	–	11.9	–	11.9	–	11.9	–
Other current receivables and assets	–	57.6	42.4	100.0	–	100.0	–
Securities	–	–	49.7	49.7	49.7	–	–
Assets fair value	26.6	69.6	92.1				
Equity and liabilities							
Other non-current liabilities	–	2.3	–	2.3	–	2.3	–
Other current liabilities	–	5.3	11.2	16.5	–	16.5	–
Liabilities fair value	–	7.7	11.2				

NET RESULTS OF CATEGORIES OF FINANCIAL INSTRUMENTS

The net results of the categories are as follows:

In € million	2022	2021
Financial instruments measured without effect on income	57.6	61.3
Financial assets at cost	12.3	–21.4
Equity instruments measured at fair value without effect on income	3.1	1.0
Financial liabilities measured at amortized cost	–54.5	–38.5
Total	18.5	2.5

The net result of the category "Financial assets and liabilities measured at fair value with effect on income" includes essentially the effects of measuring forward currency transactions as of the closing date.

Besides impairments and the effects of changes in exchange rates, the "Financial assets measured at amortized cost" category also includes interest income amounting to € 12.2 million (previous year: € 15.2 million). The "Equity instruments measured at fair value with no effect on profit or loss" category includes primarily investment income. The dividends from these financial investments recognized in the financial year result exclusively from equity instruments still held by the Salzgitter Group on the closing date. The dividend income is recognized in the Group's income from shareholdings.

Interest expenses amounting to € 49.5 million (previous year: € 36.2 million) are allocated to the "Financial liabilities measured at amortized cost" category. This category also includes effects from currency translation.

For financial instruments not measured at fair value through profit and loss, the expenses incurred in financial and monetary transactions amounted to € 10.2 million (previous year: € 10.4 million); these were immediately recognized with effect on income.

FINANCIAL RISK MANAGEMENT OF FINANCIAL INSTRUMENTS – DEFAULT RISK

The concentration of risk with regard to trade receivables is assessed as low as the customers are based in different countries, belong to different sectors of industry and operate in largely independent markets. There are no customers from whom there are trade receivables amounting to more than 10 % of the total trade receivables. The individual companies in the Group have loan insurance to cover most of the risk of bad debt.

The Salzgitter Group has three types of assets subject to the model of expected losses. Besides trade receivables, these are contract assets and debt instruments measured at amortized cost. Cash and cash equivalents are also subject to impairment rules under IFRS 9 but the impairment expense identified was inconsequential.

The Salzgitter Group assigns receivables, trade receivables and contract assets to three categories that reflect the risk of default as well as the way in which any impairment loss is determined for each category. These credit ratings are aligned with the ratings of external agencies such as Standard and Poor's, Moody's and Fitch.

The Salzgitter Group applies the simplified approach for all trade receivables and contract assets in accordance with IFRS 9 in order to measure the expected credit losses.

To calculate the expected credit losses, trade receivables and contract assets are aggregated on the basis of common credit risk characteristics. Contract assets relate to as yet uninvoiced, ongoing work and essentially exhibit the same credit risk characteristics as trade receivables for the same types of contract. The Salzgitter Group therefore applies the same loss ratios as for trade receivables when measuring the expected losses from contract assets.

The Salzgitter Group takes account of the probability of default at the time of assets' initial recognition as well as of any significant increase in the default risk during the reporting period. To judge whether the default risk has increased significantly, the default risk with respect to the closing date is compared with the default risk at the time of initial recognition. Besides external credit ratings, weight is given to internal credit ratings and significant changes to the expected profitability and payment behavior of the debtor.

Financial assets are written off if, after due consideration, they are deemed irrecoverable, for instance if a debtor refuses to agree a repayment plan. If loans or receivables have been written off, the company will continue to enforce its claim in order to recover the amounts due. A financial instrument is derecognized if, after due consideration, a financial asset can no longer be assumed to be partially or wholly recoverable, for example, upon the conclusion of insolvency proceedings or following judicial rulings. For these reasons, trade receivables in an amount of € 2.5 million (previous year: € 3.3 million) were derecognized in the financial year.

As of the reporting date, the default risk compared with the previous year was as follows:

In € million	2022/12/31		2021/12/31	
	Maximum default risk	Hedged default risk	Maximum default risk	Hedged default risk
Long-term and short-term trade receivables	1,547.3	841.2	1,461.0	947.7
Other receivables	106.2	0.9	124.7	0.9
Financial assets	10.1	0.8	24.8	–
Total	1,663.7	842.9	1,610.5	948.6

There are also default risks amounting to the positive market values of derivatives equating to the assets reported for which the default risk is not secured.

For all other financial instruments not listed in the overview, the default risk essentially corresponds to the carrying amount.

Trade receivables in an amount of € 782.2 million (previous year: 843.3 million) are secured against default by means of credit insurance.

The rating system for assets accounted for in accordance with the general approach is as follows:

In € million			2022/12/31
General approach	Level 1	Level 2	Level 3
High credit rating	106.2	–	–
Fair credit rating	7.2	–	–
Increased risk	2.9	–	–
Total	116.4	–	–

In € million			2021/12/31
General approach	Level 1	Level 2	Level 3
High credit rating	124.7	–	–
Fair credit rating	17.7	–	–
Increased risk	7.1	–	–
Total	149.5	–	–

FY 2022 in € million	Impairment general approach level 1		
	Gross book value	Credit risk	Net book value
Opening balance 01/01	153.4	–3.8	149.6
Disposal	–27.6	–	–27.6
Allocation	–	–6.3	–6.3
Reversal	–	0.7	0.7
Currency differences	–0.0	0.1	0.1
As per 12/31	125.7	–9.3	116.4

FY 2021 in € million	Impairment general approach level 1		
	Gross book value	Credit risk	Net book value
Opening balance 01/01	130.6	–5.0	125.6
Addition	32.0	–	32.0
Change in value	–	–0.1	–0.1
Reversal	–9.2	1.1	–8.2
Currency differences	0.0	0.2	0.3
As per 12/31	153.4	–3.8	149.6

The rating system for assets accounted for in accordance with the simplified approach, is as follows:

2022/12/31 in € million		
Simplified	Trade receivables gross	Contract assets gross
High credit rating	1,086.1	299.5
Fair credit rating	436.5	17.8
Increased risk	126.9	1.6
Total	1,649.5	318.9

2021/12/31 in € million		
Simplified	Trade receivables gross	Contract assets gross
High credit rating	1,047.7	301.8
Fair credit rating	411.4	20.1
Increased risk	93.8	1.9
Total	1,552.9	323.7

The figures shown for the various rating categories are gross carrying amounts before taking account of the credit default risk. The gross carrying amount for all trade receivables as of December 31, 2022 amounts to € 1,649.5 million (previous year: € 1,552.9 million). Of the entire risk provision for trade receivables amounting to € 102.2 million (previous year: € 91.9 million), € 96.7 million (previous year: € 86.7 million) was accounted for by the "Increased risk" category. The remaining sum for the risk provision for trade receivables amounting to € 5.5 million (previous year: € 5.1 million) results primarily from the risk provision for trade receivables in the "Fair credit rating" category.

As of December 31, 2022, the gross carrying amount of all contract assets amounts to € 318.9 million (previous year: € 323.7 million). Overall, there is a risk provision for contract assets amounting to € 0.6 million (previous year: € 0.8 million) resulting essentially from the risk provision for contract assets in the "High credit rating" category.

FY 2022 in € million	Impairment trade receivables	Impairment contract assets
As of 01/01	–91.9	–0.8
Addition	–92.1	–1.2
Utilization	2.4	–
Reversal	81.1	1.2
Transfer to other accounts	–0.1	0.1
Currency differences	–1.6	–
As per 12/31	–102.2	–0.6

FY 2021 in € million	Impairment trade receivables	Impairment contract assets
As of 01/01	–94.9	–0.8
Addition	–84.9	–1.5
Utilization	3.3	–
Reversal	86.8	1.4
Transfer to other accounts	–0.1	0.1
Currency differences	–2.2	–
As per 12/31	–91.9	–0.8

FINANCIAL RISK MANAGEMENT OF FINANCIAL INSTRUMENTS – LIQUIDITY RISK

Salzgitter AG, as the management holding, monitors the liquidity situation within the Group by operating a central cash and interest management system for all the companies that are financially integrated into the Group. This system defines internal credit lines for the subsidiaries. If subsidiaries have their own credit lines, they are responsible for minimizing the associated risk themselves and for reporting on potential risks in the context of the Group management and controlling structures. Risks may also arise from the necessary capital and liquidity measures taken on behalf of the subsidiaries and holdings if their business should develop unsatisfactorily in the longer term. We do not, however, anticipate any burdens from this area of risk that could constitute a going concern risk. The risk concentration is countered by a rolling liquidity plan. In view of the cash and credit lines available, we do not perceive any danger to our Group as a going concern at this time.

The liquidity structure of all the financial liabilities is as follows:

2022/12/31 in € million	up to 1 year	1 to 5 years	over 5 years
Trade payables	1,331.8	–	–
Financial liabilities (without leasing liabilities)	1,108.9	435.3	45.4
Lease liabilities	27.0	66.2	78.4
Other liabilities (without derivatives)	95.7	0.0	–

2021/12/31 in € million	up to 1 year	1 to 5 years	over 5 years
Trade payables	1,729.0	–	–
Financial liabilities (without leasing liabilities)	880.0	451.7	69.0
Lease liabilities	25.9	60.5	80.1
Other liabilities (without derivatives)	73.5	0.1	–

As a general rule, all amounts constitute contractually undiscounted cash flows.

As of December 31, 2022, derivative financial liabilities with a term of under one year lead to disbursements of € 499.9 million (previous year: € 564.3 million), while those with a term of between one and five years lead to payouts totaling € 0.0 million (previous year: € 2.3 million). The disbursements from derivative financial liabilities for which payments on a gross basis were agreed are counterbalanced by in-payments. If these in-payments are taken into account, the payouts are substantially lower.

Companies in the Technology Business Unit conclude reverse factoring agreements with financial institutions in favor of suppliers. This gives our companies the chance to balance the differing payment terms between customers and suppliers without reducing our liquidity prematurely. As of December 31, 2022, reverse factoring agreements amounting to € 55.6 million (previous year: € 51.8 million) are shown in trade payables. The payment terms for liabilities as part of reverse factoring are almost exclusively 180 days. Reverse factoring is used essentially within Germany to support financing and thus to tie selected, first-class suppliers to the company. Through reverse factoring, we were able to grant suppliers shorter payment periods because the early payments are initially taken over by the financial institutions. This does not change the amount and the timing of the cash flows for the supplier liabilities for the Group.

FINANCIAL RISK MANAGEMENT OF FINANCIAL INSTRUMENTS – MARKET PRICE RISK

The business model for areas of the Salzgitter Group's business that are heavily focused on steel is exposed to volatility in the price of raw materials and in sales prices. Selected raw material hedging transactions entered into to manage raw material price risks and margin risks are accounted for using hedge accounting. Starting with the variability of raw material purchase prices in procurement contracts, the relationship between the price of raw materials and the price of steel, the time lapse between when raw material prices are set and the price of steel in the market as well as the anomalies of the business model (throughput times, minimum stocks, batch sizes within production, etc.), all of these factors form part of the process of identifying risks. As a result of the circumstances outlined, there is a risk that the actual margin obtained may differ from the margin originally budgeted. Key management indicators including associated limits are used to manage these raw material price risks and associated margin risks in the Salzgitter Group. Taking account of these key performance indicators, a risk committee is responsible throughout the Group for initiating and selecting appropriate measures to manage risk positions and defines a hedging ratio. To control the margin risks, the Salzgitter Group also deploys derivative financial instruments to a limited extent to hedge the sales prices of hot-rolled strip products.

The various measurement parameters pertaining to the underlying transaction and the hedging transaction are compared in order to determine the economic hedging relationships. As the measurement parameters of the underlying transaction and the hedging transaction are the same (nominal volume, price index and maturity), an economic hedge can be assumed. The following reasons may lead to the hedge becoming ineffective: a change in the payment schedule, an increase or decrease in the nominal volume or the price or a significant change in the credit risk of one or both of the two contractual partners. The ineffectiveness of a hedging transaction is measured on the basis of the cumulative dollar offset method for each quarter, in other words, the cumulative cash flow changes of the underlying transaction are compared with the cumulative cash flow changes of the hedging transaction. Both the underlying transaction (hypothetical derivative) and the hedging transaction are measured using forward market rates and by applying the forward-to-forward method.

In the case of highly likely procurement transactions, definable risk components forming part of cash flow hedges can be designated as underlying transactions under IFRS 9. This facility is used in the Salzgitter Group to reduce the ineffectiveness of hedging relationships through commodity procurement transactions for iron ore and coking coal. For example, this eliminates the risk component of ship diesel in the effectiveness calculation.

Iron ore is hedged on the basis of the IODEX. Coking coal is hedged on the basis of the Platts / TSI Index. The sales price for hot rolled wide strip is hedged on the basis of the North European HRC index, EXW Ruhr. The underlying risk of commodity futures transactions is almost identical to that of the hedged risk components. The Salzgitter Group has therefore defined a hedging ratio of 1 : 1 for hedging relationships.

The Salzgitter Group applied financial year hedge accounting in accordance with IFRS 9 for commodity futures (hot-rolled wide strip, iron ore and coking coal swaps) and, to a minor extent, forward exchange contracts. In the process, it hedged the risks of changes in prices or exchange rates using cash flow hedges. The respective market values were as follows:

Positive market value in € million	2022/12/31	2021/12/31
Forward exchange contracts – cash flow hedges	2.0	2.5
Commodity futures – cash flow hedges	36.8	67.0
Total	38.8	69.6

Negative market values in € million	2022/12/31	2021/12/31
Forward exchange contracts – cash flow hedges	5.0	0.0
Commodity futures – cash flow hedges	1.5	7.7
Total	6.6	7.7

The commodity future transactions will affect income in the financial years 2023, 2024 and 2025. Thanks to high effectiveness, the changes in value of the forward currency transactions are matched by almost identical underlying transactions. By comparison with the previous year, positive forward currency transactions reduced by € 0.5 million (previous year: increase of € 2.5 million) and negative ones increased by € 5.0 million (previous year: decrease of € 2.6 million). Thanks to high effectiveness, the changes in value of commodity future transactions are matched by almost identical underlying transactions. By comparison with the previous year, positive commodity futures fell by € 30.2 million (previous year: increase of € 15.6 million) and negative ones fell by € 6.2 million (previous year: € 13.5 million).

For materiality reasons, movements in the cash flow hedge reserve for forward currency transactions are not shown separately, and the figures in the following table therefore include forward currency transactions to a limited extent as well as commodity futures. The cash flow hedge reserve that was posted to equity with no effect on income (after taxes) developed as follows:

In € million	2022	2021
As of 01/01	42.9	18.5
Write-up without effect on income	229.6	195.1
Write-down without effect on income	–155.1	–109.0
Basis adjustment	–119.1	–89.2
Deferred taxes basis adjustment	37.5	28.1
Realization	15.7	37.4
Other deferred taxes	–30.0	–37.9
As of 12/31	21.5	42.9

The volume of hedging transactions accounted for in hedge accounting as of the relevant closing date:

2022	up to 1 year	over 1 year	Nominal volume	Average hedging rate
Hedging currency exchange risk in million USD - sale	159.0	–	159.0	1.05
Hedging currency exchange risk in million GBP	45.4	–	45.4	0.88
Hedging currency exchange risk in million CAD	3.6	–	3.6	1.39
Hedging price change risk of iron ore in m t	0.4	0.6	1.0	82.81
Hedging price change risk of coking coal in m t	0.1	–	0.1	151.86
Hedging price change risk hot-rolled coils in m t	0.0	0.0	0.0	827.86
Book value receivables in € m	26.9	12.0		
Book value payables in € m	6.6	0.0		

2021	up to 1 year	over 1 year	Total nominal volume	Average hedging rate
Hedging currency exchange risk in million USD - sale	240.3	–	240.3	1.17
Hedging currency exchange risk in million GBP	62.2	–	62.2	0.86
Hedging currency exchange risk in million CAD	72.1	–	72.1	1.47
Hedging price change risk of iron ore in m t	0.4	0.4	0.8	84.15
Hedging price change risk of coking coal in m t	0.5	0.1	0.6	152.55
Hedging price change risk hot rolled coils in m t	0.1	0.0	0.1	756.04
Book value receivables in € m	57.6	11.9		
Book value payables in € m	5.3	2.3		

The effectiveness of all hedging arrangements is examined as of every reporting date. In the process, the cumulative changes in the value of the underlying transaction are compared with the cumulative changes in the value of the hedging transaction. In the financial year, ineffectivities totaling € 0.1 million (previous year: € 0.1 million) arose from cash flow hedges. The ineffectivities were recognized in other operating income and other operating expenses.

In the financial year, an amount of € 119.1 million (previous year: € 89.2 million) from expired forward exchange contracts was offset against the acquisition costs of non-financial assets (basis adjustment). In addition, reserves for price hedging for sales transactions amounting to € –15.1 million (previous year: € –34.1) were reclassified from OCI to Sales revenues for underlying transactions now recognized in profit or loss. Reserves for currency hedging in an amount of € –0.7 million (previous year: € –3.3 million) were reclassified from OCI to other operating expenses or other operating income for underlying transactions now recognized in profit or loss.

In the case of foreign currency receivables, rate hedging cover is provided by entering into forward exchange contracts with various banks. The claims reported in hedge accounting are recognized at the agreed rate. Hedging relationships were established both for firm obligations and for anticipated future transactions.

The Salzgitter Group is exposed to further price risks from the measurement of equity instruments held for the long term. Movements in the reserve for changes in the value of financial instruments in the category "Equity instruments measured at fair value with no effect on income" are as follows after tax:

In € million	2022	2021
As of 01/01	15.0	18.9
Write-up without effect on income	2.2	0.1
Write-down without effect on income	–1.6	–3.9
Deferred tax	–	–0.0
As of 12/31	15.5	15.0

The carrying amount of equity instruments measured at fair value with no effect on the income statement in the amount of € 28.2 million (previous year: € 26.6 million) is shown in the reconciliation matrix for financial instruments in financial assets.

The equity instruments in the Salzgitter Group measured at fair value in other comprehensive income essentially contain the following unlisted companies:

In € million	2022/12/31	2021/12/31	2022	2021
		Fair value		Dividends
Arsol Aromatics GmbH & Co. KG	12.5	14.1	1.2	0.1
Ferrum Packaging AG	8.6	6.6	1.0	–
PEAG Holding GmbH	2.7	2.6	0.3	0.2
Niedersächsische Gesellschaft zur Endlagerung von Sonderabfall mbH	1.4	1.5	0.2	0.3
Other	2.9	1.8	0.4	0.4
Total	28.2	26.6	3.1	1.0

SENSITIVITY ANALYSIS FOR FOREIGN EXCHANGE, INTEREST RATE AND MARKET PRICE RISKS

The Salzgitter Group is exposed to a variety of financial risks. These, as defined by the sensitivity analysis prescribed under IFRS 7, are interest rate risks, currency risks and other price risks. For the interest rate risks, the sensitivity analysis assumes a change of 100 base points in the market interest rate. With regard to the currency risks, a fluctuation of 10 % in the Group companies' respective functional currencies against the foreign currencies is assumed. The other price risks arise for the Salzgitter Group from changes in commodity prices or stock market indices. In this case, the impact of a 20 % change in the respective quoted prices is taken into account. The sensitivities are ascertained by banks or by means of internal calculations using acknowledged methods (for example, Black-Scholes, Heath-Jarrow-Morton). The portfolio of financial instruments as of the balance sheet date is representative of the financial year as a whole.

2022/12/31	Recognized in profit and loss	Affecting equity	Total	Recognized in profit and loss	Affecting equity	Total
Degree of sensitivity	+10 %	+10 %	+10 %	-10 %	-10 %	-10 %
USD	-20.1	-14.0	-34.1	22.6	18.3	40.9
GBP	1.1	4.6	5.7	-1.3	-5.6	-6.9
Other currencies	5.3	0.2	5.5	-6.2	-0.2	-6.4
Currency sensitivities	-13.7	-9.2	-22.9	15.1	12.5	27.6
Degree of sensitivity	+100 bp	+100 bp	+100 bp	-100 bp	-100 bp	-100 bp
Interest rate sensitivities	–	–	–	–	–	–
Degree of sensitivity	+20 %	+20 %	+20 %	-20 %	-20 %	-20 %
Coking coal	2.5	4.6	7.1	-2.5	-4.6	-7.1
Iron ore	1.7	22.0	23.7	-1.7	-22.0	-23.7
Other	0.2	-5.4	-5.2	-0.2	5.4	5.2
Other price sensitivities	4.4	21.2	25.6	-4.4	-21.2	-25.6

2021/12/31	Recognized in profit and loss	Affecting equity	Total	Recognized in profit and loss	Affecting equity	Total
Degree of sensitivity	+10 %	+10 %	+10 %	-10 %	-10 %	-10 %
USD	-28.4	-24.0	-52.4	28.9	29.6	58.5
GBP	2.3	6.7	9.0	-2.8	-8.2	-11.0
Other currencies	5.3	4.5	9.8	-6.5	-5.5	-12.0
Currency sensitivities	-20.8	-12.8	-33.6	19.6	15.9	35.5
Degree of sensitivity	+100 bp	+100 bp	+100 bp	-100 bp	-100 bp	-100 bp
Interest rate sensitivities	–	–	–	–	–	–
Degree of sensitivity	+20 %	+20 %	+20 %	-20 %	-20 %	-20 %
Coking coal	–	38.0	38.0	–	-38.0	-38.0
Iron ore	–	17.7	17.7	–	-17.7	-17.7
Other	–	-15.0	-15.0	–	15.0	15.0
Other price sensitivities	–	40.7	40.7	–	-40.7	-40.7

OFFSETTING FINANCIAL INSTRUMENTS

Salzgitter AG generally only concludes financial futures transactions with banks with which it already has a business relationship. Financial futures transactions are only concluded on the basis of a standardized contract for financial futures transactions. This agreement contains a conditional netting agreement according to which – in the event of insolvency – the party that owes the higher amount pays the difference.

Derivatives with, respectively, positive or negative market values are not netted with each other in the balance sheet. The "not offset amount" column contains the amounts of the derivatives accounted for which do not satisfy the criteria for netting under IAS 32.42.

2022/31/12 in € million	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values Derivates	52.5	–	52.5	8.1	44.4
Negative market values Derivates	19.8	–	19.8	8.1	11.7

2021/12/31 in € million	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values Derivates	111.9	–	111.9	18.1	93.8
Negative market values Derivates	18.9	–	18.9	18.1	0.7

(36) NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7, the cash flow statement depicts the development in cash flows, broken down into inflows and outflows of funds from current operating, investment and financing activities. The cash flow statement is derived from the consolidated financial statements of Salzgitter AG using the indirect method.

The cash and cash equivalents used consist of cash in hand, checks and cash at banks and term deposits (term of under three months).

In the cash inflow from operating activities, the income and expenses from fixed asset disposals have been eliminated. Interest income amounts to € 9.4 million (previous year: € 5.6 million). Dividend income received during the financial year 2022 amounts to € 25.3 million (previous year: € 19.2 million).

The cash inflow from investments relates to fund units.

Changes in financial liabilities were as follows:

In € million	As of 2022/1/1	Cash inflow total	of which: Cash inflow from financing cash flow	Cash outflow total	of which: Cash outflow from financing cash flow	Currency differences	Other changes	As of 2022/12/31	of which non-current
Loan payables and other financial liabilities	1,514.8	1,296.7	1,137.5	−1,157.4	−993.2	2.5	31.4	1,698.3	579.3
Liabilities to banks	688.5	70.4	4.3	−170.6	−128.0	1.7	0.4	600.7	453.9
Other financial liabilities	506.8	1,133.2	1,133.2	−838.3	−838.3	–	−3.0	798.8	3.0
Liabilities from factoring	169.2	93.1	–	−107.5	–	–	–	154.9	–
Liabilities from financing	13.9	0.0	–	−14.2	–	0.6	0.0	0.3	0.1
Lease liabilities	136.3	–	–	−26.9	−26.9	0.2	34.0	143.6	122.3
	1,514.8	1,296.7	1,137.5	−1,157.4	−993.2	2.5	31.4	1,698.3	579.3

In € million	As of 2021/1/1	Cash inflow total	of which: Cash inflow from financing cash flow	Cash outflow total	of which: Cash outflow from financing cash flow	Currency differences	Other changes	As of 2021/12/31	of which non-current
Loan payables and other financial liabilities	1,237.6	660.0	503.8	−409.1	−300.8	4.6	21.7	1,514.8	621.5
Liabilities to banks	767.6	20.0	4.3	−102.6	−73.4	3.7	−0.2	688.5	502.7
Other financial liabilities	206.0	503.9	499.5	−201.0	−200.0	0.0	−2.1	506.8	3.0
Liabilities from factoring	117.7	129.0	–	−77.4	–	–	–	169.2	–
Liabilities from financing	6.8	7.1	–	−0.3	–	0.3	0.0	13.9	0.1
Lease liabilities	139.5	–	–	−27.7	−27.4	0.5	24.0	136.3	115.8
	1,237.6	660.0	503.8	−409.1	−300.8	4.6	21.7	1,514.8	621.5

(37) NOTES TO THE SEGMENT REPORTING

The segmentation of the Salzgitter Group into four business units accords with the Group's internal controlling and reporting functions. The main decision-maker is the Executive Board.

In the segment report, the business activities of the Salzgitter Group are assigned to the Steel Production, Steel Processing, Trading, and Technology business units in accordance with the Group structure separated by different products or services.

The Steel Production Business Unit manufactures high-quality branded steel and special steels. The main products are hot-rolled wide strip and steel sheet, sections, tailored blanks as well as scrap trading.

The companies in the Steel Processing Business Unit produce a broad spectrum of high-grade plate products. The main products are line pipes, HFI-welded tubes, precision tubes and stainless steel tubes.

The Trading Business Unit operates a tightly-knit European sales network, as well as trading companies and agencies worldwide that ensure that the Salzgitter Group's products and services are marketed efficiently.

The Technology Business Unit operates mainly in the filling and packing technology segment, as well as in special machinery engineering for shoe manufacturing and elastomer production.

Companies in the Industrial Participations category mainly comprise service providers working for the Group and comply with the summary in accordance with IFRS 8.16. Some of the companies among the service units also offer their services to third-party customers. On this basis, the companies conceive and implement a broad spectrum of attractive service offerings. These encompass raw materials supplies, IT services, facility management, logistics, automotive engineering and research and development. Included in the consolidations are Salzgitter AG as the management holding company, the intermediate holding companies Salzgitter Mannesmann GmbH, Salzgitter-Klöckner- Werke GmbH and Salzgitter Finance B.V. as well as Aurubis AG.

The accounting principles are the same as described for the Group in its accounting and valuation principles. The segment reporting does not take account of intragroup leases in accordance with IAS 16 or intragroup provisions pursuant to IAS 37. The same applies to open derivatives within the Group pursuant to IFRS 9.

The effects of eliminating intercompany results for overarching group relationships are included in the supplier's segment. The profit and loss statements for individual business units therefore include the effects of eliminating intercompany results across all business units.

There are no relationships with individual customers whose sales represent a significant proportion of the Group's total sales. For an overview of sales by region, please see our presentation in the Section "Notes to the Income Statement", Note 1 → **Sales**. Non-current assets are allocated to countries by their respective location, and country allocations are disclosed for intangible assets, tangible assets and property investments.

In € million	2022	2021
Domestic	2,270.2	2,128.6
Other EU	107.0	106.2
Rest of Europe	2.1	1.3
America	88.3	83.9
Asia	22.1	23.2
Africa	3.3	2.4
Australia / Oceania	1.6	1.6
	2,494.6	2,347.4

The reconciliation of total segment sales and segment results to, respectively, consolidated sales and the consolidated earnings before tax is disclosed in the following overviews. Due to the new Group structure, the 2021 key figures from the Participations / Consolidation area were adjusted:

In € million	2022	2021
Total sales of the segments	15,168.5	11,602.5
Industrial Participations	450.4	425.5
Consolidation	–3,065.6	–2,260.5
Sales	**12,553.3**	**9,767.4**

In € million	2022	2021
Total results of the segments for the period	1,168.2	598.2
Industrial Participations	7.3	5.7
Consolidation	69.8	101.8
Earnings before tax	**1,245.4**	**705.7**

(38) NOTES TO LEASES

LESSEE ACCOUNTING

The following tables show the separately displayed rights of use in assets at historical cost as well as the cumulative amortization accounted for in fixed assets as part of a lease agreement:

In € million	2022/12/31	2021/12/31
Freehold land and leasehold rights / interests and buildings including buildings on leasehold land	136.1	125.7
Technical machinery and equipment	53.4	48.4
Other equipment, factory and office equipment	29.4	25.2
Rights of use acquisition costs	**219.0**	**199.2**

In € million	2022/12/31	2021/12/31
Freehold land and leasehold rights / interests and buildings including buildings on leasehold land	35.9	29.1
Technical machinery and equipment	25.9	23.2
Other equipment, factory and office equipment	18.7	15.4
Amortization of rights of use	**80.5**	**67.7**

Additions from recognized rights of use are divided between the following asset classes:

In € million	2022/12/31	2021/12/31
Freehold land and leasehold rights / interests and buildings including buildings on leasehold land	15.8	9.6
Technical machinery and equipment	11.8	9.6
Other equipment, factory and office equipment	7.7	7.8
Rights of use additions	**35.3**	**27.0**

Scheduled amortization of rights of use is shown as follows:

In € million	2022	2021
Land, similar rights and buildings, including buildings on land owned by others	11.8	11.1
Technical machinery and equipment	9.3	8.6
Other equipment, plant and office equipment	6.7	7.9
Amortization of rights of use	**27.8**	**27.5**

The Salzgitter Group rents assets, in particular, in the form of factories and production space as well as office space which are recognized in the Land, similar rights and buildings, including buildings on land owned by others asset class. This item is dominated in particular by a long-term lease agreement with a term of over 15 years. The agreement does not carry an option to extend. Technical machinery and equipment essentially comprises rented locomotives and goods wagons while Other equipment, plant and office equipment is made up mainly of the vehicle fleet. The vehicle fleet consists predominantly of leased fork-lift trucks and vehicles.

The following tables show the allocation of lease liabilities in the balance sheet and give an overview of their contractual maturities. The liabilities from lease agreements reported under non-current financial liabilities are shown in the following tables:

In € million	Residual term 1 - 5 years	Residual term > 5 years	2022/12/31
Lease liabilities (undiscounted)	66.2	78.4	144.6
Finance costs	10.7	11.6	22.3
Liabilities from lease agreements	**55.5**	**66.8**	**122.3**

In € million	Residual term 1 - 5 years	Residual term > 5 years	2021/12/31
Lease liabilities (undiscounted)	60.5	80.1	140.6
Finance costs	11.7	13.1	24.8
Liabilities from lease agreements	**48.7**	**67.0**	**115.8**

The liabilities from lease agreements reported under current financial liabilities are shown in the following table:

In € million	2022/12/31	2021/12/31
Lease liabilities (undiscounted)	27.0	25.9
Finance costs	5.7	5.3
Liabilities from lease agreements	**21.4**	**20.6**

This is reflected in profit and loss as follows:

In € million	2022	2021
Cost of materials / other operating expenses		
Expenses for leases in which the underlying asset is of low value	2.5	2.0
Expenses for short-term leases	7.9	5.1
Expenses for variable lease payments	0.5	0.1
Financial result		
Interest expenses from lease liabilities	3.4	3.2

Total cash outflows for leases amount to € 30.3 million in the financial year (previous year: € 31.0 million). The interest expenses from lease liabilities are included. The Group has lease agreements particularly in the area of real estate and land which contain options to extend and terminate, and it is forecasting potential future lease payments of € 10.8 million (previous year: € 8.7 million) after the date on which such options can be exercised which are not included in the term of the lease.

LESSOR ACCOUNTING

For one operating lease as the lessor in the Salzgitter Group, the leased object is shown as an asset at amortized cost in property, plant and equipment. The historical costs of acquisition and production as well as the cumulative depreciation can be taken from the following overviews:

in € million	2022/12/31	2021/12/31
Freehold land and leasehold rights / interests and buildings including buildings on leasehold land	8.1	5.2
Technical machinery and equipment	0.8	1.9
Other equipment, factory and office equipment	–	0.0
Acquisition and production costs	9.0	7.1

in € million	2022/12/31	2021/12/31
Freehold land and leasehold rights / interests and buildings including buildings on leasehold land	5.0	3.4
Technical machinery and equipment	0.8	1.5
Other equipment, factory and office equipment	–	0.0
Depreciation, amortization and impairment losses	5.8	4.8

Under operating leases, the Group essentially leases out real estate that is used commercially. The future minimum rental earnings from these contracts are:

Future lease income in € million	2022/12/31	2021/12/31
up to 1 year	5.6	4.2
1 to 5 years	9.4	8.1
over 5 years	10.3	10.6
Total	25.4	23.0

The income statement shows lease income from the current year amounting to € 2.6 million (previous year: € 2.3 million).

(39) RELATED PARTY DISCLOSURES

In addition to business relationships with companies that are consolidated fully in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24. The category for other related companies essentially comprises the majority shareholdings of the State of Lower Saxony and GP Papenburg AG, Hanover.

The following delivery and service relationships exist between companies in the consolidated group and companies related to the Salzgitter Group:

In € million	Sale of goods and services		Purchase of goods and services	
	2022	2021	2022	2021
Non-consolidated group companies	29.4	15.8	26.5	14.2
Joint ventures	211.2	41.5	64.7	111.9
Companies account for using the equity method	–	0.1	22.3	1.2
Other related parties	0.7	2.5	13.6	7.1

The sale of goods and services largely consists of the delivery of input materials for manufacturing large-diameter pipes.

Outstanding balances from deliveries and services arising from the purchase or sale of goods and services between companies in the consolidated group and companies related to the Salzgitter Group:

In € million	Receivables		Liabilities	
	2022/12/31	2021/12/31	2022/12/31	2021/12/31
Non-consolidated group companies	14.8	4.2	14.4	11.0
Joint ventures	103.7	14.2	0.3	39.8
Companies account for using the equity method	–	–	7.9	0.0
Other related parties	4.4	5.1	103.2	99.0

There are no contingent liabilities towards non-consolidated, affiliated companies (previous year: € 10.0 million).

The joint ventures produce large-diameter pipes for third parties as part of project business. Group companies' receivables from these joint ventures in an amount of € 103.7 million include receivables from the sale of input material in an amount of € 69.5 million for which the payment terms have been extended until the end of May 2023 to match the expected receipt of payments at the joint ventures. Interest is charged on these receivables. Expected credit losses amounting to € 0.2 million reflect these receivables.

The remaining receivables from joint ventures amounting to € 34.2 million constitute trade receivables subject to the customary terms of business for trade receivables.

(40) FEES FOR THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS THAT WERE REPORTED AS EXPENSES IN THE FINANCIAL YEAR IN ACCORDANCE WITH SECTION 314 (9) OF THE GERMAN COMMERCIAL CODE (HGB)

In € million	2022	2021
Audit services	3.2	2.4
Other certification or assessment services	0.0	0.1
Other services	0.2	0.3

Expenses relating to other auditors were incurred in an amount of below € 0.1 million (previous year: below € 0.1 million) for the auditing of the annual financial statements of consolidated German-based companies.

Payments for the audit of financial statements comprise above all fees for the audit of the consolidated financial statements as well as the legally required audits of Salzgitter AG and the subsidiaries included in the consolidated financial statements. Other assurance and audit-related activities for EMIR audits as well as other statutory, contractually agreed or voluntarily commissioned assurance services were provided on behalf of Salzgitter AG and the companies it controls. In addition, other services were provided for the Salzgitter Group, essentially in connection with funding applications for the SALCOS® project.

(41) SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING DATE

There were no significant events occurring after the reporting date.

(42) WAIVER OF DISCLOSURE AND PREPARATION OF A MANAGEMENT REPORT PURSUANT TO SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE (HGB) OR SECTION 264B HGB

The following fully consolidated domestic subsidiaries have fulfilled the conditions required under Section 264 (3) or Section 264b of the German Commercial Code (HGB) and are therefore exempted from disclosure of their financial statements and from the obligation to prepare a management report.

- Salzgitter Mannesmann GmbH, Salzgitter[1,2]
- Salzgitter Klöckner-Werke GmbH, Salzgitter[1,2]
- Salzgitter Flachstahl GmbH, Salzgitter
- Salzgitter Bauelemente GmbH, Salzgitter[1]
- Salzgitter Europlatinen GmbH, Salzgitter[1]
- Hövelmann & Lueg Vermögensverwaltung GmbH, Schwerte
- Salzgitter Mannesmann Stahlservice GmbH, Karlsruhe[1]
- Peiner Träger GmbH, Peine
- Ilsenburger Grobblech GmbH, Ilsenburg
- Salzgitter Mannesmann Grobblech GmbH, Mülheim
- DEUMU Deutsche Erz- und Metall-Union GmbH, Peine[1,2]
- BSH Braunschweiger Schrotthandel GmbH, Braunschweig[1]
- Mannesmann Precision Tubes GmbH, Mülheim[1,2]
- Mannesmannröhren-Werk GmbH, Zeithain[1]
- Mannesmann Line Pipe GmbH, Siegen[1]
- Mannesmann Grossrohr GmbH, Salzgitter[1]
- Mannesmann Stainless Tubes GmbH, Mülheim[1,2]
- Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid[1]
- Salzgitter Mannesmann Handel GmbH, Düsseldorf[1,2]
- Salzgitter Mannesmann International GmbH, Düsseldorf[1,2]
- Salzgitter Mannesmann Stahlhandel GmbH, Düsseldorf[1,2]
- Stahl-Center Baunatal GmbH, Baunatal[1]
- Universal Eisen und Stahl GmbH, Neuss[1,2]
- KHS GmbH, Dortmund[2]
- DESMA Schuhmaschinen GmbH, Achim[1,2]
- Klöckner DESMA Elastomertechnik GmbH, Fridingen[1,2]
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- Salzgitter Digital Solutions GmbH, Salzgitter[1]
- TELCAT MULTICOM GmbH, Salzgitter[1,2]
- Glückauf Immobilien GmbH, Peine[1]
- Salzgitter Mannesmann Forschung GmbH, Salzgitter[1]
- Salzgitter Business Service GmbH, Salzgitter[1]
- Salzgitter Hydroforming GmbH & Co. KG, Crimmitschau[1,2]
- Salzgitter Hydroforming Verwaltungs GmbH, Crimmitschau[1]
- Salzgitter Automotive Engineering Beteiligungsgesellschaft mbH, Osnabrück[1,2]
- Salzgitter Automotive Engineering GmbH & Co. KG, Osnabrück[1]
- Salzgitter Automotive Engineering Immobilien GmbH & Co. KG, Osnabrück[1]
- Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter[1,2]

[1] Use was made of the option under Section 264 (3) and 264b HGB to waive the preparation of Notes.
[2] Use was made of the option under Section 291 HGB to waive the preparation of consolidated financial statements and a group management report.

Furthermore, the company VPS Infrastruktur Salzgitter GmbH, Salzgitter, has, in accordance with Section 264 (3) HGB, made use of its right to waive the preparation of a management report.

(43) DISCLOSURES ON THE REMUNERATION OF THE EXECUTIVE BOARD, SUPERVISORY BOARD AND OTHER MEMBERS OF THE KEY MANAGEMENT PERSONNEL

Key management personnel pursuant to IAS 24 comprises the members of Group's Executive Board and the members of the Supervisory Board. In addition to the active members of the Executive Board, the Group Management Board comprises the heads of the Salzgitter Group's four business units. In the tables below, they are referred to as "other members of key management personnel".

Remuneration from the Salzgitter Group:

In € million	Short-term employee benefits (salary and other compensation)		Post employment benefits (pension obligation)		Share-based payments		Other long-term employee benefits	
	2022	2021	2022	2021	2022	2021	2022	2021
Current members of the Executive Board	4.5	4.6	1.1	1.7	0.8	1.0	0.8	1.6
Members of the Supervisory Board	1.7	1.7	–	–	–	–	–	–
Other members of the key management personnel	4.0	3.2	0.2	0.3	–	–	–	–

The expenses recognized in the consolidated financial statements form the basis for the remuneration.

In addition to the amounts disclosed, the employee representatives on the Supervisory Board who are employees of the Salzgitter Group received their salaries within the scope of their employment contracts. Their amount constituted remuneration that is appropriate for their functions and tasks in the Group.

Obligations of the Salzgitter Group:

In € million	Short-term employee benefits (salary and other compensation)		Post employment benefits (pension obligation)		Share-based payments		Other long-term employee benefits	
	2022/12/31	2021/12/31	2022/12/31	2021/12/31	2022/12/31	2021/12/31	2022/12/31	2021/12/31
Former members of the Executive Board	0.5	–	53.7	47.0	1.0	–	1.2	–
Current members of the Executive Board	2.0	1.8	13.5	36.6	1.4	1.6	1.5	2.2
Members of the Supervisory Board	–	–	–	–	–	–	–	–
Other members of the key management personnel	2.0	1.5	5.3	6.5	–	–	–	–

The obligations arising from short-term benefits include both likely one-year and multi-year variable annual remuneration due for payment in the following year.

Former members of the Executive Board and their surviving dependents received pensions totaling € 2.8 million in the financial year (previous year: € 2.8 million).

All entitlements in existence as of December 31, 2022 resulting from share-based remuneration programs are reported as remuneration with cash settlement.

As of the closing date, a long-term incentive program has been put in place for members of the Executive Board based on virtual shares. Each member of the Board is assigned an individual target for each financial year which is converted into a number of virtual shares at the end of the financial year depending on whether the target has been met (deferred shares).

The degree to which the target has been met is determined at the end of the first financial year and converted into virtual shares. 70 % of the degree of attainment is given by the EBT figure generated by the Salzgitter Group. The payment factor is determined by comparing the figure with the EBT figure from the previous year. If EBT has remained the same, the payment amount is 100 %. If an increase of 50 % is achieved, the payment factor is 150 % (maximum value). If EBT falls by 50 %, the payment factor is 50 % (minimum value). Linear interpolation is applied between the minimum and maximum figures. If the minimum payment factor is not reached, the payment factor is 0 %. If EBT is negative for a second successive year of if EBT in the previous year and in the current financial year is less than € 1 million in each case, the Supervisory Board can use its discretion in defining target attainment.

The remaining 30 % of the total degree of target attainment is determined on the basis of the Board member's individual performance in the financial year. In setting the criteria for individual performance, the Supervisory Board can take a series of aspects into account, e.g. the strategic development of the company, special projects, occupational safety or employee growth. The Supervisory Board will use its discretion in assessing individual performance at the end of the financial year on the basis of the criteria previously defined. The Supervisory Board can set a linear degree of achievement between 0 % and 150 %.

The share deferral scheme is subject to a three-year lockup. The lockup begins at the end of the financial year for which the annual bonus is granted. The number of shares at the start of the lockup is calculated by dividing the starting figure by the initial share price. The initial share price is deemed to be the arithmetical average of the Xetra closing price for the Salzgitter stock at the Frankfurt Stock Exchange over the last 30 days of trading before the lockup begins.

The entitlement to cash settlement of the virtual shares determined arises after the three-year lockup has ended. At this time, the virtual shares will be multiplied by an average share price at the end of the lockup plus notional dividend payments accruing to the virtual shares during the lockup. The average share price is determined on the basis of the arithmetical average of the Xetra closing price for the Salzgitter stock at the Frankfurt Stock Exchange over the last 30 days of trading before the lockup ends. The resulting payment is limited to 150 % of the starting value.

If a Board member's employment relationship is terminated in the course of a financial year by way of summary dismissal by the company for good cause as defined by Section 626 (1) of the German Civil Code (BGB) or terminated prematurely at the instigation of the Board member without the company having given any good cause for such premature termination as defined by Section 626 (1) BGB and without there being any change of control as defined by the Executive Board member's contract of employment, all entitlements from running share deferral schemes for which the lockup period has not yet expired at the time when notice is served, will lapse without replacement or compensation.

In the event that a member of the Board leaves the company in compliance with their contract, running tranches of virtual shares whose lockup period has not yet expired will be settled and paid at the end of the lockup period.

The valuation made on December 31, 2022 was based on the following parameters, using an appropriate option price model.

	Tranche 2022	Tranche 2021	Tranche 2020
Number of virtual shares	54,586.886	49,917.010	30,813.107
Interest rate	2.55 %	2.59 %	2.39 %
Volatility	49.04 %	46.30 %	51.78 %
Term (end of lockup)	2025/12/31	2024/12/31	2023/12/31
Share price as of balance sheet date	€ 28.52	€ 28.52	€ 28.52

With regard to Tranche 2022, the number of virtual shares corresponds to the variable remuneration reflected in the consolidated financial statements.

The fair value on the reporting date for Tranche 2022 is € 0.3 million, for Tranche 2021 € 0.8 million, for Tranche 2020 € 0.6 million and for Tranche 2019 € 0.7 million.

The lockup period for Tranche 2019 ended at the end of the 2022 financial year. The number of virtual shares is 24,734.51. The payment amount is carried as a liability at its settlement amount.

Personnel expenses will be distributed over the period of performance in accordance with the provisions of IFRS 2.

In the 2022 financial year, personnel expenses of € 0.8 million (previous year: 1.0 million) were recognized in profit or loss due to share-based remuneration with cash settlement.

As of December 31, 2022, the carrying amount of the Salzgitter Group's obligations from share-based remuneration amounts to € 2.4 million (previous year: € 1.6 million). Of this amount, € 0.7 million is carried as a liability.

Detailed, supplementary information about the remuneration of the individual members of the Executive Board and the Supervisory Board is disclosed in the ↗ Remuneration report of Salzgitter AG.

Salzgitter, March 17, 2023

The Executive Board

Groebler Becker Kieckbusch

FURTHER INFORMATION

ASSURANCE FROM THE LEGAL REPRESENTATIVES

We give our assurance that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the course of business, including the business result and the position of the Group, is portrayed in such a way in the Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development are fairly described.

Salzgitter, March 17, 2023

The Executive Board

Groebler Becker Kieckbusch

AUDIT OPINIONS

“Independent auditor’s report

To Salzgitter Aktiengesellschaft

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Salzgitter Aktiengesellschaft, Salzgitter, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2022 to 31 December 2022, and the consolidated balance sheet as at 31 December 2022, consolidated cash flow statement, consolidated statement of changes in equity for the fiscal year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report, which was combined with the Company’s management report, for the fiscal year from 1 January 2022 to 31 December 2022. We have not audited the content of the parts of the group management report specified in the appendix and the company information stated therein that is provided outside of the annual report and is referenced in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as at 31 December 2022 and of its profitability for the fiscal year from 1 January 2022 to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the parts of the group management report listed in the appendix.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2022 to

31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Fair valuation of intangible assets and property, plant and equipment

Reasons why the matter was determined to be a key audit matter

Significant intangible assets and property, plant and equipment are tested for impairment by the executive directors in order to identify any need to recognize impairment losses. The result of this valuation is highly dependent on the executive directors' estimate of future cash flows of the cash-generating units to which the assets are allocated and the respective discount rates used.

The derivation of future cash inflows and outflows is based on the Group's three-year plan prepared by the executive directors, which is adjusted at the level of the cash-generating units based on assumptions about, for example, long-term growth rates, in order to reflect a sustainable condition ("perpetual annuity").

In view of the challenges assessed by the executive directors with regard to a structural change in the production processes aimed at reducing CO_2 emissions and in view of the judgment exercised in valuation and due to the underlying complexity of the methodological requirements, the fair valuation of intangible assets and property, plant and equipment was a key audit matter.

Auditor's response

During our audit procedures, among other things, we assessed the methods used to carry out the impairment tests including an examination of the suitability of the procedure for performing an impairment test in accordance with IAS 36 and for providing objective indications of impairment. As part of our audit procedures, we particularly assessed the methods and calculations of the valuation model used to determine the recoverable amount.

We reconciled the future cash inflows and outflows used for valuation with the current plans of the cash-generating units based on the Group's three-year plan prepared by the executive directors. In doing so, we also analyzed the design of the planning process used for deriving the three-year plan.

We also analyzed the plans by comparing them with the results and cash inflows and outflows actually achieved in the past. Furthermore, we also compared the executive directors' assumptions about the need for changing the production processes for the purpose of reducing CO_2 emissions in connection with the increasing social requirements and the impact of emissions trading on the individual cash-generating units affected by the EU emissions trading system with industry-specific market expectations, especially with regard to the expected price development of emission certificates. We obtained an understanding of and assessed the significant assumptions underlying the plans for business development and growth by discussing them with those responsible for planning at the individual cash-generating units and the executive directors of Salzgitter Aktiengesellschaft and including general and industry-specific market expectations, along with changes in the political framework, in the analysis of the plans. In so doing, we also evaluated the sensitivity analyses prepared by the Group with a view to significant input parameters such as commodity and energy prices.

Based on our understanding that even small changes in the discount rate used can at times have significant effects on value, we assessed the derivation of the respective discount rates used, with the assistance of our internal valuation specialists, by scrutinizing the peer companies selected to determine the beta factors and comparing the market data used with external evidence.

With the aid of our own sensitivity analyses, we estimated impairment risks arising when significant valuation assumptions change, such as changes in the discount rate and EBIT margin.

Our procedures did not lead to any reservations relating to the assessment of the fair valuation of intangible assets and property, plant and equipment.

Reference to related disclosures

The Company's disclosures on intangible assets and property, plant and equipment are presented in the "Accounting and Valuation Principles" section and in notes 5, 9 and 10 of the notes to the consolidated financial statements.

2) Fair valuation of shares in the affiliate Aurubis AG, Hamburg

Reasons why the matter was determined to be a key audit matter

In light of the fact that the market price of the shares in Aurubis AG, Hamburg, presented under "Investments in companies accounted for using the equity method" was lower than the carrying amount per share as of the reporting date, the executive directors tested the shares for impairment as of the reporting date by determining their value in use.

The result of this valuation is highly dependent on the Salzgitter Aktiengesellschaft executive directors' estimate of future cash flows and the respective discount rates used. The derivation of future cash inflows and outflows is based on the estimates of Salzgitter AG's executive directors regarding future sales revenue and margin developments, which are adjusted based on assumptions about, for example, long-term growth rates, in order to reflect a sustainable condition ("perpetual annuity").

In light of the judgment exercised in valuation and due to the underlying complexity of the methodological requirements, the fair valuation of the shares in the associate Aurubis AG, Hamburg, was a key audit matter.

Auditor's response

During our audit procedures, among other things, we assessed the methods used to carry out the impairment tests including an examination of the suitability of the procedure for performing an impairment test in accordance with IAS 36 and for providing objective indications of impairment. As part of our audit procedures, we particularly assessed the methods and calculations of the valuation model used to determine the value in use.

We analyzed the estimates of the executive directors relating to margins in the perpetual annuity by comparing them with the results actually achieved in the past and the current development of business figures. We obtained an understanding of and assessed the significant assumptions on business development and growth by comparing them, among other things, with publicly available information including existing analyst assessments, discussing them with the executive directors and including general and industry-specific market expectations in the analysis of the plans.

Based on our understanding that even small changes in the discount rate used can at times have significant effects on value, we assessed the derivation of the discount rate used, with the assistance of our internal valuation specialists, by scrutinizing the peer companies selected to determine the beta factors and comparing the market data used with external evidence.

With the aid of our own sensitivity analyses, we estimated impairment risks arising when significant valuation assumptions change, such as changes in the discount rate and EBIT margin.

Our procedures did not lead to any reservations relating to the assessment of the fair valuation of the shares in Aurubis AG, Hamburg, presented under "Investments accounted for using the equity method."

Reference to related disclosures

The Company's disclosures on investments accounted for using the equity method are presented in the "Accounting and Valuation Principles" section and in note 13 of the notes to the consolidated financial statements.

3) Fair valuation of deferred tax assets, particularly those on loss carryforwards

Reasons why the matter was determined to be a key audit matter

Deferred tax assets on temporary differences and tax loss carryforwards are recognized to the extent that it is probable, according to the executive directors' assessment, that future taxable profits will be available against which the deductible temporary differences and tax loss carryforwards can be utilized.

For this purpose, forecasts of future taxable profits are prepared. These taxable profits are based on the tax forecast derived from the Group's three-year plan for 2023 to 2025 prepared by the executive directors.

In light of the judgment exercised in the three-year plan and tax forecast, the assessment of the fair valuation of deferred tax assets, particularly those on loss carryforwards, was a key audit matter.

Auditor's response

As part of our audit procedures, we examined the underlying processes for the determination, recognition and valuation of deferred taxes. We involved our internal tax specialists in our audit procedures on deferred tax assets.

With the respect to the deferred tax assets determined by the executive directors, especially the assessment of the usability of the tax loss carryforwards of the domestic tax group for income tax purposes, we checked whether the derivation of the tax forecast is based on the Group's three-year plan for 2023 to 2025 prepared by the executive directors. Further, we assessed the significant tax reconciliation items based on the tax calculations for 2022.

We assessed the executive directors' estimates regarding future business activities and income development based on general and industry-specific market expectations, including changes in the political framework, and checked their inclusion in the plans.

Our procedures did not lead to any reservations relating to the assessment of the fair valuation of deferred tax assets, particularly those on loss carryforwards.

Reference to related disclosures

The Company's disclosures on deferred tax assets and tax loss carryforwards are presented in the "Accounting and Valuation Principles" section and in notes 7, 14 and 19 of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the Declaration of Corporate Governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report listed in the appendix.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, financial position and profitability of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and profitability of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in "Salzgitter_Aktiengesellschaft_KA-ZLB_ESEF-2022-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the accompanying file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2022 to 31 December 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the accompanying file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 2 June 2022. We were engaged by the Supervisory Board on 30 December 2022. We have been the group auditor of Salzgitter Aktiengesellschaft without interruption since fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the *Unternehmensregister* [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Christian Janze.

Appendix to the auditor's report:

1. Parts of the group management report whose content is unaudited

Furthermore, we have not audited the content of the following disclosures extraneous to management reports. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB or German Accounting Standard No. 20 (GAS 20):

- The declaration of corporate governance included in the "Declaration of Corporate Governance" section of the group management report.

- The "Key features of the internal control system" section.

2. Further other information

The other information comprises the following component of the annual report, of which we obtained a version of prior to issuing this auditor's report:

- Non-financial report on the Group.

The other information also comprises other components of the annual report, of which we obtained a copy prior to issuing this auditor's report, in particular the sections:

- Report of the Supervisory Board;
- The Salzgitter Group in Figures;
- The Salzgitter Share;
- Letter of the Executive Board; and
- Assurance from the Legal Representatives

but not the consolidated financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

3. Company information outside of the annual report referenced in the group management report

The group management report, which was combined with the Company's management report, contains cross-references to websites of the Group. We have not audited the content of the information accessible through the cross-references."

Hanover, March 20, 2023

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Eichhoff	Dr. Janze
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

Independent Auditor's Report[1]

To the Salzgitter Aktiengesellschaft, Salzgitter

We have performed a limited assurance engagement on the **separate combined non-financial report** of the Salzgitter Aktiengesellschaft, Salzgitter and the group (hereinafter the "company" or the "group") for the period from January 1 to December 31, 2022 (hereinafter the "non-financial report") and the section entitled "Business Activities and Group Structure", which is qualified as an integral part of the combined management report by reference.

As presented in the group's non-financial report, ESG assessments of suppliers were carried out by EcoVadis in 2022. The content of these assessments and the accuracy of the conclusions drawn by the group from these activities were not subject to our assurance engagement with limited assurance.

Responsibilities of Management

Management of the company is responsible for the preparation of the non-financial report in accordance with Sections 315c in conjunction with 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the delegated acts adopted thereunder as set out in section "EU Taxonomy" of the non-financial report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they consider necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Assurance of the Assurance Practitioner's firm

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer, IDW*) regarding quality assurance requirements in audit practice (IDW QS 1).

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the non-financial report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the separate combined non-financial report, has not been prepared, in all material respects, in accordance with Sections 315c in conjunction

[1] Our engagement applied to the German version of the Combined Non-financial Report. This text is a translation of the assurance report of the independent auditor issued in German language, whereas the German text is authoritative.

with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management disclosed in section "EU Taxonomy" of the non-financial report.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the group´s sustainability organisation and stakeholder engagement.
- A risk assessment, including a media analysis, on relevant information about the group's sustainability performance during the reporting period.
- Inquiries of management and relevant employees involved in the preparation of the non-financial report about the preparation process, about the internal control system related to this process, and about disclosures in the non-financial report.
- Identification of likely risks of material misstatement in the non-financial report.
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statement and combined management report.
- Analytical assessment of the data and trends of the quantitative disclosures reported for consolidation at Group level by all Group entities included in the scope of the non-financial report.
- Assessment of the local data collection, validation and reporting processes as well as the reliability of the reported data through a sample survey at Salzgitter Flachstahl GmbH (Germany).
- Evaluation of the presentation of the non-financial report.

With regard to the audit of the non-financial information on the EU taxonomy, the following audit procedures and other activities were performed, among others:

- Interviewing responsible staff at the group level to gain an understanding of the process for identifying taxonomy-eligible and -aligned economic activities in accordance with the EU taxonomy.
- Assessing the design and implementation of systems, processes and measures for identifying, processing and monitoring information on turnover, capital expenditure and operating expenses for the taxonomy aligned and eligible economic activities.
- Interviewing staff at the corporate level responsible for identifying disclosures of concepts, due diligence processes, results and risks, performing internal control actions and consolidating the disclosures.
- Evaluation of the process to identify taxonomy aligned and eligible economic activities and the corresponding disclosures in the non-financial report.
- Assessment of the local data collection, validation and reporting processes and the reliability of the reported data through a sample survey at Peiner Träger GmbH (Germany).
- Assessment of the overall presentation of the EU taxonomy disclosures.

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, management is required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate combined non-financial report of Salzgitter Aktiengesellschaft, Salzgitter and the group for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management as disclosed in section "EU Taxonomy" of the non-financial report.

The ESG assessments of suppliers carried out by EcoVadis, their content and the accuracy and appropriateness of the resulting conclusions of the Salzgitter Aktiengesellschaft and the group were not subject to our assurance engagement.

Restriction of Use

This assurance report is solely addressed to Salzgitter Aktiengesellschaft.

Our assignment for Salzgitter Aktiengesellschaft and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Hanover, 20 March 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Krause ppa. Mathias

Some of the statements made in this report have the character of forecasts or can be interpreted as such. They have been made to the best of our knowledge and belief, and by the nature of things, they apply on the condition that no unforeseeable deterioration in the economy or the specific market situation for companies in the business segments occurs, and that the basis for planning and forecasting proves, as expected, to be accurate in terms of its scope and timeframe. Notwithstanding existing statutory requirements, particularly in terms of the regulations governing capital markets, the company accepts no obligation to continually update forward-looking statements which are based solely on the circumstances on the day of publication.

For computational reasons, rounding differences amounting to ± one unit (€, %, etc.) may occur in the tables.

In the interest of better readability, the form chosen in this Annual Report applies equally to all genders (male / female / non-specific). All formulations apply equally to all genders

The annual report of Salzgitter AG is also available in an English translation. In the event of discrepancies, the German version takes precedence over the English version.

IMPRINT

Contact
Salzgitter AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany

Public Relations
Telephone: +49 (0)53 41/21-27 01
Telefax: +49 (0)53 41/21-23 02

Investor Relations
Telephone: +49 (0)53 41/21-18 52
Telefax: +49 (0)53 41/21-25 70

Publisher
Salzgitter AG

Editorial Office
Salzgitter AG, Investor Relations

Concept and Design
HGB Hamburger Geschäftsberichte
GmbH & Co. KG, Hamburg

Images
iStock (Title)
all other images by Salzgitter AG

Translation
Baker & Company, Munich

This annual report was prepared with the support of the firesys editorial system.

MAGAZINE ACCOMPANYING THE ANNUAL REPORT

Are you interested in further information about Salzgitter AG? The QR code will take you directly to the Magazine accompanying the Annual Report 2022.

Salzgitter AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany

T +49 (0)5341 21-01
F +49 (0)5341 21-2727

Postal address
38223 Salzgitter
Germany

salzgitter-ag.com

SALZGITTER AG
People, Steel and Technology