ANNUAL REPORT 2023

#wemakeithappen

SALZGITTER AG
People, Steel and Technology

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TO OUR SHAREHOLDERS

THE SALZGITTER GROUP IN FIGURES

		2023	2022
Crude steel production	kt	5,709	6,109
External sales	€ m	10,790	12,553
Steel Production Business Unit	€ m	3,528	4,263
Steel Processing Business Unit	€ m	2,127	2,106
Trading Business Unit	€ m	3,313	4,581
Technology Business Unit	€ m	1,647	1,430
Industrial Participations / Consolidation	€ m	176	174
EBIT before depreciation and amortization (EBITDA)	€ m	677	1,618
Steel Production Business Unit	€ m	295	946
Steel Processing Business Unit	€ m	227	173
Trading Business Unit	€ m	20	268
Technology Business Unit	€ m	115	77
Industrial Participations / Consolidation	€ m	19	154
Earnings before interest and taxes (EBIT)	€ m	355	1,312
Earnings before taxes (EBT)	€ m	238	1,245
Steel Production Business Unit	€ m	76	791
Steel Processing Business Unit	€ m	145	86
Trading Business Unit	€ m	–14	243
Technology Business Unit	€ m	81	48
Industrial Participations / Consolidation	€ m	–50	77
Consolidated result	€ m	204	1,085
Earnings per share – basic	€	3.70	20.00
Return on capital employed (ROCE)[1]	%	5.6	20.1
Cash flow from operating activities	€ m	892	597

		2023	2022
Investments[2]	€ m	583	475
Depreciation / amortization[2,3]	€ m	–321	–306
Total assets	€ m	10,502	11,103
Non-current assets	€ m	4,570	4,510
Current assets	€ m	5,932	6,593
Inventories	€ m	2,867	3,474
Cash and cash equivalents	€ m	940	988
Equity	€ m	4,834	4,850
Liabilities	€ m	5,668	6,253
Non-current liabilities	€ m	2,353	2,704
Current liabilities	€ m	3,314	3,549
of which due to banks[4]	€ m	656	756
Net financial position on the reporting date[5]	€ m	–214	–553
Employees			
Personnel expenses	€ m	–1,888	–1,883
Core workforce on the reporting date[6]	Employees	23,138	22,622
Total workforce on the reporting date[7]	Employees	25,183	24,569

Disclosure of financial data in compliance with IFRS

1 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
2 Excluding financial assets
3 Scheduled and unscheduled write-downs
4 Current and non-current bank liabilities
5 Including investments, e.g. securities and structured investments
6 Excl. trainee contracts and excl. non-active age-related part-time work
7 Incl. trainee contracts and incl. non-active age-related part-time work

LETTER OF THE EXECUTIVE BOARD

Valued Shareholders,
Ladies and Gentlemen,

After the announcement of a "historic turning point" the year before, sentiment in Germany was permeated by growing uncertainty in 2023. We are experiencing an erosion of the long-term stability and reliability of relevant fundamental framework conditions. High inflation, high (energy) costs, high interest rates: conditions such as these still present all market players with major challenges today. Financial headroom is tight – especially after the Constitutional Court's precedent ruling from November 2023. This situation is compounded by known and new geopolitical risks: the war in Ukraine, the role of China in a global context, and the recent events in Israel. All of this is a harbinger of uncertainty for citizens and for companies alike.

Against this backdrop, Germany's economic output contracted by 0.3 % in 2023. Europe's economic performance remained stable over the same period, with global growth even putting in as much as 3.1 %. With this as a result, Germany stands in competition with other nations for global market shares, product leadership and talent as the only industrial nation to sustain a decline in its gross domestic product.

Change is on the cards and necessary to bring a halt to these negative developments and achieve a turnaround. Policymakers are adopting a range of different approaches in their search for solutions in crisis mode. The economy is under greater pressure than it has been for many years.

"If we want things to stay as they are, things will have to change." This quote from the Italian author Giuseppe Tomasi di Lampedusa gives us an answer to the question of how to deal with the current challenges. The time has now come to rethink old customs and habits, chart new courses and adapt.

For us at Salzgitter, this means continuing to rigorously implement our "Salzgitter AG 2030" strategy, just as we presented it to you. The necessary adaptations and developments impact all areas: from how we deal with one another, our corporate portfolio, and right through to our production processes. #wemakeithappen is therefore so much more than a slogan for us: It's something we practice every day in our Group.

This is particularly evident in our SALCOS® decarbonization program. In April 2023, the Federal Republic of Germany and the Federal State of Lower Saxony approved funding for us amounting to just under one billion euros in total. Construction work commenced directly afterwards. Site preparations have meanwhile been concluded and laying the foundations for the facilities is well under way. Also in the autumn, and presumably for the last time, we had a traditional blast furnace at the Salzgitter location relined. The steel production of the future is approaching inexorably.

Back in 2022 we had already placed an order for the electric arc furnace for the first stage of SALCOS®. In the financial year elapsed, we awarded contracts for all the other main aggregates. Our goal remains to supply our customers with the first green steel from the new facilities as early as 2026. And there is demand for this steel: The production volumes planned for 2026 have already been virtually fully allocated. This response affirms us in our strategic direction and motivates the entire team.

At the same time, decarbonizing steel production is only one mainstay of our strategy. "Salzgitter AG 2030" centers around circularity. For us, this means keeping resources once sourced from nature for as long as possible in economic use, which enables us to contribute to minimizing the additional introduction of finite resources into the economic cycle. By treading this path, and with the certification of Ilsenburger Grobblech GmbH as a supplier of low-carbon heavy plate for Siemens Gamesa's GreenerTower in the offshore wind area, along with additional, new agreements with customers for developing closed loops, we achieved further milestones in the last financial year.

Salzgitter AG has also changed in structural terms. In the context of our portfolio management, we found a new owner in 2022 for Salzgitter Bauelemente, with transfer of ownership taking place on January 1, 2023. The American pipe mills of our EUROPIPE joint venture found a new home with pipe manufacturer Borusan Mannesmann in which we also held a stake through to the autumn. Honing our focus makes us stronger. The acquisition of today's Harzer Schrott und Recycling GmbH that reinforces our regional presence in scrap procurement and processing also stands for this.

Also going forward into the future: We will continue to develop our corporate portfolio in harmony with our strategic objectives and with the best owner principle in mind.

Valued Shareholders,

Change is not an aim unto itself. Rather it serves the core task of safeguarding Salzgitter AG's profitability, especially in times of adversity. In the financial year 2023, we generated earnings before taxes of € 238 million. In line with our forecast, this result falls significantly short of the exceptional year 2022. In view of the framework conditions outlined above in the financial year now ended, we nevertheless consider this result as an affirmation of our resilience and our strategy's effectiveness. Our principal banks that fully support our financing requirements also share this view. At the end of 2023, the syndicated loan was renewed and the volume increased to somewhat more than one billion euro – including a first-time cash credit line for delivery contracts regarding green electricity – which sends a strong signal.

The start to the financial year 2024 presented a disparate picture. While the internationally positioned Technology Business Unit and KHS Group in particular are looking at another gratifying financial year, the impact of Germany's ailing economy still dominates the steel market. The first positive signs are nevertheless emanating from a slight uptrend in the price of various steel products. In conjunction with consumer confidence and consumption improving in response to falling inflation and rising wages, conditions in the environment should gradually improve for the Salzgitter Group in the months ahead. Our share that shed 2 % of its value last year in the context of growing concerns about the economy should derive benefit from this development.

Given the still challenging political and economic environment, and factoring in the first signs of recovery, the Executive Board and Supervisory Board intends to put forward a proposal to the Annual General Meeting of Shareholders on 29 May to distribute dividend of € 0.45 per share.

"A New Way of Thinking for a New Industry" – or to put it another way: we are changing at all levels so as to remain the way we have been for our stakeholders for almost 170 years: an innovative, reliable and profitable company. Our thanks go to you, Salzgitter AG's valued shareholders and business partners, and to our employees for your trust in our company.

Sincerely,

Gunnar Groebler Burkhard Becker Michael Kieckbusch Birgit Potrafki

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

REPORT OF THE SUPERVISORY BOARD

Chairman of the Supervisory Board: Heinz-Gerhard Wente

The year 2023 continued to be determined by Russia's war of aggression against Ukraine, fragile supply chains, energy price hikes and a high inflation rate, which resulted in the persistently weak development of the German economy. At a geopolitical level, this situation was compounded by the terror attack on October 7, 2023, that re-ignited the conflict between Israel and Hamas. The Salzgitter Group nevertheless got off to an encouraging start to the year. The Steel Production and Steel Processing business units initially benefited from the exceptional trend of the previous year and at the start of the year before business began to slow in the second quarter. The Trading Business Unit suffered from the downturn in steel prices over most of the year, as opposed to the Technology Business Unit that delivered a stellar performance throughout the full year. As a result of criminal activity against Aurubis AG, the company itself as well as Salzgitter AG that holds a participating investment of 29.99 % in Aurubis AG in relation to the total number of shares were forced to initially suspend their profit forecasts and subsequently to revise them downward. The sales forecast was also adjusted at the start of November due to weaker business activity. Our company nevertheless generated a satisfactory annual result in 2023. Compared with the exceptionally successful financial year 2022, however, the result returned to a normal level.

In view of updated insights gained from detailed planning, progress made in construction, and the general facilities price trend, the overall budget for the first stage of the SALCOS® program was increased in March 2023 to between € 2.2 and € 2.4 billion. In the reporting year, the Group continued to lobby at all political levels to gain the necessary financial support for the program while campaigning for the requisite framework conditions conducive to the transformation from coal-based toward low carbon steel production to be set in place. At the same time, the Group made headway with the technical and financial planning, preparation and implementation of SALCOS®. These endeavors were rewarded on April 18, 2023, through Federal Republic of Germany and the Federal State of Lower Saxony handing over a funding commitment amounting to around € 1 billion. In addition, the Salzgitter Group continued to rigorously forge ahead with its current efficiency program in the financial year 2023, while raising the profit improvement potential resulting from the measures to between € 200 and € 250 million through to 2026.

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

In the financial year 2023, 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 personnel area as well as detailed estimates on the opportunities and risks over the course of the year. Moreover, the Supervisory Board held six meetings to obtain detailed oral 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 addressed. 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 long-term planning, as well as to the status of the SALCOS® program. By using the dashboard provided by the Executive Board, the Supervisory Board was able to track the development of the SALCOS® program in a timely manner and, if necessary, engage in clarifying discussion with the Executive Board. 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.

The Supervisory Board held regular meetings in the reporting year in the months of March, May, September and December, and convened extraordinary meetings in March and June as well as an inaugural meeting of the newly elected Supervisory Board in May. The attendance rate at the Supervisory Board meetings, held without exception as plenary meetings with individual members participating via online connection, if necessary, stood at 95 %. The Supervisory Board convened generally 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, neither by the Supervisory Board members nor by members of the Executive Board, in the reporting year.

Upon assuming their mandates, members newly appointed to the Supervisory Board in the financial year were supported, as is customary with all new Supervisory Board members, through an onboarding program that includes detailed information on the Group and its various business activities, along with an extensive manual with further information relevant to Supervisory Board activities.

FOCUS OF THE CONSULTATIONS OF THE SUPERVISORY BOARD

The extraordinary meeting of the Supervisory Board held on March 2, 2023, essentially focused on the status of the SALCOS® program. In its meeting on March 23, 2023, and as is customary in the regular 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, 2022, as well as on the combined management report on the company and the Group for the financial year 2022. 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.

With a view to the variable remuneration of Executive Board members, the Supervisory Board used the fixed performance criteria to determine the degree to which targets set had been achieved for the Performance Cash Award 2019 and the annual bonus for 2022. Moreover, the Board ratified its report for the Annual General Meeting of Shareholders, the remuneration report and the resolutions to be put forward to the 2023 Annual General Meeting of Shareholders on the individual agenda items. Furthermore, the Supervisory Board also consulted on the 2022 non-financial report and, following its own detailed examination, approved the audit findings in the report by the auditor. In addition, the Supervisory Board extended its approval for investments – on July 13, 2022, initially only in the amount of the funds to be committed at that point in time – in the first stage of the SALCOS® program to the effect that it released the entire investment volume envisaged (internal and external funds).

The Supervisory Board continued to follow the development of business and the legal relationship with an Executive Board member who left the company some time ago. Moreover, it elected Mr. Gerald Heere as a further member of the Presiding Committee, of the Nomination Committee and of the Strategy Committee. Finally, the Supervisory Board approved the sale of BERG EUROPIPE Holding Corp., a subsidiary of EUROPIPE GmbH, in which Salzgitter AG holds a 50 % stake indirectly, including the subsidiaries.

The main topics addressed by the Supervisory Board in its regular meeting on May 25, 2023 concerned business development and the profit improvement program, along with the status of the SALCOS® program. Following the re-election of the Supervisory Board by the Annual General Meeting of Shareholders on May 25, 2023, the Board held its inaugural meeting on the same day, partly in its new composition. The chairman and vice chairman were elected, the committees defined and their members determined.

In its extraordinary meeting on June 16, 2023, the Supervisory Board focused on discussions about the future composition of the Executive Board. In view of the imminent retirement of Mr. Burkhard Becker, Chief Financial Officer, and following a structured search and selection process, the Supervisory Board appointed Ms Birgit Potrafki as a member of Salzgitter AG's Executive Board for the period from February 1, 2024, through January 31, 2027, and extended Mr. Becker's appointment for the last time through to March 31, 2024. In addition, the Supervisory Board approved the sale of the participating investment in Borusan Mannesmann Boru Yatirim Holding A.S. and obtained an overview of the development of the Group's business.

In its meeting on September 28, 2023, the Supervisory Board had the head of Salzgitter AG's Investor Relations Department provide information about the findings of an Investor Relations Perception Study conducted with external support. 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 7, 2023, the Supervisory Board and the Executive Board discussed the corporate plan submitted, explained by the latter for the financial years 2024 through 2026. 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 2024 for assessing the performance of the individual Executive Board members, as well as the stakeholder objectives in the form of sustainability targets for the performance period from 2024 through 2027. The Supervisory Board also concerned itself with the recommendations of the German Corporate Governance Code for purpose of submitting the Declaration of Conformity for 2023. Furthermore, it appointed Mr. Gunnar Groebler as the Chief Executive Officer and Chairman of Salzgitter AG's Executive Board for another five years through to September 30, 2029. Finally, the Board was brought up to date on the theft and fraudulent activity at Aurubis AG generally known to the public.

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 2023. The committee consulted in detail on business development and on the SALCOS® program in particular. Moreover, the Presiding Committee concerned itself with successor planning at Executive Board level, corporate planning, reviewing Executive Board and Supervisory Board remuneration, the components of variable Executive Board remuneration, the recommendations of the German Corporate Governance Code, plans for the disposal of holdings, issues concerning the topic of sustainability, along with the theft and fraudulent activity at Aurubis AG that is in the public domain.

The members of the Audit Committee held five meetings during the reporting period, the first as a web conference, but all other meetings with physical attendance. As is customary in March, it prepared the audit of the 2022 annual financial statements at company and at Group level 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 9 exclusively with representatives of the statutory auditor and again on March 21 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 manner, the members of the Audit Committee examined the 2022 non-financial report in preparation and discussed the results of reviewing the remuneration 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 2023 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 2024, following a detailed preliminary review, the Audit Committee recommended that the full Supervisory Board approve the 2023 annual financial statements at company and at Group level. The committee's preliminary review of the 2023 non-financial report did not give rise to any objections either.

The Strategy Committee held one meeting with members personally attending in 2023. The main topic consisted of the SALCOS® program and in particular its development stages going forward.

The Nomination Committee met once in 2023 in person to discuss the composition of the Supervisory Board for the period of office from 2023 through 2028.

Participation of the Supervisory Board members in Supervisory Board and committee meetings in the financial year 2023

Members of the Supervisory Board	SB meetings (7)	Presiding Committee (4)	Audit Committee (5)	Strategy Committee (1)	Nomination Committee (1)	Attendance
Heinz-Gerhard Wente, Chairman	7/7	4/4	/	1/1	1/1	100 %
Prof. Dr. Hans-Jürgen Urban, Vice Chairman	7/7	4/4	/	1/1	/	100 %
Konrad Ackermann	7/7	4/4	/	1/1	/	100 %
Manuel Bloemers	6/7	/	4/5	1/1	/	85 %
Ulrike Brouzi	6/7	/	/	/	/	86 %
Hasan Cakir	7/7	4/4	/	1/1	/	100 %
Dr. Bernd Drouven	7/7	/	/	1/1	/	100 %
Marco Gasse since February 21, 2023	7/7	/	/	/	/	100 %
Gabriele Handke	6/7	/	/	/	/	86 %
Karin Hardekopf since January 1, 2023	6/7	/	4/5	/	/	83 %
Gerald Heere since January 3, 2023	5/7	2/3	/	1/1	0/0	73 %
Norbert Keller until January 31, 2023	0/0	/	/	/	/	100 %
Frank Klingebiel	7/7	/	/	/	/	100 %
Prof. Dr. Susanne Knorre	7/7	/	/	/	/	100 %
Heinz Kreuzer	7/7	/	/	/	/	100 %
Dirk Markowski since May 25, 2023	4/4	/	/	/	/	100 %
Volker Mittelstädt until May 25, 2023	3/3	/	/	/	/	100 %
Klaus Papenburg	6/7	4/4	/	1/1	1/1	92 %
Anja Piel	7/7	/	/	/	/	100 %
Prof. Dr. Joachim Schindler	7/7	/	5/5	/	/	100 %
Christine Seemann	7/7	/	5/5	/	/	100 %
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer until May 25, 2023	3/3	/	/	0/0	/	100 %
Clemens Spiller	7/7	/	/	/	/	100 %
Dr. Susanna Zapreva-Hennerbichler since May 25, 2023	4/4	/	/	/	/	100 %

DEALING WITH SUSTAINABILITY TOPICS

A recurring, key topic addressed by the Supervisory Board in its work concerns sustainability issues. The SALCOS® program that is geared to the company's virtually climate-neutral steel production forms the centerpiece of this work. Including the requisite preliminary discussions by the Presiding Committee, the SALCOS® program was a fixed item on the agenda of each regular Supervisory Board meeting, while also the focus of an extraordinary full Board meeting and a central topic of the Strategy Committee's meeting. Deliberations in the committees were then reported on in the next full Supervisory Board meeting. The head of the Steel Production Business Unit who also bears responsibility for the program as General Manager of Salzgitter Flachstahl GmbH also participated in the Board meetings.

In addition, the Supervisory Board agreed non-financial targets in 2022 for 2023 and in 2023 for 2024 exclusively with the members of the Management Board for the purpose of variable remuneration accorded to Executive Board members in the area of sustainability (meeting the challenge of demographic change, training and continuous professional development concepts in connection with ongoing digitalization, improving ESG ratings, reducing accidents, securing green electricity supplies, ramping up scrap recycling).

The compliance management system and investigated activities are regularly debated at the Supervisory Board plenum's autumn meeting, prepared beforehand by the Audit Committee's in-depth deliberations on this topic. The head of the Group's Legal Department reports to the full Supervisory Board and the head of the Group's Compliance Management to the Audit Committee.

Special expertise in matters of sustainability is represented on the Audit Committee by the person of Prof. Schindler who has dealt intensively over many years with sustainability reporting and the respective audit as part of his supervisory board activities, and by Ms Hardekopf who, in the position of managing director and Management Board member, has born long-standing responsibility for the respective company's finance department and therefore also for sustainability reporting. At the present point in time, the Supervisory Board does not view establishing a sustainability committee as expedient, especially as, in addition to the regular discussion of sustainability issues by the full Supervisory Board, these topics are also addressed by the various existing committees, each with their own different focus.

At Executive Board level, the topic of sustainability is largely the remit of the Chief Executive Officer in his role as Chairman, with the responsibility for matters affecting the employees resting with the Chief Personnel Officer.

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

In its meeting on March 14, 2024, the Supervisory Board conducted a detailed examination of the financial statements of Salzgitter AG and of the Group, both drawn up as of December 31, 2023, as well as of the combined management report on the company and on the Group for the financial year 2023. Prior to this meeting, the independent auditor EY GmbH & Co. KG 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 14, 2024, the Supervisory Board also addressed the topic of the separate, combined non-financial report for 2023. Prior to this, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hanover, mandated by the Supervisory Board, examined the non-financial Group 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 Sections 315c in conjunction with Sections 289c through 289e of the German Civil Code (HGB) and of the Taxonomy Regulation.

Following its own examination, the Supervisory Board concurred with the findings of the audit performed by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft.

CHANGES TO THE SUPERVISORY BOARD

Over the course of 2022, 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 at the time, 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.

Otherwise, with the exception of the aforementioned changes in the composition of its committees, there were no changes to the Supervisory Board over the period through to the end of the Annual General Meeting of Shareholders on May 25, 2023.

The term of office of the Supervisory Board expired at the end of the Annual General Meeting of Shareholders. After many years of serving as members, shareholder representative Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer and employee representative Mr. Volker Mittelstädt withdrew from the Board.

The Annual General Meeting of Shareholders elected Dr. Susanna Zapreva-Hennerbichler as a new member of the Supervisory Board. The other shareholder representatives were re-elected.

Mr. Dirk Markowski was newly elected as employee representative by the respective employee representative body. The other employee representatives were re-elected.

CHANGES TO THE EXECUTIVE BOARD

Aside from the aforementioned appointing of Ms Birgit Potrafki, effective February 1, 2024, there were no further changes to the Executive Board in the financial year 2023.

THANKS FROM THE SUPERVISORY BOARD

The Supervisory Board wishes to thank Prof. Dr. Dr.-Ing. Spanner-Ulmer and Mr. Mittelstädt for their many years of service in promoting 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 2023.

Salzgitter, March 14, 2024

The Supervisory Board

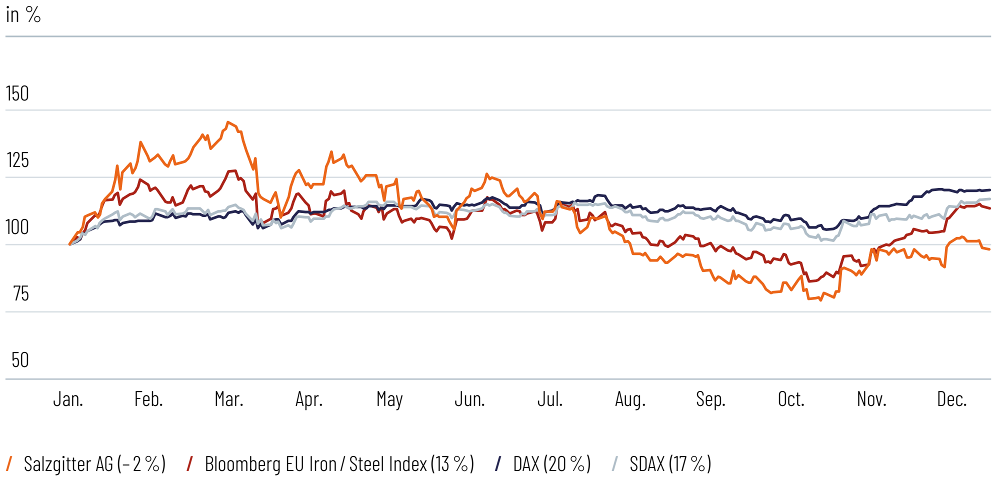
Heinz-Gerhard Wente
Chairman

THE SALZGITTER SHARE

		2023	2022	2021
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	99,000	226,000	229,000
Stock market capitalization[1,3]	€ m	1,514.8	1,542.9	1,699.8
Xetra prices				
Year-end closing price	€	28.00	28.52	31.42
High	€	41.64	48.76	35.08
Low	€	22.30	18.99	20.41
Salzgitter share key data				
Earnings per share (EPS)[4]	€	3.70	20.00	10.74
Cash flow per share (CPS)[4,5]	€	16.49	11.03	6.09
Dividend per share (DPS)[6]	€	0.45	1.00	0.75
Total dividend[6]	€ m	27.1	54.1	40.6

1 All information as of 12/31
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 Cashflow from operating activities
6 Current reporting year: proposal for the Annual General Meeting of Shareholders

Salzgitter share price trend



As of 2023/12/31

The stock market year 2023 was determined by high inflation in many economic regions, significant interest rate hikes by central banks, as well as an economic slowdown in Europe over the course of the year. Further challenges arose from Russia's ongoing war against Ukraine and its impacts. The lackluster development of Germany's economy placed a particular burden on cyclical equities. By contrast, the overall market trended sideways during large parts of the year but, at the first signs of an economic upturn in the final quarter, entered a steep uptrend, even reaching a new record level in December.

At the start of the year the Salzgitter share outperformed the overall market before coming increasingly under pressure from concerns about the economy. Only when the general market staged its year-end rally did it climb again but was nevertheless unable to fully compensate for former losses and closed the trading year at € 28.00. With an annual performance of – 2 %, the share was unable to mirror the positive developments on the DAX (+20 %), SDAX (+17 %) and the European Steel Index (+13 %).

TRADING VOLUME

The average daily turnover of our share in Xetra trading declined in the year under review against the backdrop of the general economic trend and strategic investors having raised their number of shares in the previous year to 99,000 units. The share therefore settled considerably below the year-earlier figure (2022: 226,000 shares/day). The sum total of shares traded in the financial year 2023 amounted to around 26 million (2022: 60 million units).

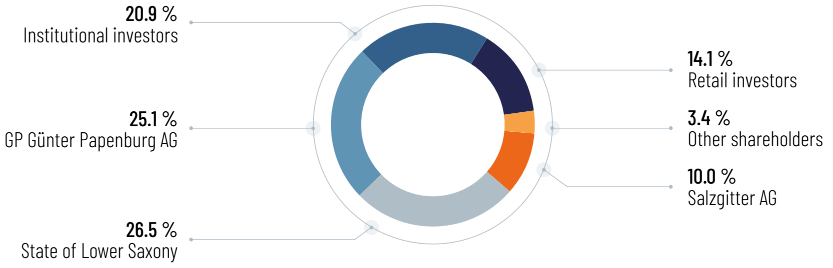
POSITION IN DEUTSCHE BÖRSE'S LEAGUE TABLE

As of December 29, 2023, the Salzgitter share took 115th place in Deutsche Börse's market capitalization ranking, thereby settling within the mid-range of SDAX companies. Our position in the index ranking list remained virtually unchanged compared with the end of 2022 (position 116).

SHAREHOLDER STRUCTURE

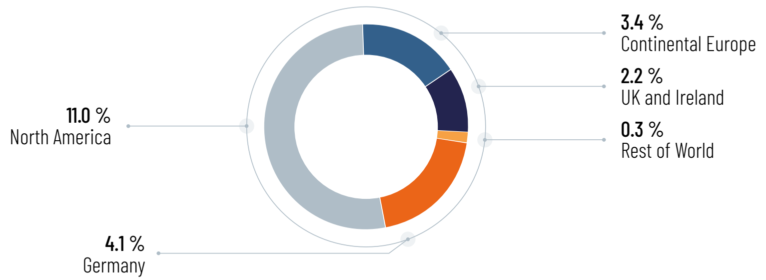
Compared with the year-end 2022, there were only minor changes to our shareholder structure over the course of the reporting year. The holdings of the Federal State of Lower Saxony and GP Günter Papenburg AG as our anchor shareholders that are assigned to fixed ownership in accordance with Deutsche Börse's definition continued to total 52 % of the Salzgitter shares (2022: 52 %). According to a shareholder structure analysis conducted in December 2023, the proportion of shares held by institutional investors dropped to 21 % over the course of the year (2022: 22 %). The decline in the stake held by institutional investors was principally attributable to the ongoing withdrawal of North American and German investors. Other investors, including private investors, brokers and institutional investors not subject to reporting, held 17 % (2022: 16 %). The percentage of Salzgitter shares in free float amounted to 38 % at the end of 2022. Salzgitter AG held 10 % in treasury shares, as before.

Shareholder structure



Treasury shares: as of July 8, 2010.
All other information based on the external analysis of the shareholder structure from December 2023

Geographical distribution of institutional investors' free float shares



ANALYST COVERAGE

As of December 31, 2023, 14 financial institutions and research companies regularly conducted coverage of our company. One analyst's recommendation for the share was "buy" by the end of December. Nine analysts were in favor of "hold" and four recommended "sell". At the end of December 2023, analysts' average share price target stood at € 28.88.

The updated analyst recommendations on the Salzgitter share are available on our ↗ Investor Relations website under the "Analysts" 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 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 2024 General Meeting of Shareholders approve a dividend payment of € 0.45 per share for the financial year 2023. The total payout therefore stands at € 27.1 million and dividend yield at 1.6 % in relation to the share's 2023 year-end closing price of € 28.00.

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Dividend per share (DPS)	€	0.45	1.00	0.75	0.00	0.00	0.55	0.45	0.30	0.25	0.20
Total dividend	€ m	27.1	54.1	40.6	0	0	29.7	24.3	16.2	13.5	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. The Salzgitter Group had itself rated by rating agency EcoVadis in 2023 for the first time. The company achieved a rating of 55/100, which earned it a bronze medal. The results showed that we outperformed the industry average in all four rating categories of Environment, Labor & Human Rights, Ethics and Sustainable Procurement.

We affirm the gratifying ratings of the previous year in the ratings of MSCI ESG (AA, 2022: AA), Sustainalytics (36.5, 2022: 33.1) and in S&P Global Corporate Sustainability Assessment (34/100, 82rd percentile as per February 16, 2024, 2022: 37/100, 84th percentile). In February 2024 CDP published the rating for 2023. With A- we repeated the good result of the previous year.

The current sustainability ratings are available under the "ESG Ratings" heading on our ↗ Sustainability website.

INVESTOR RELATIONS ACTIVITIES

With a view to fostering intensive communication with institutional and private investors, we used a range of different channels again in the financial year 2023 for our investor relations activities. Along with earnings performance and market conditions, progress made with the SALCOS® (Salzgitter Low CO_2 Steelmaking) program was once again the focus of our capital market partners' keen interest. We presented the Salzgitter Group to institutional investors at six investor conferences in Frankfurt and Munich as well as via online conferences. In addition, we held roadshows in Germany and abroad. We presented results of the financial year 2022 and those of the first half of 2023 in online analyst conferences and discussed these results with investors and analysts.

The "Freundeskreis der Aktionäre der Salzgitter AG" (circle of friends of Salzgitter AG shareholders) arranged a series of events again for our private investors on current developments within the Group. We also took part in an investor forum in Hildesheim, Germany.

COMBINED MANAGEMENT REPORT

BACKGROUND INFORMATION ABOUT THE GROUP

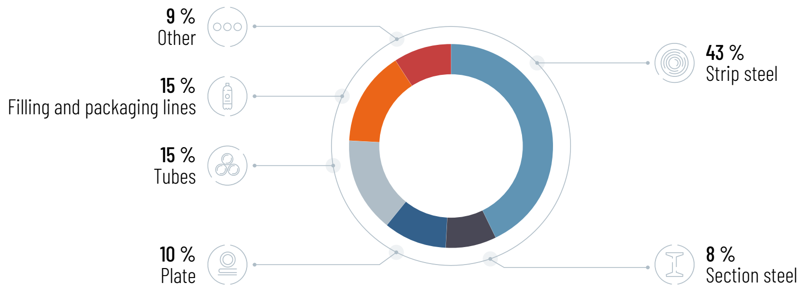
BUSINESS ACTIVITIES AND GROUP STRUCTURE

With external sales of € 10.8 billion and more than 25,000 employees in the financial year 2023, the Salzgitter Group ranks among Europe's leading steel and technology corporations. The Group has an annual capacity of approximately 7 million tons of crude steel and comprises around 150 subsidiaries and affiliated companies.

OUR PRODUCTS AND SERVICES

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

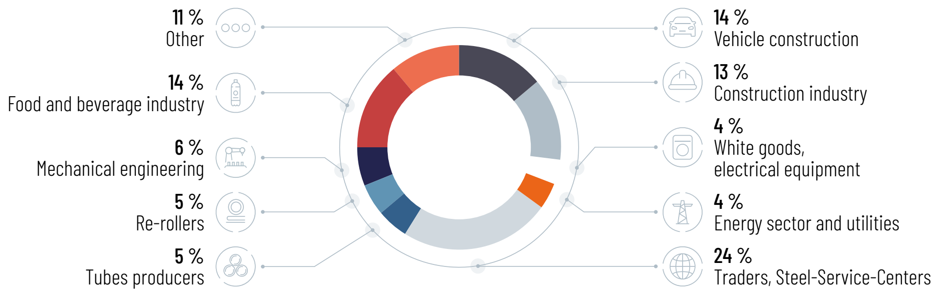
External sales by product group



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 24 % of our external sales is attributable to steel trading and the Steel Service Centers that sell directly or process beforehand – generally in smaller batches. Our key customer industries consist first and foremost of the automotive industry (14 %), the food and beverages industry (14 %) and the construction industry (13 %).

External sales by customer sector

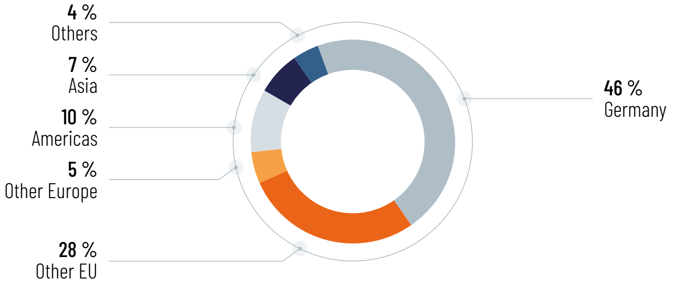


Only companies included in the group of consolidated companies of the Salzgitter Group, excluding the EUROPIPE Group.

BUSINESS ACTIVITY FOCUSED ON EUROPE

In the financial year 2023, we generated 79 % 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 18 tube rolling mills in Germany, France, Italy, the Netherlands and Mexico. The companies belonging to the Technology Business Unit are globally positioned, and also operate plants in the US, Mexico, Brazil, India and China, with a view to serving global high-growth markets. All in all, we have ↗ Group locations[1] in 44 countries and therefore maintain a virtually global presence for our customers.

GROUP STRUCTURE AND BUSINESS UNITS

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 Europlatinen	Ilsenburger Grobblech			Salzgitter Hydroforming
	Salzgitter Mannesmann Grobblech			Salzgitter Business Service
	Hüttenwerke Krupp Mannesmann (30 %)			Salzgitter Mannesmann Forschung
	EUROPIPE (50 %)			Glückauf Immobilien
				Aurubis (29.99 %)
				Hansaport (51 %)

As of: December 2023 (simplified presentation)

[1] This reference and all other references to Internet pages in the combined management report have not been audited by the statutory auditor.

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, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS) and Salzgitter Europlatinen GmbH (SZEP). A central component of our "Salzgitter AG 2030" corporate strategy is the → **SALCOS®** (Salzgitter Low CO_2 Steelmaking) transformation program aimed at decarbonizing steel production.

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. A major share of products is supplied to the automotive industry for further processing. In addition, the tubes and pipes sector and industry, including household goods manufacturers and mechanical engineering, for instance, count among the most important customer sectors. 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.

As the first European steel producer, SZFG obtained conformity statements in 2021 for its green steel products with a reduced carbon footprint, 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.

The 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 a current 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® decarbonization 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 around 95 %. Implementing the first stage of SALCOS® 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 as well as customer processes and combines the Salzgitter Group's steel tubes and pipes producing companies and heavy plate activities. 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 operation 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-weld 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 ranks as the global leader in the production of 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). On account of their 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 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 and operates one of the world's foremost cutting-edge heat treatment lines for quarto plate. Along with standard grades, the company places emphasis on manufacturing wear 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 28 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 the Salzgitter Group's 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 (UES), 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. 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 beverage 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. The company's in-depth packaging expertise in the field of recyclable plastic containers (PET) and secondary packaging features as one of its USPs. 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 the US.

DESMA Schuhmaschinen GmbH (KDS) is a producer of 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 one of the 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.

THE 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

Under its **"Salzgitter AG 2030"** strategy, the Salzgitter Group embraced low carbon steel production at the beginning of 2022 and is committed to ensuring its position as a sustainable industrial company. 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. Our strategy focuses on people who act as pioneers, define the direction, and develop solutions for steel and technology. Our values that are embedded in our → **YOUNITED** mission statement provide the framework within which we operate. We address and embrace change with courage and determination.

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. In our view, circularity also signifies taking a holistic view of processes and products, combining them intelligently, and taking the entire life cycle into account right at the product development stage.

Our **PARTNERING FOR TRANSFORMATION mission** underscores the significance of 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

The following five strategic directions form the framework for our "Salzgitter AG 2030" strategy:

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

We have set ourselves concrete goals for the years 2025 and 2030 that are summarized on the **Strategy Scorecard**. You will find the scorecard in its current form, along with an explanation of the strategic directions and core topics, arranged in accordance with the individual business units of Steel Production, Steel Processing, Trading and Technology, on our website at ↗ Strategy.

The Salzgitter Group is sustainably positioned for the future, anchored in our vision and mission and the five strategic directions. Swift changes in external and internal developments necessitate that the interim goals of our strategy are reviewed at regular intervals and rigorously recalibrated. With this in mind, we will be reviewing the Strategy Scorecard in 2024 and adjusting it to new conditions in the environment. Among other issues, this will include the availability of competitive hydrogen in connection with Germany's hydrogen core network, defining the next stage of our SALCOS® program, and the availability of green electricity in line with the market through to 2030.

CIRCULAR ECONOMY

With regard to the circular economy we are focusing on ramping up scrap recycling, considerably accelerating the decarbonization of steel production, as well as sourcing power from renewable energies.

In this context, 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 maximizing scrap use on a running basis: Accordingly, 2023 saw further agreements signed with customers from various segments for the creation of closed loops. A regional scrap recycling company was acquired as part of inorganic growth. Moreover, we have investigated tapping new sources such as maritime recycling and proceeded with defining investments in expanding our own infrastructure.

/ In 2026, we aim especially to have completed the first step in laying the cornerstone of our SALCOS® program that will make it technically possible for us to reduce our **Scope 1 and Scope 2 carbon emissions** by 30 % compared with 2018.

On February 9, 2022, Salzgitter AG, committed to the Net Zero Standard of the Science-Based Targets Initiative (SBTi) through its Commitment Letter, thereby acknowledging the 1.5° target set out in the Paris Agreement. In 2023, we deployed a robust methodology for creating the necessary database for a holistic carbon survey, and in December 2023 we submitted ambitious goals in the context of the Science Based Target Initiative.

/ The **transformation into virtually carbon-neutral steel production** is being implemented through the ↗ SALCOS® (Salzgitter Low CO_2 Steelmaking) program. The technical approach of SALCOS® consists of avoiding carbon emissions directly in the production process (Carbon Direct Avoidance) through replacing the carbon formerly required for producing steel incrementally, initially mainly by natural gas and subsequently by 100 % green hydrogen, in direct reduction plants to be built. SALCOS® is being implemented in stages. The first stage that is already under way consists of a direct reduction plant, an electric arc furnace, and a 100 MW electrolysis plant for generating hydrogen. With this as a foundation, we aim to supply our customers with low carbon steel on an industrial scale as from 2026. Following a ramping up phase, we will be producing 2 million tons via this route, thereby realizing 30 % of Salzgitter Flachstahl GmbH's primary steel production without the use of coking coal. By the end of 2033, switching to virtually carbon-neutral steel production at the Salzgitter location is to have been completed – far ahead of statutory requirements.

In October 2022, the EU Commission gave notification of subsidizing the SALCOS® program using federal and government funds. In April 2023, Salzgitter AG received the decision on government funding for the SALCOS® program in an amount of around € 1 billion. With this subsidy approval, the initial stage of SALCOS® will be supported by funds of around € 700 million from the German government and € 300 million from the federal state. Together with the funds approved totaling around € 1.3 billion from Salzgitter AG itself, financing the first development stage of SALCOS® has been secured.

In addition, numerous 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 and 2023.

/ Full alignment to low carbon steel production will be instrumental for us in achieving the target of **saving 1% of Germany's emissions**. As part of the transformation, the technical basis for reducing emissions by up to 2.5 million tons a year as from 2026 and 8 million tons a year as from 2033 has been set in place.

With 100 MW high-pressure alkaline electrolysis in September 2023, all core SALCOS® facility components – following on from the electric arc furnace and the direct reduction plant – have been commissioned for the first stage. Upon the start to the construction of the Bleckenstedt Süd substation by grid operator TenneT, also in September 2023, Salzgitter AG has taken a major step forward in ensuring the timely supply of green energy. Accordingly, all the component parts comprising the first stage of the SALCOS® program are in the production and construction phase. These endeavors confer a pioneering role on us in industrial transformation.

/ 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 the year 2030.

We are rigorously pursuing measures to lower our energy consumption. Wherever economically viable, we are switching our energy supply to renewable sources, which also includes producing power at our own locations. With the planned commissioning of the first development stage of the SALCOS® program, 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 2.4 TWh a year. To this end, a series of long-term green power purchase agreements have been signed, with delivery due in stages as from May 2024. From July 2026 onward, the contractually secured volume for all the Group's major consumers will amount to around 820 GWh a year.

Salzgitter AG has anchored the principle of the circular economy throughout the entire Group by way of its "Salzgitter AG 2030" strategy. Success garnered from pilot initiatives in wind energy are to be perpetuated, among other measures, as part of implementing the circularity approach. Such measures include, for instance, using old scrap from dismantled wind turbines, the qualification of low-carbon steel products sourced from the Group and reinforcing companies' abilities to operate in new product areas in the field of offshore wind. 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 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 at its international production sites as well. In the Trading Business Unit, we collaborate with partners with the aim of significantly increasing the volume of green steel available on the market in the future. With a view to ensuring reliable supplies of green steel for our customers, we are opting for full transparency in terms of the carbon footprint of the products we trade. In addition, the Trading Business Unit is reinforcing its international trading activities in the steel scrap area, thereby contributing to intensifying the circular economy.

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.

Despite economic headwind and the challenging sales markets, Salzgitter AG generated a presentable annual result. With a ROCE of 5.6 % and an EBITDA margin of 6.3 % the targets set were not achieved, however.

/ 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.

Implementation of the "Performance 2026" program launched in 2022 and aimed at making an important contribution to the groupwide transformation is under way. Endeavors are based on a broad catalog of measures that also addresses pricing and volume, along with the customary cost issues. The focus is placed on short-term improvement potential that is to already unfold its effect in the years through to 2026. Having achieved our original goal, we have now set sights on € 200 to € 250 million. The basis for achieving this additional potential is well advanced.

GROWTH AND CUSTOMER-ORIENTED SOLUTIONS

/ The Salzgitter Group aims to grow sustainably 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. 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. Furthermore, we want to develop new digital offerings and generate further business opportunities through acquisitions.

Active portfolio management in line with the best-owner principle is a key contributor in focusing on and financing growth. Concrete examples from 2023 include selling the 23 % stake in Borusan Mannesmann Boru Yatirim Holding A.S. and the Berg Pipe Group to Borusan Mannesmann Pipe U.S., as well as Salzgitter Bauelemente GmbH. Progress was made in expanding the scrap recycling activities targeted as part of SALCOS® through acquiring Must-Metalle-Container-Recycling that now goes by the new name of Harzer Schrott und Recycling GmbH.

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 an exchange of views with investors and analysts, we have defined dividend and the aspect of sustainability as important capital market issues and, in this context, determined targets for dividend return 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 annual **dividend yield** of at least 2 %.

The Executive and Supervisory boards propose that the 2024 General Meeting of Shareholders approve a dividend payment of € 0.45 per share for the financial year 2023. This would bring the dividend yield to 1.6 % set in the context of the year-end closing price 2023 (€ 28.00).

/ 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. Moving on from this, an ESG rating concept for a sustainable peer group comparison and measuring against the scorecard target was developed in the financial year 2023. An in-depth and externally facilitated analysis of our assessments in the selected ESG ratings revealed improvement potential. We will be focusing on realizing this potential in the coming years through a structured, phased plan. In addition, we arranged for the entire Group to undergo an assessment for the first time in 2023 in the rating system deemed relevant and provided by agency EcoVadis. Salzgitter AG achieved a rating of 55/100, which earned the company a bronze medal. The results showed that we outperformed the industry average as ascertained by EcoVadis in all the four rating categories of Environment, Labor & Human Rights, Ethics and Sustainable Procurement.

EMPLOYEES

People play a critical role in the aforementioned entrepreneurial transformation. This approach is clearly evidenced by our corporate claim "People, Steel and Technology". People – our employees – constitute the dynamic driver ensuring realization and are therefore a key success factor.

/ The Salzgitter Group is striving to reduce the **Lost Time Injury Frequency Rate (LTIF rate)** by 35 % measured against the reference year of 2021 and by 50 % by the year 2030. The targets assume that, as from 2025, the potential for reducing LTIF further will gradually diminish.

With a view to further reinforcing the Group's safety culture, emphasis in the reporting year was placed on holding action days focused on the issues of health and safety at work. Accordingly, the "Occupational Health and Safety Practice Days" were held once again at Salzgitter Flachstahl GmbH, with around 3,000 employees from different Group companies participating. Employees from the companies located in Peine addressed the topics of accident prevention and health care, among other issues, in the context of a health day. Despite our many occupational safety measures, we were unable to further reduce the occurrence of accidents in 2023 compared with the year before. We nevertheless hold fast to our objective of reducing the absenteeism rate and avoiding accidents and will continue to work intensively on these matters.

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

In addition to the established Group programs for attracting and promoting women, a range of different activities at the level of the companies was launched in the reporting year. The "Women of Steel" network was introduced at Salzgitter Flachstahl GmbH, for instance. The network serves as a platform for facilitating communication and linking up female employees in all areas and at all hierarchy levels and enhancing the visibility of women in the company. At Peiner Träger GmbH and the two heavy plate companies, top management workshops were also held during which discussions revolved around key success factors and solutions for raising the proportion of women, particularly at management level.

EMPLOYEES

CHANGE IN WORKFORCE NUMBERS

As of December 31, 2023, the core workforce of the Salzgitter Group numbered 23,138 employees, which is 516 people more than at the end of the financial year 2022 (22,622). The higher employee numbers are principally attributable to the ongoing dynamic growth of the KHS Group's business, particularly its international operations. Salzgitter Flachstahl GmbH also recorded a noteworthy increase in its workforce numbers in connection with the SALCOS® transformation program and its staff's continuous professional development. Hiring additional employees at Salzgitter Digital Solutions GmbH served in particular to meet the growing requirements placed on digitalizing our business processes. Moreover, effects from changes in the group of consolidation need to be factored in: The initial consolidation of KHS subsidiary LFP Logistics for Filling and Packaging GmbH, the deconsolidation of two KHS companies located abroad, along with the sale of Salzgitter Bauelemente GmbH have resulted in an increase of 106 employees on balance in the Group's core workforce.

Including trainees and employees in non-active age-related part-time work, the total workforce of the Salzgitter Group came in at 25,183 persons (2022: 24,569 employees). At the end of the financial year 2023, we employed 835 temporary staff outsourced (2022: 686), which corresponds to an increase of 149 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 3.5 %.

Due to temporary capacity utilization problems in a number of companies, short-time work was necessary in some instances in 2023, as in previous years. At the end of the reporting period, 167 employees were working short time in the domestic Group companies (2022: 468). In 2023, an average of 290 employees a month were affected by short-time work (2022: 277).

Workforce key figures

	2023/12/31	2022/12/31	Change
Core workforce Group[1]	23,138	22,622	516
Steel Production Business Unit	7,430	7,369	61
Steel Processing Business Unit	5,317	5,341	–24
Trading Business Unit	1,990	1,975	15
Technology Business Unit	5,720	5,329	391
Industrial Participations / Consolidation	2,681	2,608	73
Apprentices, students, trainees	1,413	1,313	100
Non-active age-related part-time employment	632	635	–3
Total workforce	**25,183**	**24,569**	**614**

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	18,597	1,857	1,671	817	196
	%	80.4	8.0	7.2	3.5	0.8

[1] Excluding executive body members

Personnel expenses amounted to € 1,887.7 million in 2023, which is 0.2 % higher than in the year-earlier period. Hence, despite the slight increase of the Salzgitter Group's core workforce, personnel expenses remained at the year-earlier level while performance-based remuneration declined significantly.

YOUNITED CORPORATE MISSION

Under its "Salzgitter AG 2030" strategy, the Salzgitter Group has positioned itself to meet the challenges of the future. In our YOUNITED mission statement, we have formulated our understanding of ourselves based on the three pillars of Goals, Paths, Values. A review of the mission in the reporting year showed that YOUNITED and its values are instrumental in assisting us to achieve our new strategic goals. In addition, in the context of an "upgrade", ten corporate cultural levers were identified that translate our values into specific measures and activities. The four levers of greatest relevance were prioritized for the purpose of evolving our corporate culture: "Focusing on the Customer", "Enabling Agility", "Taking Responsibility" and "Demonstrating and Recognizing Performance". As a first step, emphasis was placed on creating a common understanding of the cultural levers in the various business units. Based on this, individual measures in the various companies are to be derived and implemented in the financial year 2024 and going forward.

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 maps the entire process chain in the laboratory and also via simulation, from steel production through to progressing deep into steels processing. The company is also part of a tight network comprising universities, research institutes and industrial partners within the context of numerous national and international research projects. We regard this constellation as preferable to buying in external know-how. We continued to pursue this strategy in the period under review, with the result that 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 steady increase in the number of registrations for patents and trademark rights impressively underscores our innovative capabilities: The Group's portfolio comprised 5,593 patent and 1,565 trademark rights in 2023 (2022: 4,998 and 1,707 respectively). With 5,009 patents and patents registrations (2022: 4,471) and 483 trademark rights (2022: 651), the majority is accounted for by the Technology Business Unit.

R&D EXPENSES

In 2023, the Salzgitter Group spent € 86.7 million on R&D and R&D-related activities (2022: € 87.8 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	86.7	30.4	18.1	26.9	11.2
	%	100.0	35.0	20.9	31.0	13.0

[1] Excluding the EUROPIPE Group

As of December 31, 2023, 669 employees in the Salzgitter Group were engaged in research and development activities. Of this number, 244 members of staff were active at SZMF and 425 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 the R&D employees work in the production-related areas. We also dedicate a notable part of our research capacity to pre-development projects, which are characterized by a project duration between two and five years.

Multi-year overview of research and development

		2023[1]	2022[1]	2021[1]	2020[1]	2019[1]	2018[1]	2017[1]	2016[1]	2015[1]	2014[1]
R&D expenses[2]	€ m	85	85	80	88	93	96	91	85	85	87
R&D employees	empl.	669	681	684	700	762	763	750	733	767	784
R&D ratio[3]	%	0.8	0.7	0.8	1.2	1.1	1.0	1.0	1.1	1.0	1.0
R&D intensity[4]	%	3.7	2.7	3.1	5.7	5.7	4.5	4.5	4.8	4.8	5.2

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

R&D FOCUS AREAS

We have defined our research and development focus with a view to the future requirements placed on our products:

In implementing the ↗ SALCOS® (Salzgitter Low CO_2 Steelmaking) program, we are playing a pioneering role in decarbonizing the steel industry. The SALCOS® principle is anchored in avoiding process-related carbon emissions, also known as carbon direct avoidance (CDA). Technical implementation takes place in stages through replacing our blast furnaces by direct reduction plants, with downstream electric arc furnaces. Natural gas and, with increasing availability, green hydrogen will substitute the fossil fuel reducing agent of coking coal. Instead of environmentally damaging carbon dioxide, harmless water vapor will ultimately be emitted.

In 2023, BeWiSe as a **SALCOS® accompanying project** was successfully concluded and seamlessly transitioned into the three-year follow-up BeWiSer project that is also subsidized by the German Federal Ministry of Education and Research. Among other aspects, the direct reduction process, based on experimental and numeric models, is to be optimized and technologies investigated for harnessing ferrous and biogenic residual materials. Extensive trials are planned for the experimental investigations, most particularly for looking more closely at the flexible use of natural gas and hydrogen blends, as well as the impact of various iron feedstocks. With a view to capturing all the relevant aspects of SALCOS®, social and techno-economic aspects are also incorporated in the form of future dialog and extended environmental footprint models. Along with this work, comprehensive investigations are being conducted on the metallurgical treatment of molten steel and the optimized use of secondary material (scrap) in primary steel production.

Further focuses of research and development in the field of **strip steel** include high-strength steels with improved formability and residual expansion, as well as ultra-high-strength steels for special component geometry and sections. 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. The emphasis here is placed on chassis steel with 1,000 MPa strength that also meets additional customer requirements beyond the boundaries of the VDA standard. With DH and FH (Dualphase High and Formability High) steels, cutting-edge developments for car body steel form part of the so-called third generation of AHSS (Advanced High Strength Steels). These steels are produced in particular on the new Hot Dip Galvanizing Line 3 in Salzgitter. Current developments in hot strip apply to the market segment for ultra-high-strength, wear-resistant and tough hot strip.

Advanced analytics methodologies and artificial intelligence support both R&D and the continuous optimization of our production processes in metallurgy, in the hot and cold rolling mill as well as in surface finishing. For the aforementioned reasons, the process and product transformations in connection with decarbonizing steel production are playing an increasingly important role. As part of the above-mentioned SALCOS® accompanying research, preparations are currently under way for commissioning the first electric arc furnace in Salzgitter aimed at producing low carbon steels. Commissioning of the EAF is planned for 2026. In this area, we focus on process modeling, the use of modified scrap and directly reduced iron (DRI) as well as the utilization of resulted slags.

High-performance precision tubes for use in electromobility form an integral part of development work in the Automotive customer segment. Products here are destined for the electric drive train and bodywork, such as rotor shafts and stabilizers from ultra-high-strength steel grades. Hydrogen-resistant pipes and tanks from selected steels with special coatings are developed for fuel cell vehicles. In the Industry customer segment, surface quality and the material of ultra-strong hydraulic pipe are optimized to achieve the desired fatigue strengths for mobile hydraulic machinery, while keeping weight to a minimum.

Transporting and storing hydrogen and carbon dioxide are becoming increasingly important in the context of the energy transition and climate protection. These aspects apply most particularly to our **large-diameter pipes** and **medium-diameter line pipes** product segment. A significant need for research consists above all in detecting and meeting specific market requirements, to which we are intensively committed in pioneering a sustainable steel industry. Our additionally extended laboratory equipment in the newly established **"H2SteeLab" hydrogen competence center** located in the Duisburg research site serves to combine our competence developed over decades in this complex field. With this lab, we intend to position ourselves at the forefront of European steel research. The respective R&D services are not only available to the Group but also to our external customers.

High-alloy seamless stainless steel tubes are optimized for products in established and in new markets. A focal point of R&D activities in oil and gas resides in qualification for extreme conditions, which includes mechanical sampling, as well as corrosion tests. A further focus is placed on biomass and waste incineration where a range of tube and pipe products are tested in various plants and qualified. Process efficiency/effectiveness and product quality are optimized – as is customary in all our plants – also, by harnessing advanced analytics, FEM (Finite Element Method), and process simulations.

In the **heavy plate** segment, ballistic and security steels for various applications and strength grades are developed and qualified. Two approaches are pursued here: conventional steels for protection applications are made ready for serial production, and a technologically innovative security steel with improved processability is customized and optimized for various application scenarios. Thick metal sheet with ultra-high toughness for wind turbines and the qualification of sour gas grades for line pipes are further key areas of development.

Focus areas in the **Technology Business Unit** comprise R&D projects aimed at securing the product program's competitive edge. In addition, we strive to fulfill our responsibility of reducing the carbon footprint of new and existing machinery through innovative products and intelligent solutions. Our aim in doing so is to enable our customers to keep the use of auxiliary media and consumables to a minimum and deploy more recycled material within the meaning of circular solutions. Our aspiration is to assist our customers in improving earnings, reducing costs, and enhancing resource efficiency through forward-looking solutions. Measures are developed in line with a defined R&D road map. The priority here is placed on core applications. Furthermore, the marketability of innovative products is the subject of constant monitoring.

A development focus 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 and filling technology. A further area of KHS's activities consists of expanding and improving its product portfolio for sensitive beverages such as juice and tea. In order to exploit optimization potential in operating filling and packaging plants based on digital technologies, 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. Moreover, 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. In order to meet the growing requirements placed on the operational safety requirements of networked KHS filling and packaging facilities at the customer, development capacities and competences for imminent projects have been expanded.

DECLARATION OF CORPORATE GOVERNANCE[1]

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.

2023 DECLARATION OF CONFORMITY WITH THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board submitted the following declaration on December 7, 2023, in respect of the recommendations of the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG):

"Since submitting the last Declaration of Conformity dated December 8, 2022, Salzgitter AG has complied – 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.

[1] This chapter is a part of the Combined Management Report that does not require auditing.

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 were and 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. It 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 comprised three members consisting of the Chief Executive Officer, the Chief Financial Officer and the Chief Personnel Officer in the financial year 2023. 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 the 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 2023, 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 German nationality Member since May 17, 2021 Chairman and Chief Executive Officer since July 1, 2021 Appointed through to September 30, 2029	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / 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)

Member	Mandates
Gunnar Groebler Chairman and Chief Executive Officer	b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council, Chairman) **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises / Semco Maritime A / S, Esbjerg, Denmark **Listed non-consolidated companies** a) Membership in other statutory supervisory boards / Aurubis AG, Hamburg b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises ./.

Member	Mandates
Burkhard Becker Finance Born in 1960 German nationality Member since February 01, 2011 Appointed through to March 31, 2024	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards / 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) until November 27, 2023 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises / Supervisory Board of Hansaport Hafenbetriebs-gesellschaft mbH, Hamburg / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council)

Member	Mandates
Burkhard Becker Finance	**Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / Bantleon Invest AG, Hanover (formerly Warburg Invest AG) b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: / Borusan Mannesmann Boru Sanayi ve Ticaret A.S., Istanbul (Vice Chairman), until November 27, 2023 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises ./.

Member	Mandates
Michael Kieckbusch Personnel Born in 1961 German nationality Member since February 20, 2013 Appointed through to December 31, 2024	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / 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 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Supervisory Board of Hansaport Hafenbetriebsgesellschaft mbH, Hamburg (Chairman) / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council) **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Supervisory Board of Allianz für die Region GmbH, Braunschweig / Supervisory Board of Projektgesellschaft Salzgitter-Watenstedt GmbH, Salzgitter (Vice Chairman) / Supervisory Board of Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter (Vice Chairman)
Michael Kieckbusch Personnel	**Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

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** 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 2023:

Gunnar Groebler
Chairman

Kai Acker
Technology Business Unit

Burkhard Becker
Finance and Steel Processing Business Unit

Dr.-Ing. Sebastian Bross
Trading Business Unit

Ulrich Grethe
Steel Production Business Unit

Michael Kieckbusch
Personnel

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 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 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 2023.

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 statutory requirements, certain fundamental decisions may only be made with its approval. The Supervisory Board 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 company's 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. After the last self-assessment of the members of the Management Board and Supervisory Board in the financial year 2022 based on a questionnaire and conducted with the aid of an external consultant, self-assessment was not required again in the 2023 financial year.

MEMBERS OF THE SUPERVISORY BOARD

In the financial year 2023, 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 and Chief Executive Officer since April 1, 2016 Member of the Management Board of Continental AG, retired, Hanover	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Alpha ABMD Holdco B.V., Alkmaar, Netherlands (Supervisory Board member) **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Prof. Dr. Hans-Jürgen Urban Member since May 21, 2008 Vice Chairman since August 26, 2011 Chairman Member of the Management Board of IG Metall, Frankfurt am Main	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / Salzgitter Flachstahl GmbH, Salzgitter (Vice Chairman) b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Supervisory Board of DGB Rechtsschutz GmbH **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Konrad Ackermann Member since May 23, 2013 Chairman of the General Works Council of KHS GmbH, Dortmund	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / KHS GmbH, Dortmund b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Manuel Bloemers Member since July 1, 2021 Union Secretary, IG Metall Management Board, Düsseldorf	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / Speira GmbH, Grevenbroich (Vice Chairman) until May 31, 2023 / Aluminium Norf GmbH, Neuss, until May 31, 2023 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: / Siemens Energy AG, Munich b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Ulrike Brouzi Member since May 23, 2013 Member 37ft he Management Board of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / 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 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Supervisory Board of DZ CompliancePartner GmbH, Neu-Isenburg (Chairman) **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
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) Membership in other statutory supervisory boards: / Salzgitter Flachstahl GmbH, Salzgitter b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Dr. Bernd Drouven Member since May 24, 2018 Member of the Executive Board of Aurubis AG, retired, Hamburg	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Marco Gasse Member since February 21, 2023 Chairman of the Works Council of Hüttenwerke Krupp Mannesmann GmbH, Duisburg	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / Hüttenwerke Krupp Mannesmann GmbH, Duisburg / Mannesmann Precision Tubes GmbH, Mülheim an der Ruhr b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Gabriele Handke Member since March 1, 2015 Vice Chairwoman of the Works Council of Peiner Träger GmbH, Peine	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / Peiner Träger GmbH, Peine b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.
Karin Hardekopf Member since January 1, 2023 Member of the Management Board of GP Günter Papenburg AG, Hanover	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Gerald Heere Member since January 3, 2023 Minister of Finance Federal State of Lower Saxony, Hanover	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / NORD/LB, Hanover (Chairman) / Deutsche Messe AG, Hanover b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Board of Supervisory Directors of Kreditanstalt für Wiederaufbau (KfW), Berlin **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Norbert Keller Member since August 30, 2019 until January 31, 2023 Member of the Works Council of Hüttenwerke Krupp Mannesmann GmbH, retired, Duisburg	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Frank Klingebiel Member since May 19, 2021 Lord Mayor of the independent City of Salzgitter, Salzgitter	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / Öffentliche Versicherung Braunschweig, Braunschweig / Helios Klinikum Salzgitter GmbH, Salzgitter, (Vice Chairman) b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Braunschweigische Landessparkasse, Braunschweig, Board of Administration (First Vice Chairman) / Supervisory Board of WEVG Salzgitter GmbH & Co. KG, Salzgitter (Chairman) / Supervisory Board of Entsorgungszentrum Salzgitter GmbH, Salzgitter (Chairman) / Supervisory Board of Projektgesellschaft Salzgitter-Watenstedt GmbH, Salzgitter (Chairman) / Supervisory Board of Wohnungsbaugesellschaft mbH Salzgitter, Salzgitter / Supervisory Board of Kraftverkehrsgesellschaft mbH Braunschweig, Salzgitter / Supervisory Board of Allianz für die Region GmbH, Braunschweig / Supervisory Board of Wirtschafts- und Innovationsförderung Salzgitter GmbH, Salzgitter

Member	Mandates
Frank Klingebiel	**Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.
Prof. Dr. Susanne Knorre Member since May 24, 2018 Business consultant, Hanover	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / Deutsche Bahn AG, Berlin / NORD/LB, Hanover / Rain Carbon Germany GmbH, Castrop-Rauxel / STEAG Power GmbH, Essen, since March 2, 2023 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Heinz Kreuzer Member since May 24, 2018 Chairman of the Management Board of TUI InfoTec GmbH, retired, Hanover	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / eves_information technology AG, Braunschweig b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Safarihub Europe Ltd. Harrow, Middlesex, United Kingdom (Non Executive Director), until October 1, 2023 **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.
Dirk Markowski Member since May 25, 2023 Chairman of the Works Council of Mannesmann Precision Tubes GmbH, Werk Brackwede, Bielefeld Chairman of the General Works Council of Mannesmann Precision Tubes GmbH, Hamm	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / Mannesmann Precision Tubes GmbH, Hamm b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Volker Mittelstädt Member since September 1, 2012 until May 25, 2023 Chairman of the Works Council of Ilsenburger Grobblech GmbH, Ilsenburg, until February 25, 2023 Member of the Works Council of Ilsenburger Grobblech GmbH, Ilsenburg, until March 31, 2023 Head of Training of Salzgitter Flachstahl GmbH, Salzgitter, since April 1, 2023	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: / Ilsenburger Grobblech GmbH, Ilsenburg (Vice Chairman), until March 31, 2023 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Ilsenburger Grobblech GmbH, Ilsenburg, and Salzgitter Mannesmann Grobblech GmbH, Mülheim an der Ruhr (Joint Advisory Council), until March 31, 2023 **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.
Klaus Papenburg Member since July 1, 2021 Member of the Management Board of GP Günter Papenburg AG, Halle	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: / Advisory Council of STOCKMEIER Holding GmbH, Bielefeld **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Anja Piel Member since July 22, 2021 Member of the Federal Executive Board of Deutscher Gewerkschaftsbund, Berlin	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Prof. Dr. Joachim Schindler Member since November 24, 2017 Member of various supervisory boards	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / Rocket Internet SE, Berlin (Vice Chairman) / Zoologischer Garten Berlin AG, Berlin / CMBlu Energy AG, Alzenau / ML Real AG, Berlin (Vice Chairman), since December 4, 2023 b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Christine Seemann Member since May 24, 2018 Works Council Representative of Salzgitter Flachstahl GmbH, Salzgitter	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer Member since April 27, 2016 until May 25, 2023 Director of Production and Technology Bayerischer Rundfunk, Munich	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: / Bavaria Studios & Production und Services GmbH, Geiselgasteig (Chairwoman), until January 31, 2023 / Bayern Digital Radio GmbH, Munich b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

Member	Mandates
Clemens Spiller Member since May 24, 2018 Systems analyst, Chairman of the Works Council of Salzgitter Digital Solutions GmbH	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.
Dr. Susanna Zapreva-Hennerbichler Member since May 25, 2023 Chairwoman of the Management Board of enercity AG, Hanover	**Non-listed consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Non-listed and non-consolidated companies** a) Membership in other statutory supervisory boards: ./. b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./. **Listed non-consolidated companies** a) Membership in other statutory supervisory boards: / PNE – Pure New Energy AG, Cuxhaven / CropEnergies AG, Mannheim b) Membership in comparable domestic and foreign controlling bodies of commercial enterprises: ./.

COMMITTEES OF THE SUPERVISORY BOARD

PRESIDING COMMITTEE

Heinz-Gerhard Wente (Chairman)
Konrad Ackermann
Hasan Cakir
Gerald Heere since March 23, 2023
Klaus Papenburg
Prof. Dr. Hans-Jürgen Urban

AUDIT COMMITTEE

Prof. Dr. Joachim Schindler (Chairman)
Manuel Bloemers
Karin Hardekopf
Christine Seemann

STRATEGY COMMITTEE:

Heinz-Gerhard Wente (Chairman)
Konrad Ackermann
Manuel Bloemers
Hasan Cakir
Dr. Bernd Drouven
Gerald Heere since March 23, 2023
Klaus Papenburg since May 25, 2023
Prof. Dr. Dr.-Ing. Birgit Spanner-Ulmer until May 25, 2023
Prof. Dr. Hans-Jürgen Urban

NOMINATION COMMITTEE

Gerald Heere since March 23, 2023
Klaus Papenburg
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 currently be considered independent within the meaning of the German Corporate Governance Code: Dr. Bernd Drouven, Karin Hardekopf, Gerald Heere, Prof. Dr. Susanne Knorre, Heinz Kreuzer, Klaus Papenburg, Prof. Dr. Joachim Schindler, Heinz-Gerhard Wente and Dr. Susanna Zapreva-Hennerbichler.

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 nevertheless withdrew from the Supervisory Board of Aurubis AG in the same year.

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 last in December 2023: 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. Furthermore, they should have skills and competences in work organization, knowledge of labor and social law, as well as of codetermination, along with detailed knowledge about the member companies of the Group and know-how in the field of transformation and change in organizational structures. 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 to be tabled at the 2023 Annual General Meeting of Shareholders, the objectives of the Supervisory Board for its composition and the competence profile that it has drawn up for the entire Board have been fulfilled.

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 a company	Practical experience in developing corporate strategies	Expertise in the key areas of the company's sustainability strategy (environment, climate, workforce, supply chain, integrity and transformation)	Knowledge of financial instruments	Experience in international business	Digitalization and information technologies	Competences in work organization, knowledge of labor and social law, as well as of co-determination	Detailed knowledge about the member companies of the Group	Knowledge of transformation and change in organizational structures	Expertise in accounting	Expertise in statutory audit
Heinz-Gerhard Wente	×	×		×	×	×	×	×		×		×	×	
Prof. Dr. Hans-Jürgen Urban*	×	×			×	×			×	×		×		
Konrad Ackermann*		×			×	×				×	×	×		
Manuel Bloemers*	×	×			×	×				×		×		
Ulrike Brouzi				×	×	×	×		×	×		×	×	
Hasan Cakir*	×	×	×		×	×				×	×	×		
Dr. Bernd Drouven	×	×	×	×	×	×	×	×		×		×	×	
Marco Gasse*	×				×	×				×	×	×		
Gabriele Handke*	×				×	×				×	×	×		
Karin Hardekopf				×	×	×	×		×	×		×	×	
Gerald Heere						×	×		×	×		×		
Frank Klingebiel**				×	×	×	×			×		×	×	
Prof. Dr. Susanne Knorre	×			×	×	×	×			×		×		
Heinz Kreuzer			×	×	×	×		×	×	×		×		
Dirk Markowski*	×				×	×				×	×	×		
Klaus Papenburg		×		×	×	×	×			×		×	×	
Anja Piel*					×	×				×		×		
Prof. Dr. Joachim Schindler				×	×	×	×	×		×		×	×	×
Christine Seemann*	×				×	×				×	×	×		
Clemens Spiller*	×	×	×		×	×			×	×	×	×		
Dr. Susanna Zapreva-Hennerbichler			×	×	×	×	×	×	×	×		×	×	

* Employee representatives
** Other member within the meaning of Section 5 (1) lit. c) MontanMitbestGErgG (act regarding the representation of employees on the supervisory and management boards of companies in the mining and iron and steel producing industries)

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 the 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 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 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. Furthermore, 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 approval as laid down in the bylaws for the Executive Board 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 2023 included Prof. Dr. Schindler and Ms Hardekopf.

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 a number of years 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.

Since successfully completing her business studies in 1991, Ms Hardekopf has been responsible for finance in her role as managing director of GP Günter Papenburg GmbH and member of the Management Board of GP Günter Papenburg AG. Her tasks comprise consolidated accounting, including sustainability reporting, tax and the company's internal control and risk management systems.

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 2023, 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 2023 in a → **non-financial report** that forms part of the annual report. The separate non-financial report for the period from January 1, 2023, through to December 31, 2023, was prepared 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 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 female 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 2020, the Supervisory Board decided, 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 at the time consisted 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 ↗ 2023 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 also 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 press conference 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 investment conferences and roadshows. 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.

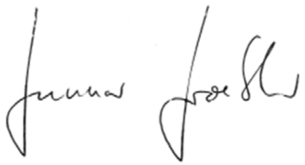
Salzgitter AG's separate annual financial statements and consolidated financial statements, as well as the combined management report at company and at Group level, are prepared by the Executive Board and audited by the statutory auditor as well as, following preparation by the Audit Committee, by the Supervisory Board. The statutory auditor participates in 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 2023, the General Meeting of Shareholders selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, on May 25, 2023, 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 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 on Corporate Governance is accessible on Salzgitter AG's website.

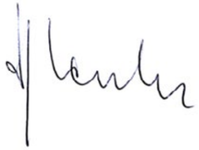
Salzgitter, March 8, 2024

The Executive Board



Gunnar Groebler
Chairman

The Supvervisory Board



Heinz-Gerhard Wente
Chairman

INFORMATION CONCERNING TAKEOVERS

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

Salzgitter AG's 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 down 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 explanations, we make reference to Note (22) "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 fallen 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 Mr. 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 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 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:

/ As part of a syndicated loan agreement, concluded in 2023 with a banking syndicate, that comprises a revolving credit line of € 680 million and an additional guarantee facility of € 350 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 two or 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

From the standpoint of Salzgitter AG's Executive Board, the development of operating result of both the Group and of its business units is best reflected by stripping out finance income and finance expenses, depreciation and amortization as well as taxes. For this reason, 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 at Group level and at business unit level.

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** continued to cool in 2023. Despite burdens on the global food and energy markets arising from Russia's war of aggression against Ukraine and the tightening of monetary policy in response to the high inflation rates in many countries, the global economy did not come to a complete standstill. The slowdown in economic momentum presented a disparate picture: The US, Japan and some of the more major emerging countries proved their resilience as opposed to the UK where high energy prices and the restrictive monetary policy constrained the country's economy. Turbulence on the real estate market in China that curbed investments was nevertheless mitigated by the government's economic stimulus packages. In its most recent survey for the full year 2023, the International Monetary Fund (IMF) estimated overall global economic growth at 3.1 % (2022: 3.5 %).

Consumer demand in the **eurozone** remained subdued in the face of unfavorable real wage developments pressured by high inflation in many member states. The aftereffects of the 2022 energy price shock resulting from the war in Ukraine hampered the economy, above all in the heavily industrialized regions of Central Europe. The trend within the euro countries varied, ranging from recessionary tendencies in Germany through to moderate growth in France thanks to the catch-up effects in industrial production and external demand. The IMF calculated a slowdown in economic growth in the euro area to a mere 0.5 % in 2023 (2022: 3.4 %).

The economic situation in **Germany** was determined in 2023 by the sharp increase in inflation in a historical comparison and also by the economy cooling as a result of monetary policy countermeasures. Despite rising wage income, private consumption failed to recover, partly because a portion of the increase in purchasing power was channeled into savings. Virtually no impetus came from global trade either. The processing industry and the construction sector saw their to date high order backlogs eroded by the decline in new orders and partly also due to orders cancellations. This order trend also impacted capacity utilization, as production capacities rose also due to the meanwhile good availability of upstream products despite demographically induced labor shortages. The IMF and the German Federal Statistical Office state the decline in the German economy at 0.3 % in 2023 (2022: +1.8 %).

The information was obtained mainly on the basis of the following sources: International Monetary Fund (1/2024): World Economic Outlook Update; ifo Economic Forecast Winter 2023; German Council of Economic Experts: Annual Report 2023/24; World Bank (1/2024): Global Economic Prospects; German Federal Statistical Office, January 2024.

OVERALL STATEMENT BY MANAGEMENT ON THE ECONOMIC SITUATION

In the financial year 2023 that was dominated by high inflation rates and cooling economic momentum, the Salzgitter Group generated EBITDA of € 677.0 million (2022: € 1,618.2 million) and a pre-tax profit of € 238.4 million (2022: € 1,245.4 million). The Steel Production, Steel Processing and Technology business units were the main drivers of this result. The result includes a contribution of € 40.0 million from Aurubis AG (2022: € 156.3 million), an investment included at equity (IFRS accounting). The after-tax result came in at € 204.1 million (2022: € 1,085.4 million), which brings basic earnings per share to € 3.70 (2022: € 20.00). Return on capital employed (ROCE) amounted to 5.6 % (2022: 20.1 %).

Following an encouraging start to 2023, economic conditions in most markets increasingly deteriorated. Running counter to sector trends, only the filling and packaging machinery business performed very well over the year as a whole, enabling the Technology Business Unit to deliver a record result. The Group's external sales declined to € 10.8 billion due above all to lower average selling prices for steel products (2022: € 12.6 billion). This because most steel product prices declined from their high year-earlier level during virtually the entire financial year. Prices only bottomed out in the final quarter. Net financial debt dropped tangibly to € –214.3 million (2022: € –552.6 million). Together with an equity ratio that has risen to 46.0 % (2022:43.7 %), this is proof of the Salzgitter Group's resilience, also in challenging times.

The Salzgitter Group's further development was expedited in the financial year 2023. Having obtained funding approval from the Federal Republic of Germany and the Federal State of Lower Saxony in April 2023, the implementation of the first stage of our SALCOS® – Salzgitter Low CO_2 Steelmaking decarbonization program – is fully under way. At the same time, we continued to breathe life into our corporate "Pioneering for Circular Solutions" vision and entered into partnership agreements with prestigious customers and other partners.

COMPARISON BETWEEN ACTUAL AND FORECASTED PERFORMANCE

Given the generally healthy demand at the start of the year, we anticipate the following for the Salzgitter Group in the financial year 2023:

- sales in the region of € 13 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) that is notably below the previous year's level.

Following the exceptional year of 2022 that closed with record sales and the second best operating result in the company's history, we anticipated that business would develop at more normal levels in 2023. Although a sharp increase in the results was expected for the Technology and Steel Processing business units compared with the previous year, we nevertheless anticipated a considerable decline in the Group's EBITDA and EBT due to the considerably lower profit expectations of the Steel Production and Trading business units. ROCE was also expected to settle notably below the year-earlier level. At € 13 billion, we were again anticipating sales at a high level based on the assumption of sales of the Steel Processing and Technology business units gaining notable momentum, with sales holding steady in the Trading Business Unit and an only marginal downturn in the sales of the Steel Production Business Unit.

In the first three months of 2023, the Salzgitter Group recorded an encouraging start to the year with positive results delivered by the Steel Production, Steel Processing and Technology business units in line with expectations. By contrast, external sales did not develop as well as originally anticipated as, with the exception of the Technology Business Unit, all segments tangibly underperformed guidance. Against this backdrop, we revised our sales forecast in May 2023 upon the publication of the quarterly announcement for the first quarter when we anticipated sales for the Salzgitter Group in the region of € 11.5 billion and € 12 billion. Guidance for profit and ROCE remained unchanged.

Against the backdrop of an increasingly murky economic environment, and with a considerably weaker second quarter, the Steel Production and Steel Processing business units still achieved satisfactory results in the first half year of 2023, while the Technology Business Unit performed exceptionally well. All in all, the Salzgitter Group's earnings, sales and ROCE developed within the framework of the updated guidance that we then subsequently confirmed.

Following Aurubis AG's announcement on August 31, 2023, that it would be unable to remain within the corridor it had forecast at the time for the financial year 2022/23 – and without submitting a new, clear guidance – Salzgitter AG's Executive Board initially suspended its earnings forecast on September 1, 2023, for the financial year 2023. As a result of accounting using the equity method, the profit trend of the holding in Aurubis AG has a direct impact on the Salzgitter Group's anticipated annual result and is an integral part of earnings planning. Following the publication of Aurubis AG's updated earnings expectation in mid-September, and also factoring in the slowdown in business in the second half of the year, the Salzgitter Group announced its new profit guidance on September 19, 2023. Under this guidance, EBITDA was expected at between € 650 million and € 700 million and pre-tax profit at € 200 million to € 250 million. We affirmed our guidance for sales and ROCE.

Against the backdrop of Germany's persistently weak economy and the politically and economically extremely volatile environment, we revised the Salzgitter Group's earnings forecast marginally downward to € 11 billion upon receiving the figures for the nine-month period in November. The earnings guidance adjusted in September was confirmed.

FINANCIAL YEAR 2023 CLOSES WITHIN THE SCOPE OF ADJUSTED GUIDANCE

The Salzgitter Group closed the financial year 2023 with EBITDA of € 677.0 million and earnings before taxes of € 238.4 million. These two metrics therefore achieved the upper end of the forecast range last revised in September. At € 10.8 billion, sales settled within the corridor defined under the lower forecast. As expected, ROCE (5.6 %) fell short of the year-earlier level.

Forecast-actual comparison for the Salzgitter Group

		Result 2022	Forecast March 2023	Forecast May 2023	Forecast September 2023	Forecast November 2023	Result 2023
Sales	€ billion	12.6	Around 13	11.5 - 12	11.5 - 12	Around 11	**10.8**
EBITDA	€ m	1,618.2	750 - 850	750 - 850	650 - 700	650 - 700	**677.0**
EBT	€ m	1,245.4	300 - 400	300 - 400	200 - 250	200 - 250	**238.4**
ROCE	%	20.1	Tangibly lower y/y	Tangibly lower y/y	Tangibly lower y/y	Tangibly lower y/y	**5.6**

PROFITABILITY, FINANCIAL POSITION AND NET ASSETS

PROFITABILITY OF THE GROUP

Compared with the previous year's record level, the Group's **external sales** declined to € 10,790 million due to lower selling prices for steel products (2022: € 12,553 million). Exchange-rate effects resulted in a negative effect of € 51 million; deconsolidations in the financial year contributed € –84 million to the lower sales.

The table below shows a breakdown by business unit:

Consolidated sales by business unit

	2023		2022		Change	
	In € million	In %	In € million	In %	In € million	In %
Steel Production	3,528	33	4,263	34	–735	–17
Steel Processing	2,127	20	2,106	17	21	1
Trading	3,313	31	4,581	36	–1,268	–28
Technology	1,647	15	1,430	11	217	15
Industrial Participations / Consolidation	176	2	174	1	2	1
Group	10,790	100	12,553	100	–1,763	–14

The regional distribution of sales revenues remained virtually unchanged: As before, the business activities of the Salzgitter Group are therefore focused on the EU (€ 7,955 million; 74 % share of sales). Germany remained by far the largest single market with sales of € 4,925 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

	2023		2022		Change	
	In € million	In %	In € million	In %	In € million	In %
Germany	4,925	46	5,764	46	–839	–15
Other EU countries	3,030	28	3,636	29	–606	–17
Rest of Europe	509	5	613	5	–103	–17
America	1,059	10	1,238	10	–180	–15
Asia	793	7	819	7	–26	–3
Other regions	474	4	483	4	–9	–2
Group	10,790	100	12,553	100	–1,763	–14

In the financial year 2023, the Salzgitter Group achieved **earnings before taxes** of € 238.4 million (2022: € 1,245.4 million). While the Steel Production and Trading business units, along with Industrial Participations / Consolidation, did not match the year-earlier results, the Steel Processing Business Unit whose result is burdened by impairment (IFRS 5) in an amount of € 20.0 million and the Technology Business Unit both lifted their results year on year. The result includes a contribution of € 40.0 million from the participating investment in Aurubis AG accounted for using the (IFRS) equity method (2022: € 156.3 million).

Results of the business units and consolidated result

In € million	2023	2022
Steel Production	295.5	946.3
Steel Processing	227.4	173.1
Trading	20.5	268.0
Technology	114.9	76.8
Industrial Participations / Consolidation	18.8	154.1
EBITDA Group	677.0	1,618.2
Steel Production	75.8	790.9
Steel Processing	144.7	86.2
Trading	-13.6	243.1
Technology	81.1	48.0
Industrial Participations / Consolidation	-49.7	77.1
EBT Group	238.4	1,245.4
Taxes	34.3	160.0
Consolidated result[1]	204.1	1,085.4

[1] Including minority interest

Special items

	EBT		Restructuring[1]		Impairment / reversal of impairment[2]		Other		EBT without special items	
In € million	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Steel Production	75.8	790.9	6.7	0.0	–	–	–	–	69.1	790.9
Steel Processing	144.7	86.2	0.8	-0.1	-20.0	0.1	–	–	164.0	86.3
Trading	-13.6	243.1	-0.1	-0.6	–	–	–	–	-13.5	243.7
Technology	81.1	48.0	0.4	0.0	–	–	–	–	80.7	48.1
Industrial Participations / Consolidation	-49.7	77.1	-1.0	-1.1	–	–	–	–	-48.7	78.2
Group	238.4	1,245.4	6.8	-1.8	-20.0	0.1	–	–	251.5	1,247.1

[1] This disclosure takes account of expenses for a restructuring measure and gains from the release of a restructuring provision. In the case of the Steel Processing business unit this disclosure includes income only, for all other business units it is expenses and income. In the previous year, this disclosure included expenses and income for all business units.
[2] 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. Our continuous PIP combines the financially assessable programs of measures from the individual Group companies. Our "Performance 2026" program of measures initiated in 2022 constitutes an important pillar as part of the activities launched under our "Salzgitter AG 2030" corporate strategy.

PERFORMANCE 2026

Untapped potential from the "FitStructure 2.0" and "Salzgitter AG 2021" programs that were brought to a conclusion in the previous year has been transferred to the new PIP wherever expedient. In harmony with the corporate strategy, "Performance 2026" is geared to the three strategic thrusts of "Profitability", "Growth" and "Circularity". In terms of content, the effects are driven in particular by improving in-house efficiencies in production, logistics and administration, flanked by stepping up market development activities to generate higher shipment volumes and margins. The Steel Production and Steel Processing business units are the main contributors to the effects, with the Trading and Technology business units also making notable contributions. The focus is placed on short-term improvement potential that is to unfold its effect in the years through to 2026. Measured against the previous year, effects worth € 56 million were already achieved in 2023. Some measures were already having an impact in 2022, thereby generating an effect of around € 69 million since then. Having already reached our original target of leveraging additional improvement potential of more than € 150 million envisaged as from 2026, we have now redefined our ambitions to between € 200 million and € 250 million. The basis for achieving this additional potential is well advanced.

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 negative effect of € 0.2 billion from changes in goods and work in process along with other own work capitalized (2022: € 0.3 billion), total output declined by 17.1 % to € 10.6 billion in the financial year 2023 (2022: € 12.8 billion).

The cost of materials dropped to a level similar to that of total output (16.1 %), which was mainly caused by the lower prices of input materials.

Personnel expenses stood at € 1,887.7 million as of the reporting date on December 31, 2023 (2022: € 1,883.4 million). Despite a slight increase in the Salzgitter Group's core workforce, personnel expenses therefore remained at the year-earlier level, accompanied by a significant downtrend in performance-based remuneration.

Other operating income came in at € 671.8 million in 2023 (2022: € 984.8 million). The year-on-year decrease resulted mainly from lower exchange rates changes amounting to € 159.3 million (2022: € 352.4 million) and from the valuation of financial derivatives and positions held in a foreign currency worth € 179.7 million (2022: € 431.9 million). These developments were offset by the higher level of provisions released compared with the year before (€ 105.8 million; 2022: € 54.8 million) as well as higher operating income from sideline operations (€ 58.7 million; 2022: € 19.4 million) which is largely of a one-time nature.

As a countertrend, other operating expenses amounted to € 1,584.4 million in the reporting year (2022: € 1,821.5 million). This item essentially includes expenses of € 391.1 million (2022: € 378.8 million) for services sourced externally and for shipments (€ 344.9 million; 2022: € 331.9 million), expenses for the measurement of financial derivatives and foreign currency positions of € 213.1 million (2022: € 374.2 million), as well as losses from exchange rate changes of € 163.2 million (2022: € 338.8 million). Furthermore, expenses of € 20 million from impairment pertaining to assets held for sale are included in this item.

The result of the companies included at equity dropped to € 92.5 million (2022: € 184.6 million). While the contribution to the result by the participating investment in Aurubis AG was lower than in the previous year (€ 40.0 million; 2022: € 156.3 million), the EUROPIPE Group greatly improved its contribution (€ 53.6 million; 2022: € 14.6 million).

Consequently, EBIT before depreciation and amortization (EBITDA) declined to € 677.0 million (2022: € 1,618.2 million).

Depreciation and amortization rose to € 321.5 million in the financial year 2023 (2022: € 306.6 million). The accrual results from higher scheduled depreciation and amortization and lower impairment (€ 3.5 million; 2022: € 19.9 million).

EBIT came in at € 355.1 million (2022: € 1,311.6 million).

Both the finance income (€ 44.9 million; 2022: € 12.7 million) and finance expenses (€ 161.6 million; 2022: € 78.7 million) exceeded the previous year's figures.

Accordingly, earnings before taxes amounted to € 238.4 million in the reporting year (2022: € 1,245.4 million).

Taking account of € 34.3 million in tax expenses (2022: € 160.0 million), consolidated net income posted € 204.1 million (2022: € 1,085.4 million). The tax rate stood at 14.4 % in the financial year 2023 (2022: 12.8 %). Thanks to the utilization of tax loss carryforwards that had previously not been taken into consideration, actual tax expenses were reduced by € 2.1 million (2022: € 38.6 million). The tax expenses in the reporting year included out-of-period income of € 21.5 million compared with out-of-period expenses of € 10.3 million in 2022.

Basic earnings per share were calculated accordingly at € 3.70 (2022: € 20.00).

Multi-year overview of earnings

In € million	2023	2022	2021	2020	2019	2018	2017	2016	2015[1]	2014
EBT	238.4	1,245.4	705.7	–196.4	–253.3	347.3	238.0	53.2	4.1	–15.2
EBIT I[2]	335.7	1,296.2	743.4	–138.1	–212.0	390.8	295.7	96.6	69.5	63.9
EBIT[3]	355.1	1,311.6	753.2	–119.2	–187.5	412.6	316.8	119.2	81.9	97.9
EBITDA[4]	677.0	1,618.2	1,261.6	176.1	354.2	797.2	707.2	476.4	422.6	483.6
EBT margin	2.2	9.9	7.2	–2.8	–3.0	3.7	2.7	0.7	0.1	–0.2
EBIT margin[3]	3.3	10.5	7.7	–1.7	–2.2	4.5	3.5	1.5	1.0	1.1
EBITDA margin[4]	6.3	12.9	12.9	2.5	4.1	8.6	7.9	6.0	4.9	5.4
ROCE %	5.6	20.1	16.2	–3.9	–5.8	10.3	8.6	2.7	1.9	1.8

[1] Restatement due to stock value correction
[2] Excluding elimination of interest expenses for provisions
[3] EBT + interest expenses / – interest income
[4] 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	2023	2022
EBT	238.4	1,245.4
+ Interest expenses	161.6	78.7
– Interest income	–44.8	–12.4
= EBIT	355.1	1,311.6
+ Depreciation / amortization[1]	321.9	306.6
= EBITDA	677.0	1,618.2

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

With significantly lower earnings before taxes and marginally higher net income compared with the previous year, EBIT also declined substantially. Similarly, EBITDA also contracted compared with 2022 as depreciation and amortization that are eliminated in this metric remained at the year-earlier level.

Return on capital employed (ROCE)

In € million	2023	2022
EBT	238	1,245
+ Interest expenses	162	79
– Interest expenses for pension provisions	–64	–28
= EBIT I	336	1,296
Total assets	10,502	11,103
– Pension provisions	–1,668	–1,619
– Other provisions excluding provision for income taxes	–443	–518
– Trade payables, contract liabilities, other liabilities excluding notes payable, liabilities in connection with assets held for sale[1]	–2,111	–2,141
– Deferred tax assets	–325	–393
= Capital employed	5,955	6,433
In %		
ROCE	5.6	20.1

[1] Notes payable amounting to € 1.5 million (2022: € 2.2 million).

ROCE shows the relationship of EBIT I (earnings before interest and taxes) to capital employed and measures the return on capital employed: The figures 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. ROCE came in at 5.6 % in the financial year 2023 (2022: 20.1 %), which was due to the disproportionate decline in EBIT, while interest-bearing equity and debt dropped to a lesser extent compared with 2022.

VALUE ADDED IN THE SALZGITTER GROUP

The operational value added of the Group amounted to € 2,278 million in 2023 (2022: € 3,206 million). Personnel expenses (€ 1,952 million; 2022: € 1,911 million) were therefore fully covered. In terms of the public sector, the proportion in the form of taxes and levies stood at 1.5 % (2022: 5.0 %). At 3.8 %, the proportion of lenders exceeded the year earlier figure (2022: 1.5 %). Shareholders (including treasury shares) are to receive 1.2 % of value added for the financial year ended (2022: 1.9 %). In the period from 2009 through 2023, an amount of € 0.8 billion from the value added has remained within the Group, with funds of € 177 million contributed to the Group in 2023.

Value added

	2023/12/31		2022/12/31	
	In € million	In %	In € million	In %
Sources				
Group outputs	11,458	100.0	14,006	100.0
Inputs	9,180	80.1	10,800	77.1
Value added	2,278	19.9	3,206	22.9
Appropriation				
Employees	1,952	85.7	1,911	59.6
Public sector	34	1.5	160	5.0
Shareholders	27	1.2	60	1.9
Lenders[1]	88	3.8	49	1.5
Remaining within the Group	177	7.8	1025	32.0
Value added	2,278	100.0	3,206	100.0

[1] Component of the finance expenses item

Reconciliation value added

In € million	2023	2022
Sales	10,790.5	12,553.3
Changes in inventories / other own work capitalized	–171.3	249.9
Other operating income	671.8	984.8
Income from shareholdings	1.0	2.6
Result from investments accounted for using the equity method	92.5	184.6
Income from reversal of impairment losses of financial assets	38.8	20.2
Financial result[1]	35.0	11.0
Group outputs	11,458.3	14,006.3
Cost of materials	7,246.0	8,639.4
Depreciation / amortization	321.5	306.4
Other operating expenses	1,584.4	1,821.5
Expenses from reversal of impairment of financial assets	28.5	33.1
Input	9,180.4	10,800.5

[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

STEEL PRODUCTION BUSINESS UNIT

Key data		2023	2022
Order intake	kt	4,892	4,762
Order backlog as of 12/31	kt	1,162	1,091
Crude steel production	kt	4,540	4,933
Salzgitter Flachstahl	kt	3,699	4,154
Peiner Träger	kt	841	779
Rolled steel production	kt	4,165	4,084
Salzgitter Flachstahl	kt	3,381	3,332
Peiner Träger	kt	784	751
Shipments	kt	5,103	5,207
Segment sales[1]	€ m	4,823.2	5,810.7
Sales to other segments / Group companies	€ m	-1,295.2	-1,548.0
External sales[2]	€ m	3,528.0	4,262.7
EBIT before depreciation and amortization (EBITDA)	€ m	295.5	946.3
Earnings before interest and taxes (EBIT)	€ m	126.2	797.3
Earnings before taxes (EBT)	€ m	75.8	790.9

[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® decarbonization program. Furthermore, the business unit includes the companies of Salzgitter Mannesmann Stahlservice GmbH (SMS) and Salzgitter Europlatinen GmbH (SZEP). 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.

STEEL MARKET DEVELOPMENT

The beginning of 2023 saw a recovery in the steel market in the form of positive demand stimulus that was reflected throughout the entire first quarter in spot prices trending up, with prices peaking for the year the start of the second quarter. The trend reversal that subsequently set in persisted through to the autumn until the market resumed its slight uptrend at the end of the year. These developments were attributable, on the one hand, to the meanwhile great discrepancy between European and Asian price levels, which made imports more attractive for customers. On the other, overall economic weakness in the steel processing industries filtered through to demand, albeit to varying degrees. As a result, the construction and household appliance industry entered into crisis mode in response to the weak demand situation. The stockholding steel trade kept inventories at the lowest possible level due to the increase in financing costs. By contrast, a stabilizing effect emanated from the automotive business. With supply chain problems easing, accompanied by high order levels, the OEMs were able to reduce their production backlog, which manifested in sound call-off behavior.

PROCUREMENT

IRON ORE

In the first quarter of 2023, the price of iron ore initially continued its uptrend from the previous year, before slumping at the start of the second quarter and reaching its lowest point for the year at 97.35 USD/ dmt in the month thereafter. Hopes that the Chinese government might bolster the building industry more firmly in the future then sent the price up again, with the result that the end of the second quarter saw it fluctuating within a range of 110–115 USD/ dmt. At the start of the third quarter, poor economic and export data from China put prices under pressure again. However, as from August, ore prices entered a significant uptrend on the back of measures taken by the Chinese government to reinvigorate the country's economy, breaking through the 120 USD/ dmt mark in mid-September. In anticipation of further support measures by the Chinese government for the domestic economy, prices rose steadily over the course of the fourth quarter to reach their peak at the end of December, at 141.45 USD/ dmt. In terms of the year as a whole, the price averaged 119.75 USD/ dmt, thereby remaining at the year-earlier level.

COKING COAL

Following an increase in the coking coal price to 390 USD/ t – already marking the highest level for the year at the start of 2023 – prices trended significantly down over the remainder of the quarter. At the start of the second quarter, the benchmark price declined to 230 USD/ t and then stabilized at this level. A steady uptrend resumed at the end of July as Indian and Chinese consumers in particular stocked up on the spot market. Moreover, reports of low Australian export figures and restrictions in Canadian and Australian mines stoked fears among consumers who accepted higher prices again under these circumstances. Prices rose sporadically to just under 370 USD/ t in the fourth quarter. Partly conflicting reports about the supply situation in Australia caused the benchmark price to settle within a range of 310 USD/ t and 335 USD/ t at year end. The average price of coking coal settled at 296.27 USD/ t in 2023, up 18.5 % compared with the year-earlier price.

Depending on the situation in the market, the Salzgitter Group hedges limited volumes of iron ore and coking coal in order to mitigate the procurement risks.

STEEL SCRAP

At the beginning of 2023, scrap prices rose sharply to reach their highest level for the year in April, before Turkish steel producers withdrew from the scrap procurement market in the second quarter due to the lack of sales opportunities. Their withdrawal triggered volatility and sent prices down sharply. September brought a trend reversal, with prices rising again on the back of stronger demand from Asia. The fourth quarter saw scrap prices develop unevenly: Following a decline in October, prices increased again in the wake of higher exports in November and December, with the result that the price level seen at the start of the year was almost reattained.

BUSINESS DEVELOPMENT

The **order intake** and the **orders on hand** of the Steel Production Business Unit exceeded year-earlier levels. In this context, significantly higher order intake and orders on hand were recorded for sections compared with the previous year, while the volumes remained virtually stable in the strip steel segment. The business unit's **crude steel production** fell short of the previous year, despite higher output at PTG. Blast Furnace C, taken into operation again to secure the supply of pig iron, was unable to fully compensate for production losses caused by relining Blast Furnace A from August onward. However, together with slab stockpiling in the run-up to the measures and slab deliveries from companies within the Group that covered part of feedstock material requirements, **rolled steel production** matched the year-earlier figure. **Shipments** almost achieved the previous year's tonnage. **Segment** and **external sales** nevertheless declined tangibly, due above all to lower prices. Significant selling price reductions were recorded in the strip steel segment and also in the sections business in the second half of the year. The Steel Production Business Unit generated **EBITDA** of € 295.5 million (2022: € 946.3 million) and € 75.8 million in **earnings before taxes** (2022: 790.9 € million). SZFG was unable to repeat the previous year's record result essentially due to selling prices and because of general cost increases. Moreover, relining the blast furnace burdened the result, partly as a consequence of procuring higher slab volumes. Despite the decline in scrap prices and lower energy costs, PTG's result also fell significantly short of the previous year. The DMU Group and the other companies of the business unit were also unable to repeat the year-earlier results.

INVESTMENTS

The relining of Blast Furnace A had already been approved by the Supervisory Board in 2022 and the main contract under the investment project awarded. After complete upgrading lasting slightly more than 100 days, the blast furnace was fired back up again in December 2023 and recommissioned. In relining the blast furnace, the Salzgitter Group completed an important operational step in securing the pig iron basis for the incremental transformation phase toward low carbon steel production over the period up until 2033.

The construction of the new Hot Dip Galvanizing Line 3 in Salzgitter in response to greater customer requirements for hot dip galvanized high-strength and ultra-high-strength steel grades was completed in 2023. The final production-related performance tests are currently under way.

Other investments undertaken in the financial year 2023 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 fully converting the integrated steelworks into low carbon crude steel production over the period up until 2033. As part of the first stage of development, an electrolyzer, a direct reduced iron (DRI) plant and an electric arc furnace are to be built. All key facility components have been awarded to plant engineering companies and are in the manufacturing and construction phase. Ultimately, in 2026, SZFG should be operating on the market with products produced via the SALCOS® route. The facilities are capable of producing around two million tons of low carbon crude steel a year, thereby replacing a blast furnace and a converter.

Through to the end of 2026, we plan to invest approximately € 2.3 billion in the transformation of primary steel production. Following the signing of an administrative agreement on September 15, 2023, through which the Federal Republic of Germany and the Federal State of Lower Saxony demonstrated their commitment to the Community support of SALCOS®, and the subsequent necessary approval of state aid by the EU Commission, funding approval was awarded on April 18, 2023. In its first stage, SALCOS® will be supported by funds of around € 700 million from the German government and € 300 million from the federal state. Together with the funds approved totaling around € 1.3 billion from Salzgitter AG itself, financing the first development stage of SALCOS® has been secured.

As a pilot facility for SALCOS®, we have already built a hydrogen-fueled DRI plant on the Salzgitter site in a significantly reduced scale, designed for flexible use with natural gas/hydrogen. Construction work on the facilities was completed in the first quarter of 2023. The plant is currently in the process of warm commissioning.

The contract to build a DRI plant in industrial scale on the premises of SZFG was awarded to a consortium consisting of Tenova, Danieli and the DSD Steel Group. The contract covers the engineering, delivery, assembly and the final commissioning of the plant. The new facilities constitute the largest plant unit as part of the first stage. The plant has an annual production capacity of a good two million tons of direct reduced iron.

At the end of the third quarter, the Salzgitter Group placed an order with technology group ANDRITZ for one of Europe's largest production facilities for green hydrogen. ANDRITZ sources technology for high-pressure alkaline electrolysis from the Norwegian company HydrogenPro. The 100 MW electrolysis plant will be built on the premises of SZFG. As from 2026, the plant should be generating around 9,000 tons of green hydrogen a year for use in green steel production. This would mark the beginning of the industrial utilization of hydrogen within the context of SALCOS®.

The ramping up of scrap recycling activities envisaged under SALCOS® was expedited in the period under review through DMU's takeover of Must-Metalle-Container-Recycling GmbH. The recycling company based in Goslar in Germany's Harz region is specialized in scrap and metals trading. As part of the Salzgitter Group, the company will continue to operate independently under the new name of Harzer Schrott und Recycling GmbH.

STEEL PROCESSING BUSINESS UNIT

Key data		2023	2022
Order intake	€ m	2,220	2,751
Order backlog as of 12/31	€ m	872	1,023
Crude steel production	kt	1,170	1,176
Rolled steel production	kt	984	1,064
Shipments	kt	1,461	1,556
Segment sales[1]	€ m	3,028.8	3,275.5
Sales to other segments / Group companies	€ m	-902.3	-1,169.6
External sales[2]	€ m	2,126.5	2,105.9
EBIT before depreciation and amortization (EBITDA)	€ m	227.4	173.1
Earnings before interest and taxes (EBIT)	€ m	161.6	97.9
Earnings before taxes (EBT)	€ m	144.7	86.2

[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. The competence of the mill operating out of Mülheim an der Ruhr resides 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 included at 30 % on a proportionate basis in the consolidated financial statements. The 50 % stake held in the EUROPIPE Group is accounted for using the equity method.

As part of our active portfolio management, the US-based Berg Pipe Group was sold to Borusan Mannesmann Pipe U.S. on April 13, 2023. In line with the best-owner principle, this measure opens up the prospect of optimized strategic development opportunities for Berg Pipe and its employees under Borusan Mannesmann's leadership and management. In addition, the 23 % stake held in Borusan Mannesmann Boru Yatirim Holding A.S., Turkey, was transferred to co-owner Borusan on November 29, 2023. The results from the deconsolidations were accounted for using the equity method. The effect of the disposals on the 2023 pre-tax result is immaterial.

MARKET DEVELOPMENT

QUARTO PLATE

Following the start to the year that was determined by a good order cushion for the western European plants and demand rising across virtually all customer sectors, the quarto plate market increasingly returned to calmer waters as from the second quarter of 2023. Demand continued to slow in the second half of the year, pressured by the economy. High inventory levels in the trade and advantageous conditions for slabs and plate imports into the EU served to exacerbate the situation. At year-end 2023, the situation on the quarto plate market remained tight, but was nevertheless somewhat more upbeat, with a slight uptrend in the demand from trade and from infrastructure projects. The market prices for heavy plate mirrored these developments and, following a sharp increase at the beginning of the year, entered a downtrend through to the end of the third quarter. Following this consolidation phase, prices settled at a stable level up until the end of the year. In a year-on-year comparison, the quarto plate price dropped by around 10 % depending on the grade. Generally speaking, changed order patterns are in evidence: orders incoming at short notice, with a greater degree of flexibility and shorter delivery times, predominate. At the outset of the second quarter of 2023, proceeding on a proposal put forward by the EU Commission, the EU member states resolved to extend the anti-dumping measures against Chinese imports of heavy plate by another five years. The shortfall in plate imports in the previous year caused by the absence of Russian and Ukrainian deliveries was made up by East Asian competitors in the financial year 2023.

STEEL TUBES AND PIPES

The realignment of the European energy market has triggered numerous projects, currently at the planning stage, aimed at securing the supply of natural gas and hydrogen and carbon disposal. Along with the targeted diversification of the gas supply from Russia and the associated conversion of the gas grid from the existing east-west to north-south direction, as well as ramping up new import capacities that can also be harnessed for hydrogen, this affects the European hydrogen core network. This constellation gives rise to huge market requirements for the EUROPIPE Group's large-diameter pipes in the medium long term. The final investment decisions have, however, been delayed. Consequently, there are hardly any projects in Europe at present for satisfying these requirements in the short term. The demand for Mannesmann Grossrohr GmbH's (MGR) pipes has also been impacted. The future course of German grid operators is geared toward the construction of new hydrogen-dedicated pipelines and the repurposing of the existing natural gas pipelines for hydrogen transportation. Inquiry activity for medium-diameter line pipes proved initially stable at the beginning of the year before subsequently tailing off over the course of the year. The trading business in particular continued to be challenging. The precision tubes market was also characterized by weak economic momentum. Although, against the backdrop of the significant easing of supply chains in the automotive industry, notably more vehicles were produced in Europe compared with the previous year, output nevertheless remained substantially below pre-crisis levels. The demand for pipes destined for plant and machinery engineering and for exploration dropped off considerably compared with the year-earlier period, especially in the second half of the year. Following a tangible slowdown for seamless stainless tubes in the second quarter, market momentum remained ambivalent in the second half of the year as well.

BUSINESS DEVELOPMENT

The **order intake** and **orders on hand** of the Steel Processing Business Unit in 2023 fell substantially short of the year-earlier figure. Only the stainless tubes group matched the previous year's figures. The business unit's **shipments** were also lower compared with the prior year period. In this context, the increase in the medium-diameter line pipe segment was unable to compensate for the downtrend sustained by the heavy plate companies and other pipe companies. Due in particular to the decline in the heavy plate business as well as in precision and stainless tubes, **segment sales** were lower than in the previous year, as opposed to **external sales** that settled at the year-earlier level. The business unit generated **EBITDA** of € 227.4 million (2022: € 173.1 million) and **a pre-tax profit of** € 144.7 million (2022: 86.2 € million), thereby substantially outperforming the previous year's figures. The result includes impairment of € 20.0 million (2022: € 19.9 million) in the stainless tubes segment. An impairment test was carried out against the backdrop of discussions about the intended sale of the Salzgitter Mannesmann Stainless Tubes Group. The result of Ilsenburger Grobblech GmbH (ILG) declined in a year-on-year comparison owing to the lower level of shipments, in conjunction with the downturn in prices. The precision tubes group's result also fell notably short of the previous year. The medium-diameter line pipes segment, along with the EUROPIPE Group (2022: write-ups of € 20.0 million), a company accounted for using the equity method, contributed improved results.

INVESTMENTS

In the year 2023, the Steel Processing Business Unit concentrated first and foremost on replacement and supplementary investments. The focus at ILG was placed on a higher volume of investment in the context of the RISE service excellence initiative and the building of a new training and communication center.

TRADING BUSINESS UNIT

Key data		2023	2022
Shipments	kt	3,167	3,606
Segment sales[1]	€ m	3,356.7	4,651.3
Sales to other segments / Group companies	€ m	–43.8	–70.5
External sales[2]	€ m	3,313.0	4,580.9
EBIT before depreciation and amortization (EBITDA)	€ m	20.5	268.0
Earnings before interest and taxes (EBIT)	€ m	2.9	251.4
Earnings before taxes (EBT)	€ m	–13.6	243.1

[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

Key rate hikes by many central banks caused the economy to deteriorate as from the second quarter of 2023 and resulted in customers adopting a reticent stance in investment-intensive sectors such as construction. Consequently, demand in the Trading Business Unit's key markets declined notably in the year under review. Pressured by weak demand, the price level for steel-based goods also plunged as the year progressed following a brief recovery phase in the first quarter of 2023. Selling prices then stabilized at a lower level in the fourth quarter.

BUSINESS DEVELOPMENT

Compared with the year-earlier period, the Trading Business Unit's **shipments** dropped significantly on the back of a lackluster demand trend in the stockholding steel trade and in international trading as well as at the UES Group. Combined with the lower price level, notably lower **segment** and **external sales** were reported. In conjunction with average inventory prices in the stockholding steel trade that fell with a time lag, this resulted in substantial losses that were not fully offset by margins in international trading that proved to be more stable. In contrast to the previous year that was determined by short-lived price uptrends, the Trading Business Unit therefore had to contend with effects that notably burdened the result in the reporting year. Consequently, both **EBITDA** (€ 20.5 million; 2022: € 268.0 million) and **earnings before taxes** (€ –13.6 million; 2022: € 243,million) dropped notably below the very high year-earlier figures.

INVESTMENTS

With the aim of achieving future growth, the Trading Business Unit continued to concentrate its investments on expanding existing locations and finishing capacities in 2023.

TECHNOLOGY BUSINESS UNIT

Key data		2023	2022
Order intake	€ m	1,952	1,738
Order backlog as of 12/31	€ m	1,443	1,207
Segment sales[1]	€ m	1,648.0	1,430.9
Sales to other segments / Group companies	€ m	–0.7	–1.0
External sales[2]	€ m	1,647.4	1,429.9
EBIT before depreciation and amortization (EBITDA)	€ m	114.9	76.8
Earnings before interest and taxes (EBIT)	€ m	81.9	47.0
Earnings before taxes (EBT)	€ m	81.1	48.0

[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. The 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.

MARKET DEVELOPMENT

According to the German Engineering Federation (VDMA), order intake by German mechanical engineering in 2023 fell significantly short of the previous year's figures. The packaging machinery business was also unable to decouple from this trend and reported a moderate decline. This development was principally due to market participants' great consternation, also caused by the restrictive monetary policy and the war in Ukraine. Moreover, the ongoing geopolitical tensions between the US and China fueled uncertainty in the market.

BUSINESS DEVELOPMENT

Running counter to the negative development in the sector, the **order intake** of the Technology Business Unit recorded considerable growth in the financial year 2023. In the reporting period, order intake increased gratifyingly, first and foremost on the back of strong demand for the products and services provided by the KHS Group. The KDE Group also contributed to the positive order intake trend. The business unit's **orders on hand** mirrored the development of order intake, considerably outperforming the year-earlier period, similarly driven above all by the KHS Group. **Segment** and **external sales** continued their growth trajectory and considerably exceeded the good figures achieved in 2022. All in all, the Technology Business Unit generated **EBITDA** of € 114.9 million (2022: € 76.8 million) and a **pre-tax profit €** of € 81.1 million (2022: € 48.0 million), thereby significantly outperforming the year-earlier period.

The Technology Business Unit's efficiency and growth program consistently meshes with the Salzgitter Group's strategy. Extensive measures have contributed to the increase in revenue and profits achieved so far despite the fiercely competitive market environment, hallmarked by uncertainty. Along with continuously developing its production locations in Germany, the KHS Group's strategic focus is especially placed on expanding its international presence.

INVESTMENTS

In the reporting period, the Technology Business Unit continued to concentrate on replacement and streamlining measures, with special emphasis placed on the KHS production site in Dortmund. 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.

With a view to strengthening customer relationships, further capital expenditure by the KHS Group is aimed at expanding global production capacities for processing customer orders and at securing after sales business, for instance by ramping up training centers worldwide. In addition, an investment program designed to strategically strengthen the region of East Africa was successfully implemented. Expanding the production capacities in the North American market was also brought to completion. Activities commenced on the planned extension of the plant at the production site in India.

INDUSTRIAL PARTICIPATIONS / CONSOLIDATION

Key data		2023	2022
Sales	€ m	1,205.1	1,227.8
Sales to other segments / Group companies	€ m	–1,029.5	–1,053.9
External sales[1]	€ m	175.6	173.9
EBIT before depreciation and amortization (EBITDA)	€ m	18.8	154.1
Earnings before interest and taxes (EBIT)	€ m	–17.5	118.0
Earnings before taxes (EBT)	€ m	–49.7	77.1

[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.

In the financial year 2023, **sales** in the Industrial Participations / Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, came in around the level of the previous year, as did **external sales**. At € 18.8 million, **EBITDA** (2022: € 154.1 million) fell notably 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 € 40.0 million (2022: € 156.3 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 also declined to € –49.7 million (2022: 77.1 € 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 (€ –29.1 million; 2022: € –14.3 million). The previous year's profit contribution – determined by the sale of land and included in the pre-tax result – from Group companies not directly allocated to a business unit was nevertheless exceeded in the financial year 2023.

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 here.

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 our financing costs. 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 facility of € 1,030 million renewed in 2023 with ten banks and a term through to August 2028 as a back-up line not used, and the tapping of the bond markets guarantee that our liquidity requirements are covered. In 2023, the volume of Salzgitter Flachstahl's short-term genuine EUA repo agreements amounting to € 794 million (as of December 31, 2023) was reduced to € 500 million for repurchase in December 2024. The syndicated credit facility does not include any financial covenants. The portfolio of committed, but not yet utilized credit lines, stood at € 1,030 million as of December 31, 2023 (2022: € 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. Based on a lower actuarial interest rate (3.5 %) derived from the current level of the long-term capital market rates, pension provisions amounted to € 1,668 million as of December 31, 2023 (2022: € 1,619 million at 4.1 %). 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	2023	2022
Cash inflow from operating activities	892.0	596.5
Cash outflow from investment activities	–430.5	-367.7
Cash outflow / inflow from financing activities	–498.3	11.3
Change in cash and cash equivalents	**–36.9**	**240.1**
Changes in the Group of consolidated companies / changes in exchange rates	–11.8	6.4
Cash and cash equivalents on the reporting date	**939.7**	**988.4**

In the financial year 2023, the Group generated **cash flow from operating activities** of € 892 million (2022: € 597 million). Despite the lower level of earnings before taxes compared with the previous year, the reduction in working capital resulted in a higher operating cash flow. The **cash outflow from investment activities** (€ 431 million) exceeded the previous year's level (€ 368 million). Disbursements for investments in property, plant and equipment and intangible assets are higher compared with the previous year's period and also include payments for strategic projects. Disbursements in the financial year were offset in particular by proceeds from the disposal of property, plant and equipment and intangible assets, as well as from long-term assets. The main investments in the reporting year were accounted for by the first stage of the SALCOS®

transformation program for which € 105 million was disbursed on balance (€ 305 million in payments and € 200 million in incoming state funding) as well as € 94 million for the relining of Blast Furnace A and € 15 million for expanding the galvanizing capacities in the Steel Production Business Unit.

The cash outflow from financing activities is determined by the redemption of loans granted (€ 879 million; 2022: € 993 million), interest payments (€ 94 million; 2022: € 92 million) and dividend payouts (€ 54 million; 2022: € 41 million). This cash outflow was offset by lower cash inflow from borrowing, resulting in an overall **cash outflow from financing activities** of € 498 million (2022: cash inflow of € 11 million).

Net financial position

In € million	2023/12/31	2022/12/31
Cash and cash equivalents acc. to balance sheet	939.7	988.4
+ Other investments of funds[1]	5.8	13.4
= Investments of funds	945.5	1,001.8
Financial liabilities acc. to balance sheet	1,300.8	1,698.3
– Liabilities from leasing agreements and liabilities from financing	141.0	143.9
= Financial liabilities of net financial position	1,159.8	1,554.4
Net financial position	**–214.3**	**–552.6**

[1] Loans excl. valuation allowances (€ 2.2 million; 2022: € 10.4 million), other cash investments reported under other receivables and other assets (€ 3.6 million; 2022: € 3.0 million).

The **net financial position** of € –214 million (2022: € –553 million) improved in particular due to the significant reduction in working capital.

Marginally lower cash investments, including securities (€ 946 million; 2020: € 1,002 million), were offset by the tangible reduction of € 1,160 million in liabilities at the end of the year (2022: € 1,554 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 € 583 million in the financial year 2023 (2022: € 475 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 (€ 318 million). Along with the Steel Production Business Unit (€ 404 million), a major part of the investments in property, plant and equipment and intangible assets were made in the Steel Processing Business Unit (€ 80 million) in 2023. 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 € 1,435.5 million (2022: € 656.8 million). More explanations on the development of the purchase commitments can be found under Note (33) "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 (32) "Contingencies" in the → **Notes to the Consolidated Financial Statements**.

Along with scheduled depreciation and amortization, impairment of € 3.5 million (2022: € 19.9 million) was reported through profit and loss.

	Investments		Depreciation / amortization[1]	
In € million	2023	2022	2023	2022
Steel Production	404	293	169	149
Steel Processing	80	84	66	75
Trading	32	31	18	17
Technology	41	29	32	30
Industrial Participations / Consolidation	27	38	36	36
Group	**583**	**475**	**321**	**306**

[1] Scheduled and unscheduled write-downs

ASSET POSITION

At € 10,502 million, the Group's total assets fell somewhat short of the year-earlier level as of December 31, 2023 (2022: € 11,103 million). Non-current assets increased slightly compared with the last reporting date (€ +60 million). Property, plant and equipment and intangible assets rose as the investments (€ 583 million) exceeded depreciation and amortization (€ 321 million). In this context, the shares in the companies accounted for using the equity method declined (€ –60 million). Current assets decreased tangibly compared with the previous year (€ –662 million). This is due in particular to the lower level of inventories (€ –607 million) and trade receivables, including contract assets (€ –269 million). Cash and cash equivalents dropped by € 49 million compared with the previous year's reporting date. By contrast, assets held for sale are higher than in the previous year (€ +238 million) due in particular to the planned disposal of companies in the stainless steel tubes segment.

Asset and capital structure

	2023/12/31		2022/12/31	
	In € million	In %	In € million	In %
Non-current assets	4,570	43.5	4,510	40.6
Current assets	5,932	56.5	6,593	59.4
Assets	**10,502**	**100.0**	**11,103**	**100.0**
Equity	4,834	46.0	4,850	43.7
Non-current liabilities	2,353	22.4	2,704	24.4
Current liabilities	3,314	31.6	3,549	32.0
Equity and liabilities	**10,502**	**100.0**	**11,103**	**100.0**

Working capital stood at € 2,769 million, which is notably lower than the year-earlier figure (2022: € 3,596 million).

The equity ratio climbed to 46.0 % in 2023 (2022: 43.7 %). Non-current liabilities declined by € –351 million, which was mainly attributable to the decrease in non-current financial liabilities (€ –219 million). While other provisions were also in decline (€ –69 million), pension provisions increased (€ +49 million). Current liabilities dropped below the previous year's level (€ –234 million). Lower current financial liabilities (€ –178 million), the decline in trade payables, including contract liabilities (€ –49 million) and the lower level of other liabilities (€ –91 million) were offset by higher liabilities from the disposal of assets held for sale (€ +116 million).

THE ANNUAL FINANCIAL STATEMENTS OF SALZGITTER AG

The annual financial statements of Salzgitter AG for the financial year 2023 have been drawn up in application of the accounting policies and valuation methods of the German Commercial Code (HGB), 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 consequences arising from the 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 HGB)

	2023/12/31		2022/12/31	
	€ m	%	€ m	%
Non-current assets	62.1	9.2	61.2	8.3
Property, plant and equipment[1]	20.4	3.0	19.8	2.7
Financial assets	41.7	6.2	41.4	5.6
Current assets	610.1	90.8	671.9	91.7
Inventories	0.0	0.0	0.0	0.0
Trade receivables and other assets[2]	610.1	90.8	671.9	91.6
Cash and cash equivalents	0.0	0.0	0.0	0.0
Assets	672.1	100.0	733.1	100.0
Equity	397.0	59.1	430.0	58.7
Provisions	247.6	36.8	272.9	37.2
Liabilities	27.5	4.1	30.1	4.1
Equity and liabilities	672.1	100.0	733.1	100.0

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

The receivables from the liquidity (€ 474.5 million; 2022: € 490.8 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; 2022: € 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 € 225.9 million (2022: € 240.3 million) are disclosed in particular, alongside equity. The equity ratio rose slightly to 59.1 % (2022: 58.7 %) as of December 31, 2023.

Income statement of Salzgitter AG (condensed HGB)

In € million	2023	2022
Sales	33.2	33.6
Other operating income	23.8	7.6
Personnel expenses	31.2	60.9
Depreciation / amortization[1]	21.9	12.4
Other operating expenses	43.3	38.5
Income from shareholdings	65.7	138.0
Net interest result	–3.1	–9.8
Income tax	0.0	0.0
After-tax result	23.3	57.7
Other taxes	–2.2	–2.1
Consolidated net income / loss	21.1	55.6

[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 and from the release of provisions. Personnel expenses were lower than the previous year's figure, also due to changes in the parameters for measuring pension provisions. Other operating expenses increased marginally due to the higher volume of services outsourced but were nevertheless offset by lower consultancy costs and expenses from the reporting-date related valuation of derivatives. Income from shareholdings consisted almost exclusively of the contribution to the result received by SMG. Write-downs on financial assets pertain to the impairment of a shareholding. As of December 31, 2023, 176 employees were employed in the company (year-earlier reporting date: 163 employees).

The forecast for the Group's IFRS 2023 pre-tax result was revised downward slightly over the course of the year and ultimately fulfilled. The development of operations and the earnings performance of a company accounted for using the equity method proved to be the determining factors in this context. Our unappropriated retained earnings were nevertheless achieved as per our forecast.

APPROPRIATION OF THE PROFIT OF SALZGITTER AG

Salzgitter AG reported unappropriated retained earnings of € 27.1 million for the financial year 2023.

The company's Executive Board and the Supervisory Board will propose to the Annual General Meeting of Shareholders that these unappropriated retained earnings (€ 27.1 million) be used to fund payment of a dividend of € 0.45 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 market environment currently to be expected and the dependence of Salzgitter AG's earnings on its subsidiaries we anticipate unappropriated retained earnings for the financial year 2024 that are higher 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 monitoring them. By contrast, recording and communicating opportunities forms an integral part of the management and control 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 Directions 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 keen interest of our customers from various sectors in being supplied with low carbon steel at an early stage, manifesting in further partnering agreements concluded in the financial year 2023, corroborates our assessment.

CIRCULAR ECONOMY

Our "Salzgitter AG 2030" corporate strategy encompasses the concept of a circular economy as a key component. With this in mind, we develop circular networks with customers, suppliers and process partners along the entire value chain. In terms of achieving our goals of expanding our scrap recycling activities and benefiting from the anticipated increase in global demand for metal scrap, we consider ourselves well-positioned through our subsidiary DEUMU Deutsche Erz- und Metall-Union GmbH.

Along with the innovative design of recycling compatible packaging, the Technology Business Unit makes a contribution to the circular economy by refurbishing machinery and equipment, thereby tapping into the opportunity of benefiting from the trend toward sustainable business models and growth.

PROCESS TECHNOLOGY DEVELOPMENT

We anticipate further 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.

ENERGY TRANSITION

In the Steel Processing Business Unit, we see opportunities most particularly in the context of the energy transition and the associated investment in the infrastructure. We already operate in this field in the wind industry as a supplier of heavy plate for foundation structures and wind turbines. The line pipe business is set to benefit from the necessary expansion of Europe's hydrogen infrastructure and the solutions required for transportation and carbon capture and storage.

EXPANDING OUR GLOBAL PRESENCE AND TECHNOLOGICAL INNOVATIONS

A strategic thrust of the Technology Business Unit lies in expanding the KHS Group's global presence with a view to guaranteeing the service business that is so relevant for customers. Furthermore, additional market shares are to be won in the standard business by consistently implementing technological innovations in development – for glass product lines, can lines, as well as PET lines.

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.

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, Internal Audit 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.

In order to achieve its objectives of effectively managing and ensuring that corporate governance principles and the statutory requirements are observed, Salzgitter AG pursues the Three Lines Model.

The first line of defense rests with the management of operations that is responsible for managing and controlling the risks arising in this area and dealing with them. The second line of defense lies in risk management. Internal Audit acts as a third line of defense in its role as an independent monitoring body reporting to the Executive Board.

QUALIFIED TOP-DOWN SET OF RULES AND REGULATIONS

The management holding company is tasked with putting risk management 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 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. We expanded our governance risk management in 2022 against the backdrop of the growing significance of sustainability topics.

We 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, a participating investment of ours. The anticipated economic development of these investments is regularly integrated into our Group forecasts.

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, situations are analyzed 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:

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

In terms of the strategic/political risks, environmental and energy policy risks are a focus for our Group.

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 – essentially interest rate and currency risks, as well as liabilities and liquidity 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 all factors of influence into account. 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 anticipated result – and the probability of their occurrence along the planning horizon. 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. Major risks include a number of risks that are of particular significance for the Salzgitter Group. Such risks include the development of prices in the sales and procurement markets, freight rates, along with energy prices and exchange rates (above all, USD/EUR). Owing to their significance, these risks are monitored at short intervals in each month 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 risks entailing a loss of at least € 25 million and categorized as "likely" or "very likely" in terms of their probability of occurrence as significant and quantify them. For reasons of caution, we also include risks that are "rather unlikely" in these considerations.

In addition, we conduct a risk tolerance analysis at Group level that we use to compare our aggregated risk position and risk tolerance, which then is incorporated into the overall statement on the Group's risk position.

Risks with ESG relevance 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 climate risks were analyzed by Central Risk Management across all the Group companies. At the time when the Non-Financial Report 2023 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.

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 economic impact of geopolitical conflicts, 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 has been factored into the earnings forecasts for the companies in the current year and in the forecast to the extent foreseeable.

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. at 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 on an ad hoc basis. The ad hoc obligation to report to the Executive Board comes into play if risks exceed the threshold of € 25 million for the first time (irrespective of the probability of occurrence) and/or € 2.5 million (in the case of a likely and very likely probability of occurrence). 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**.

Risks arise in various permutations from our future-oriented SALCOS® decarbonization program that will run for a number of years and includes investments in a volume of around € 2.3 billion (€ 1 billion of which is publicly funded). 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. We currently assess a financial burden above and beyond the estimated investment volume as unlikely. The SALCOS® project management organization that has been set up monitors the underlying assumptions on which an investment decision is based, such as sales expectations, commodity and energy price assumptions, and equally their availability and regulatory changes. Developments are compared on a running basis with the current situation and the progress of the project. Future decisions on implementing the next stages of the decarbonization program are also mapped using these standardized processes.

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 restructuring to be manageable.

In order to minimize 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.

GEOPOLITICAL RISKS

Concerning the Salzgitter Group, the economic uncertainties resulting from the Russia/Ukraine war pertain in particular to price trends and supply reliability on the procurement markets for energy and commodities and future sales prospects. The direct impact on our customers and suppliers changes periodically. Framework conditions shifting at short notice makes it impossible to reliably quantify the consequences. In terms of supply reliability, alternative suppliers have been found and we anticipate deliveries in line with requirements. The decline in sales in the war-affected regions of Russia and Ukraine is of minor significance for us. Furthermore, in the context of Russia/Ukraine, we inventorize all the Group's assets and investments, market-related risks pertaining to sales and procurement as well as outstanding receivables in these countries. As we do not anticipate any fundamental change in the medium term, we have scaled back our business activities in these regions. In this context, we also deconsolidated our KHS RUS OOO subsidiary, effective August 31, 2023.

Against the backdrop of Hamas' terrorist attack on Israel and possibility of other parties entering the war, the situation in the Middle East is threatening to escalate, with a significant impact on energy prices, particularly on oil and gas. One aspect of this potential escalation arises from the attacks of the Yemeni Huthi rebels on ships passing through the Red Sea. These attacks have already caused shipping via the Suez Canal to decline dramatically – container volumes plunged by around 50 % through to the start of 2024. Alternative routes extend transport times by around 20 days and lead to higher freight rates and insurance premiums. Consequently, disruptions to supply chains and thus production downtime in the steel processing industry, such as in the automotive sector, cannot be ruled out. No direct major impact on Salzgitter AG was known at the time of reporting, however.

Owing to the good supply situation of natural gas, gas and electricity prices have dropped, but nevertheless remain at a historically high level. According to the German Federal Network Agency (Bundesnetzagentur) the initial starting point for the winter 2023/2024 was considerably better than a year ago, and the gas caverns were still around three quarters full at the end of January 2024. Companies and private consumers must continue to be prepared for fluctuating prices and high price levels.

Following on from the outbreak of the coronavirus pandemic, these events have once more illustrated the vulnerability of global supply chains and supply reliability to crises. What this generally means for the Salzgitter Group is that shipments and procurement risks are being subjected to even greater scrutiny in terms of their flexibility and substitutability. Such activities will not only encompass current situations alone, but also focus on potential global crisis situations with their impact on Salzgitter AG's business.

A further escalation of the conflict between the United States and China is an example of future possible crises. After three years in office, current presiding US President Biden has so far shown little aspiration to change the attitude toward China. Indeed, the US has launched a subsidy program under its Inflation Reduction Act that is designed to redirect many investments into the country, thereby reducing its dependence on China. The conclusion as to what form collateral damage will take is that huge volumes of investment in the US are likely to make the transformation of Europe's industry more difficult as manufacturing capacities and plant engineering companies will find a better investment climate on the US market.

China's support of Russia has served to exacerbate the tensions between "The West" and China. China's repeated threats regarding Taiwan have also contributed to this situation. Furthermore, the Chinese central government, with its economic policy aligned to "dominance via subsidies" and the ensuing consequences, have put the US on higher alert – and meanwhile also Europe. With a view to the upcoming elections in the US, it is evident that neither the Democrats nor the Republicans will steer a course of appeasement with regard to China. Consequently, a considerable risk remains of mutual sanctions and/or tariffs being imposed at minimum or that other trade barriers could be set up that, in turn, could impact global supply chains and demand.

The consequences of this unstable world order consist of polarizing narrative and uncertainty that is meanwhile often exacerbated by AI-generated misinformation and disinformation. Societal unrest and upheavals caused by misinformation, in particular regarding the imminent election year, are responsible for economic turbulence and fractures.

ECONOMIC RISKS

The short-term global economic outlook is geared more to the downside. The negative supply shocks triggered by the pandemic and Russia's invasion of Ukraine have largely receded. However, uncertainty continues to prevail as to how economies will fare, especially in an environment of high interest rates, inflation, labor shortages, energy at a structurally increased price level, along with geopolitical risks. The consequences of this scenario include a decline in industrial yield and reluctance to invest, especially in Germany.

Price hikes are slowing as a result of interest rate policy in many regions of the world. The pressure on central banks is therefore likely to ease gradually, and interest rates are probably past their peak. The inflation rate 2023 is estimated at 5.5 % in the euro area, and at 4.2 % in the US. In 2024, the ifo Institute anticipates a decline to 2.3 % in the euro area and 3.0 % in the US. While, in the US, prices are likely to decline at a slower pace than in the euro area, the ECB may already take the first steps to lower the key rate in the initial summer months. A risk emanates from uncertainty about the dimensions of second round effects on the inflation rate that arise from sharp nominal wage increases, among other factors. In this case, the interest rates would fall less slowly than predicted (higher for longer).

The pace of global growth is muted. The ifo Institute anticipates an expansion of 2.0 % in global GDP in 2024, with growth marginally accelerating to 2.3 % in 2025. Compared with the autumn forecast, also from the IMF, growth prospects are somewhat more subdued, which is attributable to the persistent weakness of global industry cycles. The industrial nations of the euro area are especially suffering from the aftermath of the energy price shock, the slowdown in global trade, and reticent investment activity. Against this backdrop, there are a number of risk factors that could result in weaker-than-expected developments.

The stronger-than-expected economic slowdown in China poses a key risk for the global economy. Reported at 4.3 % in 2024 and 4.0 % in 2025, the growth prospects for China's economy are the lowest for more than 30 years, with the exception of the pandemic years. Persistent problems on the real estate market, notable birth rate declines, and the reluctance of private consumers continue to have a dampening effect. The central government's measures to support the economy do not appear to have taken effect so far. A weak Chinese economy would not only impact the global economy but also the euro area in particular – and Germany first and foremost.

German foreign trade would be particularly hard hit by weak global economic growth. According to the ifo Institute, German economic output is set to grow by 0.9 % in 2024 and also only moderately by 1.3 % in 2025. The economic mainstays are likely to emanate from private consumption and a recovery in global trade. The latter would be hugely significant for industry, but nevertheless harbors the greatest risks. In terms of the steel industry, the ailing construction and industrial activity has become especially burdensome. A risk for the steel market therefore arises from construction activities declining further due to higher-for-longer interest rates and another slowdown in industrial activity against the backdrop of higher energy costs, location-related disadvantages and dwindling competitiveness.

China's weak economy is also exerting a very negative influence on the global steel markets. The sharp increase in steel exports is evidence of China's lackluster domestic economy; exports are at a six-year high and probably almost reached the one-hundred-million-ton mark in 2023. This development is indirectly translating into an increase in steel products imported into the EU market and consequently in declining price levels in Europe. While Chinese steel products in the EU are largely subject to anti-dumping measures, China exports its large surpluses to the Asian region. This in turn creates huge export pressure on countries with their own surplus capacities, such as Japan, Vietnam, South Korea, Taiwan and India, that export their surpluses into the EU market. In addition, Chinese producers have made considerable, often subsidized, direct investments in steel capacities in regions of the ASEAN countries with the aim of sidestepping trade defense measures. In order to keep a close watch on the situation, we monitor these aspects in regular reports.

SECTORAL RISKS

Structural global sector-specific risks arise from continued growth in global surplus capacities, which the OECD estimates at more than 600 million tons in 2023. By comparison: The EU produces around 150 million tons of crude steel a year. This situation is compounded by predictions that these surplus capacities are set to grow by more than 150 million tons in the next three years. At the same time, however, the increase in the demand for steel is expected to be moderate, which will ratchet up the pressure on import markets such as the EU. These import volumes will negatively impact steel prices in turn. Structural solutions such as in the framework of the "Global Sustainable Steel Arrangement" between the EU and the US have not yet been successful.

Of relevance in the context of input volume is the fact that more than two thirds of the new capacities consist of carbon-intensive blast furnaces, which will undermine global efforts targeting decarbonization. In addition, these carbon-intensive capacities jeopardize transformation in Europe if the requisite carbon costs cannot be levied on imports into the EU in the future.

In June 2023, EU member states decided to extend the safeguard measures through to the summer 2024. Seeing as a fully fledged treaty in the context of the Global Sustainable Steel Agreement was not reached with the US, numerous EU Member States have submitted a request to extend the EU Safeguards beyond 2024. At the time when this report was being drawn up, the renewal procedure had not yet been initiated. Consequently, there is a risk that the EU safeguards will expire on July 1, 2024, and even greater steel export volumes are redirected into the EU.

In October 2021, the EU and the US reached an agreement on developing a "Global Sustainable Steel Arrangement". In this context, the parties to the negotiations had set a deadline through to October 2023 for achieving an agreement that would introduce effective measures against non-market economy surplus capacity in the steel sector, promote the industry's decarbonization, and create green key markets. The end of 2023 saw a lack of agreement by the negotiating parties on a treaty. As negotiation positions were still too far apart, the current tariff reductions were extended by two years to allow negotiations to continue. Given the imminent elections in the EU and the US in 2024, it is unlikely that consensus can be reached in the short term. As a result, the risk of losing preferential access to the US market remains, which would significantly encumber exports again.

In December 2022, the EU member states agreed on the introduction of a Carbon Border Adjustment Mechanism (CBAM) as a future Carbon Leakage Safeguard Instrument and as a replacement for free allowances. A transition phase is to commence as from October 2023, and as from January 1, 2026, importers will need to factor in the cost of carbon similar to EU producers. Risks arise from the form that the new instrument will take, given that many detailed regulations will only be determined in the coming two and a half years and these regulations will decide on how effective the instrument will be. Consequently, material rules and regulations on product definition, certification, default values, and control mechanisms have not yet been defined or tested.

In 2022, the EU member states resolved to introduce import restrictions on Russian steel products. The sanctions that took effect from October 2023 have been softened insofar as obligations to provide evidence are concerned. Furthermore, the import prohibition on Russian semi-finished products, due in fact to remain in place until October 2024, was lifted in December 2023 and transitioned to a quota regime, allowing the import of the respective products through to 2028. Consequently, Russian semi-finished products that have settled 10-20 % below the otherwise customary price level due to the Russian war, may still be used on the EU market. In this context, we anticipate the greatest impact on the European heavy plate market as here volumes in a range of around 10-15 % are produced using Russian slabs.

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 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 gradually phased out, a process that will accelerate toward the end of the current emissions trading period. In terms of all sectors subject to CBAM rules, the mechanism provides for full abolition of the former free allocation by 2034. Furthermore, as per the information currently available, the benchmark underpinning free allowance can be expected to be updated at the start of the fifth trading period, accelerating the phase-out as from 2031. 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 continue to keep an eye on the risk accruing in the area of indirect additional costs from carbon pricing on electricity. Although the understanding of the EU institutions on the EU ETS also continues to provide for the possibility of so-called carbon electricity price compensation, at least through to 2026 and in accordance with the round of reconciliation on the federal budget, this will remain so. Whether and to what extent this will come about in the longer term has not been conclusively assured. For this reason, the risk recorded so far will be fundamentally retained, which assumes the full elimination of the compensation in divergence from planning in the relevant Group companies. At the present point in time, we view the probability of occurrence as “unlikely”. 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.

As a result of the Federal Constitutional Court’s ruling on the legality of the federal budget, subsidies from the Economic Stabilization Fund amounting to € 5.5 billion will no longer be available in future for fees charged throughout Germany by the four major transmission system operators. Consequently, the transmission system operators' provisional grid fees for 2024 are set to double compared with the year before. The impact on prices will vary depending on the region as the subsidies no longer to be paid are restricted to fees charged nationwide by the four major transmission system operators. In the three-year budget drawn up in the autumn of 2023, our Group companies took account of support promised by the federal government concerning grid usage fees. As against budget, the Salzgitter Group is exposed to a risk amounting to a loss of around € 28 million, with a probability of occurrence of 5 (very likely). It is currently not possible to assess the extent to which the higher grid fees can be passed on to customers.

PERFORMANCE RISKS

PRICE RISKS OF ESSENTIAL RAW MATERIALS, FREIGHT COSTS AND ENERGY

In 2023, the price trend on the international procurement markets proved to be very volatile again with respect to the raw materials relevant for the Salzgitter Group, such as iron ore, coking coal and scrap. This volatility that in the case of iron ore and coking coal was hugely impacted by the economic situation in China and India and the associated fluctuations in demand, and by demand in Europe in the case of scrap, led to significant price adjustments at short notice, which included iron ore reaching peak levels at the end of the year. The market development regarding iron ore and coal is explained in more detail under the section entitled “Business Unit Performance” as part of information on the Steel Production Business Unit. 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 partly volatile trend of freight costs, above all, sea freights that are particularly relevant for our companies, may constitute a particular burden. We monitor the development of costs closely and keep them to a minimum, partly by hedging via longer term contracts, while factoring both of these aspects into our profit forecasts. 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's attack on Ukraine, electricity and gas procurement prices partly soared to a new record high in 2022. Although prices for consumers, despite the halt to Russian gas supplies, have meanwhile normalized again, albeit at a considerably higher level, 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. Following fully switching deliveries from the Russian Federation to alternative suppliers, supply risks arising from the war between Russia and Ukraine can now be ruled out.

International shipping for the conveyance of our iron ore and coking coal bulk materials is running at a very stable level. Only the situation in the Panama Canal is causing slight delays, which is likely to continue in 2024. The supply risk from coal sourced from Canada can also be classified as low as alternative routes can be found. The bottleneck situation regarding container-based procurement still prevailing in 2022 eased completely in 2023. We keep a close watch on international markets and, from today's standpoint, do not perceive any particular supply risks here.

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 this instance, the year now ended was bolstered by the OEM order backlog, and the situation regarding the shortage of semiconductors having returned to calmer waters. 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. Both countries are of secondary importance for the Salzgitter Group, however. Any burdens emanating from this source are incorporated into regular Group earnings forecasts. In assessing the current economic environment with regard to the outlook for the financial year 2024, we refer to the section entitled → **Overall Statement on 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 markets. 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 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 the availability of qualified expert and management personnel. Structured methods of knowledge are used in the event of succession so as 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,
- comprehensive management of environmental and energy-related issues, and
- ESG management.

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 of 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 exchange rate, 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 2023 amounted to around € 1.4 billion and were covered by external banking partners in a volume of approximately 30 %. 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 section entitled "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 2023, € 132 million and USD 36.5 million are quoted on a variable basis on the bonded loan from 2019. The resulting burdens are 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 we deploy and utilize 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 2023 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, Salzgitter AG's risk management system has delivered proof of its worth and effectiveness.

The overall risk situation continues to be characterized by macroeconomic uncertainty. Although we anticipate an economic recovery in the second half of 2024, the actual and possible impact of geopolitical conflicts continues to dominate and exert a major impact on consumer sentiment and confidence in the economy. Consequently, sales, EBITDA, earnings before taxes and ROCE may prove to be lower than currently predicted.

We continue to be burdened by the structural crisis in the global steel market with a further increase in excess capacities, 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.

[1] This section is not part of the auditor's assignment

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM[1]

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 consequently 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 COS framework (Committee of Sponsoring Organizations of the Treadway Commission) in the 2013 version.

In order to achieve its objectives of effectively managing and ensuring that corporate governance principles and the statutory requirements are observed, Salzgitter AG pursues the Three Lines Model.

EMPLOYEE COMMUNICATION / 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** – mitigating 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 in house, and based on the audit findings by Group Audit, the Executive Board is not aware of any indication that the→ RMS, → CMS and ICS in their entirety were not suitable or effective in the financial year 2023.

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. Moreover, the Chairman of the Supervisory Board and the Chairman of the Audit Committee are 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.

ADDITIONAL ICS FEATURES REGARDING THE (GROUP) ACCOUNTING PROCESS

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 implemented groupwide with respect to accounting, Group guidelines are updated at least once a year 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 reporting packages required for the consolidated financial statements from the companies included are recorded with the aid of a uniform IT-supported workflow used throughout the Group. This workflow comprises a permissions concept centrally managed in Group accounting, along with automated checking routines and check digits. These control and surveillance mechanisms have been devised for process integration as well as for functioning independently of processes. A major part of this is, for instance, made up of manual process controls in application, among other things, of the principle of dual control, alongside automated IT-based processes controls. 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 – 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.

GENERAL BUSINESS CONDITIONS IN THE COMING YEAR

OVERALL ECONOMIC DEVELOPMENT

According to the latest calculations by the International Monetary Fund (IMF), the **global economy** in 2024 should essentially carry forward its economic momentum from the previous year. Growth in the industrial nations will probably be slightly weaker overall than in 2023. A slowdown in expansion is anticipated in the US and Japan that is unlikely to be compensated by the somewhat stronger than originally predicted recovery in the eurozone and in the UK. Development is expected to be stable in the emerging and developing countries compared with 2023. In its most recent survey for the full year 2024, IMF estimated overall global economic growth at 3.1 % (2023: 3.1 %).

In terms of economic recovery, very moderate growth is expected for the **euro area** in 2024. An easing of the price pressure and of the inflation rates may boost real wages and disposable income, which could result in private consumption picking up steam. Following the process largely completed of paring down the elevated stock levels of intermediate products, the goods trade and industrial production are expected to gain momentum. The aftereffects of monetary measures to curb inflation should nevertheless continue to have a dampening effect on domestic demand, specifically on capital expenditure. All in all, the IMF predicts 0.9 % for economic growth in the eurozone over the full year 2024 (2023 0.5 %).

In **Germany**, the ongoing reduction in inflation, paired with rising wage rates, should have a positive impact on purchasing power. If the European Central Bank begins to lower key rates over the course of 2024, as currently expected, the goods trade should also become a growth driver again. A countertrend is likely to emanate from construction activities slowing further. Residential construction will above all continue to bear the brunt of the high building prices and lending rates that are slow to decrease. Following the contraction in 2023, the IMF anticipates a positive growth rate again of 0.5 % for 2024 (2023: –0.3 %).

MARKET OUTLOOK

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

STEEL

The World Steel Association (worldsteel) anticipates marginal growth of 1.9 % (2023:1.0 %) in the demand for steel in 2024 as against the previous year. Compared with the industrial nations, the process of recovery is expected to be swifter in the emerging markets, especially in the Asian region. The demand for steel is predicted to stagnate in the People's Republic of China. According to worldsteel, estimates for the EU (plus the UK) are more upbeat, but must be seen in the context of the general downtrend in the previous year. Accordingly, the demand for steel is expected to rise by 5.8 % (2023: –1.3 %), while an above average increase of 10.6 % (2023: –3.9 %) is anticipated in Germany, thereby marginally overcompensating the year-earlier declines. Eurofer, the European Steel Association, also assumes a notable recovery in the demand for steel (+7.6 %; 2023: –1.6 %) in the EU (excluding UK). Both associations nevertheless make reference to the huge uncertainty prevailing in the geopolitical environment and the associated significant downside risks for economic development.

MECHANICAL ENGINEERING

The German Engineering Federation (VDMA) expects another decline of –4 % for the financial year 2024. This forecast also depends on multiple macroeconomic and geopolitical factors. Current inflation, resulting in a restrictive monetary policy adopted by the central banks, and Russia's war of aggression run counter to growth stimulus. Another factor of uncertainty lies in the tensions between the US and China.

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 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 2024 will develop as follows:

The results of the companies belonging to the **Steel Production Business Unit** are likely to reflect the ongoing weak economic phase, at least during the first quarter of 2024. Faltering order intake at the start of the year corroborates this assumption. At the same time, prices are expected to bottom out, also as a consequence of replenishing inventory levels again. In conjunction with improving consumer confidence and consumption in response to falling inflation and rising wages, a notable surge in demand should lead to a strong recovery in the second half of 2024. In terms of the sections business, we expect demand from the construction sector to remain subdued, at least for the first six months of the year. We assume that capacity utilization in the strip steel business will be covered by demand again. Crude steel production will run on the basis of three-furnace operation. In a challenging selling price environment, and given improved shipment volumes, we generally expect lower sales (2023: € 3,528.0 million). EBITDA (2023: € 295.5 million) and the pre-tax profit (2023: € 75.8 million) should nevertheless notably exceed the year-earlier level.

There are signs of a heterogeneous development in the target markets of the **Steel Processing Business Unit** in 2024: Following weaker order intake in the second half of 2023, we anticipate that market activity for quarto plate will return to normal levels, along with satisfactory capacity utilization. Pipe plate production should benefit from the awarding of large-diameter pipes projects that we expect as from late spring. As a result, better capacity utilization would then materialize for the large-diameter pipe mills. We also predict a sound increase in volumes in the medium-diameter line pipe segment. The precision tubes group anticipates a modest volume of business, at least in the first half year. Activities in the stainless tubes business are expected to pick up considerable momentum again over the course of the year. All in all, we predict a slight downturn in sales for the business unit (2023: (€ 2,126.5 million). However, lower margins will result in EBITDA dropping substantially below its year-earlier counterpart (2023: (€ 227.4 million). For this reason, the pre-tax result is also likely to fall significantly short of the previous year's level (2023: € 144.7 million).

The companies of the **Trading Business Unit** expect to return to the profit zone in 2024. Having fallen significantly over the course of the previous year, prices stabilized in the final quarter. In view of average inventory prices declining with a time lag, we expect improved margins again in the stockholding steel trade and at the Universal Eisen und Stahl Group in 2024. Furthermore, the economy is expected to rebound in key target sectors as the year progresses, which should allow higher shipment volumes in the stockholding steel trade and in international trading to be achieved. Overall, with sales remaining stable (2023: € 3,313.0 million), EBITDA (2023: € 20.5 million) and the pre-tax result (2023: € –13.6 million) are expected to notably exceed the year-earlier figures.

The **Technology Business Unit** is expected to put in a good performance in 2024 as well. With regard to the KHS Group in particular, we anticipate that business will continue to develop well in the current financial year on the back of the quality of the order backlog in the project business and ongoing, focused growth in the service business. 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 a notable sales growth for the business unit (2023: € 1,647.4 million) and a significant year-on-year increase in EBITDA (2023: € 114.9 million) and pre-tax profit (2023: € 81.1 million).

Business development in the first quarter of 2024 continues to be impacted by the adverse circumstances in the second half of 2023. If the slight signs of recovery currently in evidence hold steady, we see the prospect of the market environment gradually brightening over the course of the year. Provided that there is no further escalation in political and economic circumstances, we assume the following for the **Salzgitter Group** in the financial year 2024:

- sales of between € 10.5 billion and € 11.0 billion,
- EBITDA of between € 700 million and € 750 million, as well as
- a pre-tax profit of between € 250 million and € 300 million and
- a return on capital employed (ROCE) at the previous year's level.

Forecast for the business units and the Group

			Financial year 2023	Forecast Financial Year 2024
Steel Production	Sales	€ m	3,528.0	Lower y/y
	EBITDA	€ m	295.5	Tangibly higher y/y
	EBT	€ m	75.8	Tangibly higher y/y
Steel Processing	Sales	€ m	2,126.5	Down slightly
	EBITDA	€ m	227.4	Tangibly lower y/y
	EBT	€ m	144.7	Significantly lower y/y
Trading	Sales	€ m	3,313.0	Stable
	EBITDA	€ m	20.5	Notably higher y/y
	EBT	€ m	–13.6	Notably higher y/y
Technology	Sales	€ m	1,647.4	Notable uptrend
	EBITDA	€ m	114.9	Clearly higher y/y
	EBT	€ m	81.1	Clearly higher y/y
Group	Sales	€ m	10,790.5	Between € 10.5 billion and € 11.0 billion
	EBITDA	€ m	677.0	Between € 700 million and € 750 million
	EBT	€ m	238.4	Between € 250 million and € 300 million
	ROCE	%	5.6	at the previous year's level

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, significant:	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 over the course of the financial year 2024. The resulting impact on performance may be within a substantial 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 € 408 million has been earmarked for our Group's capital expenditure budget in the financial year 2024 (2023: € 345 million). Together with the follow-up amount of around € 729 million in investments approved in previous years, the cash-effective portion of the 2024 budget should total to around € 1 billion (2023: € 782 million). The higher level of cash outflow in 2024 is principally attributable to the ongoing implementation of the SALCOS® transformation program and is netted out by the anticipated state funding. As previously, investments will be effectively approved on a step-by-step basis and in accordance with the development of profit and liquidity.

The funds required in the financial year 2024 for foreseeable investment measures will therefore exceed depreciation and amortization.

Due to the high level of cash outflow from the investments envisaged, we expect a visibly lower net financial position in the financial year 2024 compared with the previous year (2023: € –214 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. In the Group will continue to attribute great importance to this in the financial year 2024. All in all, the Executive Board anticipates a challenging but nevertheless satisfactory development of business in the current year.

Salzgitter, March 8, 2024

The Executive Board

#wemakeithappen

↗ Magazine accompanying the Annual Report 2023

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, 2023 – referencing the standards of the Global Reporting Initiative (GRI). Salzgitter AG's Executive Board bears the overall responsibility for the Non-Financial Report and for the accuracy of the information reported.

The Non-Financial Report for the financial year 2023 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, EY GmbH & Co. KG 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 EY GmbH & Co. KG 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 11, 2024, and the publishing date March 15, 2024. 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

THE SALZGITTER GROUP AT A GLANCE

The Salzgitter Group ranks among Europe's leading steel and technology companies, and as a German company steeped in tradition, it comprises around 150 subsidiaries and associated companies and more than 25,000 employees worldwide. In the financial year 2023, we generated around € 10.8 billion in external sales and a pretax profit of € 240 million with a crude steel capacity of 7 million tons. Since our flotation in 1998, we have more than tripled our sales and even multiplied equity sevenfold without sourcing additional equity through capital increases. With our "Salzgitter AG 2030" strategy, we have embarked on a path toward sustainable industry. Thanks to a sound balance sheet, we are also financially in a position to drive the imminent transformation of the steel industry.

The Salzgitter Group is divided into the four business units of Steel Production, Steel Processing, Trading and Technology. The Industrial Participations/Consolidation unit also 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 and tube and pipe products as well as their further processing, and in trading globally with such products, as well as in the engineering of special machinery and systems. With our "Salzgitter AG 2030" strategy, we have set ourselves the goal of becoming the market leader for circular economy solutions.

Further details of and information on our business model can be found in the combined management report under → **Business Activities and Group Structure.** → GRI 2-1, 2-2

SUSTAINABILITY ASPECTS IN THE GROUP STRATEGY

By circularity, we mean keeping resources taken from nature in economic use for as long as possible, thereby minimizing the additional input of finite resources into the economic cycle. We want to position ourselves as the market leader for circular economy solutions with innovative products and processes, bold ideas from our employees, and also with the aid of strong partnerships and networks, thereby advancing to become Europe's strongest steel and technology group.

Steel is not only a key pre-material in numerous value chains, from automobiles to wind turbines, but above all a durable material well suited to a circular economy that can be recycled almost infinitely with no loss of quality. We therefore intend to further expand our scrap recycling activities and feed more of our by-products into the material cycle as exemplified by the recovery of zinc from filter dust. One central building block of our low-carbon steel production is the ↗ SALCOS® (Salzgitter Low CO_2 Steelmaking) program. The first stage offering the technical option to convert completely to hydrogen-based steel production is due to be commissioned in 2026. → GRI 2-6

As a result, we will not only be making a major contribution to reducing our own carbon emissions but also giving our customers the opportunity to lower their carbon emissions (Scope 3). In view of the likely shortages, we see potential for generating higher margins in this newly emerging market for green steel. Our strategic alignment also includes the Trading and Technology business units that in future will focus more on circular, sustainable market segments. The steady expansion of trade with low-carbon steel and the continuous improvement in the recyclability of our machines and the products manufactured with them are emblematic of this development.

SUSTAINABILITY STRATEGY

The sustainability aspects of our Group strategy are enshrined in our sustainability strategy. The sustainability strategy is a testament to the Executive Board's ↗ Commitment to Sustainability. The Salzgitter Group is aware of its responsibility to present and future generations and asserts its claim to acting accordingly.

Linking the sustainability strategy to operating targets represents a valuable tool with which to review and refine the Group strategy from a technical and substantive perspective. Our approach is to control measures in line with overarching objectives and document the progress made. The various aspects and objectives of the sustainability strategy are regularly reviewed in the business units. The intention is to ensure that the strategy chimes with the current circumstances in Group companies, and the lessons learned from its implementation are taken into account in the ongoing strategic process.

The 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"). These focus areas 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 the Salzgitter Group's ambitious climate protection targets, particularly by converting to a low-carbon steel production process and increasing the volume of renewable energy used.

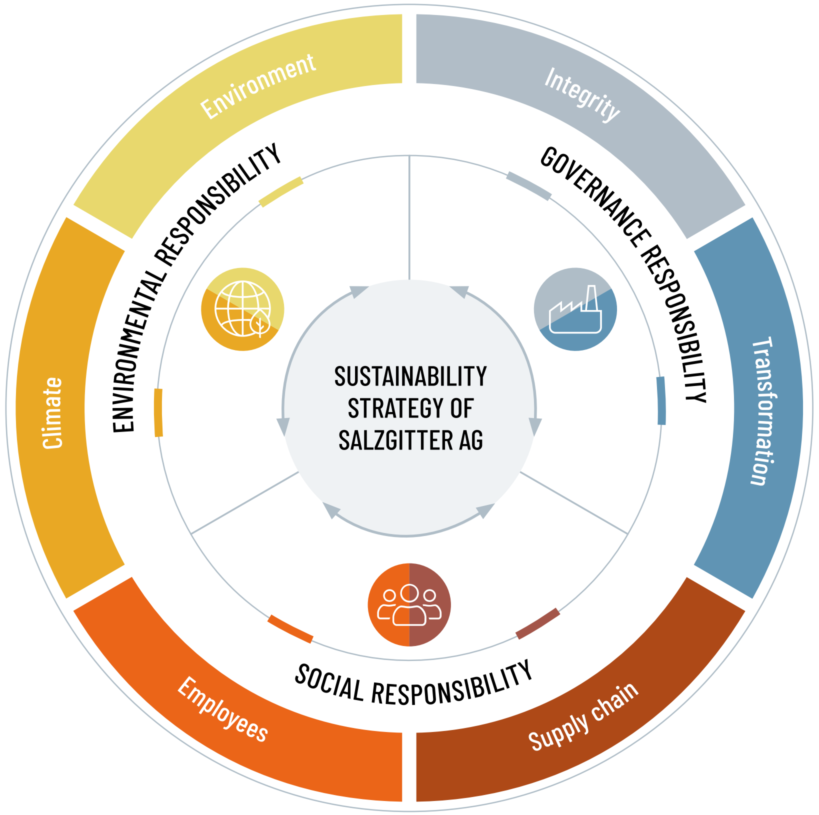
SOCIAL RESPONSIBILITY (SOCIAL)

- The **Employees** focus area aims to offer our employees sound and safe working conditions. With our personnel strategy, we are positioning ourselves 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 success of the Salzgitter Group on its path to a climate-neutral, circular business model. It embodies 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 we aim to guarantee responsible entrepreneurship along the entire value chain and continuously refine our corporate culture aligned to sustainability.

Our sustainability strategy



TARGETS

Our sustainability strategy focuses on implementing the targets specified in our "Salzgitter AG 2030" Group strategy. These are summarized in the ↗ Strategy Scorecard in the form of qualitative and quantitative KPIs for four of the six focus areas (environment, climate, employees and integrity). 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

VALUE CHAIN

An integral part of the Salzgitter Group'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 all-embracing standards of legality and integrity which include the observance of ethical values and labor principles are highly prized in our supplier relationships. We have therefore given ourselves a groupwide code of conduct, as well as implementing further measures to guarantee compliance across the board. 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.

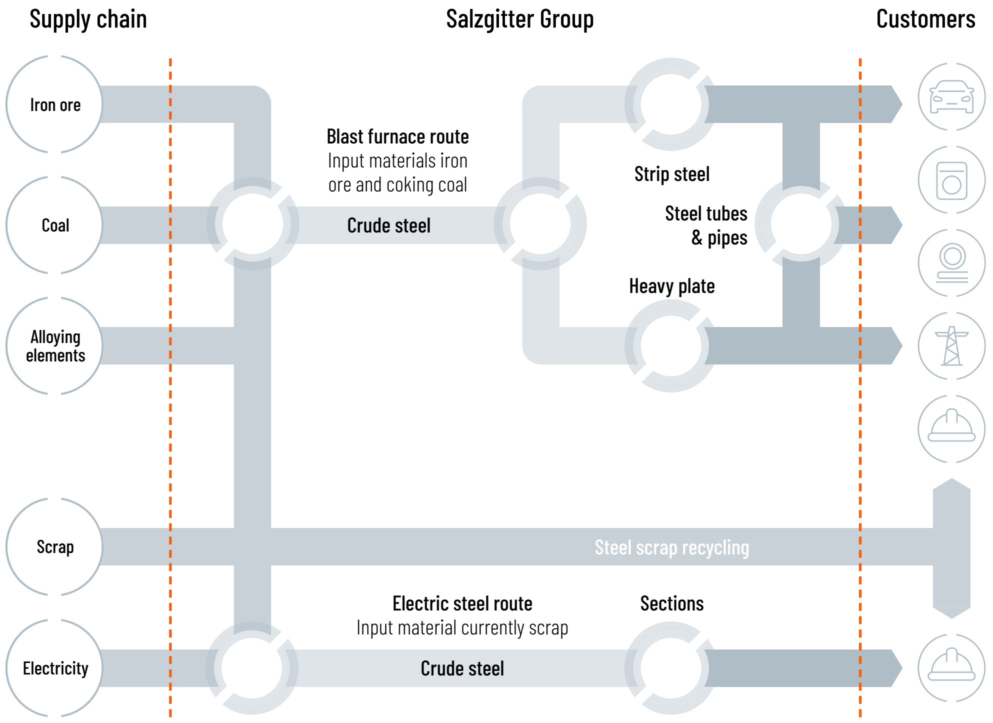
Environmental impacts are particularly important in the upstream supply chain for the metal producing and metal processing industries. As bulk raw materials such as iron ore, coal and bought-in coke are almost exclusively imported, we focus principally on the → **Supply Chain** upstream from steel production when examining sustainability aspects. Due to their high material throughput, the spotlight naturally falls 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 2023 amounted to around € 7.2 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 27 %. Materials were procured via the SZFG's Purchasing Department, paying strict attention to all the principles of an integrated management system. We focus our efforts on procuring high-quality materials and ensure that all aspects of relevance to the environment, health and safety are complied with. → GRI 2-6

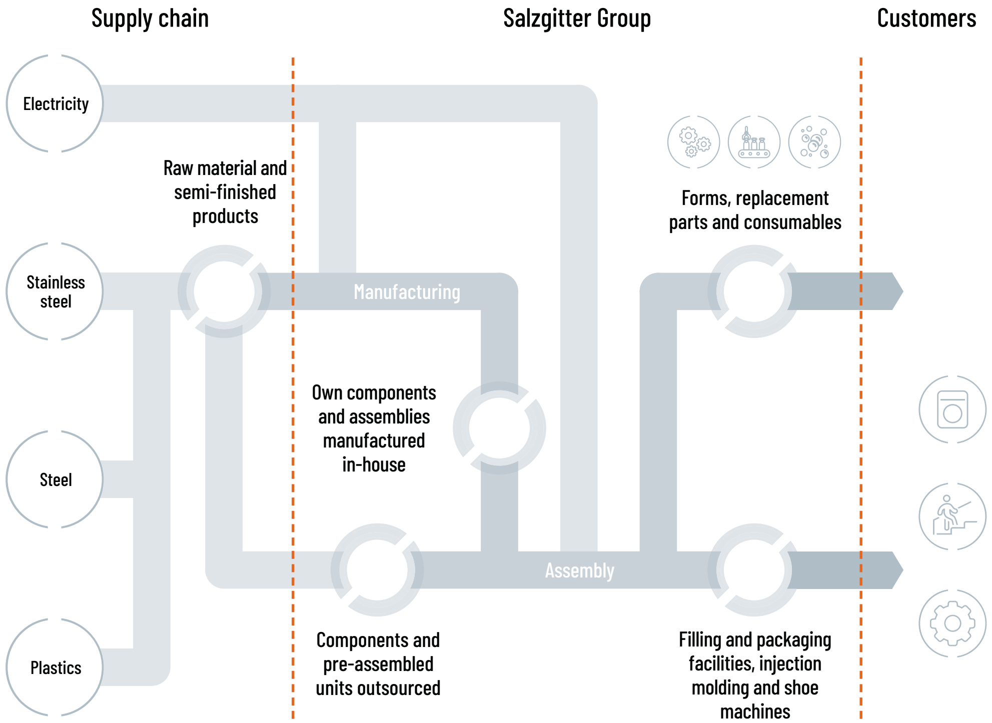
VALUE CHAIN STEEL SEGMENTS

The Salzgitter Group produces steel from 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 by-product gas by the nature of the process. The crude steel is then rolled into strip steel and heavy plate 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 per year 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.





STAKEHOLDER COMMITMENT

Openness and transparency towards our partners form part of our guiding principles. We have always perceived dialog with stakeholder groups that we conduct on different levels and in different ways, as a key factor in the long-term success of the company. This dialog 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, associations and organizations, customers as well as representatives of employees, the capital market and the press.

Our “Partnering for transformation” mission pursues the objective of securing central sections of our value chain for the long term with the aid of strategic partnerships and monitoring critical control points. Suppliers and customers alike, as well as Salzgitter AG and its subsidiaries, are faced with the task of transforming the economy. We are convinced that we can only meet these challenges together. Cross-sector support from collaboration offers Salzgitter AG and its partners investment security, which 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.

The following examples show the diversity but also the groupwide penetration of our partnerships:

/ With the green transformation of Salzgitter Flachstahl GmbH, the City of Salzgitter’s existing district heat supply is also to be expanded along climate-neutral lines. Together with energy suppliers WEVG and Avacon AG, we aim to become a pioneer of the ↗ municipal heating turnaround.

/ Mannesmann Precision Tubes GmbH, working as a development partner of Kueppers Solutions GmbH that was nominated for the 2023 German Future Prize, underscores our pioneering credentials. The innovative ↗ Dual Fuel Burners of our project partner now permit the energy-efficient use of hydrogen – natural gas mixtures in five continuous furnaces in our Hamm and Holzhausen tube mills.

/ The partners Aker Solutions ASA, Salzgitter Mannesmann International GmbH, Ilsenburger Grobblech GmbH and Salzgitter Mannesmann Grobblech GmbH have signed an umbrella contract for the first delivery of ↗ green quarto plates for offshore platforms, among other things.

/ The partnership between the KHS Group and Swiss machinery manufacturer Ferrum stands for joint, sustainable growth. The high-performance filler block ↗ SmartCan by KHS/Ferrum sets new standards with regard to hygiene and product safety. → GRI 2-29

Stakeholder group	Examples of inclusion	Subjects for discussion
Customers	/ Visits to and from customers / Various conferences / Customer events / Conversations at trade fairs (Ad hoc) discussions / dialog	/ Strategy for the future (projects, products and innovation) / Ecological footprint of products (supply chain, recycling) / SALCOS®: sustainable, low carbon steel production / Joint partnerships / 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	/ 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 / Employer attractiveness and employee offers / Investments / Current ESG topics and issues
Suppliers and energy providers	/ Memoranda of Understanding / Collaboration agreements / Bilateral exchange / Participation in regional and national information events / symposia / (Ad hoc) discussions / dialog	/ Strengthening supplier relationships, setting up strategic partnerships with regard to closed loops / Grid connection, electricity, natural gas and H_2 / Security of supply / Procurement of green electricity, procurement of (green) H_2 / Joint partnerships / Certification / certificates of origin for green electricity, climate-neutral gases and heat
Investors and banks	/ Various conferences / Shareholder events / Visits to Group facilities / Roadshows / Discussions with banks / (Ad hoc) discussions / dialog / Dialog as part of the perception study	/ Strategy / Governance / SALCOS®: sustainable, low carbon steel production / Current (risk) issues: Russia sanctions, energy security, hydrogen ramp-up / Investments / Growth of company and business (liquidity, finance, reports and financial statements) / Annual General Meeting, stock and dividend / Implementation of an ESG component for syndicated loan / Green loan financing of SALCOS® / Current ESG topics and issues

Stakeholder group	Examples of inclusion	Subjects for discussion
Political circles	/ Various conferences / Conversations at trade fairs / Visits to Group facilities / (Ad hoc) discussions / dialog	/ Strategy for the future (projects, products and innovation) / SALCOS®: sustainable, low carbon steel production as well as green lead markets / Transformative regulatory policy: Subsidies and regulatory systems / Export policy / Design of EU ETS and CBAMs / Circular economy / Current (risk) issues: Russia sanctions, energy security, hydrogen ramp-up / Infrastructure (gas and electricity grids, transport connections)
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 / Bilateral on-site visits / Research projects	/ SALCOS®: sustainable, low carbon steel production / Ecological footprint of products (supply chain, recycling) / Infrastructure (EE, H_2 and warehouses) / Joint information events and regional projects / Innovative solutions in the area of resource efficiency / Current ESG topics and issues / Reducing carbon in the supply chain / Exchange of know-how on new technologies, (production) techniques, etc.
Strategic partners	/ Visits to company facilities / Memoranda of Understanding / (Ad hoc) discussions / dialog / Joint panels of experts	/ 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, H_2 and disposal)

→ GRI 2-29

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 Chair 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 of the Chair 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 of Shareholders 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 2023. 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 of Corporate Governance**.

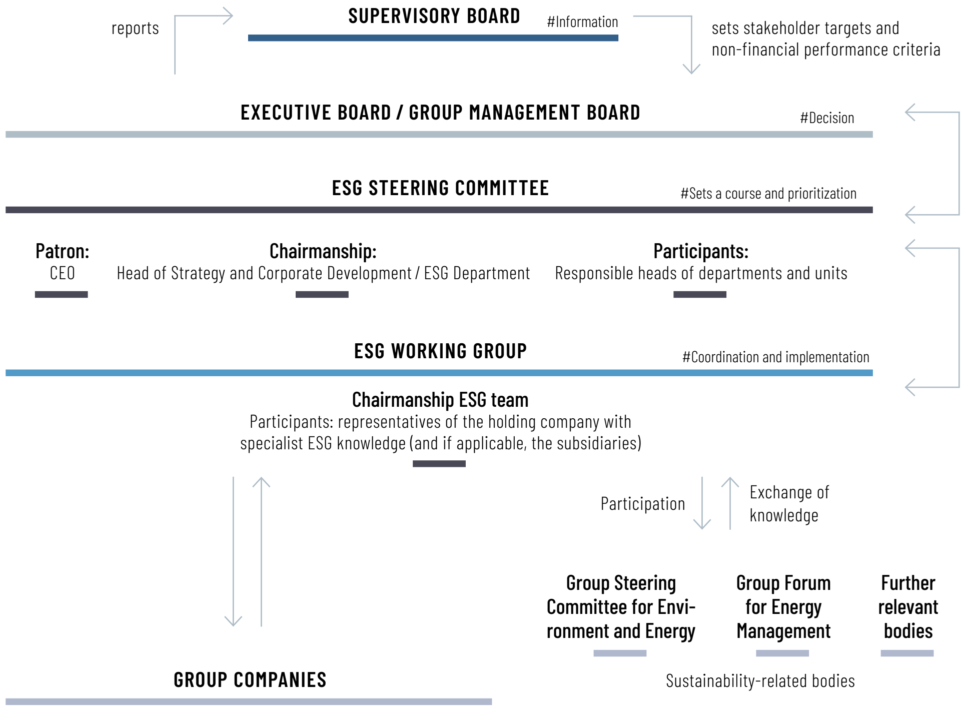
In order to reinforce the incentive of sustainable corporate growth for members of the Executive Board, 30 % of their variable remuneration paid in the form of an annual bonus and 30 % as a performance cash award depend on non-financial targets alongside financial targets. When defining annual targets, the Supervisory Board ensures that they serve the corporate (also: 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, improvements to ESG ratings 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 managers 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 CEO 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 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 2022: 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) which 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. Its remit also runs to reflecting and preparing ESG steering committee meetings. 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 subject of ESG and is regularly informed at meetings of the Group Management Board on the implementation status of current sustainability topics and issues. 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 ESG organization enables strategic decision-making processes to be effectively 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, we conducted a thorough materiality analysis involving 170 internal and external stakeholders in order to determine the relevant contents for the report. We based our selection of potentially material topics and issues on an analysis of the competition and existing sustainability standards and frameworks such as the Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI), among others. These topics were then verified with internal stakeholders in an interdisciplinary workshop, extended and validated with the aid of expert interviews. Comments on the selection of topics were invited by means of an online stakeholder survey and the topics ranked 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 2-29

In 2023, the 18 material topics identified in the previous year were validated by internal experts and the ESG Steering Committee. The subjects on the list were examined for topicality and any potential need to amend or supplement the list was discussed. Both the technical departments and the ESG Steering Committee came to the conclusion that the main topics should be retained unchanged for the 2023 Non-Financial Report. The result was confirmed by the Executive Board and the Group Management Board. → GRI 3-1

The following topics and issues are considered in detail in the sections of the non-financial report also sub-divided by ESG dimensions. Some individual sections frequently cover content relevant to several material topics, e.g. when describing the measures we have implemented in the areas of "Energy efficiency" and "Climate protection". → GRI 3-2

Salzgitter AG's material topics

Environment, climate and energy	Social	Governance and compliance
/ Energy efficiency / Climate protection / Environmental protection / Circular economy and resource management / Waste management / Water management	/ Recruitment and retention of skilled workers / Training and further education / Employer attractiveness / Occupational health and safety / Human rights and supply chain management	/ Economic stability / Compliance / Innovative capability / ESG governance / sustainable corporate management / Partnerships / Climate, environmental and energy policies / Communication with stakeholders

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 also plays a major role in shaping our business decisions. Systems and production processes are subject to ongoing review with respect to their impact on the climate and the environment and continuously improved. This conviction is underlined by the systematic focus of the "Salzgitter AG 2030" strategy on low carbon steel production and recyclable processes and products. Our participation in the Science Based Targets Initiative is testament to our efforts to reduce the effects of climate change.

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. The transformation of steel production, supplemented by optimizations in 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 an integral component of 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 or processing 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. As of the reporting date, the proportion of companies certified to ISO 14001 stood at 60 %. In addition, numerous Group companies also have certified energy management systems in accordance with the DIN EN ISO 50001 standard. 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 2023 financial year, this expenditure amounted to around € 337 million (2022: € 193 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", "Energy Efficiency" as well as "Climate Protection" 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 optimizes its 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 **"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 support the groupwide management of measures to enhance energy efficiency, are also explained. → GRI 3-3, 302

/ 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 ecological indicators described in this report relate – unless otherwise specified – to the principal subsidiaries of Salzgitter AG.

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 "water withdrawal" and "water recycling" indicators have been reported since 2022 (until 2021: "water consumption" and "wastewater discharge"). 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 from 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)

		2023	2022	2021[1]
Total water withdrawal	Tm^3	18,569	19,219	19,439
Of which surface water	Tm^3	343	338	
Of which groundwater	Tm^3	18,026	18,498	
Of which seawater	Tm^3	0	0	
Of which produced water	Tm^3	0	0	
Of which water by third parties	Tm^3	200	383	

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

→ GRI 303-3, 303-5

Water recycling

		2023	2022	2021[1]
Total water recycled	Tm^3	12,318	11,524	12,903
Of which surface water	Tm^3	12,109	11,348	
Of which groundwater	Tm^3	0	0	
Of which seawater	Tm^3	0	0	
Of which produced water	Tm^3	0	0	
Of which water by third parties	Tm^3	209	176	

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

→ GRI 303-4

Salzgitter Flachstahl GmbH (SZFG) assumes special responsibility when it comes to 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 2023, the water withdrawal lay slightly below the previous year's level due to the fall in crude steel production. Less than 1% of groupwide water withdrawal originates from regions with high water stress. The year-on-year rise in water recycling is due to increased rainfall in the reporting year.
→ GRI 303-1, 306-2

CIRCULAR ECONOMY AND RESOURCE MANAGEMENT

Closed loops form a key element of our corporate 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 recycled almost infinitely 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. This is why enhancing the efficiency of our production processes has always 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 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

		2023	2022	2021
Iron ore (lump ore, pellets, ...)	kt	4,753	5,309	5,533
Reduction agents				
Coking coal	kt	1,759	1,789	1,771
Bought-in coke	kt	56	109	90
Anthracite and coal fines	kt	649	814	898
Other auxiliary materials				
Limestone and dolomite	kt	822	983	1,033
Alloys and metals	kt	87	87	93
Auxiliaries (e. g. dunite)	kt	163	191	196
Total scrap	kt	1,750	1,770	2,111

→ GRI 301-1, 301-2

		2023	2022	2021
Crude steel production	kt	4,540	4,933	5,362
Salzgitter Flachstahl GmbH	kt	3,699	4,154	4,341
Peiner Träger GmbH	kt	841	779	1,021

In the 2023 financial year, the production of crude steel fell by 8% compared with the previous year due to the relining of blast furnace A. This was reflected in lower input volumes of iron ore, reducing agents, as well as the auxiliaries limestone and dolomite. The use of scrap overall remained at the level of 2022 thanks to the increase in scrap-based steel production at Peiner Träger GmbH (PTG).

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 the appropriate action to ensure its proper disposal. Besides the total volume of waste incurred, the key indicators reported since 2022 also include the proportion of waste passed on for disposal, distinguishing between non-hazardous and hazardous waste. → GRI 3-3, 306

Waste

		2023	2022	2021
Waste incurred	kt	1,353	1,470	1,342
Of which non-hazardous waste	kt	1,292	1,404	1,286
Of which hazardous waste	kt	61	65	56
Waste diverted from disposal	kt	672	771	
Of which non-hazardous waste	kt	645	740	
Of which hazardous waste	kt	27	31	
Waste passed on for disposal	kt	675	699	
Of which non-hazardous waste	kt	643	664	
Of which hazardous waste	kt	32	35	

→ GRI 306-3, 306-4, 306-5

Total waste declined in 2023 in line with the reduced production of crude steel. The hazardous waste generated fell in the reporting year but remained at a high level. The main reasons for this were the preparatory structural measures and clearance of the construction site as part of the implementation of SALCOS® and the dismantling work associated with it. → GRI 306-1

AIR EMISSIONS

Many of the manufacturing Group companies run operating plants requiring approval. In accordance with the German PRTR Act (Pollutant Release and Transfer Register), 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 over the last three years are shown in the following table.

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

		2023	2022	2021
NO_x	t	4,033	4,370	4,510
SO_x	t	5,603	5,139	4,804
Particulate matter (PM10)	t	96	107	101

→ GRI 305-7

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.

ENERGY EFFICIENCY

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

Due to the decrease in SZFG's iron ore based crude steel production as described earlier, fewer primary energy sources and reducing agents were used. This also led to a reduction in the in-house production of electricity on the basis of byproduct gases which significantly increased the procurement of external electricity. The proportion of regenerative energy in the external electricity procured was expanded to over 20 % in the reporting year. This significant procurement of electricity from renewable sources is the result of our efforts to reach a green electricity proportion in our procurement of external electricity of 50 % in 2025. → GRI 3-3, 201; 3-3, 302; 3-3, 305

Energy consumption

		2023	2022	2021
Primary energy sources[1]	GWh	3,734	3,853	4,023
Energy used to generate steam and electricity from waste gas and waste heat	GWh	1,863	2,113	1,934
Electricity consumption	GWh	2,441	2,453	2,635
of which external power supply	GWh	1,186	919	1,160
of which from renewable sources	GWh	255		
Total energy consumption	GWh	4,920	4,773	5,183

[1] Without reducing agents, they are considered under "Materials used".

→ GRI 302-1, 302-4

MEASURES IN THE AREA OF ENERGY EFFICIENCY

One important cornerstone of our efforts to optimize our energy efficiency is the "Energy Management Group Forum". This 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 made available to all participants constitutes an important element in this process. The platform currently comprises several hundred individual measures.

The "EηERGY" groupwide energy efficiency network has been extended and will be continued until the end of 2025. The aim of the project is to pool the strengths of individual departments within the company to leverage any remaining potential for saving energy that can be economically tapped. Buoyed by our positive experience from the first and second rounds from 2016 to 2022, we have raised the annual savings target – for the third round – to 100 GWh. → GRI 3-3, 302; 305-5

Our integrated steel mill in Salzgitter has the largest impact on the energy consumption of the whole Group. For this reason, SZFG operates its own energy savings scheme and GHG emissions reduction program in the shape of its "Energy Efficiency" (EE) project. The energy savings achieved make 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. By the end of the reporting year, 485 energy efficiency measures had been identified. These measures are examined in terms of their technical feasibility and economic viability, and 296 have been implemented to date. As a direct consequence of the efficiency measures, cumulative savings of 1,076 GWh of external energy were achieved in 2023 and at the same time Scope 1 and Scope 2 carbon emissions cut by 224 kt. → GRI 3-3, 302; 3-3, 305

CLIMATE PROTECTION

The Salzgitter Group takes responsibility for the challenges posed by climate change. Climate protection is therefore a key element of the "Salzgitter AG 2030" strategy. By 2026, we intend to have laid the foundation with the first step of our SALCOS® program to make it technically feasible to reduce our Scope 1 and Scope 2 CO_{2e} emissions by 30 % compared with 2018. The target is to halve emissions by comparison with 2018 by 2030 as further parts of the program come on stream. Salzgitter AG is thus exceeding the 30 % carbon reduction climate target by 2030 of the European Steel Association EUROFER by a wide margin.

By employing a robust methodology for surveying CO_{2e} emissions holistically, we created the necessary database in the reporting year and submitted ambitious targets to the Science Based Targets Initiative (SBTi) in December 2023.

Our Science Based Targets (SBTs) consist of both short-term targets and long-term net zero targets across all three Scopes. Our targets are intended to put us on the required path to meet the 1.5°C target defined in the Paris Climate Agreement.

In defining our short-term targets, we opted for the earliest possible year of 2028 in accordance with the SBTi. By then we aim to achieve a 30 % reduction in emissions for our hot-rolled steel products based on the carbon intensity of Scopes 1 and 2. The Group's Scope 1 and 2 emissions are to be cut by 33.6 % by 2028 relative to the base year chosen of 2021. In the same period, our Scope 3 target provides for a 20 % CO_{2e} reduction for the Group's main Scope 3 categories including "Purchased goods and services" and "Use phase of sold products".

Our SBTs are an expression of our **decarbonization approach** that rests on four cornerstones:

SCIENCE BASED
Our targets are based on globally recognized scientific insights for meeting the 1.5°C target in the Paris Climate Agreement.

PERFORMANCE-DRIVEN
To achieve our targets, we pursue measures to directly avoid CO_{2e} emissions, focusing on our goals in the sustainable decarbonization of every business unit.

HOLISTIC
We take account of both our direct impact and that of the upstream and downstream value chain at home and abroad. In particular, we focus on the sustainable procurement of goods and on reducing CO_{2e} emissions over the use phase of our machinery.

TRANSPARENT
We are aware that transparency is an important element of trust and credibility. For that reason, we regularly communicate our progress and invite our stakeholders to engage in dialog.

GREENHOUSE GAS EMISSIONS

The basis for measuring our progress in achieving our targets is the comprehensive, accurate recording of our greenhouse gas emissions (GHG emissions). Using the Greenhouse Gas Protocol, we report the GHG emissions below in the Scope 1 to Scope 3 categories, focusing on the most significant category, "Purchased goods and services". The definitions are as follows:

- Scope 1 = direct GHG emissions
- Scope 2 = indirect, energy-related GHG emissions
- Scope 3 = indirect GHG emissions from "Purchased goods and services"

In order to calculate the GHG emissions in Scope 1 to Scope 3, we use the approach of the "Corporate Accounting and Reporting Standard" of the Greenhouse Gas Protocol.

With respect to Scope 1 emissions, more than 97 % of our direct CO_{2e} emissions (Scope 1) originate from systems subject to the European Emissions Trading System (ETS). Consequently, the strict specifications contained in the corresponding Monitoring Regulation are applicable to a substantial part of our emissions. The further data for Scope 1 and 2 are based on energy consumption figures shown in the "Energy consumption" table as well as the CO_{2e} emissions of the vehicle fleet.

Scope 2 emissions are calculated using the location-based and market-based method. While for the market-based method, emissions are calculated on the basis of the electricity purchased by Group companies, the location-based method looks at the emission intensity of the relevant grid areas.

		2023	2022	2021
Scope 1 – Direct GHG emissions	kt CO_2	7,308	8,002	8,196
Scope 2 – Indirect energy-related GHG emissions (site based)	kt CO_2	491	386	425
Scope 2 – Indirect energy-related GHG emissions (market based)[1]	kt CO_2	649	-	-
Scope 3 – Indirect GHG emissions from „Purchased goods and services"[2]	kt CO_2	12,872	1,294	1,378
Reduction of GHG emissions as a direct result of efficiency measures[3]	kt CO_2	224	204	207

1 Scope 2 emissions are also recorded for the first time in 2023 through the market-based approach.
2 2023 first time assessment of the total Scope 3 category "Purchased goods and services". Before 2023, only the raw materials procurement excluding reducing agents was taken into account using specific emission factors based on supplier details or generally available sources.
3 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 2023 are correlated with SZFG's lower primary crude steel production (Scope 1) and the associated increase in the procurement of external electricity (Scope 2). The entire category of "Purchased goods and services" including trading activities was reported in Scope 3 emissions for the whole Group for the first time in the reporting year. Before 2023, only the purchase of raw materials excluding reducing agents was taken into account. There is therefore no direct comparability with previous years. → GRI 3-3, 305

In 2023, Salzgitter AG reported its comprehensive Corporate Carbon Footprint in the CDP's climate change questionnaire. We have been participating in the CDP's reporting format every year since 2016. In 2023 we were again awarded the excellent rating of "A-". This means we remain significantly above the global average ("B-") among the companies analyzed by CDP in the metalworking sector.

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 integrated steelworks. The SALCOS® program therefore takes the direct avoidance of these carbon emissions as its starting point (Carbon Direct Avoidance).

The aim of SALCOS® is to convert steel production in Salzgitter to low carbon crude steel production in stages by 2033. In implementing the first stage, we wish to supply our customers with significant quantities of low carbon steel as early as 2026. The direct reduction plant with connecting electric arc furnace using the hydrogen from a 100 MW_{el} electrolyzer will then account for roughly 30 % of SZFG's primary steel production. At the same time, the first blast furnace will be shut down in 2026.

With the contract for the 100 MW pressurized alkaline electrolyzer awarded to ANDRITZ, all central SALCOS® systems for the first stage have been commissioned since September 2023. With construction of Tennet's transformer substation in Bleckenstedt / Süd also starting in September 2023, Salzgitter AG has taken a major step forward in terms of the timely supply of green energy. All the various elements making up the SALCOS® program are thus in the manufacturing or construction phase. In this way, we are underlining our pioneering role in the decarbonization of industry.

The "µDRAL" direct reduction demonstration plant which went into operation on SZFG's site in 2022 produced around 150 tons of direct-reduced iron for test purposes during its trial operation in the 2023 reporting year. Running the plant on 100 % hydrogen proved a success. SZFG thus reached a further milestone in its preparations for low carbon steel production. Hot commissioning with flexibly adjustable mixtures of natural gas and hydrogen was continued.

Low carbon steel slabs with a varied range of dimensions and grades have also been produced in PTG's electric steel mill since the end of 2020, then further processed to form hot and cold rolled strip at SZFG and supplied to our customers. SZFG was the first European steel manufacturer to receive conformity certificates in accordance with the VERIsteel standard for this process from TÜV SÜD. This method enables the product-specific carbon emissions during steel production to be verified, thus supporting the process of decarbonization. It shows that switching the steel production process from the conventional blast furnace route to the electric steel method driven by green electricity achieves a reduction of more than 80 %. The low carbon steel products have already been supplied to prestigious customers such as BMW, Daimler, BSH and Miele, among others. → GRI 3-3, 201, 201-2; 3-3, 305

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.

The EU taxonomy is a classification system of sustainable economic activities with respect to the six **environmental goals** of 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.

Since January 1, 2022, non-financial companies covered by the CSR Directive Implementation Act, have been obliged to disclose key taxonomy indicators for the first two environmental objectives of "climate protection" and "adaptation to climate change" ("Climate Delegated Regulation", (EU) 2021/2139) in accordance with the Taxonomy Regulation. They are required to report how and to what extent their business activities fall within the scope of the EU Taxonomy Regulation (hereinafter "taxonomy-eligible"), and to what extent their sales, operating expenses (OpEx) and capital expenditure (CapEx) meet the defined requirements of the EU Taxonomy Directive and are thus deemed to be ecologically sustainable as stated by these requirements (hereinafter "taxonomy-aligned").

With the publication of the "Environmental Delegated Regulation" (EU) 2023/2485, it has been a requirement since 2023 to also examine their business activities for their taxonomy eligibility with respect to environmental objectives 3–6. Consequently, we are expanding our reporting focus for 2023 to include the proportion of sales derived from products or services, and the proportion of capital expenditure and operating expenditure derived from assets or processes connected to the taxonomy-eligible activities of environmental objectives 3–6.

TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

To ascertain whether an 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 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 still **taxonomy-eligible** in the financial year 2023 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, the manufacture of iron and steel, besides the production of steel (C24.10), also includes its subsequent processing into rolled steel and tubes (C24.20, C24.33), both within the Group and in the sale of the Group's own steel products (G46.72). 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.

Moreover, with the publication of the "Environmental Delegated Regulation", the following activity was identified as **taxonomy-eligible** for the first time in the financial year 2023 **for the environmental objective of "Transition to a circular economy"**.

/ Sorting and material recycling of non-hazardous waste (Economic activity 2.7)

The activity of recovering sorted materials (E38.32) is connected to the business activity of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU), offering both internal and external customers products from the areas of scrap recycling, as well as steel and non-ferrous metal scrap, old metals, non-ferrous metals, ferro-alloys and used iron (degraded rolled steel products).

In following the aforementioned procedure, we are reporting **51%** of our **external sales** as **taxonomy-eligible** in the financial year 2023. 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 **taxonomy-eligible capital expenditure and operating expenses,** namely **78%** and **83%** respectively.

In the financial year 2022, we reported a share of taxonomy-eligible external sales of 48%, taxonomy-eligible capital expenditure (CapEx) of 73% and taxonomy-eligible operating expenses (OpEx) of 81%. This means that the relative KPIs in the reporting year are at a similar level to the previous year. Even this extended analysis brought about by the addition of environmental objectives 3–6 did not lead to any relevant change in the KPIs. In our view, there are two reasons for this: On the one hand, DEUMU generates mostly internal sales through its activity "sorting and material recycling of non-hazardous waste". On the other, environmental objective 4, "transition to a circular economy", does not take account of the manufacture or trading of steel although steel constitutes a circular material.

Activities in the Technology Business Unit, further processing and trading in steel products not originating within the Group, 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 I of the Delegated Regulation (EU) 2022/1214. For this reason, reporting forms 1 through to 5 are not required.

We would point out that on the reporting date, uncertainties remained in questions of interpretation with regard to the Taxonomy Regulation.

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

To be classified as ecologically sustainable or as taxonomy-aligned, 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.

As in the previous year, the alignment check was carried out for economic activities 3.9 and 6.2. As the Salzgitter Group's taxonomy-eligible economic activities are assigned to the environmental objective of "Climate protection", the requirements are based on Delegated Regulation (EU) 2021/2139 of the European Commission and in particular its Annex I. No alignment check is as yet required for Economic activity 2.7 according to the Environmental Delegated Regulation in the financial year 2023 and will thus be conducted for the first time in the following year of 2024.

SUBSTANTIAL CONTRIBUTION

Analysis of 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 carbon limits prescribed for each 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 all consolidated companies 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 the 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 restoration 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 (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.

ALIGNMENT CHECK FINDINGS

TURNOVER KPI

In the 2023 financial year, an initial alignment check identified **6 % taxonomy-aligned external sales** (2022: 7 %) for the Salzgitter Group. This percentage essentially resulted from 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 meets the substantial contribution of the environmental objective of "Climate protection". 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-aligned 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 relevant Annexes A through D of the Commission Delegated Regulation (EU) 2021/2139. Based on consistencies with the alignment 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. Beyond that, we did not identify any substantial risks in the rail network mainly used.

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 Staatliches Gewerbeaufsichtsamt Braunschweig (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 audits are instrumental in monitoring compliance with the prevailing laws and regulations on the protection of environmental assets, particularly water resources, 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 an 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 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.

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-aligned CapEx of 23 %** (2022: 25 %) essentially consists of capital expenditure in the existing taxonomy-aligned part of PTG's Economic activity 3.9 and of expenditures to achieve taxonomy alignment 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 € 112.2 million in the financial year 2023. This amount is accounted for by the first development stage of the SALCOS® transformation program. Furthermore, to a minor extent, taxonomy-aligned 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 **6 % taxonomy-aligned OpEx** (2022: 7 %) comprises OpEx from Economic activity 3.9 that already complies today with taxonomy-aligned 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 € 5.5 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-aligned OpEx and recorded here on a pro rata basis, along with very low OpEx from VPS's business activities.

A definitive split between taxonomy-aligned CapEx B and OpEx B by environmental objectives "Climate protection" and "Adaptation 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 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, a number of Group companies are increasingly operating in a non-European 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 perform due diligence with respect to human rights and to minimize the risks of possible breaches of human rights. At the same time, further formalization, structuring and development of Human Rights Due Diligence processes are planned in the following year 2024.

DETERMINATION OF TAXONOMY KEY PERFORMANCE INDICATORS

We have taken account of the main Group companies in determining the key indicators. The qualitative and quantitative criteria listed below were taken into account for the calculation of materiality.

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

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

/ The third stage involves calculating the overall share of consolidated turnover and investments based on this 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.

/ OpEx that is also relevant within the scope of the EU Taxonomy is determined 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 the main expenses for repair and maintenance. In supplementation, expenses accruing from research and development are also considered, with the result that the central research and development unit of the Salzgitter Group (SZMF) is also explicitly incorporated.

In the context of an analysis, we evaluated 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 their proportions. In as much as economic activities pursuant to the EU Taxonomy are not intended, we assigned the respective Group companies in terms of key performance indicators to non-classifiable activities (not taxonomy-eligible). This mapping is also applied to Group companies of secondary importance to enable reporting below the line (denominator).

The assignment of just one economic activity per company is based on the identification process which revealed a 1:1 relationship between company and economic activity. This method avoids double counting when the key indicators are assigned. 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 2023.

The data were directly allocated to an economic activity to the extent possible. For the production of iron and steel (Economic activity 3.9), that involves three manufacturing Group companies in the Salzgitter Group. 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 part involving intra-group material movements is allocated to taxonomy-eligible activities. The remaining part is recorded under non-taxonomy-eligible 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. For Freight rail transport (Economic activity 6.2) and Sorting and material recycling of non-hazardous waste (Economic activity 2.7), the data are allocated directly.

SALES REVENUES

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 2023 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 2023 Annual Report under the section entitled "Notes to the Consolidated Financial Statements". In addition, the KPI takes account of rights of use from leases (IFRS 16) and additions from business combinations. This information is available in the → **Notes** under "Analysis of Fixed Assets 2023".

The proportion of the respective capital expenditure attributable to taxonomy-eligible economic activities (taxonomy-eligible CapEx) is calculated on this basis. 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/-aligned economic activities (for example engaging in a new economic activity) or by converting taxonomy-eligible into taxonomy-aligned 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-aligned economic activities (so-called CapEx B) were included in the numerator for the reporting year 2023.

The SALCOS® CapEx plan in particular is aimed at mapping capital expenditure that, with the implementation of the first SALCOS® stage, is intended to lead to a partial transformation of Salzgitter Flachstahl GmbH's taxonomy-eligible Economic activity 3.9 "Manufacture of iron and steel" into taxonomy alignment in accordance with the "climate protection" environmental objective by the end of 2026. The entire CapEx budgeted for the implementation of the first SALCOS® stage 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 expenses 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 numerator comprises the proportion of taxonomy-eligible / taxonomy aligned expenditure (taxonomy-eligible OpEx) in the denominator resulting from the abovementioned description of types of taxonomy-eligible OpEx. Accordingly, these are operating expenses for economic activities which are already taxonomy-aligned, activities serving to expand taxonomy-aligned economic activities or to transform taxonomy eligibility into taxonomy alignment as well as expenses for individual measures through which target activities are conducted by low carbon methods or emissions of greenhouse gases are cut.

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

TAXONOMY KEY PERFORMANCE INDICATORS

To disclose the main performance indicators (KPIs) in accordance with the Taxomony Regulation, we use report forms which are defined in the annexes to the Commission Delegated Regulation (EU) 2021/2178 on taxonomy reporting. If necessary, we use the following abbreviations for the six environment goals:

/ Climate protection: **CCM** (Climate Change Mitigation)
/ Climate change adaptation: **CCA** (Climate Change Adaption)
/ Environmental pollution: **PPC** (Pollution Prevention and Control)
/ Biological water and marine resources: **WTR** (Water and marine Resources)
/ Circular economy: **CE** (Circular Economy)
/ Diversity and ecosystems: **BIO** (Biodiversity and ecosystems)

Reporting form: Proportion of turnover from goods or services associated with taxonomy-aligned economic activities – disclosure for 2023

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	Sales (3)	Proportion of turnover (4)	CCM (5)	CCA (6)	WTR (7)	CE (8)	PPC (9)	BIO (10)	CCM (11)	CCA (12)	WTR (13)	CE (14)	PPC (15)	BIO (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m	%	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
3.9 Manufacture of iron and steel	CCM	646.4	6.00 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	No	Yes	Yes	No	Yes	Yes	Yes	7.30 %		
6.2 Freight rail transport	CCM	5.4	0.10 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	No	Yes	No	Yes	Yes	No	Yes	0.00 %		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		651.8	6.00 %	100.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %								7.30 %		
Of which enabling		0.0	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %									E	
Of which transitional		646.4	6.00 %	100.00 %															T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL										
3.9 Manufacture of iron and steel	CCM	4,850.4	45.00 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								40.30 %		
6.2 Freight rail transport	CCM	9.4	0.10 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.10 %		
2.7 Sorting and material recovery of non-hazardous waste	CE	4.0	0.00 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL										

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	Sales (3)	Proportion of turnover (4)	CCM (5)	CCA (6)	WTR (7)	CE (8)	PPC (9)	BIO (10)	CCM (11)	CCA (12)	WTR (13)	CE (14)	PPC (15)	BIO (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) turnover, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m	%	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,863.7	45.10 %	99.90 %	0.00 %	0.00 %	0.10 %	0.00 %	0.00 %								40.40 %		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		5,515.5	51.10 %	99.90 %	0.00 %	0.00 %	0.10 %	0.00 %	0.00 %								47.70 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		5,275.0	48.90 %																
Total (A + B)		10,790.5	100.00 %																

[1] Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
[2] EL – Taxonomy-eligible activity for the relevant environmental objective

Reporting form: CapEx proportion of turnover from goods or services associated with taxonomy-aligned economic activities – disclosure for 2023

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx (4)	CCM (5)	CCA (6)	WTR (7)	CE (8)	PPC (9)	BIO (10)	CCM (11)	CCA (12)	WTR (13)	CE (14)	PPC (15)	BIO (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) CapEx, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m	%	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
3.9 Manufacture of iron and steel	CCM	134.6	23.10 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	No	Yes	Yes	No	Yes	Yes	Yes	25.10 %		
6.2 Freight rail transport	CCM	0.6	0.10 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	No	Yes	No	Yes	Yes	No	Yes	0.30 %		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		135.2	23.20 %	100.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %								25.40 %		
Of which enabling		0.0	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %									E	
Of which transitional		22.4	3.84 %	100.00 %															T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL										
3.9 Manufacture of iron and steel	CCM	312.3	53.60 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								45.40 %		
6.2 Freight rail transport	CCM	8.0	1.40 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.60 %		
2.7 Sorting and material recovery of non-hazardous waste	CE	0.3	0.00 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL										

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx (4)	CCM (5)	CCA (6)	WTR (7)	CE (8)	PPC (9)	BIO (10)	CCM (11)	CCA (12)	WTR (13)	CE (14)	PPC (15)	BIO (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) CapEx, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m	%	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		320.6	55.00 %	99.90 %	0.00 %	0.00 %	0.10 %	0.00 %	0.00 %								48.00 %		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		455.8	78.20 %	99.90 %	0.00 %	0.00 %	0.10 %	0.00 %	0.00 %								73.40 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Non-Taxonomy-eligible activities (B)		127.3	21.80 %																
Total (A + B)		583.1	100.00 %																

[1] Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
[2] EL – Taxonomy-eligible activity for the relevant environmental objective

Reporting form: OpEx proportion of turnover from goods or services associated with taxonomy-aligned economic activities – disclosure for 2023

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	OpEx (3)	Proportion of OpEx (4)	CCM (5)	CCA (6)	WTR (7)	CE (8)	PPC (9)	BIO (10)	CCM (11)	CCA (12)	WTR (13)	CE (14)	PPC (15)	BIO (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) OpEx, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m	%	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
3.9 Manufacture of iron and steel	CCM	47.6	6.30 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	No	Yes	Yes	No	Yes	Yes	Yes	7.40 %		
6.2 Freight rail transport	CCM	0.4	0.00 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	No	Yes	No	Yes	Yes	No	Yes	0.00 %		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		48.0	6.30 %	100.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %								7.40 %		
Of which enabling		0.0	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %									E	
Of which transitional		47.6	6.30 %	100.00 %															T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL	EL[2]; N/EL										
3.9 Manufacture of iron and steel	CCM	555.1	73.10 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								69.40 %		
6.2 Freight rail transport	CCM	23.7	3.10 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.90 %		
2.7 Sorting and material recovery of non-hazardous waste	CE	0.4	0.10 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL										

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	OpEx (3)	Proportion of OpEx (4)	CCM (5)	CCA (6)	WTR (7)	CE (8)	PPC (9)	BIO (10)	CCM (11)	CCA (12)	WTR (13)	CE (14)	PPC (15)	BIO (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) OpEx, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m	%	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		579.2	76.30 %	99.90 %	0.00 %	0.00 %	0.10 %	0.00 %	0.00 %								73.30 %		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		627.2	82.60 %	99.90 %	0.00 %	0.00 %	0.10 %	0.00 %	0.00 %								80.70 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		131.9	17.40 %																
Total (A + B)		759.1	100.00 %																

[1] Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
[2] EL – Taxonomy-eligible activity for the relevant environmental objective

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.

MANAGEMENT PRIORITIES

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. → GRI 3-3, 308-2; 3-3, 414

The key data in the "Employees" chapter provide an overview of how our workforce is structured and supplement the information on the aforementioned key topics. As a rule, workforce data are based on the workforces of all consolidated domestic and foreign Group companies. If such data are 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 – after all, it is they who shape the future of the Salzgitter Group. 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. We continuously refine our personnel strategy, taking account of both current and future requirements such as demographic changes or the skilled labor shortage, and fuse the concerns in Human Resources in the Group and in individual companies to form a comprehensive concept.

Activities across the Group and other activities of a strategic nature that affect our employees are 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. Local personnel departments are involved and informed 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, an HR Board consisting of the Industrial Relations Director and the personnel general managers of the business units functions as an accompanying committee to harmonize 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 co-determination 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 co-determination and participation body of the employees. In addition, each business unit has own work groups within the works councils. Collaboration between companies and employee representatives is supported by our Group works agreements governing the "Composition and Duties of the Group Works Council" as well as the "Works Council Work Groups". The Executive Board and senior management regularly participate in events organized by the Group Works Council and the works councils, which facilitates 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 provide an overview of the structure and composition of our workforce. In addition, more detailed key data on the topics of training, continuous professional development and health and safety at work, for instance, are also reported on in this chapter.

Total workforce

	2023	2022	2021
Total workforce	25,183	24,569	24,255

→ GRI 2-7

Core workforce by gender and employee group

	2023					2022					2021				
	total	m	%	f	%	total	m	%	f	%	total	m	%	f	%
Wage earners	12,779	12,358	96.7	421	3.3	12,605	12,198	96.8	407	3.2	10,288	10,024	97.4	264	2.6
Tariff	7,510	5,216	69.5	2,294	30.5	7,249	5,015	69.2	2,234	30.8	5,563	3,865	69.5	1,698	30.5
Non-tariff	2,550	2,160	84.7	390	15.3	2,472	2,108	85.3	364	14.7	1,909	1,634	85.6	275	14.4
Senior executives	300	271	90.3	29	9.7	296	267	90.2	29	9.8	261	234	89.7	27	10.3
Total core workforce	23,138	20,004	86.5	3,134	13.5	22,622	19,588	86.6	3,034	13.4	18,021	15,757	87.4	2,264	12.6

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

→ GRI 2-7, 405-1

Proportion of women on management boards

In %	2023	2022	2021
Supervisory Board Salzgitter AG	33.3	28.6	28.6
Executive board and senior management[1]	6.9	7.7	5.0

[1] 2021 – 2022 recording domestic only; as from 2023, recording domestic and international.

→ GRI 2-9, 405-1

Employee groups

	2023	2022	2021
Permanent employee	22,399	21,869	17,503
Fixed-term employees	739	753	518
Full-time employees	22,070	21,652	17,248
Part-time employees	1,068	970	773

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

→ GRI 2-7

Employees by age group

	2023	2022	2021
Up to 30 years in %	13.3	12.7	12.4
31 to 50 years in %	46	45.5	45.3
Over 50 years old in %	40.7	41.8	42.3
Average age in years	45.3	45.5	45.7

Recording domestic only.

→ GRI 2-7

Persons with disabilities

In %	2023	2022	2021
Proportion of persons with severe disabilities	5.3	5.6	5.8

Recording domestic only.

→ GRI 2-7

Fluctuation

	2023	2022	2021
Fluctuation rate in %[1]	7.3	6.9	5.6
Average length of service in years	18.8	19.4	19.9

Recording domestic only.

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

→ GRI 401-1

Employees by region

	2023	2022	2021
Germany	18,597	18,142	17,995
Rest of Europe	1,857	1,904	1,893
America	1,671	1,592	1,517
Asia	817	812	777
Other regions	196	172	174

→ GRI 2-7

Temporary staff outsourced

	2023	2022	2021
Temporary staff outsourced	835	686	671

→ GRI 2-8

Overall, the Group's workforce numbers remained largely steady compared with the previous year. The growth in the workforce is due among other factors to personnel requirements in the KHS Group and Salzgitter Flachstahl GmbH (SZFG) as well as a change in the consolidated group. There were no mass redundancies or significant job cuts in the reporting year. The rise in the number of temporary staff by comparison with the previous year is the result or short-term extra requirements as well as consolidation effects.

The Supervisory Board of Salzgitter AG included seven women in the reporting year, representing an increase in the proportion of women by comparison with the previous year. The change in the proportion of women on boards and in managerial positions is due to extending the key data survey to foreign facilities in the reporting year. We continue to work on raising the proportion of women in managerial positions in the company still further. Information on the relevant activities can be found in the chapter on → Promotion of women.

Our staff turnover rate describes the average percentage of employees joining and leaving the core workforce (domestic companies). Due to a greater number of external staff joining the Group, the staff turnover rate increased in the reporting year. This also resulted in a lowering of the average age of our workforce and the average length of service.

A more detailed description of trends in the workforce in the financial year 2023, along with information on the composition of our Supervisory Board, can be found in the combined management report in the sections entitled → Employees and → Declaration of 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 are also impacting the Salzgitter Group. Our positioning 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

There are various offers and measures in place to help our employees strike a balance between family life and their work. As a general rule, the working hours of our employees are based on statutory, collectively agreed and company provisions. Works agreements specific to the various companies and rules and regulations on mobile work and a wide range of different, flexible working time models, such as trust-based working, flexitime and working time accounts enable our employees to structure their work, depending on the circumstances of their specific job while taking account of their own personal concerns. Our employees also have the option of reducing their working time and working part-time.

In addition, collectively agreed rules apply to the majority of employees with respect to granting special holidays for personal occasions as well as the option of converting collectively agreed special payments into additional days off.

For several years now, our employees in Germany have 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. In cooperation with external partners, the Salzgitter location also offers vacation care for primary school children close to the workplace. Vacation care is offered on company premises and is free of charge for participating families. It is available during Easter, summer and fall vacations, thus making a contribution towards supporting parents in overcoming bottlenecks in care services.
→ GRI 3-3, 405-2; 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 ↗ Niedersachsen-Technikum. 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. In addition, female employees in a wide variety of areas regularly offer a glimpse of their professional progress and their working day in the Salzgitter Group in our career blog, thus acting as female role models.

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 general managers 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. Even after completing their mentoring program, mentees meet regularly to share experiences and compare notes. Female colleagues advise each other on career choices and key issues in systematically structured conversations, and together they develop solutions.

Supporting these programs, two new online seminars for women were included in the Group's further education offerings in 2023. These seminars offer our female employees rapid, focused input on issues relating to the subjects of leadership, networking or decision-making.

In addition to the measures offered at a Group level, various activities were launched in the reporting year to attract and promote women at the level of individual Group companies. At SZFG, for example, the women's network "Women of Steel" was set up which serves female employees as a networking platform for dialog in all departments and on all levels of the hierarchy, and is intended to make women more visible in the company. Top management workshops were also staged at Peiner Träger GmbH and both plate steel companies, at which success factors and approaches for increasing the proportion of women, particularly in managerial positions in the companies, were discussed. → GRI 3-3, 405-2; 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. Employees with health-related restrictions can continue to participate fruitfully in working life as a result of the re-design or conversion of their workplaces. 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. In addition, the Group representative body for people with severe disabilities or the local body in Group companies is also available to help employees with questions and concerns on the subject of severe disability or equal opportunities. → GRI 3-3, 406

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 third-party products and services.

REMUNERATION AND BENEFITS

We perceive acting entrepreneurially in unison as a success formula of Salzgitter AG. Transparent, fair remuneration and various benefits make an important contribution to this concept.

TRANSPARENT AND FAIR REMUNERATION

We rely on a fair and transparent remuneration policy consistent with economic growth and strategic development. This is achieved by, among other things, applying sector-specific collective agreements which besides remuneration also cover further relevant aspects of the employment relationship such as special payments, working hours and holiday entitlements.

Commitment to the collective bargaining agreement

In %	2023	2022	2021
Proportion of employees subject to collective agreement	97.0	95.3	94.8

Recording domestic only.

→ 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. Executive board members, managing directors and senior executives enjoy a high variable component in their overall remuneration via which the financial results of the Group, the business unit and the relevant company as well as the individual performance of the manager are all factored into the remuneration calculation. At the start of every new financial year, the Executive Board of Salzgitter AG adopts the targets of the Salzgitter Group and its Group companies in the Group Management Board meeting. They are explained in the ensuing discussions with the managing directors and made part of the annual target agreements of all employees participating in the variable remuneration system in a top-down process. The resulting cascade of target agreement and milestone discussions is intended to translate the Group targets defined into specific tasks in the course of which the degree to which the targets are met has a direct impact on the level of the variable component or bonus. This ensures that both the individual's contribution to the overall financial result and their individual performance are acknowledged. The Group Management Board can specify that results-driven or equally performance-related and conduct-based targets be applied in the companies. As we are convinced that non-financial goals also contribute to the long-term success of the company, strategic, ecological and social targets such as reducing the number of accidents, intensifying the further education of our staff or putting sustainability measures into practice, play as large a role in the agreements with our managers as purely financial indicators.

In order to reinforce the incentive of successful corporate growth over the long term for members of the Executive Board, their variable remuneration is partly dependent upon achieving their targets over a multi-year performance period and on the future performance of the share price.

A detailed explanation of the current remuneration system for the Executive Board and the Supervisory Board can be found in our ↗ Remuneration Report pursuant to Section 162 of the German Stock Corporation Act (AktG).

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

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 various 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**.

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 201-3

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 suggestions for improvements, thereby actively promoting change in their working environments. In 2023, we received 2,603 suggestions for improvements in Group companies in Germany (2022: 2,134).

We launched one particular format enabling our employees to participate in the company's growth in the shape of the "Decarb Award", and we crowned the three winners at the final event in February 2023. As part of the award scheme, managers and employees were given the opportunity to submit ideas for reducing carbon emissions in production and upstream and downstream activities. Almost half of the total of 65 suggestions were presented to a jury in three pitch events in Salzgitter and Mülheim, and 15 of them awarded prizes. The 15 pitch winners identified a total savings potential of around 600,000 t of carbon per year. The measures were included in our groupwide decarbonization path to meet our short-term Science Based Target. Regular reviews are conducted to ensure the measures are implemented. By the end of 2023, we had already launched the successor project with our groupwide "Change Award" series. Our employees are asked to submit their ideas on annually changing priorities from the three areas of ecological, social and entrepreneurial sustainability, in order to make the Group even more sustainable.

We ensure that our employees are informed of current issues in the Group through our extensive Intranet as well as a range of printed matter such as brochures, flyers or posters. 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.

Various event formats are also staged for different groups of employees at both Group and company level. Besides offering the Executive Board or top management the opportunity to provide information, these events also serve the purpose of promoting dialog and forming networks. For example, they include the annual Group forum as well as the regular manager conferences. A more in-depth exchange of opinions on Group issues is continuously supported as part of the cross-company personnel development programs (FORWARD programs). Various discussion and workshop formats at a company level as well as regular works meetings serve the purpose of disseminating information and entering into a dialog with the workforce. → GRI 2-29

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 aim to offer suitable opportunities 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. In addition, a summer vacation program was again organized this year for young people at the Salzgitter and Ilsenburg facilities. Using the motto, "Experience electrical engineering or metalworking technology", participants were given the chance to familiarize themselves with technical professions in an industrial context and try out their manual skills in handling steel as a material.

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 diverse range of 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, we offer 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 and represents an important approach to the problem of skilled labor shortages.

Various training campaigns specific to the relevant business unit were launched in the reporting year in order to enthuse young people for our Group. In the Salzgitter, Peine and Ilsenburg region, a poster campaign was developed together with trainees under the motto "Will the new generation make steel green?" This campaign was then rolled out in the region via various online and offline channels. The faces on the posters were those of trainees in different years and occupations. As part of the campaign "Glüh Auf" (Light Up), the Mannesmann companies published a new training homepage as well as an associated image video in order to attract young people to various training professions and jobs.

After an enforced break due to the coronavirus, a "Trainee Exchange" was held again this year between different Group companies and locations. Eight trainees swapped their traineeship place with each other for two weeks and were thus not only able to get to know different traineeships but also other Group facilities and products. In addition, the regular "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 Group Management Board.

At the Salzgitter facility, our "Future Hunter" program is making its contribution towards readying school-leavers in need of support to take up a company traineeship in the metalworking or electrical field. In the course of this ten-month program, participants learn the basic work methods and gain insights into everyday working life as well as into how training operates in our company. In addition, refugees were again given the opportunity in the reporting year as part of an integration project to get their bearings in the world of work through an internship and to qualify for a company traineeship.

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. To allow trainees in the Group to network, a dialog event was held this year with the participation of the CEO of Salzgitter AG. Trainees had the opportunity both to talk to Mr. Groebler and to swap notes with each other, ask questions and expand their personal network. → GRI 3-3, 404

Training relationships

	2023	2022	2021
Apprentices	1,046	976	973
Sandwich students	50	62	68
Trainees	90	57	67
Interns and working students	227	218	202
Training relationships – total	1,413	1,313	1,310

→ GRI 404-1

Trainee ratio

In %	2023	2022	2021
"Apprentices and sandwich students" trainee ratio – domestic	5.4	5.3	5.3
"Apprentices and sandwich students" trainee ratio – global	4.5	4.4	4.5

→ 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. For example, further training is offered in the spheres of IT and technology, communication and work methods, occupational health and safety as well as leadership, cooperation and equal treatment (General Equal Treatment Act). These courses are staged both as face-to-face events and in digital formats.

The systematic management of training requirements is exemplified by the PuQ program (personnel growth and qualifications) conducted by 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 further training models are in use in other companies with the aim of determining employees' corresponding qualification requirements in structured, joint discussions between supervisors and employees and deriving suitable measures to be implemented.

Employee training and continuous professional development

	2023	2022	2021
Participants in training/CPD	23,617	22,903	18,206
Training & CPD measures implemented	80,250	61,718	48,388

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. The heavier use of digital formats, e.g. in the spheres of information security and compliance, made a significant contribution to boosting our further education numbers in the reporting year. In addition, our training activities were also focused in 2023 on conducting specific learning modules to support managers in shaping digital change at the workplace and with a view to strengthening digital fitness in the Group. As part of the virtual workshop series "Digital Fitness", over 400 managers were trained across the Group. The aim of the training is to understand the background and connections associated with the digital transformation and to draw important implications for contemporary managerial work on this basis as well as to learn tips and tricks for shaping relationships in the virtual space in a reciprocal exchange of ideas. → GRI 3-3, 404; 404-2

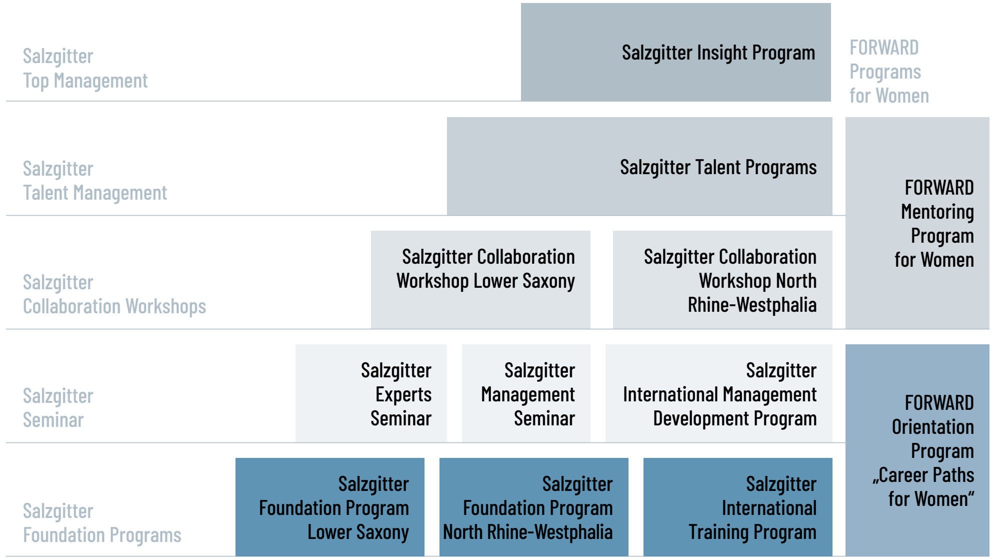
CAREER DEVELOPMENT

In the Salzgitter Group we have established a groupwide system by the name of 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. The "Insight" FORWARD program for top management allows the Salzgitter Group's senior management to access targeted 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 varied 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 concomitant with that lowering accident figures take a high priority and constitute objectives for our senior management as well as being anchored in our ↗ Scorecard objectives. Moreover, 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. In order to review and refine our processes, we also aim to obtain certification for our occupational safety management systems in Group companies. 64 % of our employees in Germany and abroad are already covered by an occupational safety management system today that is certified to ISO 45001. A current overview of the companies certified to ↗ ISO 45001 can be found on our homepage.

The specifications for working with partner companies are given concrete form in the individual companies as part of their specific external company management systems. For example, this encompasses general and contract-specific instructions. In the case of external companies, a reciprocal risk assessment is conducted before they take up their work in which specific requirements for the job in hand are agreed. Once the external company has been briefed on all relevant safety issues, the external company's staff are then briefed by their own supervisors.

The management system for external companies and partners in Group companies was subjected to a review in the reporting year. Since the last survey in 2021, further process optimizations and additions to existing occupational health and safety concepts have been completed in Group companies. Examples are the use of existing occupational health and safety software to include the concerns of the external company's management or the adaptation and optimization of procedures after accidents. Moreover, occupational safety is a matter subject to co-determination 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. The inclusion of our co-determination bodies and employees in occupational safety processes such as the risk assessment, for instance, and the development and introduction of preventative occupational safety mechanisms is a key part of this process. Accidents are systematically investigated and analyzed. Corresponding measures to prevent future accidents are derived and implemented on this basis.

The Personal Protective Equipment (PPE) used in the companies is subject to a defined selection and approval process involving technical departments and employee representatives. In this way, we ensure the quality and suitability of the PPE made available to employees for their work.

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 continuing to optimize the safety level in the Group and to raise our employees' awareness of safety at work. An occupational safety Group working group reporting directly to the Chief Personnel Officer and Group Industrial Relations Director supports Group companies in their aim of constantly improving occupational health and safety. Members of the working group are at the companies' disposal for advice. For example, they conduct so-called smart audits in the Group companies where required in order to identify strengths and areas in need of development in the field of occupational safety in the course of these analyses of the company's potential.

Furthermore, Group companies receive support in selecting possible instruments of occupational health and safety with the aid of a "toolbox". In addition, specialist seminars on the subject of occupational health and safety are conducted across the Group such as the annual get-together of safety officers and qualification measures on the subject of occupational safety.

The safe handling of hazardous substances is governed by law. For example, at SZFG, employees affected receive instruction regarding general work with hazardous substances via an e-learning module. Furthermore, the specific risks and protective measures associated with individual hazardous substances are taught by company supervisors on the basis of operating instructions in accordance with the Hazardous Substances Ordinance.

Measures and offerings specific to the location and operations are developed and implemented in the companies. In the reporting year, activities focused on staging action days with varying priorities on the subjects of occupational safety and health protection. The examples listed below reflect the large range of offerings focused on the special requirements and needs of individual Group companies. The "Occupational Health and Safety Practice Days" were held again in spring at SZFG under the watchword "Awareness" with around 3,000 employees from different Group companies participating. Participants tackled a training parkour which prioritized the handling of hazardous substances, noise prevention, first aid and nutrition. Employees of the companies at the Peine location engaged with the correct handling of personal protective equipment among other topics as part of a Health Day held under the banner of "Healthy and Safe". There was also an opportunity for medical screening as part of a body check-up and a skin cancer examination. In 2023, Salzgitter Mannesmann Grobblech GmbH focused on protecting hands and fingers and provided information on the subjects of safety gloves, skincare and skin protection. Using the slogan "Awareness at Work and in Everyday Life", Ilsenburger Grobblech GmbH offered its employees an action day with different sporting and health offers. In addition, there was VR fire simulator training with the works fire service. The Trading Business Unit's 1st International Occupational Health and Safety Conference was held at the Mülheim facility in the reporting year. Almost 40 safety officers from facilities at home and abroad spent two days discussing current safety and health topics under the banner "Meet – Swap notes – Network".

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

	2023	2022	2021
LTIF (Rate h*)[1]	7.6	6.8	9.5
Rate H[2]	5.6	5.1	7.1
Fatal occupational accidents	0	0	0

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

→ GRI 403-9

In spite of our wide-ranging occupational safety measures, no further reduction in the number of accidents was achieved in the Group in the reporting year. Nevertheless, we are retaining our target of reducing Lost Time Injury Frequency Rates and avoiding accidents, and we continue to strive for a significant improvement in the number of accidents compared with the reporting year.

With respect to external companies working on our premises, a work-related accident occurred at Mannesmann Line Pipe GmbH in the summer in which an employee of an external company was fatally injured. Official investigations into this incident had not yet been completed at the end of the reporting year. These investigations are receiving the full support of the company.

MEASURES RELATED TO THE COVID-19 PANDEMIC

As the COVID-19 pandemic receded in the spring of 2023, it proved possible to halt the company's pandemic management measures. Company flu vaccines were again offered in numerous Group companies from the fall of this year to provide general protection against infection. At the Salzgitter, Peine and Ilsenburg facilities, employees were also given another opportunity to receive a booster vaccination against the coronavirus from our works doctors in line with the recommendations of the Standing Committee on Vaccination (STIKO).

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.

Besides medical screening and consultations, our health offers range from health check-ups, company fitness centers and alliances with external partners to support for employees participating in public sports events. Our "Health check-up" is an easily accessible offer in which parameters such as blood sugar, blood fats, BMI and blood pressure are measured. In a subsequent consultation with the works doctor, participants receive their test results and recommendations on the steps to take to boost their individual health.

In addition, the companies provide regular action and information offers which focus on a wide variety of health and screening issues. For example, in 2023, these included company podcasts on the subjects of "Healthy sleep" and "Caring for dependents" as well as screening campaigns for skin cancer, venous disorders or stress. Employees at Mannesmann Precision Tubes GmbH also had the chance to take advantage of targeted back training over several weeks. For this purpose, a fitness truck fitted out with sports equipment made regular visits to individual works locations with the result that employees were able to train in the direct vicinity of their workplace under the guidance of sports therapists.

Occupational healthcare also places emphasis on employees' mental health. At the Salzgitter facility, for example, there is the "Mental signpost". Employees are able to obtain direct personal advice from a psychological psychotherapist who, if appropriate, refer them to other providers working in our company health management system or in the national health system. There are also further education offers on the subjects of stress management or resilience as well as a special offer for managers of all levels on how to handle psychological complaints and illnesses at work.

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.

The quality of our company health management was confirmed in the reporting year by an outstanding result in the audit for the Corporate Health Award from EUPD Research and the Handelsblatt newspaper: In December 2023, Salzgitter AG was crowned the winner in the category "Drive technology / Heavy industry". → 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 an essential 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 in 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 in the context of the Salzgitter Group's human rights strategy.

In order to achieve this target, the Salzgitter Group and every Group company have introduced a supply chain risk management system (LkRM). It is based on the three pillars of Identification, Prevention and Remedy. Implementation of the LkRM of Salzgitter AG and Salzgitter Flachstahl GmbH (SZFG) acting as a center of excellence for various Group companies, is monitored by the Human Rights Officers of Salzgitter AG and SZFG.

IDENTIFICATION

As part of our **supply chain risk analysis**, all domestic and foreign operating Group companies were required in the spring of 2023 to submit a statement on legal positions protected by law for their own area of business and to declare possible insights with regard to their direct suppliers. Based on the analysis of these statements, no heightened risk regarding human rights and the environment was ascertained for the company's own area of business.

In order to refine our supply chain risk analysis, a risk analysis tool was introduced across the Group in the course of 2023. This tool serves to implement the risk analysis both with respect to companies in the Salzgitter Group and with regard to direct and indirect suppliers of all Group companies. The supply chain risk analysis relies on uniform evaluation criteria based among other things on the recommendations of the Federal Office for Export Control and that also include the state and industry risk as part of an abstract risk analysis.

Besides all domestic and foreign operating Group companies, the main direct suppliers of all Group companies were also included in the risk analysis thus implemented. All operating Group companies as well as suppliers with a defined risk indication were requested to answer an online questionnaire. A specific risk analysis was then conducted on the basis of the individual data thus obtained.

The Salzgitter Group's → **Whistleblower system** offers all Group employees, employees of our business partners and all other stakeholders the possibility of drawing attention to circumstances in connection with the Salzgitter Group's business activities or those 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.

PREVENTION

Our **supply chain training program** instructs employees – beyond general knowledge about human rights and environmental protection – on risks associated with human rights and the environment in the supply chains as well as on the implementation of the supply chain risk analysis in the Salzgitter Group. 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.

The standards we expect from our direct suppliers 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 oblige our suppliers to fulfill these expectations and to provide us with suitable control options regarding compliance, our Supplier Code is to be agreed in gradual stages with all suppliers. By the end of the 2023 financial year, we had prevailed on more than 4,000 of our suppliers to recognize the validity of our Supplier Code or other corresponding arrangements.

In addition to the risk analysis of the supply chain which we have been using across the Group since 2023, the purchasing departments of the various Group companies conduct standardized assessments of the main suppliers every year. Furthermore, SZFG, acting as a center of excellence for various Group companies, developed a separate survey 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. On the basis of this survey, all the relevant long-term suppliers of raw materials are regularly evaluated with an additional spotlight on further sustainability criteria.

REMEDY

If we discover that human rights or environmental obligations in a Group company's or a supplier's own area of business have been breached or such breach is imminent, the respective Group company's management will immediately take remedial action – if necessary in consultation with the Human Rights Officer. 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 the violation. → GRI 2-23, 2-24, 2-25, 2-26, 3-3, 308; 403-7; 3-3, 414

GOVERNANCE AND COMPLIANCE

We perceive good corporate governance and the compliance structures built upon it as a key component of the Salzgitter Group's corporate culture. The foundation is provided by our corporate principles and management systems. We are convinced that transparent governance forms the platform for a healthy corporate culture which reinforces stakeholders' trust, thus contributing to the company's long-term success. 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 protagonists. Besides the topics of energy, environmental and climate protection policies, discussions focus in particular on trade policy, industrial policy, the EU approach to research and innovation as well as labor and social 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 2023.

In addition, we have adopted various sets of binding rules across the Group:

- ↗ YOUNITED, the **mission statement of Salzgitter AG**, comprises our perception of ourselves, and the 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 **Code of Conduct** of the Salzgitter Group (↗ 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 and 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. It comprises rules on the observance of general human rights, environmental protection and laws, compliance with which should basically be a matter of course.

- The Salzgitter Group also has organizational and management structures in place that are 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 for putting 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 or infringements 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 general managers, all managers, all other senior executives and all employees are obligated to comply with as a minimum requirement,
  - clarifying that it is also the responsibility of all members of the Executive Board, all general managers, all managers and all other senior executives to take steps to regularly monitor that their staff are meeting their obligations 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, e.g. to prevent corruption and avoid breaches of anti-trust legislation.

This is intended to ensure that the Salzgitter Group makes every effort to avoid breaches and infringements 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 thereby 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 combined management report contains more detailed information on our research and development priorities, expenditure as well as patent and trademark rights.

- The aim of the **"Risk management" Group directive** is to ensure 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. This also explicitly includes sustainability issues resulting from risks with ESG-relevance. 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, Compliance & Insurance and the Head of Internal Audit together form Salzgitter AG's Compliance Committee. The committee serves as a platform for monitoring, exchanging views on and discussing any current compliance issues and for joint opinion-forming and decision-making, for instance, 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) analyze their compliance risks with respect to, among other things, corruption, antitrust, money-laundering and supply chain risks as well as 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. They report to the Compliance Committee in this regard.

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

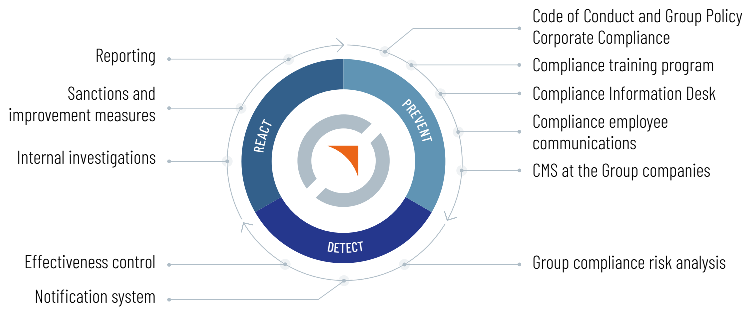
Chief Executive Officer	Chief Financial Officer	Head of Legal, Compliance & Insurance	Head of Internal Audit

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, including respect for human rights, adherence to laws and avoidance of conflicts of interest, form the core of the Salzgitter Group's corporate culture. The "Corporate Compliance" Group directive obliges all employees of the Group to observe the laws and internal guidelines and provides them with specific rules of conduct for preventing corruption, behaving correctly under antitrust and competition legislation, avoiding money-laundering risks, preventing illegal insider trading, concluding consultancy contracts and vetting business partners.

The compliance training program provides all employees with 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 and infringements 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 offer 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 the 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 ensures 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 2023 did not identify any substantial risks not countered by comprehensive 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 2023 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 combined management report. → GRI 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.

Information can either be submitted through an electronic reporting portal or addressed to our compliance hotline or ombudsperson. Tip-offs can be submitted through our electronic reporting portal anonymously and in 26 different languages. Our compliance hotline and ombudsperson can receive information in German or English. They are also available for a personal conversation on request and with an appointment.

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 submitted through our electronic reporting portal, 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. Our whistleblower system protects whistleblowers as required by law. 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 2-16, 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 and face-to-face classes. 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.

On taking up a compliance-sensitive activity, the employee concerned will receive compliance training within twelve months. The training will be repeated after three years at the latest.

In the period from May 2022 to April 2023, across all forms of training, 5,543 people participated in training on the subject of preventing corruption, 5,058 took part in training on antitrust law, 4,283 on the subject of money-laundering prevention and 2,187 on the subject of the Supply Chain Due Diligence Act. → GRI 3-3, 205-1; 205-2

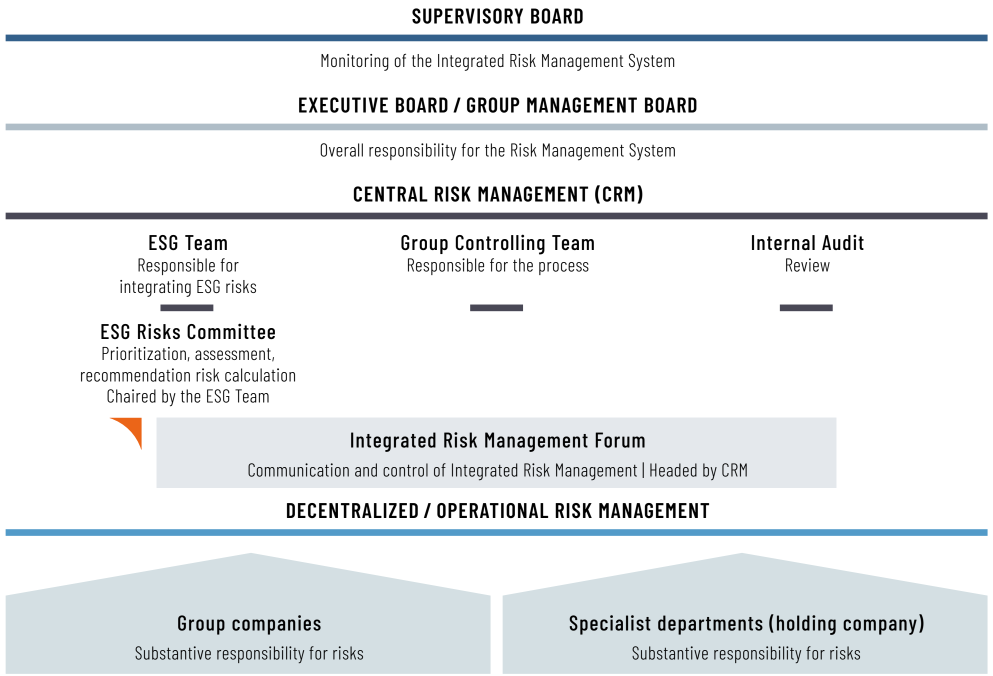
INTEGRATED RISK MANAGEMENT

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 sustainability-related risks, we also monitor these risks under our existing process of 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 members of management in the Group companies and the specialist departments of the holding company. Risk management is structured as follows:

Organization of risk management



The Executive Board bears the overall responsibility and is monitored by the Supervisory Board. The Executive Board is also tasked with identifying and assessing ESG-relevant risks. Responsibility for the risk management process rests with the Group Controlling Department and the monitoring function with Group Internal Audit. Integrating the ESG perspective is incumbent on the ESG Team of the holding company's Strategy and Corporate Development Department. In collaboration with the ESG Committee, aspects pertaining to ESG are processed in terms of content and expertise and incorporated into decentralized risk management via the Integrated Risk Management Forum.

In the groupwide ESG Risks Committee, regular internal dialog takes place between experts in the holding company and selected participants from the Group companies with specialist ESG knowledge. The committee identifies ESG topics harboring risk, evaluates them in terms of their relevance to the Group and is then tasked with drawing up recommendations for quantifying these risks for the risk managers in the Group companies and the holding company.

RISK PROCESS

The ESG perspective and the resulting risks are embedded in the risk process. 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** section in the combined management report.

IDENTIFICATION OF CLIMATE RISKS

The systematic identification of climate risks follows the framework of the Task Force on Climate-related Financial Disclosures (TCFD). Transitory risks are identified by Central Risk Management on the basis of a materiality analysis and then elaborated upon and specified together with experts from the holding company and Group companies. Physical risks are analyzed with the aid of a data-driven risk analysis for Salzgitter AG's locations across the world in terms of their short-term, medium-term and long-term impact, drawing on climate scenarios.

ASSESSMENT, CONTROL AND MONITORING

Assessing ESG-relevant risks with regard to their probability of occurrence and the amount of loss is conducted with the aid of the ESG Committee's expertise. Physical risks are analyzed by Central Risk Management across all companies. At the time of preparing the 2023 Non-Financial Report, the Salzgitter Group did not identify any material non-financial risks that could pose a threat to the Salzgitter Group as a going concern. → GRI 2-9, 2-12, 2-13, 2-16

POLITICAL DIALOG

Volatile energy and commodity costs, vulnerable supply chains, compounded by fiercer economic and technological competition, are among the consequences of fresh geopolitical imponderables. 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, in environmental, climate, energy and social policies, for instance, are the cause of considerable distortion in competition. In times of transformation, we therefore lobby political decision-makers for a level international playing field which provides fair production and site conditions for the 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 view ourselves as under obligation to maintain political neutrality, and we cultivate dialog with all parties across the democratic spectrum.

The use of political monitoring to observe issues of relevance to the Group forms the foundation for effectively helping to shape the political and social landscape: Parliamentary bills are substantially drafted at a European level. Identifying political projects that directly or indirectly impact Group activities or its business environment at an early stage is therefore crucially important. In order to intensify our work in this area and strengthen the Group's lobbying at a political level, the Salzgitter Group maintains its own offices in Brussels and in Berlin. Against the backdrop of these political activities in Brussels, Salzgitter AG 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.

Besides policies on energy, the environment and climate protection (such as the transposition acts governing EU emissions trading from 2026, the Carbon Border Adjustment Mechanism (CBAM), key green markets, the ecodesign directive), the main political issues of the last few years actively followed by the Group included trade policy (Global Arrangement on Sustainable Steel and Aluminium, EU trade protection procedures and instruments, in particular EU safeguards), industrial policy (Green Deal Industrial Plan), EU research and innovation policy (the ETS Innovation

Fund, Important Projects of Common European Interest, for instance), 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 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). 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, 2023 through December 31, 2023 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			
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2-2	Entities included in the organization's sustainability reporting	97, 98		
2-3	Reporting period, frequency and contact point	97		
2-4	Restatements of information	97, 107		
2-5	External assurance	97		
	Activities and employees			Employees
2-6	Activities, value chain and other business relationships	98, 100, 101		
2-7	Employees	126 - 128, 131		
2-8	Workers who are not employees	128		
	Governance			
2-9	Governance structure and composition	104, 105, 140, 143, 146		
2-10	Nomination and selection of the highest governance body	104, 105		
2-11	Chair of the highest governance body	104, 105		
2-12	Role of the highest governance body in overseeing the management of impacts	104, 140, 146		
2-13	Delegation of responsibility for managing impacts	104, 140, 146		
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2-16	Communication of critical concerns	140, 144, 146		
2-17	Collective knowledge of the highest governance body	104, 105		
2-18	Evaluation of the performance of the highest governance body	104, 105		
2-19	Remuneration policies	104	↗ Remuneration Report	
2-20	Process to determine remuneration	104		

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	98, 99, 143	↗ Commitment to Sustainability	
2-23	Policy commitments	139, 140, 143		
2-24	Embedding policy commitments	139, 140, 143		
2-25	Processes to remediate negative impacts	139, 140, 144		
2-26	Mechanisms for seeking advice and raising concerns	139, 140, 144		
2-27	Compliance with laws and regulations	140, 144		
2-28	Membership associations	140, 147		
	Inclusion of stakeholders			Employees, social matters
2-29	Approach to stakeholder engagement	102, 103, 105, 126, 131, 132		
2-30	Collective bargaining	126, 130, 131		
	Material topics 2021			
3-1	Process to determine material topics	105		
3-2	List of material topics	105		

GRI standards and disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
3-3	**Management approach Economic Performance 2016**	**109, 112**		
201-2	Financial implications and other risks and opportunities due to climate change	112		
201-3	Defined benefit plan obligations and other retirement plans	131	→ **2023 AR, Note (26) of the Notes:** "Provisions for pensions and similar obligations"	
3-3	**Management approach Anti-corruption 2016**	**143 – 145**		Combating corruption and bribery
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205-3	Confirmed incidents of corruption and actions taken	144		
3-3	**Management approach Anti-competitive behavior 2016**	**143 – 145**		Combating corruption and bribery
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	144		
3-3	**Management approach Materials 2016**	**106, 108, 110**		Environment
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3-3	**Management approach Energy 2016**	**106, 107, 109, 110**		Environment
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302-4	Reduction of energy consumption	110		
3-3	**Management approach Water and Effluents 2018**	**106, 107**		Environment
303-1	Interaction with water as a shared resource	107, 108		
303-3	Water withdrawal	107		
303-4	Water discharge	107		
303-5	Water consumption	107		
3-3	**Management approach Emissions 2016**	**106, 107, 109 – 112**		Environment
305-1	Direct (Scope 1) GHG emissions	111		
305-2	Energy indirect (Scope 2) GHG emissions	111		
305-3	Other indirect (Scope 3) GHG emissions	111		
305-5	Reduction of GHG emissions	110		
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	109		

GRI standards and disclosures		Page	Explanation	Matters relating to the CSR Directive Implementation Act
3-3	Management approach Waste 2020	107, 108		Environment
306-1	Waste generation and significant waste-related impacts	109		
306-2	Management of significant waste-related impacts	108		
306-3	Waste generated	109		
306-4	Waste diverted from disposal	109		
306-5	Waste directed to disposal	109		
3-3	Management approach Environmental Assessment 2016	126, 138, 139		Environment
308-1	New suppliers that were screened using environmental criteria		No data were collected in the reporting period	
308-2	Negative environmental impacts in the supply chain and actions taken		No data were collected in the reporting period	
3-3	Management approach Employment 2016	126, 127		
401-1	New employee hires and employee turnover	128		
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3-3	Management approach Supplier Social Assessment 2016	126		Human rights
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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In € million	Note	2023	2022
Sales	[1]	10,790.5	12,553.3
Changes in inventories / other own work capitalized		-171.3	249.9
Overall performance		10,619.2	12,803.2
Other operating income	[2]	671.8	984.8
Cost of materials	[3]	7,246.0	8,639.4
Personnel expenses	[4]	1,887.7	1,883.4
Amortization and depreciation of intangible assets and property, plant and equipment	[5]	321.5	306.4
Other operating expenses	[6]	1,584.4	1,821.5
Result from impairment losses and reversal of impairment losses of financial assets		10.3	-12.9
Income from shareholdings		1.0	2.6
Result from investments accounted for using the equity method	[13]	92.5	184.6
Finance income		44.9	12.7
Finance expenses		161.6	78.7
Earnings before tax		238.4	1,245.4
Income tax	[7]	34.3	160.0
Consolidated result		204.1	1,085.4
Consolidated net result due to Salzgitter AG shareholders		200.1	1,081.5
Minority interest in consolidated net result		4.0	3.9

Earnings per share (in €) – basic	[8]	3.70	20.00
Earnings per share (in €) – diluted	[8]	–	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € million	Note	2023	2022
Consolidated result		204.1	1,085.4
Recycling			
Reserve from currency translation		–10.2	9.2
Changes in value from cash flow hedges	[34]	22.6	60.2
Changes in fair value		35.6	74.5
Recognition with effect on income		–2.4	15.7
Deferred tax		–10.6	–30.0
Changes in value of investments accounted for using the equity method	[13]	–39.5	34.3
Changes in fair value (in particular cash flow hedges)		–34.7	30.7
Currency translation		–10.2	7.0
Deferred tax		5.4	–3.5
Deferred taxes on other changes without effect on income		0.2	0.6
		–26.9	104.3
Non-recycling			
Changes in equity for financial equity instruments valued without effect on the income	[34]	–0.7	0.5
Changes in fair value		–0.9	0.5
Deferred tax		0.2	0.0
Remeasurements		–105.4	380.2
Remeasurement of pensions	[26]	–135.5	516.7
Deferred tax		30.0	–136.4
Currency translation		0.1	–0.1
Changes in value of investments accounted for using the equity method	[13]	–6.1	41.0
Changes in fair value		3.0	5.2
Remeasurement of pensions		–19.4	59.3
Currency translation		0.0	0.0
Deferred tax		10.4	–23.5
		–112.2	421.7
Other comprehensive income		–139.0	526.0
Total comprehensive income		65.0	1,611.4
Total comprehensive income due to Salzgitter AG shareholders		61.2	1,607.3
Total comprehensive income due to minority interest		3.9	4.1

CONSOLIDATED BALANCE SHEET

Assets in € m	Note	2023/12/31	2022/12/31
Non-current assets			
Intangible assets	[9]	207.3	205.5
Property, plant and equipment	[10]	2,388.5	2,211.0
Investment property	[11]	76.6	78.1
Financial assets	[12]	29.0	38.3
Investments accounted for using the equity method	[13]	1505.5	1565.3
Trade receivables	[16]	2.6	3.5
Other receivables and other assets	[18]	28.9	15.7
Income tax assets	[19]	6.6	–
Deferred income tax assets	[14]	325.3	392.6
		4,570.4	4,510.0
Current assets			
Inventories	[15]	2,867.2	3,474.3
Trade receivables	[16]	1,221.5	1,543.8
Contract assets	[17]	372.0	318.3
Other receivables and other assets	[18]	231.4	217.9
Income tax assets	[19]	34.6	23.6
Securities		–	0.0
Cash and cash equivalents	[20]	939.7	988.4
Assets held for sale	[21]	265.2	27.1
		5,931.7	6,593.3
Total assets		10,502.0	11,103.3

Equity and liabilities in € m	Note	2023/12/31	2022/12/31
Equity			
Subscribed capital	[22]	161.6	161.6
Capital reserve	[23]	257.0	257.0
Retained earnings		4,660.4	4,585.7
Other reserves		90.5	145.5
Unappropriated retained earnings	[24]	27.1	60.1
Subtotal		5,196.6	5,209.9
Treasury shares		–369.7	–369.7
Amount due to Salzgitter AG shareholders		4,826.9	4,840.2
Minority interest		7.6	10.2
		4,834.5	4,850.4
Non-current liabilities			
Provisions for pensions and similar obligations	[26]	1,667.8	1,618.8
Deferred income tax liabilities	[14]	98.4	195.2
Income tax liabilities	[19]	19.1	33.5
Other provisions	[27]	203.7	272.3
Financial liabilities	[28]	360.2	579.3
Other liabilities		4.1	5.2
		2,353.3	2,704.3
Current liabilities			
Other provisions	[27]	239.3	246.2
Financial liabilities	[29]	940.6	1,119.1
Trade payables		1,247.6	1,331.8
Contract liabilities	[30]	447.2	412.3
Income tax liabilities	[19]	26.0	51.2
Other liabilities	[31]	289.9	380.9
Liabilities associated with assets held for sale	[21]	123.7	7.2
		3,314.2	3,548.7
Total assets		10,502.0	11,103.3

CONSOLIDATED STATEMENT OF CASH FLOWS

In € million	2023	2022
Earnings before tax	238.4	1,245.4
Depreciations and impairments (+) / (-) of non-current assets	321.5	306.0
Income tax paid (–) / refunded (+)	–80.0	–102.3
Other non-cash expenses (+) / income (–)	48.0	21.8
Interest expenses	161.6	78.7
Gain (–) / loss (+) from the disposal of non-current assets	18.7	5.7
Increase (–) / decrease (+) in inventories	443.2	–352.8
Increase (–) / decrease (+) in trade receivables and other assets not attributable to investment or financing activities	91.2	–47.2
Use of provisions affecting payments, excluding use of tax provisions	–227.9	–236.1
Increase (+) / decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	–122.7	–322.6
Cash inflow from operating activities	**892.0**	**596.5**

In € million	2023	2022
Cash inflow from the disposal of intangible assets, property, plant and equipment and investment properties	42.6	11.4
Cash outflow for investments in intangible assets, property, plant and equipment and investment properties	–751.8	–442.5
Cash inflow of subsidies for investments in intangible assets, property, plant and equipment	202.7	–
Cash inflow from investments of funds	–	50.0
Payments for financial investments	–0.6	–
Cash inflow from the disposal of other non-current assets	86.8	14.7
Cash outflow for investments in other non-current assets	–10.2	–1.3
Cash outflow from investment activities	**–430.5**	**–367.7**
Cash outflow in payments to company owners	–54.1	–40.6
Deposits from taking out loans and other financial debts	528.7	1,137.5
Repayment of loans and other financial liabilities	–879.2	–993.2
Interest paid	–93.8	–92.4
Cash flow from financing activities	**–498.3**	**11.3**
Cash and cash equivalents at the start of the period	988.4	741.8
Cash and cash equivalents relating to changes in the consolidated group	–0.1	0.5
Gains and losses from changes in foreign exchange rates	–11.3	5.9
Transfer-related changes in cash and cash equivalents	–0.4	–
Payment-related changes in cash and cash equivalents	–36.9	240.1
Cash and cash equivalents at the end of the period	**939.7**	**988.4**

For information on the composition of cash and cash equivalents, please refer to Item 20 in the Notes → **Cash and Cash Equivalents**.
For further information, please refer to Item 35 → **Notes to the Statement of Cash Flows** in the Notes.

CHANGES IN 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	[22]	[23]				[34]	[34]	[13]	[24]			
As of 2022/01/01	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
Consolidated result	–	–	–	–	–	–	–	–	200.1	200.1	4.0	204.1
Other comprehensive income	–	–	–	–105.0	–10.2	22.6	–0.7	–45.6	–	–138.9	–0.1	–139.0
Total comprehensive income	–	–	–	–105.0	–10.2	22.6	–0.7	–45.6	200.1	61.2	3.9	65.0
Basis adjustments	–	–	–	–	–	–21.0	–	–	–	–21.0	–	–21.0
Dividend	–	–	–	–	–	–	–	–	–54.1	–54.1	–3.0	–57.1
Change in retained earnings	–	–	–	179.0	–	–	–	–	–179.0	–	–	–
Initial consolidation of Group companies so far not consolidated for materiality reasons	–	–	–	0.0	–	–	–	–	–	0.0	–	0.0
Disposal regarding to deconsolidations	–	–	–	–1.8	2.8	–	–	–	–	1.0	–0.0	0.9
Other	–	–	–	2.5	–0.2	–	–	–2.7	–	–0.4	–3.4	–3.8
As of 12/31/2023	161.6	257.0	–369.7	4,660.4	–14.8	23.1	14.8	67.4	27.1	4,826.9	7.6	4,834.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT REPORTING

	Steel Production		Steel Processing		Trading		Technology		Total segments		Reconciliation		Group	
In € million	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
External sales	3,528.0	4,262.7	2,126.5	2,105.9	3,313.0	4,580.9	1,647.4	1,429.9	10,614.8	12,379.4	175.6	173.9	10,790.5	12,553.3
Sales to other segments	1,289.2	1,542.8	667.6	944.6	43.7	70.4	0.7	1.0	2,001.1	2,558.8				
Sales to group companies that are not allocated to an operating segment	6.0	5.2	234.7	225.0	0.1	0.1	–	–	240.8	230.3				
Segment sales	4,823.2	5,810.7	3,028.8	3,275.5	3,356.7	4,651.3	1,648.0	1,430.9	12,856.8	15,168.5				
Interest income (consolidated)	0.3	0.3	4.4	1.7	3.8	4.1	5.0	2.8	13.5	8.9	31.4	3.5	44.8	12.4
Interest income from other segments	–	0.0	–	–	–	–	–	–	–	0.0				
Interest income from group companies that are not allocated to an operating segment	19.3	18.4	6.1	4.8	15.8	14.3	0.7	1.7	41.9	39.2				
Segment interest income	19.6	18.7	10.5	6.5	19.6	18.3	5.7	4.5	55.4	48.1				
Interest expenses (consolidated)	62.9	19.0	15.4	7.1	35.5	26.3	5.4	2.3	119.1	54.7	42.5	23.9	161.6	78.7
Interest expenses to other segments	–	–	–	–	–	0.0	–	–	–	–				
Interest expenses from group companies that are not allocated to an operating segment	7.1	6.1	12.0	11.2	0.6	0.3	1.2	1.2	20.8	18.8				
Segment interest expenses	70.0	25.1	27.4	18.2	36.0	26.6	6.5	3.5	139.9	73.5				
Scheduled depreciation of property, plant and equipment and amortization of intangible assets (excluding impairment costs in accordance with IAS 36)	169.3	149.0	62.3	55.0	17.6	16.6	32.5	29.8	281.7	250.4	36.3	36.1	318.0	286.5
Impairment of tangible and intangible assets (according to IAS 36)	–	–	3.5	19.9	–	–	–	–	3.5	19.9	–	–	3.5	19.9
Earnings before tax	75.8	790.9	144.7	86.2	–13.6	243.1	81.1	48.0	288.1	1,168.2	–49.7	77.1	238.4	1,245.4
of which resulting from investments accounted for using the equity method	–	–	52.0	27.7	–	–	–	–	52.0	27.7	40.5	156.8	92.5	184.6
Material non-cash items	–25.2	47.7	41.0	54.9	11.1	9.7	30.0	23.4	56.9	135.7	11.4	18.9	68.2	154.6
Investments in property, plant and equipment and intangible assets	404.1	293.3	79.5	83.7	31.9	31.3	40.7	28.5	556.3	436.9	26.9	37.7	583.1	474.5

For further information, please refer to Item 36 → **Notes to the Segment Reporting** in the Notes. This section also includes notes on the reconciliation.

ANALYSIS OF FIXED ASSETS 2023

	Acquisition and production costs						Valuation allowances						Book values	
In € million	2023/01/01	Currency translation differences	Additions	Disposals	Transfers to other accounts[1]	2023/12/31	2023/01/01	Currency translation differences	Depreciation in the financial year[2]	Disposals	Transfers to other accounts	2023/12/31	2023/12/31	2022/12/31
Intangible assets														
Purchased concessions, brand names, industrial property rights plus licenses and emission rights	428.3	-0.1	15.8	-8.0	11.3	447.3	-262.9	–	-19.0	6.6	13.6	-261.7	185.5	165.4
Payments on account	42.9	-0.1	7.9	-2.6	-23.2	24.6	-2.8	0.0	-2.4	2.4	–	-2.8	21.8	40.1
	471.2	-0.1	23.7	-10.6	-12.0	471.9	-265.7	0.0	-21.4	9.0	13.6	-264.5	207.3	205.5
Property, plant and equipment														
Land, similar rights and buildings, including buildings on land owned by others	2,028.8	-2.3	46.4	-7.6	1.4	2,066.1	-1,233.5	0.6	-45.8	6.2	18.1	-1,254.0	812.1	795.2
Plant equipment and machinery	7,356.8	-3.4	260.9	-114.6	-166.3	7,333.4	-6,311.0	2.3	-208.7	107.2	173.5	-6,236.7	1,096.8	1,045.8
Other equipment, plant and office equipment	543.6	-1.9	56.1	-41.5	-6.4	550.1	-439.1	1.4	-42.9	39.8	8.7	-432.2	117.9	104.5
Payments made on account and equipment under construction	277.8	-0.3	196.0	-0.1	-98.2	375.2	-12.3	–	-1.1	–	–	-13.5	361.7	265.5
	10,206.9	-8.0	559.5	-163.7	-269.4	10,324.9	-7,995.9	4.3	-298.6	153.3	200.4	-7,936.3	2,388.5	2,211.0
Investment property	100.2	–	–	–	–	100.2	-22.1	–	-1.4	–	–	-23.5	76.6	78.1
	10,778.2	-8.2	583.1	-174.3	-281.4	10,896.9	-8,283.7	4.3	-321.5	162.2	213.9	-8,224.4	2,672.5	2,494.6

[1] The negative balance results from the reclassification of the fixed assets of the MST Group to the balance sheet item "Assets held for sale". The impairments (unscheduled amortization and depreciation) under this item are summarized under note 5.
[2] The impairments (unscheduled amortization and depreciation) under this item are summarized under item 5.

ANALYSIS OF FIXED ASSETS 2022

	Acquisition and production costs						Valuation allowances						Book values	
In € million	2022/01/01	Currency translation differences	Additions	Disposals	Transfers to other accounts	2022/12/31	2022/01/01	Currency translation differences	Depreciation in the financial year	Disposals	Transfers to other accounts	2022/12/31	2022/12/31	2021/01/01
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
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

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 stretches from the production and further processing of rolled steel and tube products, trading with such products as well as the construction of custom machines and systems. The address of the SZAG Executive Board is Eisenhüttenstraße 99, 38239 Salzgitter.

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 7, 2023, 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 14, 2024, 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
IFRS 17	Insurance Contracts	2023	yes	none
IAS 8	Definition of Accounting Estimates – Amendments	2023	yes	none
IAS 1	Disclosure of Accounting Policies	2023	yes	Notes
IAS 12	Income taxes: International Tax Reform – Changes	2023	yes	Notes
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023	yes	none

LIKELY EFFECTS OF NEW AND / OR AMENDED STANDARDS TO BE APPLIED IN THE FUTURE:

Standards / Interpretation		Mandatory date in financial year	Adoption by EU Commision	Likely effects
IAS 7 / IFRS 7	Disclosures of Supplier Finance Arrangements	2024	no	Notes
IFRS 16	Lease Liability in a Sale-and-Lease Back – Amendments	2024	yes	none
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities	2024	yes	no material effects
IAS 21	Lack of exchangeability	2025	no	none

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 interests in the consolidated companies are 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: 52) domestic affiliated companies. Effective January 1, 2023, Salzgitter Bauelemente GmbH was sold to FALK Bouwsystemen B.V., Netherlands, and has been deconsolidated from the Salzgitter consolidated financial statements since that date. A further domestic company previously not consolidated for reasons of materiality, has been consolidated since the 2023 financial year. The consolidated group also includes 62 (previous year: 64) foreign affiliated companies. With regard to influences on our shareholding in Russia, we expect long-term restrictions. For that reason KHS RUS OOO was deconsolidated effective August 31, 2023. KHS d.o.o. Beograd, headquartered in Serbia has no longer been part of the consolidated group of Salzgitter AG since September 1, 2023 due to a restructuring of its business operations.

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 13 (previous year: nine) 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 participating 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. Effective April 13, 2023, BERG EUROPIPE Holding Corp., a subsidiary of EUROPIPE GmbH headquartered in the US, was sold together with its holdings Berg Pipe Panama City Corporation and Berg Pipe Mobile Corporation, both also based in the US, to Borusan Mannesmann Pipi U.S., INC., Houston. The EUROPIPE Group procures input material from the Salzgitter Group.

Wohnungsbaugesellschaft mit beschränkter Haftung Salzgitter, Salzgitter, whose business purpose consists in developing, administering and managing real estate, is also accounted for using the equity method. Salzgitter Mannesmann GmbH holds a participating interest in this company of 25.05 %. Companies in the Salzgitter Group have business relations with this company of subordinate importance.

The participating interest in Turkish tube producer, Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul, previously accounted for by the equity method in the consolidated financial statements, was sold in financial year 2023 to Borusan Holding A.S., Istanbul.

Overall, the results of the aforementioned deconsolidations are of minor significance in relation to this year's earnings of the Salzgitter Group before taxes. Furthermore, the annual results of these shareholdings were not definitive for the long-term financial success of the Salzgitter Group. The future business success of the Salzgitter Group will therefore be similar in terms of its structural composition.
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 be called up 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 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 GmbH (SZFG) as well as for Hüttenwerke Krupp Mannesmann GmbH (HKM) 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). At the Supervisory Board meeting of March 23, 2023, the likely total budget for the first stage of SALCOS® was increased from the € 1.5 billion to € 2 billion previously assumed to € 2.2 billion to € 2.4 billion which also includes the subsidies applied for. 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.

Numerous premises and assumptions in connection with the SALCOS® project are subject to heightened uncertainty, in particular regarding the transformation phase up to the mid-2030s. This results from the circumstance that above all else, the level of revenues to be generated from low carbon steel can only be assessed in the future as a function of customer demand. At present it is assumed when conducting an impairment review of the cash-generating unit concerned (Salzgitter Flachstahl GmbH, Salzgitter) that at the start of production as from 2026 there will be excess demand that may decline over time as production capacity for low carbon steel expands. A further assumption – which also applies to the period after the transformation has been completed – is that the costs for the construction of new technical systems and equally the running costs (incl. the main future input factors of electricity, gas and hydrogen as well as steel scrap) of future SALCOS® steel production will be almost fully and permanently covered by higher customer prices. If these fundamental assumptions do not turn out as expected and there is no compensation – for example, through a more advantageous production cost structure or additional government subsidies) – or market conditions noticeably deteriorate due to the political framework (in particular the expiry of EU safeguards as from mid-2024 as well as an adverse definition of the Carbon Border Adjustment Mechanism), there would be a considerable need for impairment due to a lower fair value.

As long as no decision is made on a comparable transformation project at the not fully consolidated Hüttenwerke Krupp Mannesmann GmbH, Duisburg, its impairment calculation also includes the assumption that rising production costs (particularly for carbon costs) can be almost exclusively passed on to the market. Should the assumptions chosen or other compensating effects fail to materialize, significant impairment is to be expected. It can generally be said that impairment calculations for all cash-generating units will be negatively impacted if individual estimates or assumptions turn out to be false on a lasting basis.

If an impairment test is necessary for companies accounted for using the equity method, this is carried out using the DCF method. The assumptions underlying the planning are based in particular on publicly available information. The key assumptions for sales and EBITDA margins are derived from this. The peer group of companies is used as the basis for determining the discount rate.

In general, the impairment calculations are based on the assumption that the long-term non-occurrence of individual estimates or assumptions can have a negative impact.

Supplementary scenario analyses were carried out as part of this year's impairment tests. Here 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 partially on forward-looking assumptions. Further comments can be found in the section → **Financial assets – categorization and measurement** as well as in Note 34 → **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 34 → **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 remarks in → **Revenue recognition**.

INCOME TAX

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. The continuous refinement of national tax laws, tax case law and its interpretation by the 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 provisions 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 26 → **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.

The accounting treatment of long-term energy procurement or supply contracts which provide for the physical supply of energy (so called Power Ourchase Agreements, PPA) depends on the structure of the contract. An initial review is conducted to establish whether control (IFRS 10) or joint control (IFRS 11) of the company applies or whether the Salzgitter Group owns the asset. The analysis then examines whether the contract is based on a lease (IFRS 16). This is the case if the consumer draws the entire economic benefit from its use and it is able to decide on use of the asset. Otherwise, a PPA may have to be accounted for in the same way as a financial instrument pursuant to IFRS 9. If IFRS 9 is not applied due to the exception of own use, the contract represents a pending transaction for which a provision for imminent losses is only to be formed if the contractual obligation is classified as an onerous contract (IAS 37). It is assumed that the own use exemption applies and that no derivatives need to be accounted.

In determining obligations, assumptions must be made on future cash flows and, in the case of long-term obligations (particularly in the Strip Steel 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 27→ **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 expansion phase is scheduled to start at the end of 2026. In the following year (2027), 30 % of SZFG's primary steel production – over 1 million tonnes 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.

From the time it is commissioned, the new production process will require more electricity than today's steel production by means of blast furnaces. In addition, after the complete transformation of the steel production process, there will not be sufficient gases for the company to generate its own electricity. As a result and taking account of future electricity generation from renewable energy sources, wherever possible, Power Purchase Agreements are already being concluded with wind and solar farm operators for a term of presently up to 15 years.

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.

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 10 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. Borrowing costs that can be directly allocated to the purchase, construction or production of a qualified asset, are capitalized.

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 property held as a financial investment	10 to 50 years
Fixtures on properties	5 to 40 years
Technical machinery and equipment	5 to 33 years
Other equipment, plant 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. Foreign Group companies are subject to country-specific circumstances.

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.

If the lease payments to be recognized also include the transfer of ownership of the underlying asset at the end of the lease term, including the exercise of a purchase option, the asset is depreciated over the economic useful life. Otherwise, the right-of-use asset 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 for which it therefore does not recognize any right of use or liability. 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 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 37 → 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 instead shown 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.

AMORTIZED COST

A financial instrument falls into the category of "at amortized cost" if the objective of the business model consists in 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 IN PROFIT OR LOSS AT FAIR VALUE

A financial instrument falls into the category "at fair value recognized in profit or loss" if the objective of the business model consists in 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 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 hedge, 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”.

PROVISIONS 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, 2023, 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 at fair value through profit and loss when first recognized (non-application of the fair value option), this category contains 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 MACHINES 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 associated 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 cash flows of the underlying transaction 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.

The Salzgitter Group also concludes Power Purchase Agreements for wind and solar energy in order to hedge against fluctuations in energy prices and secure a long-term, sustainable and more predictable supply of green electricity. Power Purchase Agreements are purchase agreements comprising fixed sales prices for the electricity produced by a specific wind or solar power plant. These long-term contracts have become necessary as the commissioning of the new SALCOS® production process, probably by the end of 2026, will entail higher electricity requirements for technical reasons which will have to be procured externally.

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. In the past financial year, the syndicated loan was extended ahead of schedule by 5 up to 7 years and topped up to € 1.03 billion (incl. a committed credit line of € 350 million) with 10 banks. Bilateral annual credit lines with a double-digit number of credit institutions, further fungible assets and an established position in the capital market are intended to secure our liquidity requirements.

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 46.0 % (previous year: 43.7 %) 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.

NOTES TO THE INCOME STATEMENT

(1) SALES

In € million	2023	2022
By product groups		
Strip Steel	4,646.9	5,116.1
Section Steel	827.8	1,145.1
Plate	1,132.7	1,879.7
Pipes	1,634.3	1,805.5
Filling and packaging machinery	1,594.6	1,402.4
Other	954.2	1,204.5
	10,790.5	12,553.3
Breakdown by region		
Domestic	4,924.9	5,763.8
Other EU	3,030.3	3,636.3
Rest of Europe	509.4	612.9
America	1,058.9	1,238.5
Asia	792.9	818.8
Africa	417.6	458.7
Australia / Oceania	56.5	24.4
	10,790.5	12,553.3

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 € 9,929.2 million (previous year: € 11,759.6 million) as well as period-related revenues totaling € 861.2 million (previous year: € 793.7 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 € 352.9 million (previous year: € 221.3 million). Sales revenues from contractual obligations already fulfilled or partially fulfilled in earlier periods come in at € 6.5 million (previous year € 7.0 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	2023	2022
up to 6 months	116.0	48.0
7 months to 12 months	133.7	45.5
over 12 months	219.7	58.1
	469.3	151.7

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 essentially comprises income from the measurement of financial derivatives and foreign exchange positions amounting to € 179.7 million (previous year € 431.9 million), income from exchange rate changes in an amount of € 159.3 million (previous year € 352.4 million) and income from the release of provisions of € 105.8 million (previous year € 54.8 million). Furthermore, operating income from sideline operations amounting € 58.7 million (previous year € 19.4 million), income from reimbursements from previous years in an amount of € 40.3 million (previous year € 22.6 million) and income from insurance reimbursements of € 27.6 million (previous year € 23.6 million) were also reported under other operating income. Furthermore, this item also includes grants amounting to € 19.4 million (previous year € 6.6 million) as well as lease income of € 6.9 million (previous year € 5.8 million).

(3) COST OF MATERIALS

In € million	2023	2022
Cost of raw materials, consumables, supplies and goods purchased	6,751.9	8,137.5
Cost of services purchased	494.1	502.0
Cost of materials	**7,246.0**	**8,639.4**

(4) PERSONNEL EXPENSES

In € million	2023	2022
Wages and salaries	1,566.2	1,555.1
Social security, pensions and other benefits	321.5	328.3
of which pension plans and retirement benefits	[134.5]	[143.1]
Personnel expenses	**1,887.7**	**1,883.4**

In the financial year, the sum total of all defined-contribution pension expenses in the Salzgitter Group stood at € 114.5 million (previous year € 109.8 million). The past service cost for defined-benefit commitments in the financial year amounted to € 20.0 million (previous year € 33.3 million).

Average number of employees (excl. employees in non-active age-related part-time employment)	2023	2022
Wage labor	12,751	12,637
Salaried employees	10,226	9,967
Group core workforce	**22,977**	**22,604**

Of the Group employees, 852 (previous year 847) 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.

The following impairment losses were required in financial year 2023:

In € million	2023	2022
Intangible assets		
Purchased concessions, brand names, industrial property rights plus licenses and emission rights	–	8.3
Payments on account	2.4	–
Property, plant and equipment		
Land, similar rights and buildings, including buildings on land owned by others	–	0.5
Plant equipment and machinery	–	10.5
Other equipment, plant and office equipment	–	0.6
Payments made on account and equipment under construction	1.1	–
Impairment losses	**3.5**	**19.9**

The fair value less selling costs was calculated using the discounted cash flow method based on an interest rate of 8.47 % (previous year 8.61 %) for the Technology Business Unit and 8.95 % (previous year 8.41 %) 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.

Of the impairment losses, an amount of € 3.5 million was attributable to discontinued projects or construction activities.

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 € 391.1 million (previous year € 378.8 million), expenses from the measurement of financial derivatives and foreign exchange positions amounting to € 213.1 million (previous year €374.2 million), losses from exchange rate changes in an amount of € 163.2 million (previous year € 338.8 million) as well as sales expenses in an amount of € 344.9 million (previous year € 331.9 million) and impairment losses of € 20.0 million (previous year € 0.0 million) assets held for sale.

(7) INCOME TAX

In € million	2023	2022
Income tax		
current tax expenses / tax income (+/–)	41.3	140.7
deferred tax expenses / tax income (+/–)	–7.0	19.4
	34.3	160.0
of which unrelated to the reporting period	[–21.5]	[10.3]

The income taxes amounting to € 34.3 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 € -2.6 million (previous year: € 8.9 million). The reduction in actual income taxes to € 41.3 million reflects the fall in consolidated earnings in financial year 2023. All in all, the actual income taxes applicable to foreign companies amount to € 33.1 million (previous year € 42.7 million). The deferred tax income of € 7.0 million is essentially caused by the reassessment of deferred tax assets on loss carryforwards at the domestic parent company.

Thanks to the use of tax loss carryforwards that had not previously been availed of, the tax expenses were reduced by € 2.1 million (previous year: € 38.6 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	2023/12/31		2022/12/31	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	7.4	10.7	3.1	15.6
Property, plant and equipment	48.2	67.3	49.0	31.7
Financial assets	1.7	1.9	1.1	1.0
Current assets	79.2	171.5	76.2	218.3
Pension provisions	155.7	–	133.9	–
Other provisions	64.5	4.3	79.3	4.7
Special reserve with equity portion	–	3.1	–	2.1
Liabilities	10.8	19.3	12.6	17.3
Other items	5.3	2.0	4.9	0.5
Total	**372.7**	**280.1**	**360.1**	**291.2**

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 → Consolidated statement of comprehensive income.

Summary of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € million	2023/12/31	2022/12/31
Corporate income tax	92.3	79.2
Trade tax	42.0	49.3
Capitalized tax savings, 12/31	**134.3**	**128.5**

Development of the capitalized tax savings from loss carryforwards that may be realized in the future:

In € million	2023/12/31	2022/12/31
Capitalized tax savings, 01/01	128.5	95.8
Changes in the consolidated group	–0.1	0.0
Use of losses carried forward	–3.0	–93.2
Valuation allowances from losses carried forward	–	–1.1
Capitalization of tax savings from losses carried forward	9.0	127.0
Capitalized tax savings, 12/31	**134.3**	**128.5**

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 activated for trade tax loss carryforwards amounting to € 1,161.1 million (previous year € 1,090.9 million) or corporation tax loss carryforwards amounting to € 1,259.1 million (previous year: € 1,311.1 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 € 140.8 million (previous year € 162.8 million) deferred tax assets were likewise not capitalized. Of this amount, € 105.8 million (previous year: € 133.6 million) can be utilized for an unlimited period of time, € 11.8 million (previous year: € 8.6 million) limited to the next five years and € 23.2 million (previous year: € 20.6 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 € 47.2 million (previous year: € 66.6 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 € 16.5 million (previous year: € 1.1 million) are reported as of December 31, 2023 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 € 27.2 million (previous year € 26.0 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	2023/12/31	2022/12/31
Earnings before tax	238.4	1,245.3
Expected income tax expenses (+) / income (–) (31.5 % / 31.5 %)	75.1	392.3
Tax share for:		
differences between tax rates	–5.7	–12.5
effects of changes in statutory tax rates	–0.3	–0.0
tax credits	–0.2	–0.2
tax-free income	–14.4	–58.1
non-deductible tax expenses and other additions	7.9	3.6
Effects of differences and losses		
without capitalization of deferred tax	3.0	8.7
Adjustments in the value of capitalization benefits	–7.8	–145.1
utilization of benefits not previously capitalized	–2.1	–38.6
tax expenses and income unrelated to the reporting period	–21.5	10.3
other deviations	0.4	–0.3
Disclosed income tax expenses (+) / income (–)	34.3	160.0

The income tax expense of € 34.3 million differs from the expected income tax expense of € 75.1 million by a total of € 40.8 million. This results essentially from income relating to other periods and tax-free income as well as the reassessment of capitalized benefits. This is offset in particular by non-tax-deductible expenses and additions.

The Salzgitter Group falls within the scope of the OECD Pillar Two Model Rules. The Pillar Two legislation was passed in Germany, the country in which the Group is headquartered, and it comes into force as from 2024/01/01. Under the legislation, the Group must pay an additional tax for each country amounting to the difference between the GloBE effective tax rate and the minimum tax rate of 15 %. As the Pillar Two legislation was not yet in force on the reporting date, the Group is currently not subject to any tax liability of this nature.

The Salzgitter Group intends to take advantage of the safe harbor rules. An initial examination indicates that this will be largely possible. According to this analysis, only the tax jurisdictions of Hong Kong, United Arab Emirates and the USA are not within the safe harbor rules on the basis of the 2022 consolidated financial statements.

In 2023, the effective tax rate in Hong Kong (calculated in accordance with IAS 12.86) is 12.4 %, in the United Arab Emirates 0.0 % and in the USA 19.3 %. Taking account of the aforementioned effective tax rates would result in a top-up tax liability of € 0.4 million.

Due to the complexity of applying the legislation and calculating the GloBE income, the quantitative effects of the laws passed cannot be determined in detail as yet. Even Group companies with an effective tax rate of over 15 % might incur tax effects as a result of Pillar Two due to specific adjustments provided for in the Pillar Two legislation. Conversely, it is possible that in the case of Group companies with an effective tax rate lower than 15 %, the Group may not have to pay any top-up tax. The company is currently working with a recognized firm of tax consultants which is providing support in the application of the OECD Pillar Two Model Rules.

(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		2023	2022
Consolidated result	in € million	204.1	1085.4
Minority interest	in € million	4.0	3.9
Amount due to Salzgitter AG shareholders	in € million	200.1	1,081.5
Earnings per share – basic	(in €)	3.70	20.00
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 € 86.7 million (previous year: € 87.8 million) including € 9.3 million (previous year: € 10.5 million) for external companies. Expenditure on research and development contains no expenditure by equity-accounted companies.

Restraints on the right of ownership or disposal amount to € 41.0 million (previous year: € 63.6 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 borrowing conditions abroad.

Government grants amounting to € 202.7 million (previous year: € 1.2 million) were deducted from the acquisition costs of property, plant and equipment. The conditions to which the government grants were attached were fulfilled as of the balance sheet date. Significant ancillary conditions of the ancillary notice are that the steel produced from the SALCOS® project is produced with low CO_2 emissions, that the investment project is a replacement investment and that further reviews must take place from the 2033 financial year. The risk of a repayment obligation is highly unlikely due to unfulfilled conditions as at the reporting date.Of the government grants totaling € 202.7 million, an amount of € 199.9 million was attributable to the first expansion stage of the SALCOS® project.

"Advance payments and assets under construction" include prepayments amounting to € 15.1 million (previous year: € 15.7 million).

Borrowing costs of € 6.9 million were recognized on standard market terms as part of the first expansion stage of SALCOS®.

(11) 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 € 5.1 million (previous year € 6.8 million). The direct operating expenses totaled € 2.6 million (previous year € 2.4 million) and were basically incurred for properties that generated rental earnings in the reporting year.

As of December 31, 2023, the fair value of the investment properties stood at € 88.5 million (previous year: € 103.1 million). 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 determined 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	2023/12/31	2022/12/31
Financial investments	26.8	28.2
Other loans	2.1	9.7
Other financial assets	0.1	0.4
Financial assets	29.0	38.3

(13) INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

	Aurubis AG, Hamburg		EUROPIPE Group		Other		Total	
In € million	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance 01/01	1,400.3	1,210.3	95.7	61.4	69.2	56.1	1,565.3	1,327.8
Result of current financial year	40.0	156.3	53.6	14.6	–1.1	13.7	92.5	184.6
Proportionate gain/loss	40.0	156.3	38.6	–5.4	–1.1	13.7		
Adjustments with effect on the income under the "at-equity method"	–	–	15.0	20.0	–	–		
Dividends	–24.3	–21.6	–30.0	–	–0.6	–0.6	–54.9	–22.2
Changes in shares	–	–	–	–	–50.3	–	–50.3	–
Other changes in equity	–31.1	55.3	–16.0	19.8	–	0.1	–47.1	75.2
Proportional other income	–31.1	55.3	–16.0	19.8	–	0.1		
Book value, 12/31	1,385.0	1,400.3	103.3	95.7	17.2	69.2	1,505.5	1,565.3

The adjustments recognized in income as part of the equity method at the EUROPIPE Group (Steel Processing BU) include income of € 15.0 million from the reversal of the unscheduled writedown recognized in 2021 of the US large-diameter pipe division of the EUROPIPE Group as part of its sale by the parent company EUROPIPE GmbH, Mülheim an der Ruhr.

The fair value of the holding in Aurubis AG is based on the share price as of December 31, 2023 and amounts to € 1,001.5 million (previous year: € 1,029.9 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	2023	2022	2023	2022
Non-current assets	2,596.0	2,175.0	93.8	171.8
Current assets	4,559.0	5,340.0	331.6	547.4
Non-current liabilities	1,020.0	957.0	104.3	130.0
Current liabilities	1,850.0	2,237.0	114.5	367.6
Sales	16,863.7	18,210.5	849.6	579.0
Profit/loss	142.1	471.0	77.2	–10.8
Other comprehensive income	–99.7	176.5	–32.1	39.6
Total comprehensive income	42.5	647.5	45.1	28.8
Dividends received	24.3	21.6	–30.0	–
Net assets	4,285.0	4,321.0	206.5	221.5
pro rata net assets	1,323.6	1,334.8	103.3	110.7
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
Consolidation effects	65.8	70.0	–	–
Purchase of own shares of investments accounted for using the equity method	–	–	–	–
Investment book value	1,385.0	1,400.3	103.3	95.7

	Wohnbaugesellschaft mbH	
In € million	2023	2022
Non-current assets	131.2	125.1
Current assets	18.7	19.7
Non-current liabilities	68.5	62.8
Current liabilities	16.3	16.1
Sales	31.9	29.1
Profit / loss	1.3	2.1
Dividends received	0.6	0.6
Net assets	65.1	65.9
pro rata net assets	16.3	16.5
Consolidation effects	–	–
Investment book value	16.2	16.4

Further summarizing financial information for joint ventures:

	EUROPIPE Group	
In € million	2023	2022
Cash and cash equivalents	104.6	81.0
Current financial liabilities	12.8	22.2
Non-current financial liabilities	9.7	13.5
Depreciation and amortization	9.0	18.4
Interest income	3.4	0.5
Interest expenses	6.5	4.9
Income tax expense (-) / - income (+)	–1.2	7.6

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 2023 are as follows:

In € million	2023/12/31	2022/12/31
Deferred income tax assets	325.3	392.6
Realization within 12 months	16.4	13.4
Realization after more than 12 months	308.9	379.2
Deferred income tax liabilities	98.4	195.2
Realization within 12 months	97.0	194.8
Realization after more than 12 months	1.4	0.4
Balance of deferred tax assets and deferred tax liabilities	226.9	197.4

CURRENT ASSETS

(15) INVENTORIES

In € million	2023/12/31	2022/12/31
Raw materials, consumables and supplies	1,016.8	1,174.5
Unfinished products	742.6	966.8
Unfinished goods or services	18.7	22.0
Finished goods	518.9	601.0
Goods	542.7	664.5
Payments on account	27.6	45.3
Inventories	2,867.2	3,474.3

In the reporting period there were write-ups amounting to € 2.8 million (previous year € 0.6 million). Inventory impairments of € 70.1 million (previous year € 145.6 million) were recognized as expenses. Higher impairment losses were recognized in the previous year, essentially due to 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. This situation no longer applies in the 2023 financial year with the result that the impairment losses fell. The book value of the inventories reported at fair value less selling costs amounted to € 743.5 million (previous year € 908.1 million). Due to a rise in stocks and higher prices, inventories grew accordingly.

(16) TRADE RECEIVABLES

Trade receivables subject to restrictions on ownership or disposal amount to € 145.4 million (previous year € 154.9 million). These are accounted for by the forfeiting and factoring of receivables. For further details, please refer to Note 29 → **Current financial liabilities**.

(17) CONTRACT ASSETS

Net contract assets increased in the reporting period from € 318.3 million to € 372.0 million. The increase relates almost exclusively to technical machinery and equipment in the Technology Business Unit due to the expansion of its business activities. As of January 1, 2022, the balance of contract assets amounted to € 323.0 million.

(18) OTHER RECEIVABLES AND OTHER ASSETS

The item “Other receivables and other assets” contains 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 € 3.0 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, 2023 amounting to € 41.2 million (previous year: € 23.6 million) largely concern capital gains tax demands from domestic Group companies. On the other side there are long-term income tax liabilities of € 19.1 million (previous year: € 33.5 million) and short-term income tax liabilities of € 26.0 million (previous year: € 51.2 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) CASH AND CASH EQUIVALENTS

In € million	2023/12/31	2022/12/31
Cash at banks	789.4	586.1
Term deposits	150.0	400.0
Checks, cash in hand	0.3	2.2
Cash and cash equivalents	939.7	988.4

The securities shown under time deposits have a total term of one to three months.

(21) ASSETS HELD FOR SALE AS WELL AS LIABILITIES IN CONNECTION WITH ASSETS HELD FOR SALE

The items include the assets and liabilities of the fully consolidated Mannesmann Stainless Tubes Group (MST Group), from the Steel Processing Business Unit. The MST Group comprises the activities in the areas of seamless stainless steel and nickel based alloy tubes and pipes and consists of the companies Mannesmann Stainless Tubes GmbH, Mülheim an der Ruhr, Salzgitter Mannesmann Stainless Tubes France S.A.S., Montbard, Salzgitter Mannesmann Stainless Tubes Italia S.r.l., Costa Volpino, Salzgitter Mannesmann Stainless Tubes Deutschland GmbH, Remscheid, Salzgitter Mannesmann Stainless Tubes USA, Inc., Houston and Mannesmann SOTEP Stainless Tubes S.A.S., Issoudun. The background to this separate disclosure is that active talks were already taking place in the final quarter of the 2023 financial year for the sale of the MST Group. On the basis of an indicative offer of purchase which was already the subject of intense scrutiny at the turn of the year, the probability that the MST Group would be sold with effect from 2023/12/31 was rated as highly likely. The schedule for this due diligence provided for a contract of sale to be signed by the end of February. The sale then has to be sanctioned by several anti-trust authorities with the result that deconsolidation will only occur after their approval.

An impairment test already conducted in the 2023 financial year on the basis of the indicative offer of purchase revealed a need for impairment in an amount of € 20.0 million for the MST Group which is reported under the item other operating expenses.

These items are broken down into non-current assets (€ 75.9 million), inventories (€ 157.7 million) and other current assets (€ 50.9 million) as well as non-current liabilities (€ 36.1 million) and current liabilities (€ 87.6 million).

In the previous year, the assets and liabilities of Salzgitter Bauelemente GmbH, Salzgitter, which has since been sold, were reported here.

EQUITY

(22) 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 01, 2027, by issuing up to 30,048,499 new no par value bearer shares against payment in cash or kind (Authorized Capital 2022). On 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 on 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 from Authorized Capital had 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.

(23) 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 fair value (€ 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.

(24) UNAPPROPRIATED RETAINED EARNINGS

Under German commercial law, dividend payments to shareholders of Salzgitter AG depend on the year-end result prepared by Salzgitter AG in accordance with German commercial law. 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 unappropriated retained earnings of € 27.1 million in the 2023 financial year. The Executive Board and Supervisory Board are proposing to the Annual General Meeting to use the net profit (€ 27.1 million) to distribute a dividend of € 0.45 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 € 28.00 on December 31, 2023, the dividend yield amounts to 1.6 % (previous year: 3.5 %).

A dividend of € 1.00 per share was paid in the financial year resulting in a total amount of € 54.1 million.

(25) 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 2023 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.

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 May 09, 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 25 % threshold of voting rights on May 06, 2022 and stood at 25.05 % on that day (equating 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

(26) 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 their deferred contributions plus guaranteed minimum interest (so-called securities-based commitment) for entitlements acquired by 2021.

For the majority of managing directors and selected executives of the Salzgitter Group companies there are individual pension commitments based 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 a general rule, managing directors and senior executives who were not given any pension commitment under the Essener Verband pension tables, have pension entitlements in accordance with the Szplus commitment introduced in 2023. According to this commitment, the employer will make a contractually agreed base pension contribution which at the maximum will be doubled by the employer if the beneficiary converts a corresponding amount of their own gross salary (matching model). The pension contributions will be invested in fund units and when payment becomes due, paid out in a one-time lump sum – plus any positive fund income generated – (securities-based commitment).

As part of the process of concluding new contracts for members of the Executive Board in fiscal 2019, 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	2023/12/31	2022/12/31
Provisions for pensions and similar obligations		
Net pension provision	1,667.8	1,618.8
Other receivables and other assets		
Reimbursement right	7.0	1.2

Profit & Loss

In € million	2023	2022
Personnel expenses		
Service cost	20.0	33.3
Finance expenses		
Net interest	64.3	27.9

Other comprehensive income

In € million	2023	2022
Remeasurement of pensions		
Remeasurements from pension provision	–135.4	516.4
Remeasurements from reimbursement right	–	0.0
	–135.4	516.4

The net pension obligation as of December 31, 2023 is calculated as follows:

In € million	Defined benefit obligation	Plan assets	Net pension provision
As of 2022/01/01	1,681.5	62.6	1,618.8
Service cost			
Current service cost	23.1	2.9	20.2
Past service cost	–0.2	–	–0.2
	22.9	2.9	20.0
(Net) Interest expense / income	64.8	0.5	64.3
Remeasurements			
Experience gains (–) / losses (+)	–4.0	–	–4.0
Gain (–) / loss (+) from change in demographic assumptions	–0.2	–	–0.2
Gain (–) / loss (+) from change in financial assumptions	130.5	–	130.5
Return on plan assets excluding amounts included in interest income	–	–9.0	9.0
	126.4	–9.0	135.4
Benefits paid	–108.0	–2.6	–105.4
Contributions			
Employers	–	0.8	–0.8
Employees	–	–	–
	–	0.8	–0.8
Currency translation differences	0.1	0.1	0.0
Transfers to other accounts	0.0	0.0	–0.0
Transfers to other accounts	–23.1	41.3	–64.4
As of 12/31/2021	1,764.5	96.7	1,667.8

The transfers include on the one hand amounts of the MST Group which were reclassified to the item "Liabilities from assets held for sale", and on the other insurance contracts in an amount of 42.9 million transferred to plan assets as they meet the definition for plan assets.

As of December 31, 2023 plan assets are essentially made up of investment funds (€ 63.9 million) and other equity instruments (€ 2.4 million), whose present values were determined on an active market on the closing date. Plan assets also consist of insurance contracts (€ 30.5 million), the present values of which were not determined on an active market.

The net pension commitment as of December 31, 2022 was calculated as follows:

In € million	Defined benefit obligation	Plan assets	Net pension provision
As of 2022/01/01	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
	36.3	3.1	33.3
(Net) Interest expense / income	28.2	0.4	27.9
Remeasurements			
Experience 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
Transfers / transfers to other accounts	–3.8	–0.2	–3.7
As of 12/31/2022	1,681.5	62.6	1,618.8

The net present value of the obligation can be allocated as follows:

In € million	2023/12/31	2022/12/31
Actual net present value of the defined benefit obligation (Germany)	1,751.2	1,667.1
of which aspirant	656.4	585.5
of which recipient	1,094.8	1,081.5
Actual net present value of the defined benefit obligation (abroad)	13.3	14.4
	1,764.5	1,681.5

The sensitivity of the defined benefit obligation is as follows:

In € million				2023/12/31
	Reference	Degree of sensitivity	+ Unit	- Unit
Discount rate	2.55 %	0.25 % points	–53.5	+56.7
Salary trend	2.75 %	0.5 % points	+2.2	–2.1
Pension trend	2.25 %	0.25 % points	+40.8	–39.4
Mortality	Heubeck 2018G	1 year	+86.8	–87.2

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

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	
2024	107.1
2025	102.6
2026	103.0
2027	102.3
2028	98.1
2029–2033	478.1
2034–2043	847.3

The duration of the obligation's net present value according to Macaulay as of December 31, 2023 is 13.31 years.

(27) OTHER PROVISIONS

The development of other short-term and other long-term provisions is shown in the following table:

In € million	2023/01/01	Currency differences	Addition / disposal from changes in cons. group	Transfer	Transfer	Used	Reversal	Allocation	Compound interest	2023/12/31	of which long-term
Other taxes	5.8	-0.3	–	–	-1.4	-0.9	-0.3	1.9	–	4.9	3.7
Personnel	161.4	-0.2	–	0.1	-4.7	-44.2	-20.6	42.1	5.0	139.1	84.8
of which anniversary provisions	[55.0]	[0.1]	[–]	[0.1]	[-2.8]	[-3.9]	[-7.2]	[1.4]	[1.9]	[44.6]	[40.2]
of which for the social compensation / age-related part-time employment / demographics fund	[69.7]	[0.1]	[–]	[-0.0]	[-0.8]	[-26.9]	[-3.0]	[24.5]	[2.9]	[66.4]	[35.7]
Operating risks	120.2	-0.4	–	–	–	-8.1	-11.9	3.0	3.0	105.9	96.1
Other risks	230.9	0.0	–	–	-4.1	-69.3	-73.5	108.2	1.0	193.1	19.0
thereof risks from calculated orders	[61.3]	[-0.2]	[–]	[–]	[-1.5]	[-15.1]	[-19.3]	[43.3]	[0.0]	[68.5]	[0.7]
of which risks from pending transactions	[24.5]	[-0.1]	[–]	[–]	[-0.6]	[-17.3]	[-3.8]	[12.4]	[0.0]	[15.2]	[0.6]
Total	518.4	-0.8	–	0.1	-10.2	-122.6	-106.3	155.3	9.0	443.0	203.7

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 42 → **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.

By comparison with the previous period, reversals of provisions increased due to the current volatility of the underlying conditions.

The restructuring expenses in the year under review total € 3.1 million which result from additions to the provision. The release of restructuring provisions in an amount of € 9.9 million relates to obligations to be released on the reporting date for which there was no longer any likelihood that they would be required.

(28) NON-CURRENT FINANCIAL LIABILITIES

In € million	2023/12/31	2022/12/31
Liabilities to banks	236.3	453.9
Lease liabilities	120.9	122.3
Liabilities from financing	0.0	0.1
Other borrowings	3.0	3.0
Financial liabilities	360.2	579.3

The reduction in liabilities to banks results from reclassifications between non-current and current financial liabilities.

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	5.0	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 Euribor	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, 2023 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 2023/06/30. For these loan liabilities, the reference interest rate was converted to the so-called synthetic 3-month USD LIBOR, calculated as the sum of the 3-month CME term SOFR rate and the corresponding ISDA fixed spread adjustment as of 2023/06/30.

CURRENT LIABILITIES

(29) FINANCIAL LIABILITIES

In € million	2023/12/31	2022/12/31
Other borrowings	501.2	796.0
Liabilities to banks	274.2	146.8
Liabilities from factoring	145.4	154.9
Lease liabilities	19.8	21.4
Current financial liabilities	940.6	1,119.1

"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 receivables assigned to it to third parties, but without the reciprocal rights and obligations being infringed.

Overall, financial liabilities fell compared to the previous year due to improved working capital management.

(30) CONTRACT LIABILITIES

Net contract liabilities increased in the reporting period from € 412.3 million to € 447.3 million. The increase relates mainly to technical machinery and equipment in the Steel Production Business Unit. As of January 1, 2022, the balance of contract liabilities amounted to € 353.8 million.

(31) OTHER LIABILITIES

In € million	2023/12/31	2022/12/31
Liabilities to employees	121.1	185.7
Tax liabilities	57.9	72.3
Liabilities from derivatives	14.5	19.8
Liabilities from social security contributions	11.5	16.4
Customer credit balances	17.2	16.0
Other liabilities	67.6	70.7
Other liabilities (current)	**289.9**	**380.9**

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 the amount of € 13.4 million (previous year: € 22.8 million) are secured through mortgages.

(32) 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 amount to € 5.5 million (previous year: € 15.1 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 € 0.0 million (previous year: € 2.6 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 Plate 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 in individual cases (e.g. due to the cost of litigation or to secure a customer relationship), settle them at a relatively low level. Our experience to date with out-of-court settlements has confirmed this opinion. 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.

Neither Salzgitter AG nor any of its Group companies is involved in any further ongoing or imminent court or arbitration proceedings that might have a substantial effect on its financial position.

(33) OTHER FINANCIAL OBLIGATIONS

In € million	2023/12/31		
	up to 1 year	1 to 5 years	over 5 years
Purchase commitments for investments (essentially property, plant and equipment)	634.8	800.7	–
Obligations from rental and leasing agreements	10.9	19.1	15.2
Purchase commitments for input material	844.4	478.8	90.4
Other financial obligations	202.1	372.1	876.3
Total	1,692.3	1,670.6	981.9

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
Purchase commitments for input material	257.8	223.5	163.5
Other financial obligations	184.3	272.3	718.8
Total	822.0	782.4	882.3

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.

The other financial obligations relate essentially to obligations arising from long-term electricity supply contracts. The rise in order commitments for investments largely results from measures in connection with the SALCOS® project.

For the future SALCOS steel production from 2026, the Salzgitter Group has concluded long-term electricity supply contracts, Power Purchase Agreements (PPAs), with four different energy producers in order to guarantee the long-term supply of electricity from renewable sources such as wind and solar energy.

The energy producers will supply us with electricity from wind and solar farms defined in individual contracts. These contracts have a term of between 12 and 15 years and they include fixed prices for the various durations of the contracts. These fixed prices are reflected in our rolling three-year earnings plan, currently running up to and including 2026, as well as in our long-term SALCOS® profitability scenarios. Taking account of the wind and solar output to be expected, the volume to be produced by these systems is to be 817 GWh p.a. of which around 78 % is accounted for by wind energy and 22 % by solar energy. The volume to be procured from these PPAs has been agreed taking account of an annual electricity requirement forecast. The purchase contracts only cover part of the likely maximum electricity demand in each case. The intention is to conclude further PPAs.

(34) 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 "at fair value – with no effect on 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, 2023, the reconciliation of the balance sheet items to the various categories of financial instruments was as follows:

2023 in € million				Valuation according to IFRS 9			Valuation according to IFRS 15 and IFRS 16	
	Book value as of 2023/12/31	Outside the scope of IFRS 7	Within the scope of IFRS 7	At amortized costs	At fair value (OCI)	At Fair Value (P&L)	At amortized costs	Fair value
Assets								
Financial assets	29.0	–	29.0	2.2	26.8	–	–	29.0
Other non-current receivables and assets	28.9	18.5	10.4	–	10.4	–	–	10.4
Long-term and short-term trade receivables	1,224.1	–	1,224.1	1,224.1	–	–	–	1,224.1
Contract assets	372.0	–	372.0	–	–	–	372.0	372.0
Other current receivables and assets	231.4	136.5	94.9	56.7	28.4	9.8	–	94.9
Securities	0.0	–	0.0	0.0	–	0.0	–	0.0
Cash and cash equivalents	939.7	–	939.7	939.7	–	–	–	939.7
Assets financial instruments			2,670.1	2,222.7	65.6	9.8	372.0	
Equity and liabilities								
Non-current financial liabilities	360.2	–	360.2	239.3	–	–	120.9	353.8
Other current liabilities	4.1	3.9	0.1	0.1	0.0	–	–	0.1
Current financial liabilities	940.6	–	940.6	920.8	–	–	19.8	943.9
Trade payables	1247.6	–	1,247.6	1,247.6	–	–	–	1,247.6
Other non-current liabilities	289.9	220.0	69.8	55.3	4.3	10.3	–	69.8
Equity and liabilities financial instruments			2,618.3	2,463.1	4.3	10.3	140.7	

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 € million				Valuation according to IFRS 9			Valuation according to IFRS 15 and IFRS 16	
	Book value as of 2022/12/31	Outside the scope of IFRS 7	Within the 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	579.2	–	579.2	457.0	–	–	122.3	552.2
Other current liabilities	5.2	5.2	0.0	0.0	–	–	–	0.0
Current financial liabilities	1,119.0	–	1,119.0	1,097.7	–	–	21.4	1,123.3
Trade payables	1,331.8	–	1,331.8	1,331.8	–	–	–	1,331.8
Other non-current liabilities	381.0	304.1	76.9	57.0	6.6	13.2	–	76.9
Equity and liabilities financial instruments			**3,107.0**	**2,943.5**	**6.6**	**13.2**	**143.6**	

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 value 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 prior 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; they correspond to 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:

2023 in € million			Fair value				
	At fair value without effect on the income financial investments	At fair value without effect on the income hedge accounting	At Fair Value (P&L)	Total	thereof level 1	thereof level 2	thereof level 3
Assets							
Financial assets	26.8	–	–	26.8	–	–	26.8
Other non-current receivables and assets	–	10.4	–	10.4	–	10.4	–
Other current receivables and assets	–	28.4	9.8	38.2	–	38.2	–
Securities	–	–	0.0	0.0	0.0	–	–
Assets fair value	26.8	38.8	9.8				
Equity and liabilities							
Other current liabilities	–	0.0	–	0.0	–	0.0	–
Other non-current liabilities	–	4.3	10.3	14.5	–	14.5	–
Liabilities fair value	–	4.3	10.3				

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 decreased their carrying amounts by € 0.9 million (previous year: increase of € 0.6 million). The carrying amounts of all financial investments as of the closing date of December 31, 2023, 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 2023 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 € 26.8 million (previous year: € 28.2 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 € 1.7 million (previous year: € 1.8 million) or increase by € 2.0 million (previous year: € 2.2 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.

2022 in € million			Fair value				
	At fair value without effect on the income financial investments	At fair value without effect on the income hedge accounting	At Fair Value (P&L)	Total	thereof level 1	thereof level 2	thereof 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 current liabilities	–	–	–	–	–	–	–
Other non-current liabilities	–	6.6	13.2	19.8	–	19.8	–
Liabilities fair value	–	6.6	13.2				

NET RESULTS OF CATEGORIES OF FINANCIAL INSTRUMENTS

The net results of the categories are as follows:

In € million	2023	2022
Financial instruments measured without effect on income	–33.4	57.6
Financial assets at cost	51.2	12.3
Equity instruments measured at fair value without effect on income	1.3	3.1
Financial liabilities measured at amortized cost	–85.9	–54.5
Total	–66.9	18.5

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 category "Financial assets measured at amortized cost" also includes interest income amounting to € 44.7 million (previous year: € 12.2 million). The category "Equity instruments measured at fair value with no effect on profit or loss" 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 € 87.6 million (previous year: € 49.5 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 € 8.8 million (previous year: € 10.2 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 € 16.9 million (previous year: € 2.5 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	2023/12/31		2022/12/31	
	Maximum default risk	Hedged default risk	Maximum default risk	Hedged default risk
Long-term and short-term trade receivables	1,224.1	575.5	1,547.3	841.2
Other receivables	56.7	0.9	106.2	0.9
Financial assets	2.2	0.8	10.1	0.8
Total	1,283.0	577.2	1,663.7	842.9

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 € 506.0 million (previous year: 782.2 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			2023/12/31
General approach	Level 1	Level 2	Level 3
High credit rating	56.7	–	–
Fair credit rating	1.6	–	–
Increased risk	0.6	–	–
Total	58.9	–	–

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	–	–

FY 2023 in € million	Impairment general approach level 1		
	Gross book value	Credit risk	Net book value
Opening balance 01/01	125.7	–9.3	116.4
Disposal	–73.3	–	–73.3
Allocation	–	0.8	0.8
Reversal	–	3.0	3.0
Currency differences	–1.0	0.2	–0.8
Deconsolidation	12.4	0.4	12.8
As per 12/31	63.9	–4.9	59.0

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
Addition	–27.6	–	–27.6
Change in value	–	–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

The rating system for assets accounted for in accordance with the simplified approach, is as follows:

2023/12/31 in € million		
Simplified	Trade receivables gross	Contract assets gross
High credit rating	825.5	330.2
Fair credit rating	372.6	39.1
Increased risk	100.7	3.8
Total	1,298.8	373.1

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

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, 2023 amounts to € 1,298.8 million (previous year: € 1,649.5 million). Of the entire risk provision for trade receivables amounting to € 74.7 million (previous year: € 102.2 million), € 70.2 million (previous year: € 96.7 million) was accounted for by the "Increased risk" category. The remaining sum for the risk provision for trade receivables amounting to € 3.7 million (previous year: € 5.5 million) results primarily from the risk provision for trade receivables in the "Fair credit rating" category.

As of December 31, 2023, the gross carrying amount of all contract assets amounts to € 373.1 million (previous year: € 318.9 million). Overall, there is a risk provision for contract assets amounting to € 1.1 million (previous year: € 0.6 million) resulting essentially from the risk provision for contract assets in the "High credit rating" category.

FY 2023 in € million	Impairment trade receivables	Impairment contract assets
As of 01/01	-102.2	-0.6
Addition	-86.9	-2.0
Utilization	16.9	–
Reversal	96.4	1.4
Transfer to other accounts	0.0	0.1
Currency differences	0.6	–
Deconsolidation	0.4	–
As per 12/31	-74.7	-1.1

FY 2022 in € milion	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

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:

2023/12/31 in € milion	up to 1 year	1 to 5 years	over 5 years
Trade payables	1,247.6	–	–
Financial liabilities (without leasing liabilities)	931.6	216.2	34.9
Lease liabilities	24.6	71.0	76.1
Other liabilities (without derivatives)	82.3	0.1	–

2022/12/31 in € milion	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	–

As a general rule, all amounts constitute contractually undiscounted cash flows.

As of December 31, 2023, derivative financial liabilities with a term of under one year lead to disbursements of € 888.6 million (previous year: € 499.9 million), while those with a term of between one and five years lead to payouts totaling € 0.0 million (previous year: € 0.0 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, 2023, reverse factoring agreements amounting to € 52.1 million (previous year: € 55.6 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 terms as the earlier payments are initially handled by the financial institutes. Consequently, there is no change for the Group to the level or timing of cash flows for liabilities to suppliers.

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 € milion	2023/12/31	2022/12/31
Forward exchange contracts – cash flow hedges	0.1	2.0
Commodity futures – cash flow hedges	38.7	36.8
Total	38.8	38.8

Negative market values in € milion	2023/12/31	2022/12/31
Forward exchange contracts – cash flow hedges	4.3	5.0
Commodity futures – cash flow hedges	0.0	1.5
Total	4.3	6.6

The commodity future transactions will affect income in the financial years 2024, 2025 and 2026. 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 € 1.9 million (previous year: reduction of € 0.5 million) and negative ones fell by € 0.7 million (previous year: increase of € 5.0 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 increased by € 1.9 million (previous year: decrease of € 30.2 million) and negative ones fell by € 1.5 million (previous year: € 6.2 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	2023	2022
As of 01/01	21.5	42.9
Write-up without effect on income	72.1	229.6
Write-down without effect on income	–36.5	–155.1
Basis adjustment	–30.7	–119.1
Deferred taxes basis adjustment	9.7	37.5
Realization	–2.4	15.7
Other deferred taxes	–10.6	–30.0
As of 12/31	23.1	21.5

The volume of hedging transactions accounted for in hedge accounting as of the relevant closing date:

2023	up to 1 year	over 1 year	Nominal volume	Average hedging rate
Hedging currency exchange risk in million USD – purchase	206.9	–	206.9	1.10
Hedging currency exchange risk in million GBP – sale	17.7	–	17.7	0.87
Hedging currency exchange risk in million CAD – sale	12.7	–	12.7	1.46
Hedging price change risk of iron ore in m t	0.6	0.4	1.0	86.71
Hedging price change risk of coking coal in m t	0.0	–	0.0	289.73
Hedging price change risk hot rolled coils in m t	0.0	0.0	0.0	857.5

2022	up to 1 year	over 1 year	Total 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

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 € 30.7 million (previous year: € 119.1 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 € 3.5 million (previous year: € –15.1 million) were reclassified from OCI to Sales revenues for underlying transactions now recognized in profit or loss. Reserves for currency hedging in the amount of € –1.1 million (previous year: € –0.7 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	2023	2022
As of 01/01	15.5	15.0
Write-up without effect on income	0.9	2.2
Write-down without effect on income	–1.8	–1.6
Deferred tax	0.2	–
As of 12/31	14.8	15.5

The carrying amount of equity instruments measured at fair value with no effect on the income statement in the amount of € 26.8 million (previous year: € 28.2 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	2023/12/31	2022/12/31	2023	2022
		Fair value		dividends
Arsol Aromatics GmbH & Co. KG	11.3	12.5	1.0	1.2
Ferrum Packaging AG	6.0	8.6	–	1.0
PEAG Holding GmbH	3.2	2.7	–	0.3
Niedersächsische Gesellschaft zur Endlagerung von Sonderabfall mbH	1.4	1.4	0.2	0.2
Other	4.9	2.9	0.1	0.4
Total	26.8	28.2	1.3	3.1

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.

2023/12/31	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	–48.7	–18.5	–67.2	52.0	24.0	76.0
GBP	2.2	1.8	4.0	–2.7	–2.2	–4.9
Other currencies	2.7	0.8	3.5	–3.3	–0.9	–4.2
Currency sensitivities	**–43.8**	**–15.9**	**–59.7**	**46.0**	**20.9**	**66.9**
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	–	2.6	2.6	–	–2.6	–2.6
Iron ore	–	26.6	26.6	–	–26.6	–26.6
Others	–	0.1	0.1	–	–0.1	–0.1
Other price sensitivities	–	**29.3**	**29.3**	–	**–29.3**	**–29.3**

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
Others	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**

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 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.

2023/12/31 in € milion	Gross book value	Offsetting amount	Net book value	Not offset amount	Total net book value
Positive market values derivates	48.6	–	48.6	4.4	44.2
Negative market values derivates	14.5	–	14.5	4.4	10.2

2022/12/31 in € milion	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

(35) 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 € 34.5 million (previous year: € 9.4 million). Dividend income received during the financial year 2023 amounted to € 56.2 million (previous year: € 25.3 million).

The disclosure of government grants for the SALCOS® project in the cash flow from investing activities corresponds to the subsidized investment payments in property, plant and equipment also reported here.

The loss of control over subsidiaries generated a cash inflow of € 24.9 million which is included in the inflows from the disposal of other non-current assets (cash flow from investing activities).

Changes in financial liabilities were as follows:

In € million	As of 2023/01/01	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 2023/12/31	of which non-current
loan payables and other financial liabilities	1,698.3	633.8	528.7	–1,052.5	–879.2	–0.4	21.8	1,300.8	360.2
Liabilities to banks	600.7	37.6	28.7	–127.1	–59.1	–0.4	–0.4	510.5	236.3
Other financial liabilities	798.8	500.0	500.0	–794.5	–794.5	–	–0.4	504.0	3.0
Liabilities from factoring	154.9	95.7	–	–105.2	–	–	–	145.4	–
Liabilities from financing	0.3	0.4	–	–0.2	–	0.0	–0.3	0.3	0.0
Lease liabilities	143.6	–	–	–25.6	–25.6	0.0	22.8	140.7	120.9
	1,698.3	633.8	528.7	–1,052.5	–879.2	–0.4	21.8	1,300.8	360.2

In € million	As of 2022/01/01	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

(36) 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 also 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	2023	2022
Domestic	2,501.9	2,270.2
Other EU	71.9	107.0
Rest of Europe	1.7	2.1
America	72.3	88.3
Asia	20.3	22.1
Africa	2.8	3.3
Australia / Oceania	1.6	1.6
	2,672.5	2,494.6

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.

In € million	2023	2022
Total sales of the segments	12,856.8	15,168.5
Industrial Participations	473.9	450.4
Consolidation	–2,540.2	–3,065.6
Sales	10,790.5	12,553.3

In € million	2023	2022
Total results of the segments for the period	288.1	1,168.2
Industrial Participations	10.4	7.3
Consolidation	–60.2	69.8
Earnings before tax	238.4	1,245.4

(37) 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	2023/12/31	2022/12/31
Land, similar rights and buildings, including buildings on land owned by others	142.1	136.1
Plant equipment and machinery	54.7	53.4
Other equipment, plant and office equipment	27.1	29.4
Acquisition costs of using rights	223.9	219.0

In € million	2023/12/31	2022/12/31
Land, similar rights and buildings, including buildings on land owned by others	42.8	35.9
Plant equipment and machinery	32.8	25.9
Other equipment, plant and office equipment	13.5	18.7
Amortization of rights of use	89.2	80.5

Additions from recognized rights of use are divided between the following asset classes:

In € million	2023/12/31	2022/12/31
Buildings	–	–
Land, similar rights and buildings, including buildings on land owned by others	20.1	15.8
Plant equipment and machinery	3.5	11.8
Other equipment, plant and office equipment	10.9	7.7
Additions right-of-use assets	34.6	35.3

Scheduled amortization of rights of use is shown as follows:

In € million	2023	2022
Land, similar rights and buildings, including buildings on land owned by others	12.8	11.8
Plant equipment and machinery	9.3	9.3
Other equipment, plant and office equipment	7.2	6.7
Amortization of rights of use	**29.3**	**27.8**

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 asset class Land, similar rights and buildings, including buildings on land owned by others. 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 contains rented locomotives and goods wagons while Other equipment, plant and office equipment is made up mainly of the vehicle fleet. The vehicle fleet mainly comprises hired forklift 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 to 5 years	Residual term > 5 years	2023/12/31
Lease liabilities (undiscounted)	71.0	76.1	147.1
Finance costs	12.8	13.4	26.2
Liabilities from lease agreements	58.2	62.7	120.9

In € million	Residual term 1 to 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

The liabilities from lease agreements reported under current financial liabilities are shown in the following table:

In € million	2023/12/31	2022/12/31
Lease liabilities (undiscounted)	24.6	27.0
Finance costs	4.8	5.7
Liabilities from lease agreements	**19.8**	**21.4**

This is reflected in profit and loss as follows:

In € million	2023	2022
Cost of materials / other operating expenses		
Expenses for leases in which the underlying asset is of low value	2.3	2.5
Expenses for short-term leases	8.0	7.9
Expenses for variable lease payments	0.2	0.5
Financial result		
Interest expenses from lease liabilities	4.3	3.4

Total cash outflows for leases amount to € 30.2 million in the financial year (previous year: € 30.3 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 € 11.1 million (previous year: € 10.8 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, the Salzgitter Group as the lessor, reports the leased object 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	2023/12/31	2022/12/31
Land, similar rights and buildings, including buildings on land owned by others	8.1	8.1
Plant equipment and machinery	0.8	0.8
Other equipment, plant and office equipment	–	–
Acquisition and production costs	8.9	9.0

In € million	2023/12/31	2022/12/31
Land, similar rights and buildings, including buildings on land owned by others	5.2	5.0
Plant equipment and machinery	0.8	0.8
Other equipment, plant and office equipment	–	–
Depreciation / amortization	6.0	5.8

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	2023/12/31	2022/12/31
up to 1 year	6.0	5.6
1 to 5 years	9.4	9.4
over 5 years	12.2	10.3
Total	27.6	25.4

The income statement contains lease income from the current year amounting to € 3,0 million (previous year: € 2,6 million).

There are basically no finance leases.

(38) 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	
	2023	2022	2023	2022
Non-consolidated group companies	21.7	29.4	5.3	26.5
Joint ventures	279.1	211.2	13.2	64.7
Companies accounted for using the equity method	0.2	–	9.0	22.3
Other related parties	4.7	0.7	65.7	13.6

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	
	2023/12/31	2022/12/31	2023/12/31	2022/12/31
Non-consolidated group companies	12.3	14.8	2.6	14.4
Joint ventures	15.1	103.7	0.8	0.3
Companies accounted for using the equity method	0.0	–	0.4	7.9
Other related parties	10.3	4.4	99.1	103.2

There are no contingent liabilities towards non-consolidated, affiliated companies.

The joint ventures produce large-diameter pipes for third parties as part of project business. Group companies' receivables from these joint ventures include receivables from the sale of input material.

Besides the liabilities towards other related parties, there are payment obligations from outstanding orders amounting to € 97.7 million (previous year: € 62.5 million).

(39) 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	2023	2022
Audit services	3.3	3.2
Other certification or assessment services	0.2	0.0
Other services	0.1	0.2

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.

(40) SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING DATE

By the end of financial year 2023, the Salzgitter Group had begun to study more closely a purchase offer for the MST Group (Salzgitter Mannesmann Stainless) which produces stainless steel and nickel-based alloy tubes and pipes. At the end of 23, all the assets and liabilities of this group were already reported in a separate item in the balance sheet as "held for sale". After the buyer had completed its due diligence, the Supervisory Board of Salzgitter AG approved the intended sale of the MST Group at an extraordinary meeting on February 1, 2024. After final negotiations with the buyer, a legally binding contract was concluded on February 19, 2024. The actual takeover by the buyer is subject to the approval of various authorities. Depending on these official approvals, deconsolidation will probably occur in the second half of 2024.

In connection with the SALCOS® transformation project, a loan agreement was concluded in the period in which the consolidated financial statements were prepared which serve to fund this investment. The agreement has a volume of € 200 million. The terms of the loan depend on the completion dates of certain technical systems. From the completion date of these systems, the loan will have a residual term of 8.5 years each. Besides the funding commitment from government funds (€ 1 billion), these loans represent further significant, long-term funding.

(41) 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 Europlatinen GmbH, Salzgitter[1)]
- Hövelmann & Lueg Vermögensverwaltung GmbH, Schwerte
- Salzgitter Mannesmann Stahlservice GmbH, Karlsruhe[1)]
- Peiner Träger GmbH, Peine
- DEUMU Deutsche Erz- und Metall-Union GmbH, Peine[1),2)]
- BSH Braunschweiger Schrotthandel GmbH, Braunschweig[1)]
- Ilsenburger Grobblech GmbH, Ilsenburg
- Salzgitter Mannesmann Grobblech GmbH, Mülheim
- 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)]

Furthermore, VPS Infrastruktur Salzgitter GmbH, Salzgitter, has, in accordance with Section 264 para. 3 HGB, made use of its right to waive the preparation of a management report.

- KHS GmbH, Dortmund[2)]
- LFP Logistics for Filling and Packaging GmbH, Dortmund[1)]
- 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 to waive the preparation of Notes.
2) Use was made of the option under Section 291 to waive the preparation of consolidated financial statements and a group management report.

(42) 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Current members of the Executive Board	3.2	4.5	0.9	1.1	1.2	0.8	0.9	0.8
Members of the Supervisory Board	1.7	1.7	–	–	–	–	–	–
Other members of the key management personnel	2.9	4.0	0.2	0.2	–	–	–	–

Presentation of the remuneration packages is based on the expenses recognized in the consolidated financial statements.

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	
	2023/12/31	2022/12/31	2023/12/31	2022/12/31	2023/12/31	2022/12/31	2023/12/31	2022/12/31
Former members of the Executive Board	0.7	0.5	54.8	53.7	0.8	1.0	0.4	1.2
Current members of the Executive Board	1.0	2.0	16.8	13.5	2.2	1.4	1.6	1.5
Members of the Supervisory Board	–	–	–	–	–	–	–	–
Other members of the key management personnel	1.4	2.0	3.9	5.3	–	–	–	–

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 € 3.8 million in the financial year (previous year: € 3.5 million).

All entitlements in existence as of December 31, 2023 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, 2023 was based on the following parameters, using an appropriate option price model.

	Tranche 2023	Tranche 2022	Tranche 2021
Number of virtual shares	9,152.046	55,700.904	49,917.010
Interest rate	2.55 %	2.55 %	2.59 %
Volatility	49.04 %	49.04 %	46.30 %
Term	2026/12/31	2025/12/31	2024/12/31
Share price as of balance sheet date	€ 28.52	€ 28.52	€ 28.52

With regard to Tranche 2023, 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 2023 is € 0.1 million, for Tranche 2022 € 0.9 million, for Tranche 2021 € 1.2 million and for Tranche 2020 € 0.9 million.

The lockup period for Tranche 2020 ended at the end of the 2023 financial year. The number of virtual shares is 30,813,107. 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 2023 financial year, personnel expenses of € 1.3 million (previous year: € 0.8 million) were recognized in profit or loss due to share-based remuneration with cash settlement.

As of December 31, 2023, the carrying amount of the Salzgitter Group's obligations from share-based remuneration amounts to € 3.0 million (previous year: € 2.4 million). Of this amount, € 0.9 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 08, 2024

The Executive Board

Groebler Becker Kieckbusch Potrafki

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 08, 2024

The Executive Board

Groebler Becker Kieckbusch Potrafki

AUDIT OPINIONS

"Reproduction of the auditor's report

We issued the following auditor's report on the consolidated financial statements, the group management report, which was combined with the Company's management report, and the ESEF documents:

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 2023 to 31 December 2023, and the consolidated balance sheet as at 31 December 2023, consolidated cash flow statement, consolidated statement of changes in equity for the fiscal year from 1 January 2023 to 31 December 2023, 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 2023 to 31 December 2023. In accordance with the German legal requirements, 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 2023 and of its profitability for the fiscal year from 1 January 2023 to 31 December 2023, 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 2023 to 31 December 2023. 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 EBITDA 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) **Accounting effects of investments in fixed assets and from the agreement of long-term power purchase agreements as part of the SALCOS project**

Reasons why the matter was determined to be a key audit matter

In the current fiscal year, Salzgitter Flachstahl GmbH, Salzgitter, as a wholly owned subsidiary of Salzgitter Aktiengesellschaft, Salzgitter, invested significant amounts in fixed assets (advance payments and assets under construction) as part of the multi-year SALCOS investment project. The new investments are also intended to be used to replace old plants. In this context, the executive directors must also continuously assess the effects on the existing old plants, including the remaining useful lives.

These investments are to be financed by borrowing, customer financing (partnering agreements) and, to a large extent, grants from the Federal Ministry for Economic Affairs and Climate Action. In fiscal year 2023, Salzgitter Flachstahl GmbH received a grant notification for which, among other things, the accounting effects of the incidental provisions had to be assessed by the executive directors. Interest on borrowing costs is capitalized for the first time when construction begins.

Furthermore, long-term power purchase agreements were concluded in connection with the investment project to ensure the future supply of electricity generated from renewable sources. The executive directors had to assess whether the agreements were extensions to the consolidated group or leasing contracts. They also had to judge whether there were embedded derivatives and, if so, whether they should be recognized separately. It was also necessary to assess whether potential losses due to fixed contracted prices should be recognized in the balance sheet.

Due to the executive directors' discretionary estimates in relation to the power purchase agreements and the potential material effects in terms of amount, we consider the accounting effects of investments in fixed assets and from the agreement of long-term power purchase agreements as part of the SALCOS project to be a key audit matter.

Auditor's response

We obtained an understanding of the fixed asset accounting process implemented by Salzgitter Flachstahl GmbH, Salzgitter, and tested the effectiveness of the controls implemented in this process. We also performed substantive audit procedures for the capitalized advance payments and assets under construction on a sample basis. We used invoices, contracts and payment receipts to reconstruct the disclosure and amount of assets under construction. Based on our understanding of the investment project, we assessed the executive directors' estimates of the remaining useful lives of the property, plant and equipment currently in use with regard to the timing of the replacement investments.

In order to assess the borrowing costs to be capitalized, we analyzed whether the assets acquired meet the criteria for a qualifying asset within the meaning of IAS 23 and whether a considerable period of time is required to bring the assets to a usable condition. We verified the calculation of the amount to be capitalized and reconciled the underlying financing agreements to the calculation of the borrowing rate used.

We gained an understanding of the accounting effects based on the executive directors' assessment of the grant notification and its covenants. We assessed whether the government grants meet the relevant criteria of IAS 20. In this context, we verified the deduction of government grants from the acquisition and production costs recognized for assets under construction. As part of our substantive audit procedures, we examined the accounting treatment of the grants received on a sample basis. In doing so, we also reconciled incoming payments of the grants received with bank statements. The contracts for the partnering agreements were analyzed with regard to IFRS 15. We compared the income from partnering agreements received with the contracts and reconciled the incoming payments to bank statements on a sample basis.

With the involvement of internal experts, we evaluated the executive directors' estimates regarding the accounting treatment of the concluded power purchase agreements with regard to the provisions of IFRS 9, IFRS 10, IFRS 11, IFRS 16 and IAS 37. In doing so, we also analyzed whether the electricity purchase volumes are planned for own consumption over the term of the contract based on the Company's planning calculations.

We verified whether the disclosures on the above accounting and valuation topics in the notes to the consolidated financial statements are complete.

We also assessed the related reporting in the combined management report.

Our procedures did not lead to any reservations relating to the assessment of the accounting effects of the investments in fixed assets and to from the agreement of long-term power purchase agreements as part of the SALCOS project.

Reference to related disclosures

We refer to the disclosures in the notes to the consolidated financial statements in the "Accounting and Valuation Principles" section in the "Estimates and assumptions," "Provisions for typical operating and other risks," "Effects of climate change" and "Property, plant and equipment" subsections for information on the accounting policies applied to investments in fixed assets and from the agreement of long-term power purchase agreements as part of the SALCOS project. Please also refer to the disclosures in the "Notes to the balance sheet" section under "(10) Property, plant and equipment" and "(33) Other financial obligations."

We also refer to the presentation of the investment project in the combined management report in the section "Business activities and Group structure" in the "Steel production division" subsection and the "Goals and strategy" section in the "Strategic direction and goals" and "Circular economy" subsections. Please also refer to the disclosures in the " Opportunities and Risk Report, Guidance" section under "Specific risks" and "Overall statement on the risk position of the Group."

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 assets, liabilities, financial position and financial performance 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-2023-12-31.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 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 2023 to 31 December 2023 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 attached 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 non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, 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 25 May 2023. We were engaged by the Supervisory Board on 5 December 2023. 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

We have not audited the content of the following parts of the group management report:

- The statement on corporate governance included in the "Declaration of Corporate Governance" section of the group management report.

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 "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
- Responsibility Statement

but not the consolidated financial statements, not the group 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, 11 March 2024

EY GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft

Hantke Dr. Janze

Wirtschaftsprüfer Wirtschaftsprüfer

[German Public Auditor] [German Public Auditor]

Independent auditor’s report on a limited assurance engagement

To Salzgitter Aktiengesellschaft, Salzgitter

We have performed a limited assurance engagement on the separate combined non-financial report of Salzgitter Aktiengesellschaft, Salzgitter, (hereinafter the “Company”) as well as the "Goals and Strategy" section of the combined management report incorporated by reference for the period from 1st of January to 31st of December 2023 (hereinafter the “non-financial Reporting”). Not subject to our assurance engagement were other references to disclosures made outside the non-financial Reporting, the GRI index as well as prior-year disclosures.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial Reporting in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB [“Handelsgesetzbuch”: German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of 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 in accordance with 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 Reporting.

These responsibilities of the Company’s executive directors include the selection and application of appropriate methods for the preparation of the non-financial Reporting and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial Reporting that is free from material misstatement, whether due to fraud (manipulation of the non-financial Reporting) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted 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, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section “EU Taxonomy” of the non-financial Reporting. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor’s firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”: Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1)] and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial Reporting 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 Company’s non-financial Reporting is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the non-financial Reporting. Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting, GRI Index, prior-year disclosures as well as the external sources of documentation or expert opinions mentioned in the non-financial Reporting.

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 auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of relevant employees of Salzgitter AG regarding the execution of the materiality analysis and the determination of topics for the non-financial Reporting, the risk assessment and concepts related to identified material topics
- Inquiries of relevant employees of Salzgitter AG who are involved in data collection and data consolidation, as well as the preparation of non-financial Reporting, regarding the assessment of the reporting system, methods of data collection and processing methods, and internal controls relevant for the audit of the disclosures in non-financial Reporting.
- Identification of likely risks of material misstatements in the non-financial Reporting.
- Inspection of the relevant documentation of the systems and processes for collecting, aggregating, and validating data from relevant areas during the reporting period, including audit on a sample basis.
- Analytical assessment of selected disclosures in the non-financial Reporting at the group level.
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data.
- Reconciliation of selected disclosures with corresponding data in the group management report.
- Evaluation of the presentation of disclosures in the non-financial Reporting.
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-aligned as well as the corresponding disclosures in non-financial Reporting.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are 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 conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial Reporting of the Company for the period from 1st of January to 31st of December 2023 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section „EU Taxonomy" of the non-financial Reporting.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial Reporting, the GRI-Index and prior-year disclosures.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The enclosed "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] on 01 Janaury 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained therein no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Hanover, 11th March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Christian Janze	Helene Süppel
Wirtschaftsprüfer	Wirtschaftsprüferin

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.

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Are you interested in further information about Salzgitter AG? The QR code will take you directly to the Magazine accompanying the Annual Report 2023.

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