Swiss Steel Group

Media and Investor Presentation
Half-Year 2023 Results

Lucerne, August 10, 2023

Disclaimer

Forward-looking statements

This presentation contains forward-looking statements about developments, plans, intentions, assumptions, expectations, convictions, possible impacts or the description of future events, outlooks, revenues, results or situations, for example. These are based upon the company's current expectations, convictions and assumptions, but could materially differ from any future results, performance or achievements. We are providing this communication as of the date hereof and do not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

Profitability impacted by ongoing challenging market environment

	Sales Volume	756 kilotons	–19.3% (H1 2022: 937 kilotons)
	Average sales price	2,460 EUR/t	+7.4% (H1 2022: 2,290 EUR/t)
	Revenue	EUR 1,857.3 mn	–13.4% (H1 2022: EUR 2,144.6 mn)
	Adjusted EBITDA	EUR 70.0 mn	–59.1% (H1 2022: EUR 171.0 mn)
	Free cash flow	EUR –62.7 mn	+64% (H1 2022: EUR -174.1 mn)

Navigating the geopolitical and economic challenges: building strategic resilience and committing to our strategy program

Resilience and Profitability

- Evaluation process of all entities in respect to their individual future viability well underway
- Approvals for the restructuring of Deutsche Edelstahlwerke (DEW) received; begin implementation of splitting DEW into two individually operating entities, enhancing operational efficiency, headcount reduction (at least 350)
- Anticipated proceeds from sale of Eastern European distribution entities in H2 2023 (transaction subject to merger control)
- Substantial cost and liquidity measures initiated to support H2/2023 (Personnel cost variabilization and reduction, inventory reduction, rigorous questioning and reduction of other spend categories)
- Adjusting production schedule to match lower demand amidst uncertain outlook

Customer Centricity and Reliability

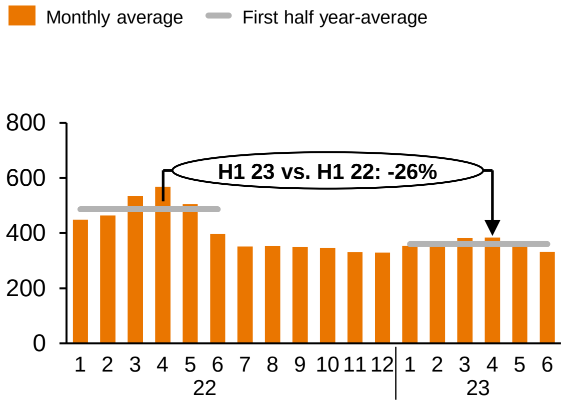
- Ongoing process optimization regarding the customer centric sales organization in the three Divisions
- Implementation of Group Function since January 2023, with target of finalization by end of the year
- Preparation of introduction of shared service centers towards year-end
- Continuous adaptation of Production Assets to meet market needs
- Increasing global market activities through proactive engagement and dedicated efforts of our sales teams
- Near finalization of rebranding process to «Swiss Steel Group»

Innovation and Sustainability

- Customer success on long-term Green Steel commitments
- Supplier engagement with Carbon Disclosure Project (CDP) for reliable disclosure of upstream carbon footprint, providing transparent emission data to customers
- Further develop our recycling concepts, and continue to increase the share of green energy in our operations
- Swiss Steel Group to meet net zero target by 2038, given the right framework conditions

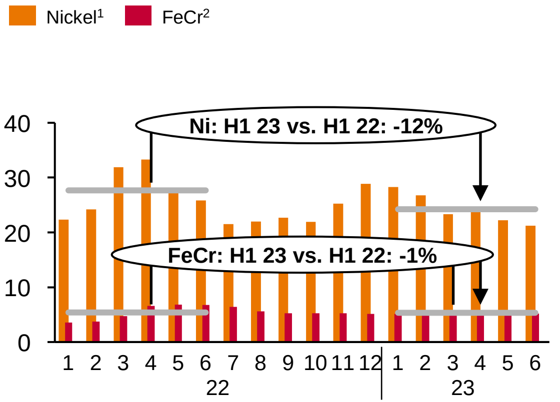
In H1 2023, on average, raw material and energy prices below previous year level

German Scrap Type 2/8
(EUR per ton)



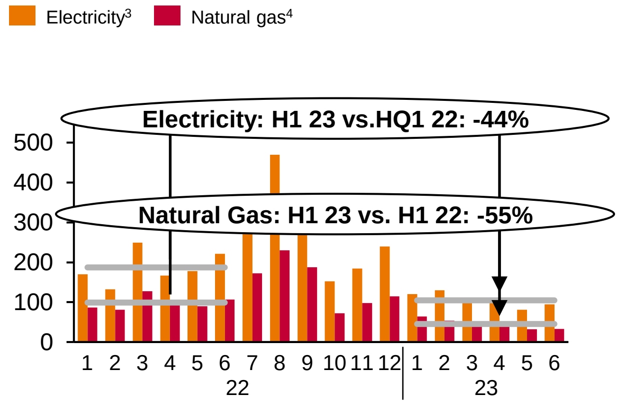
- Monthly average prices **trended upwards until April 2023**, in February and March **influenced by strong demand from Turkey following the earthquakes** in the region; prices **declined in May and June 2023 mainly due to lower demand**

Alloys
(average prices, USD k per ton)



- Nickel prices **trended downwards** with some **interruptions in January, throughout April and early May**; factors impacting prices included macroeconomic factors such as **interest rate hikes, effects on the USD exchange rate, rising supply from Indonesia** resulting in a widening surplus of the nickel market.
- European prices for **high carbon ferrochrome** generally **trended upwards until mid-May followed by** a general **downward trend**

Energy (spot price)
(EUR per MWh)



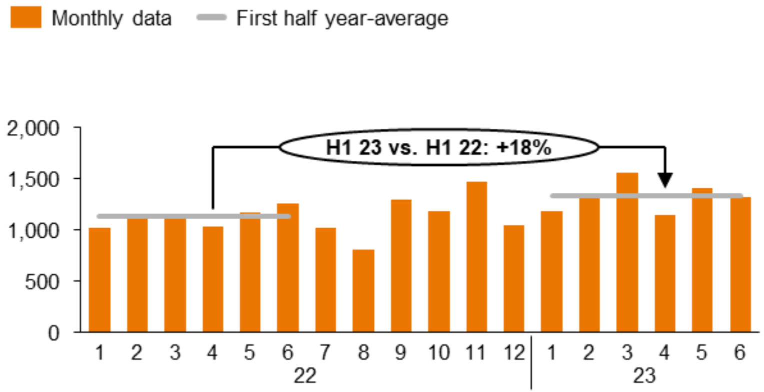
- **Initial increase** of European energy prices **in January followed by a general downtrend and some increases in June**
- **Downtrend** in prices **supported by increased inventories of natural gas**, however, **still a degree of volatility in energy prices**, in June in particular, impacted by **concerns about lower supply of natural gas from Norway and warmer weather**; at the same time, the European Commission decided not to prolong the emergency measures on the energy markets.

1. LME Cash settlement 2. EU High Carbon (HC) Ferrochrome 3. Epex Spot German Day-Ahead Electricity Auction Baseload Index 4. THE (Trading Hub Europe) Day-Ahead spot price

Sources: BDSV, LME, Asian Metals Inc., European Energy Exchange, Bloomberg; euwid-recycling.de, oilprice.com, Eurometal, Kallanish, Reuters, yieh.com, steelnews.biz

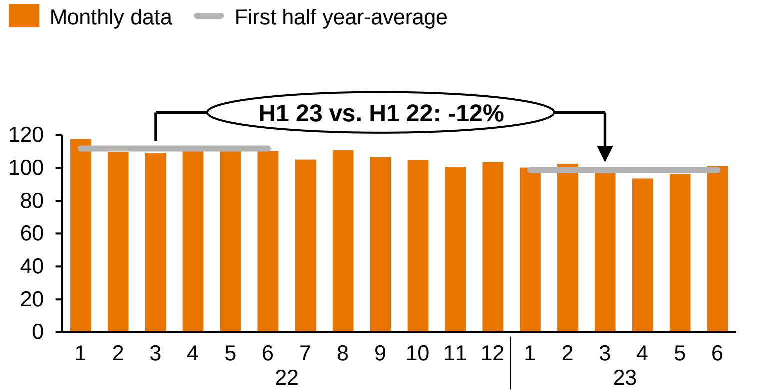
Easing supply-side challenges in automotive, no full normalisation yet; German mech. engineering recorded weakened investment demand

Light Vehicle (LV) Production EU17[1]
(thousand units)



- **In the first half year of 2023, significant increase of light vehicle production in the EU17[1]** compared to the same period in 2022 as **shortages of semi-conductor chips continued to ease, though full normalization** is **yet to be achieved**

Order Intake German Mechanical Engineering
(index[2])

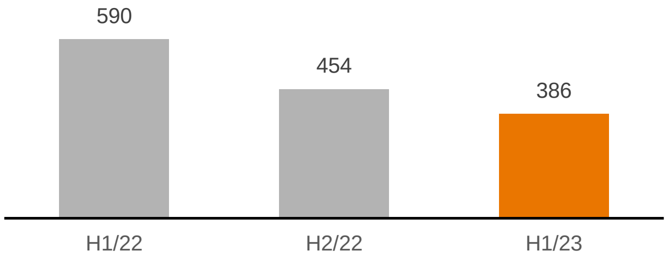


- In the first half year of 2023, **order intake of the German mechanical and plant engineering sector significantly below the previous year level**; mainly impacted by **weakening global economic development and weakening investment demand**, while also reporting a high order backlog in the industry sector

1. EU17: Germany, France, Spain, UK, Italy, Austria, Belgium, Finland, Netherlands, Portugal, Sweden, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia 2. Seasonally adjusted, 2015 = 100
Sources: GlobalData/LMC Automotive (June 2023), German Federal Statistics Office, VDMA

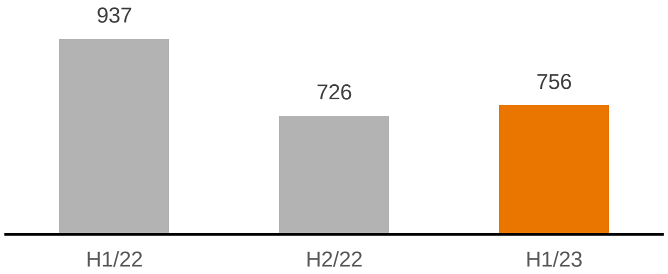
Subdued market continued to impact shipments and order book

Order backlog (kt)



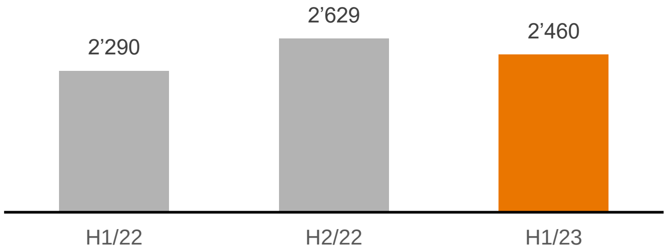
- Decrease in order backlog with subdued order intake across all divisions, driven by lower market demand

Sales volume (kt)



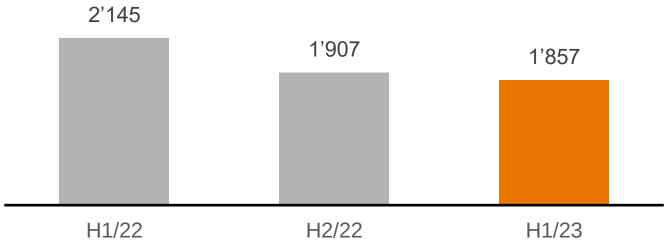
- Reduction of sales volume vs prior half-year reflecting overall reduced market demand. Sales volume decreased in all our Divisions with strongest decrease observable in the *Tool Steel* Division

Average sales price (EUR/t)



- After several years of price increases, the average sales price per ton of steel decreased in the first half-year of 2023 but remaining elevated due to good product mix and ongoing strong alloy surcharges

Revenue (EUR mn)

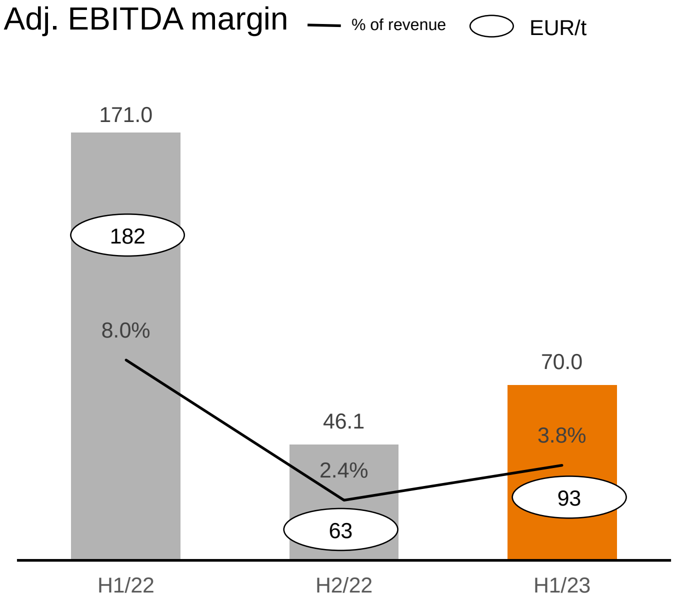


- Decrease in revenue driven by lower sales volume. Decrease was spread across all divisions with strongest decrease in the *Engineering Steel* Division

Swiss Steel Group

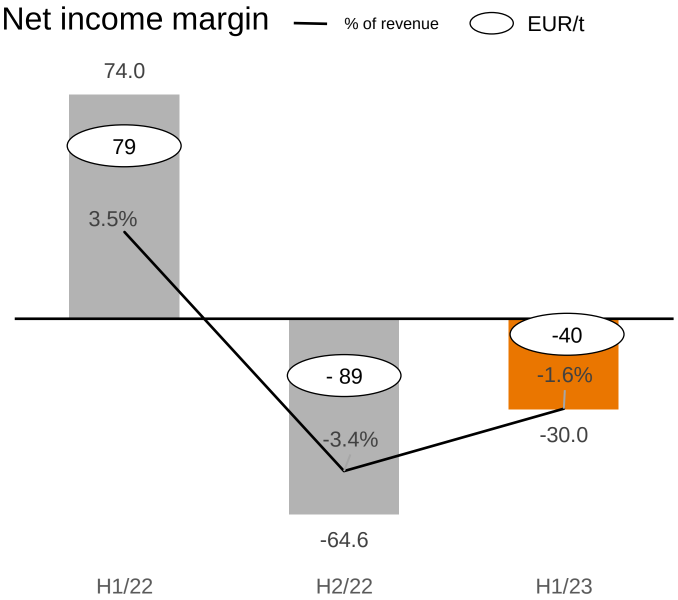
Profitability reflects persistently challenging market environment

Adj. EBITDA (EUR mn)



- Significant drop in profitability vs strong prior half-year despite implementation of cost saving programs
- Adjusted one-time effects amounted to EUR 11.5 million for the reorganization program and losses from deconsolidation

Net income (EUR mn)

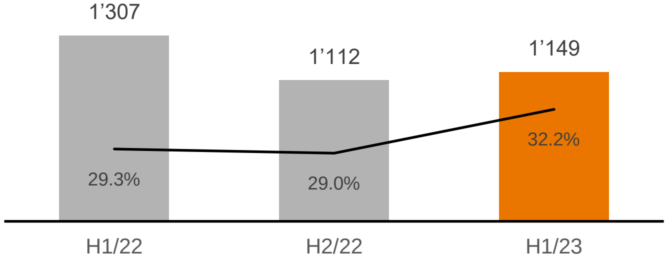


- Negative net income driven by lower operational profitability and additionally amplified by increased financial expenses due to rising interest rates

Swiss Steel Group

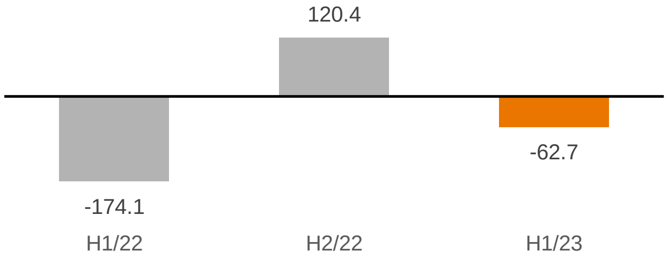
Seasonally negative cash flow with ongoing high working capital

NWC (EUR mn) / NWC ratio



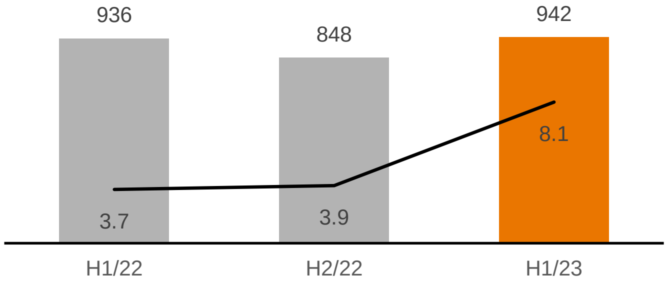
- Seasonal increase in net working capital vs prior year-end, but significant reduction vs prior half-year, supported by decreasing input costs

Free Cash Flow (EUR mn)



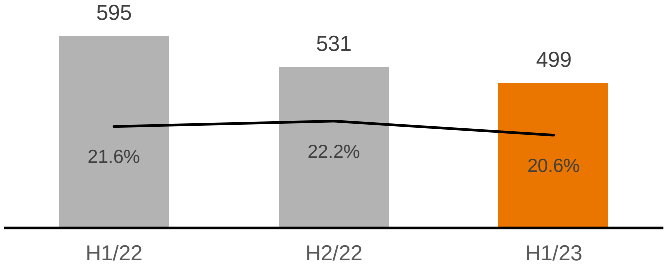
- Negative cash flow in the first half of the year due to lower profitability and seasonal working capital increase

Net debt (EUR mn) / Leverage



- Net debt above year end due to negative operating cash flow including financing of working capital. Paired with low profitability leverage increased significantly.

Equity (EUR mn) / Equity ratio

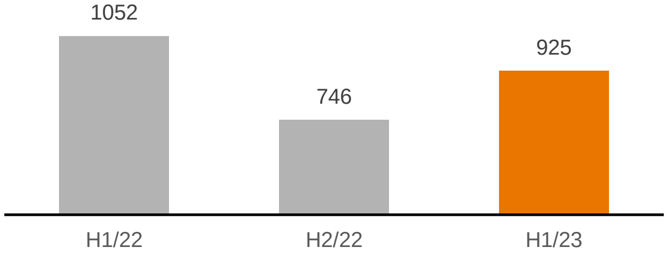


- Decrease in equity and equity ratio driven by negative group result and negative valuation effects from pension liabilities

Swiss Steel Group

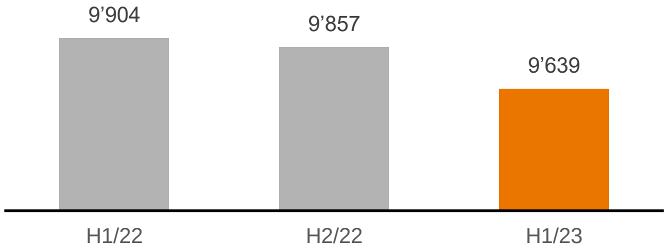
Production adopted to lower market demand. Headcount reduction required and ongoing

Crude steel production (kt)



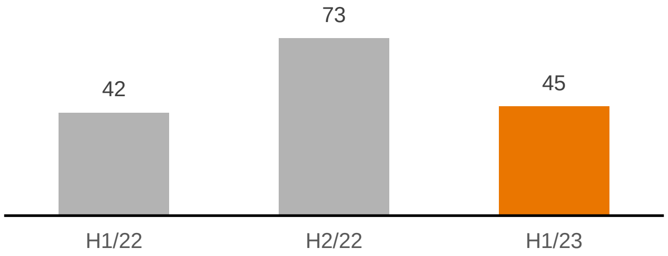
- Crude steel production below prior half-year as production was aligned to lower market demand with additional shutdowns at our mills.

Headcount



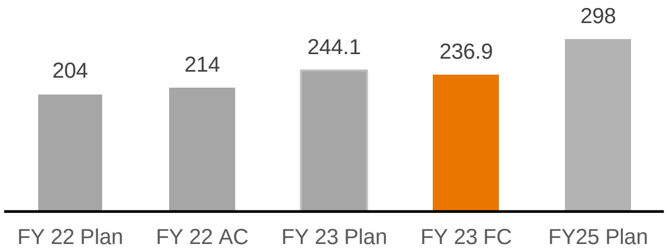
- Headcount reduction with initial impact visible as of end of June 2023, reflecting a reduction of 3% vs prior half-year.

Capital expenditures (EUR mn)



- Seasonally lower capital expenditure in the first half-year with expected lower spend in second half-year 2023 vs prior second half-year.

Transformation Office Contribution (EUR mn)



- TO program shows defined measures with a forecast of EUR 237mn for FY23. While negatively impacted by a weak market environment and low operational activity, this is still close to the planned contribution of 244mn.

Swiss Steel Group

Outlook – gradual improvements anticipated towards the latter half of 2023

Market outlook

- Geopolitical and economic environment remain challenging and volatile
- Despite ongoing economic slowdown, gradual improvements in business activity towards the latter half of the year anticipated

Priorities for the Group

- Continue to mitigate the geopolitical and economic challenges with further operational measures to secure the Group's liquidity
- Focus on our core business and drive improvement initiatives to reassess the future viability of each of our entities in regard to profitability and ability to finance innovation
- Focus on the full implementation of our new Target Operating Model, including Group Functions, shared service center and the customer centric organization along our three Divisions
- Transition to net zero carbon emissions, and become the leading player for Green Steel

Outlook FY 2023

Swiss Steel Group maintains the full year guidance of an adjusted EBITDA in a range of EUR 160 to 200 million on the back of expected specific demand improvements towards the latter half of the year

Together.
For a future that matters.