

The German Corporate Governance Code comprises essential legal provisions anchored in German law on the management and supervision of listed stock corporations and contains a set of additional recommendations for conduct. These recommendations affect the General Meeting of Shareholders, the Executive Board, the Supervisory Board, the cooperation between these two executive bodies, transparency, as well as accounting standards and the auditing of financial statements. The corporate management and the corporate culture of the Salzgitter Group comply with the law and, with a few exceptions, with the recommendations of the German Corporate Governance Code.

Corporate Governance at Salzgitter

Salzgitter AG has always been firmly committed to a responsible corporate policy geared towards increasing the value of the company. It regards good corporate governance as an integral part of its success, perceiving it as a standard that encompasses all areas of the company and its activities. Over the past year as well, Salzgitter AG has continued to dedicate much time and effort to developing its corporate governance. During this process, it has in particular implemented additional recommendations of the German Corporate Governance Code, as documented by the submission of its Declaration of Compliance by the Executive Board and the Supervisory Board on December 15, 2005, pursuant to Section 161 of the German Stock Corporation Act (AktG).

To monitor observance of the recommendations of the Code, the Executive Board of Salzgitter AG has appointed a coordination unit which reports to it directly and regularly.

The Shareholders of Salzgitter AG

The shareholders of Salzgitter AG basically exercise their rights at the General Meeting of Shareholders. In particular, they decide on the appropriation of profit, the discharge of the Executive Board and the Supervisory Board, the election of shareholder representatives to the Supervisory Board, changes to the Articles of Incorporation and significant commercial steps. Every shareholder in Salzgitter AG is entitled to participate in the General Meeting of Shareholders, to address the Meeting about items on the agenda, to ask pertinent questions and submit relevant motions. Salzgitter AG facilitates the process of its shareholders exercising their rights personally. By the participation of a proxy at hand during the General Meeting of Shareholders, it enables the shareholders to have their voting rights exercised in accordance with their instructions.

The adopted financial statements as at December 31, 2004, the consolidated financial statements, the joint management report on the company and the Group and the report of the Supervisory Board were presented at the General Meeting of Shareholders of Salzgitter AG held on May 26, 2005, in

Braunschweig. The General Meeting subsequently discussed applications for resolution pertaining to the following items on the agenda:

- appropriation of the balance sheet profit (€ 0.40 per share),
- discharge of the Executive and the Supervisory Boards,
- selection of the auditor in 2005 (PricewaterhouseCoopers AG),
- authorization for the acquisition of own shares,
- approval of control and profit transfer agreements.

The applications for resolution submitted by the Executive and Supervisory Boards were approved by a great majority.

In the extraordinary General Meeting of Shareholders of Salzgitter AG, held on November 17, 2005, in Braunschweig, the following applications for resolution were among the items on the agenda:

- approval of a spin-off and transfer agreement between Salzgitter AG and Salzgitter Mannesmann AG concerning the transfer of participations as well as the choice of an auditor for the statements of Salzgitter AG as at November 30, 2005,
- by-election of Supervisory Board members,
- amendments to the Articles of Incorporation and
- new regulations governing the remuneration of the Supervisory Board.

The applications for resolution submitted by the Executive and Supervisory Boards were approved by a great majority. The approval of the requisite agreement concerning the spin-off and transfer has been legally challenged by one of the shareholders. The case is still pending.

Salzgitter AG reports to its shareholders on the development of business and the financial and earnings position on a quarterly basis in accordance with dates published in its financial calendar. In addition, information that has the potential to influence the share price significantly is published immediately in the form of ad-hoc reports. The reports and ad hoc information are simultaneously made available on Salzgitter AG's website (www.salzgitter-ag.de).

The Executive Board of Salzgitter AG

The Executive Board manages the company on its own responsibility. In doing so, it is bound by the interests of the company and obliged to increase the value of the company. It strives to achieve the highest possible return on capital employed within the scope of the corporate purpose. The tasks of

the Executive Board also comprise the strategy and further development of the company, including the Group companies, in coordination with the Supervisory Board. The Executive Board of Salzgitter AG currently consists of six members, whereby in the financial year 2005 there were temporarily only five and then four, in part with functional and in part with divisional competence. The members of the Executive Board are liable to the company for any dereliction of duties.

During the period under review, two members of the Executive Board resigned their office and left Salzgitter AG. With effect from January 1, 2006, the Supervisory Board appointed Mr. Hans Fischer and Mr. Heinz Groschke, both plenipotentiaries at Salzgitter AG since April 2005, to the position of new members of the Executive Board. Mr. Hans Fischer is responsible for the Steel Division and Mr. Heinz Groschke for the Trading Division.

The Supervisory Board has established rules of procedure for the Executive Board for the purpose of regulating cooperation in the Executive Board and involving the Supervisory Board in business transactions. The allocation of duties among the members of the Executive Board is set out under a schedule for the allocation of tasks.

The remuneration granted to the members of the Executive Board of Salzgitter AG is regulated in their contracts of employment. The structure of the Executive Board remuneration system and the remuneration of each individual Board member are shown in the section on "Remuneration of the Executive Board and the Supervisory Board".

The Supervisory Board of Salzgitter AG

The task of the Supervisory Board is to advise and supervise the Executive Board in the management of the company. It is involved in decisions of fundamental significance for the company. Particular transactions that are defined in detail in the rules of procedure for the Executive Board of Salzgitter AG require the approval of the Supervisory Board. In addition, the Supervisory Board appoints and dismisses members of the Executive Board. Its scope of influence has been defined in rules of internal procedures.

Pursuant to the provisions of the Coal and Steel Industry Codetermination Act of 1951 that applies to the company, in conjunction with Section 7 of its Articles of Incorporation, the Supervisory Board consists of 21 members: 10 shareholders' representatives and 10 employee-elected representatives, plus one further member who is proposed by the other 20 members to the General Meeting of Shareholders for election. In order to prepare for its decisions, the Supervisory Board of Salzgitter AG has constituted a presiding committee and committees for personnel and strategy issues.

Since the General Meeting of Shareholders of Salzgitter AG, held on May 26, 2005, four members have left the Supervisory Board. In their place the District Court of Braunschweig has appointed new members based upon application by the company. These new members were confirmed in their office by a great majority of the extraordinary General Meeting of Shareholders on November 17, 2005, in a process of individual election until the end of the term of office of the Supervisory Board. The composition of the Supervisory Board, which is made up of expert members with sufficient independency, forms the basis for the Supervisory Board to conduct its work effectively in future as well.

By way of resolution passed by the extraordinary General Meeting of Shareholders of Salzgitter AG, held on November 17, 2005, the remuneration of the members of the Supervisory Board of Salzgitter AG has been newly regulated. In particular, fixed compensation, coupled with a performance-related component, was determined with a view to satisfying the recommendation set down in Code item 5.4.7 of the German Corporate Governance Code. The structure of the remuneration system and the remuneration of each individual Supervisory Board member are shown in the section on "Remuneration of the Executive Board and the Supervisory Board".

Among other things, the Supervisory Board of Salzgitter AG examined the effectiveness of its activities in its meeting on December 15, 2005. The tasks and information and working methodologies were reviewed in a plenary discussion to identify potential for more improvement.

The Supervisory Board will provide information about its activities and its decisions in the financial year 2005 separately in its report to the General Meeting of Shareholders. The Supervisory Board did not receive any reports of conflicts of interest, neither from the Executive Board nor from the Supervisory Board.

Pursuant to Section 7, Item 2 of the Articles of Incorporation of Salzgitter AG, the term of office of the Supervisory Board is expected to end upon conclusion of the General Meeting of Shareholders in 2008.

Cooperation between the Executive Board and the Supervisory Board of Salzgitter AG

In German stock corporations, the executive board and supervisory board work as separate bodies allocated different tasks. A member of the executive board cannot be a member of the supervisory board at the same time.

In practice, to ensure successful corporate governance at Salzgitter AG, the Executive Board and the Supervisory Board avail themselves of a set of instruments in performing their management and control responsibilities.

The essential instruments of the Supervisory Board include:

- the obligation of the Executive Board to submit regular, timely and comprehensive reports to the Supervisory Board,
- regular discussion of the corporate plans, the business trend and the strategy with the Executive Board,
- definition of business activities and measures of the Executive Board that may only be carried out with Supervisory Board approval,
- the obligation of the Executive Board to submit annual long-term corporate plans and to report on the execution of such plans,
- agreement on variable components when determining the remuneration of the members of the Executive Board, oriented towards the commercial success of the company and the overall performance of the respective Executive Board member.

The instruments for management and control used by the Executive Board comprise the following:

- definition of reporting obligations and authorization requirements for individual areas in Group guidelines and the statutes of the Group companies,
- definition of the principles for the management of the Group in a Group guideline on management and organization,
- preparation of strategic plans for all divisions and business segments, as well as the regular updating and the monitoring of their success,
- obligation of all Group companies to prepare annual sales, investment, financial and personnel plans, as well as monitoring their progress,
- regular internal audits and special audits by an internal audit department,
- establishment and continuous updating of a groupwide monitoring system for early risk detection (risk management),
- agreement on targets and a performance-related component of the remuneration for the managing directors of Group companies and management executives.

In the financial year 2005, the Executive Board developed and optimized the strategy of the Salzgitter Group in particular in trusting cooperation with the Supervisory Board. Proceeding on this basis, the Executive Board initiated and pursued numerous measures to implement the strategic goals. The development of the various Group companies was monitored in a timely fashion on the basis of regular target/performance comparisons of their key data, then dealt with in controlling discussions with the management of the Group companies on a quarterly basis and corrected if necessary.

Transparency

Salzgitter AG informs its shareholders and investors promptly about current events and developments within the Group by making all press releases and other publications available on its website.

The dates of all major, regularly occurring publications are announced in a financial calendar, also to be found on the website.

In the financial year 2005, the company received the following information on the purchase or sale of shares of Salzgitter AG by the members of the Executive or Supervisory Boards of the company or other persons with management tasks who have regular access to insider information on the company and who are authorized to make major entrepreneurial decisions, as well as those who are closely related to such persons:

- November 17, 2005, Wolfgang Leese, sale of 40,000 units
- November 17, 2005, Christiane Fuhrmann, sale of 4,980 units.

In the financial year 2005, the stock option plan, launched in 1998, for members of the Executive Board and management executives of the Salzgitter Group expired. The existing 280,000 subscription rights to one share each of Salzgitter AG were exercised by those entitled after the ambitious exercise hurdle had been exceeded. As a result, the number of shares issued by Salzgitter AG rose from 62,938,400 to 63,218,400 and the subscribed capital increased accordingly, from € 160,899,464.67 to € 161,615,273.31. There are currently no stock option programs or similar securities-based incentive systems running in the Salzgitter Group.

Declaration of Compliance for 2005

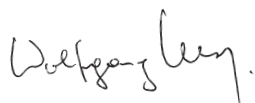
The Executive Board and the Supervisory Board of Salzgitter AG submitted their Declaration of Compliance with the recommendations of the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG):

“Salzgitter AG complies with all recommendations of the Government Commission on the German Corporate Governance Code in the version of June 2, 2005, which was published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, and has complied with all the recommendations set down in the Code in the period from December 16, 2004 to July 20, 2005 (Code version dated May 21, 2003), and from July 21, 2005, up until the present time (Code version dated June 2, 2005, published on July 20, 2005), apart from the following exceptions:

- Code item 3.8 para. 2 (deductible for D&O insurance): The Executive Board and the Supervisory Board do not regard the agreement on a deductible within the scope of a consequential loss insurance as being necessary for members of the governing bodies (D&O insurance) to compel members of the Executive and Supervisory Board to practice duty-bound behavior.
- Code item 4.2.4 (disclosure of individual remuneration of the members of the Executive Board): This recommendation is to be complied with in future, for the first time in the 2005 Annual Report.
- Code item 5.3.2 (establishment of an Audit Committee of the Supervisory Board): The Supervisory Board has overall responsibility for the review of the annual financial statements and the consolidated financial statements, and the mandating of an auditor. As an executive body, in its entirety, it intensively reviews the documents submitted, while drawing upon the auditor's findings before they are formally approved in accordance with Section 171 of the German Stock Corporation Act (AktG). In the opinion of the Executive Board and the Supervisory Board, this central obligation of the governing bodies should not be delegated to a committee.
- Code item 5.4.1 (age limit for Supervisory Board members): In the opinion of the Executive Board and the Supervisory Board, suitability for being a Supervisory Board member does not depend on a rigid age limit.
- Code item 5.4.5 paragraphs 1 and 2 (Supervisory Board remuneration): Upon a resolution of the extraordinary General Meeting of Shareholders of Salzgitter AG held on November 17, 2005, new, fundamental regulations were passed on the remuneration of the members of the Supervisory Board. Accordingly, the members of the Supervisory Board will now receive fixed and performance-related remuneration. The portion based on the success of the company is, in turn, partly determined by indicators which go beyond the defined period and thus contains components which are geared to the long-term success of the company.

The Executive Board and the Supervisory Board wish it to be noted that, in their opinion, a Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) is not effectively binding for the future. In as much as, in the course of daily business, discrepancies arise in relation to the recommendations of the currently valid German Corporate Governance Code, these will be published in the annual Declaration of Compliance and, if necessary, explained."

Salzgitter, March 30, 2006



Wolfgang Leese
The Executive Board



Dr. Wilfried Lochte
The Supervisory Board