

Swiss Steel Group

Media and Investor Presentation
Full-year and Q4 2022 Results

Lucerne, March 8, 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.

Solid full year results despite reduced operational activity in Q4/22



Sales Volume

1,663 kilotons

-10.7% (2021: 1,863 kilotons)



Average sales price

2,438 EUR/t

+42.1% (2021: 1,716 EUR/t)



Revenue

EUR 4,051.4 mn

+26.9% (2021: EUR 3,192.8 mn)



Adjusted EBITDA

EUR 217.0 mn

+13.3% (2021: EUR 191.6 mn)

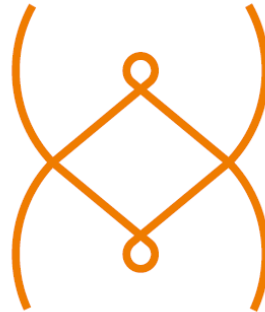
Strategy Program SSG 2025 – initiated to shape a leading and best-in-class Swiss Steel Group

Resilience and Profitability



The foundation for increased profitability and future growth is resilience. We will strengthen our **resilience by focusing on our core business and reassessing the future viability of our entities.**

Customer Centricity and Reliability



To enable growth, we must understand and anticipate the needs and challenges of our customers. We are creating **an integrated Swiss Steel Group that will increase efficiency and effectiveness**, above all to better **serve our customers.**

Innovation and Sustainability



Building on a strong foundation, Swiss Steel Group has the potential to **expand its market position in sustainable steel production.** As part of this, we empower our customers in their de-carbonization efforts to become leading sustainability champions.

We are increasing the strength and resilience of our Group so we build a sustainable foundation for profitable organic growth

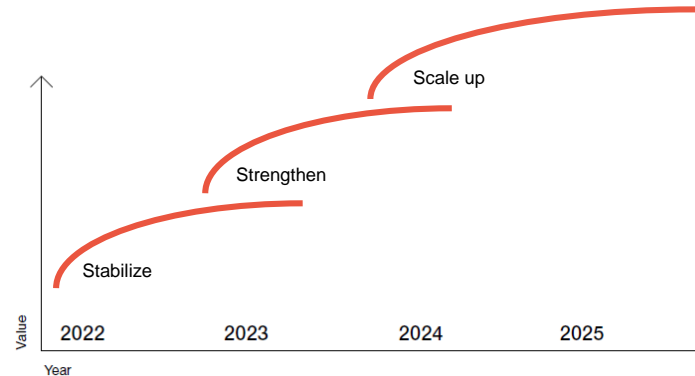
Resilience and Profitability



Key initiatives and milestones

- Initiation of evaluation process of all entities on their individual future viability in regard to profitability
- Focus on German entity DEW in regard to long-term profitability
- Divestment of entities in Eastern Europe
- Initiation of procurement optimization strategy through bundling and collaboration

The triad for sustainable value



Ideally positioned for further growth¹



Engineering Steel
#3
Europe



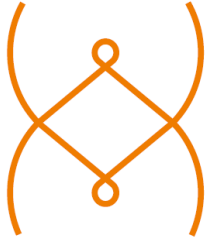
Stainless Steel
#5
worldwide



Tool Steel
#4
worldwide

Building on an integrated Group, we are creating a powerful partnership experience that moves our customers forward

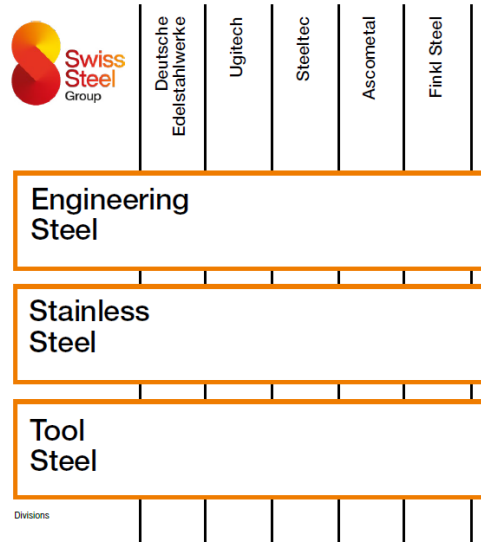
Customer Centricity and Reliability



Key initiatives and milestones

- Launch of new customers centric sales organization in three divisions in September
- Preparations for implementation of full Target Operating Model for integrated Group as of January 2023
- Initiation of rebranding process to «Swiss Steel Group»

Reshaping into an efficient and effective organization



Rebranding all entities to Swiss Steel Group



Swiss Steel Group reaches major milestones in 2022 and continues to expand its position as a leading sustainable special steel producer

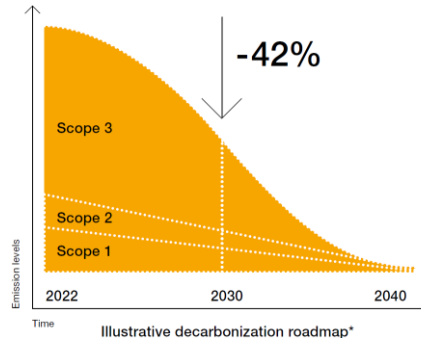
Innovation and Sustainability



Key initiatives and milestones

- Market launch of Green Steel product portfolio
- SBTi commitment and finalization of de-carbonization roadmap
- Swiss Steel Group to meet net zero target before 2040, given the right framework conditions
- Group-wide verification of GHG emission reporting

Finalization of de-carbonization roadmaps

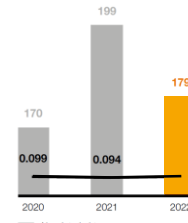


* Our final targets will be developed in accordance with the sectoral guidance for the steel industry provided by SBTi. The final percentual reduction of our carbon emissions will result from these targets.

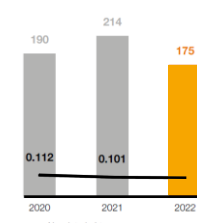
Verified GHG emissions reporting across Swiss Steel Group

Unified and verified GHG reporting across the Group as basis for Product Carbon Footprint

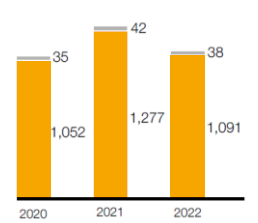
Scope 1 CO₂ emissions
of all melt shops in kt / in t per t of crude steel



Scope 2 CO₂ emissions
of all melt shops in kt / in t per t of crude steel (market-based)



Scope 3 CO₂ emissions
of melt shops and rolling mills in kt



■ Absolute in kt
— Specific per t crude steel

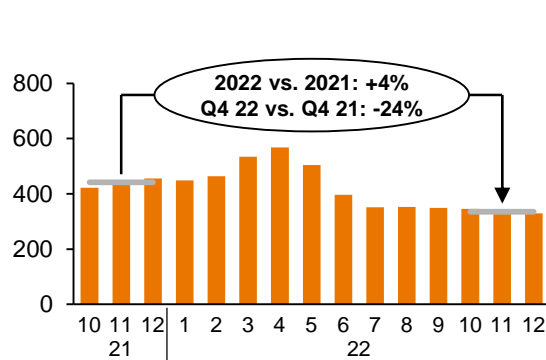
■ Absolute in kt
— Specific per t crude steel

■ Scope 3.3
■ Scope 3.1

In 2022, energy prices remained high in y-o-y terms

German Scrap Type 2/8 (EUR per ton)

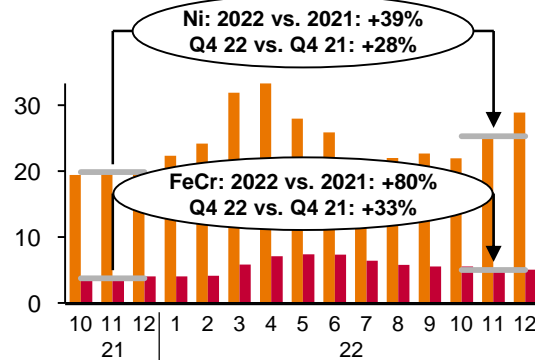
Monthly average Quarterly average



- Prices impacted by temporarily lower demand from Turkey and domestic steel mills also related to high energy prices on the demand side

Alloys (average prices, USD k per ton)

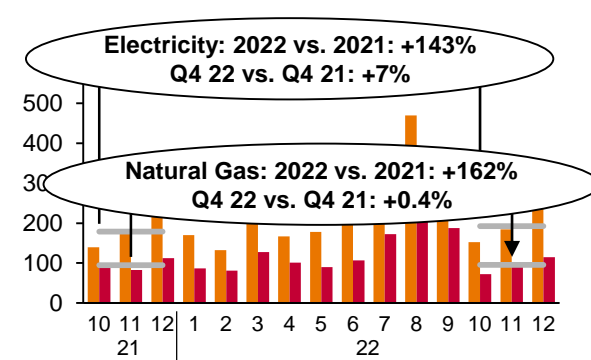
Nickel¹ FeCr²



- Nickel: Very volatile, peaking at > 100'000 USD/t in March, disrupting trading at LME
- Ferrochrome: Rising continuously in early 2022, before stabilizing due to reduced demand related to high energy prices

Energy (spot price) (EUR per MWh)

Electricity³ Natural gas⁴

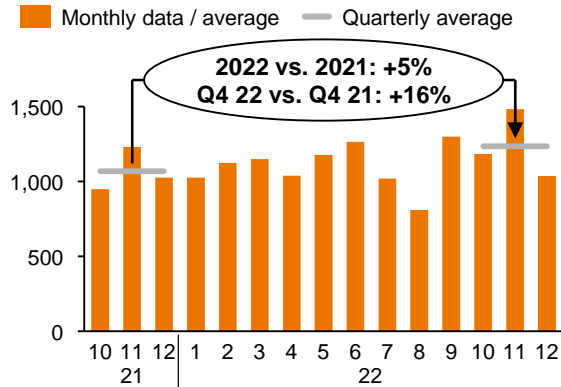


- Volatility in European energy prices exacerbated by uncertainties about energy supply in view of the war in Ukraine, maintenance shutdowns at French nuclear power plants, while filling of gas storage and milder temperatures supported a decline in gas prices



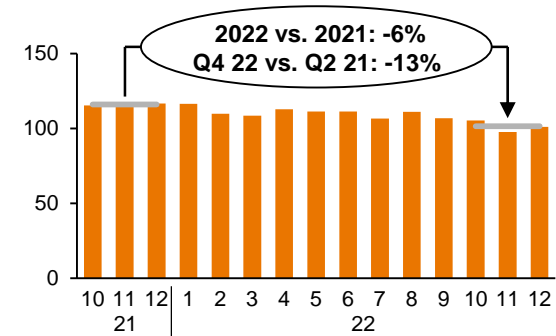
Supply chain issues, war in Ukraine and economic slowdown weighed on European automotive and German mechanical engineering in 2022

Light Vehicle (LV) Production EU17¹
(thousand units)



- ▶ Besides existing shortages of semi-conductor chips, light vehicle production in the EU17¹ impacted by the war in Ukraine, the related shortage of wire harnesses and concerns about energy supply
- ▶ LMC Automotive forecasts production to increase by 8% from 13.6 million units in 2022 to 14.7 million units in 2023

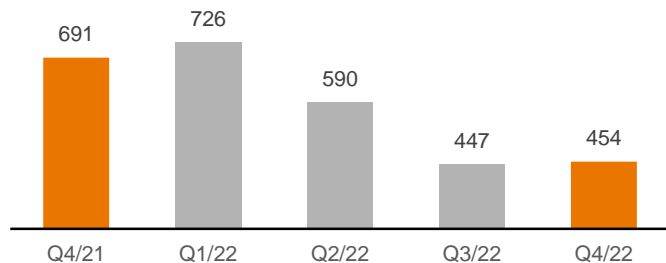
Order Intake German Mechanical Engineering (index²)



- ▶ In 2022, German mechanical and plant engineering sector impacted by ongoing supply chain problems, lockdowns in China and by a subdued investment sentiment related to the economic downturn
- ▶ For 2023, VDMA forecasts German mechanical and plant engineering production to decline by 2% year-on-year

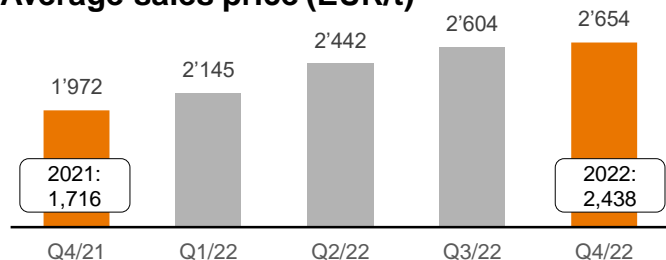
Subdued market impacted shipments and order book

Order backlog (kt)



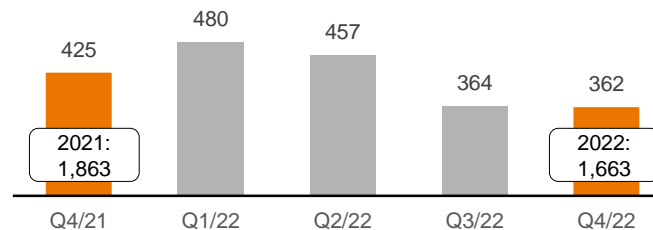
- Slight recovery of order book after drop in second and third quarter 2022 but remaining on a reduced level given lower market demand but also due to planned lower production capacities

Average sales price (EUR/t)



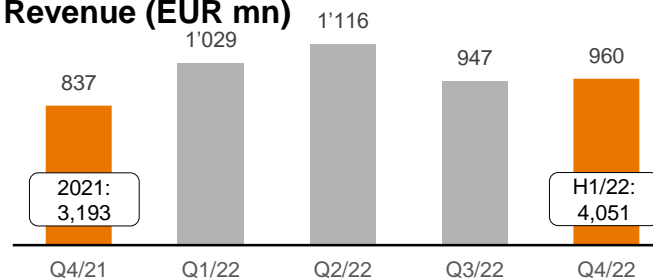
- Continuous increase in average sales prices on the back of climbing raw material prices, additionally amplified by the rising energy surcharges. Overall prices in 2022 increased by 42% compared to the previous year

Sales volume (kt)



- Reduction of sales volume reflecting overall reduced market demand. Sales volume decreased in all of our product groups, with the strongest decrease in stainless steel

Revenue (EUR mn)

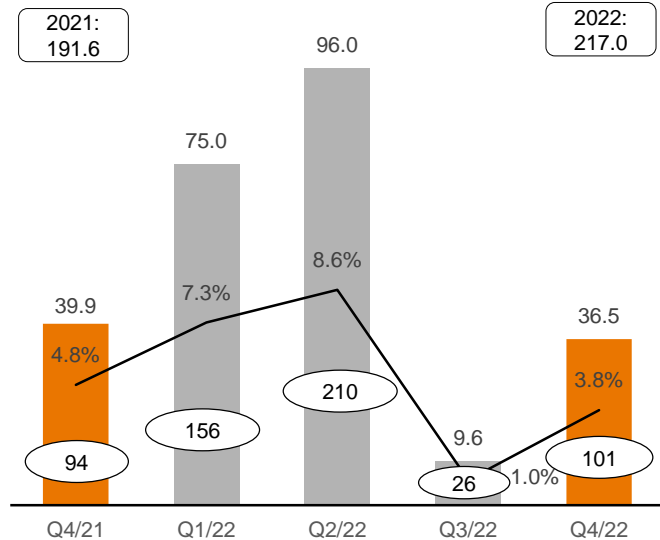


- Despite lower sales volume, revenue considerable above prior year quarter with uptick across all product groups, driven by considerable higher sales prices

Ongoing good profitability despite low sales volumes

Adj. EBITDA (EUR mn)

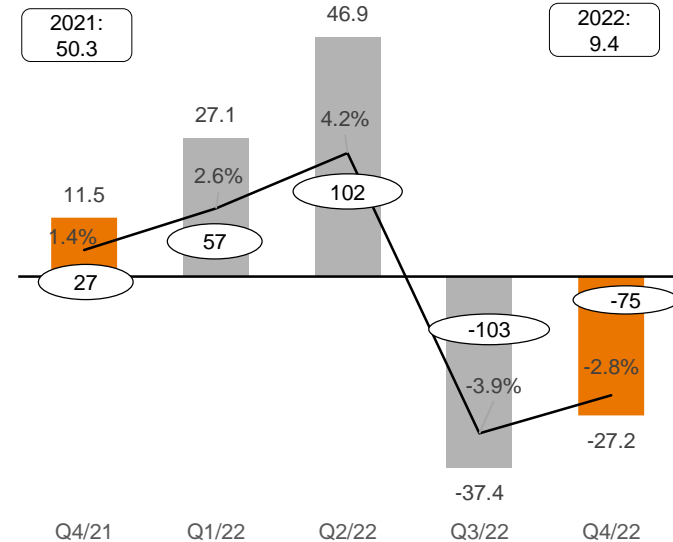
Adj. EBITDA margin — % of revenue ○ EUR/t



- Ongoing solid profitability despite high volatilities
- Significantly diluted margins due to energy cost increases, as they are passed-on to customers without adequate margin

Net income (EUR mn)

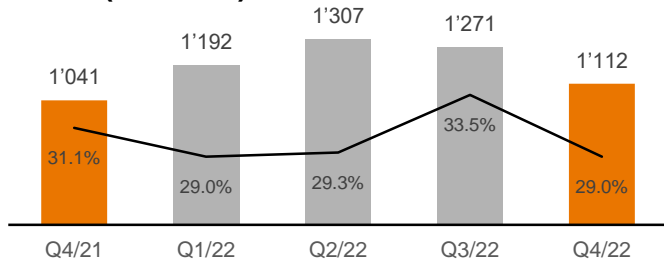
Net income margin — % of revenue ○ EUR/t



- Decrease in net income driven by higher D&A costs due to an impairment related to the assets held for sale in the amount of EUR 16.5 million
- Further impacted by higher non-recurring spend, adjusted in EBITDA

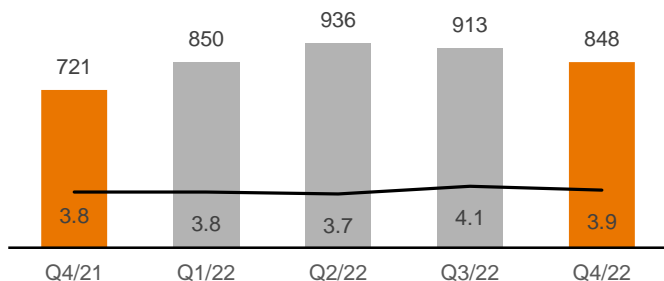
Positive cash flow driven by reduction in net working capital

NWC (EUR mn) / NWC ratio



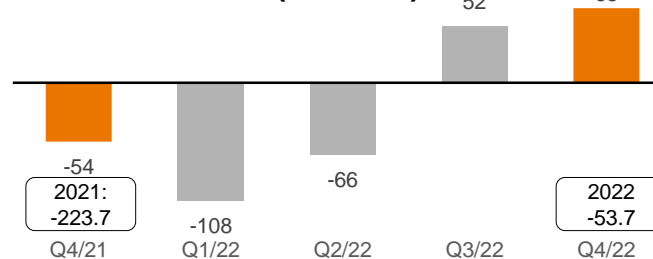
- Significant reduction in net working vs Q3 2022
- Potential for further easing mid-term

Net debt (EUR mn) / Leverage



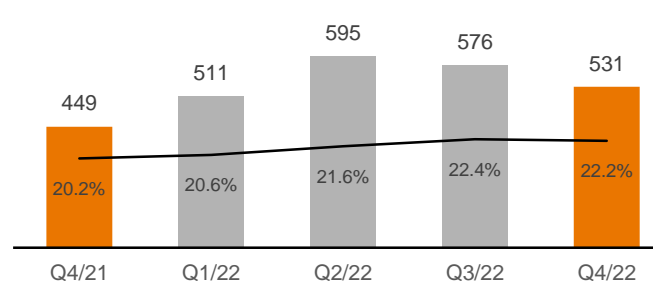
- Net debt above year end due to ongoing required financing of working capital, but reduced significantly vs peak in Q2 2022

Free Cash Flow (EUR mn)



- Positive cash flow driven by release in net working capital
- Full-year Free Cash Flow improved significantly vs prior year

Equity (EUR mn) / Equity ratio

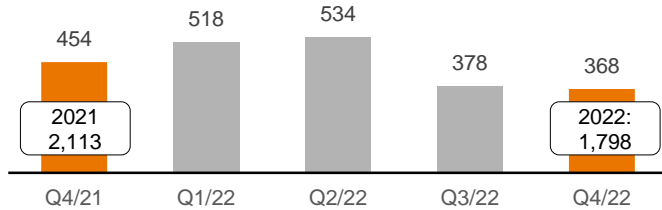


- Increase in equity and equity ratio driven by positive net income, significantly supported by valuation effects from pension liabilities



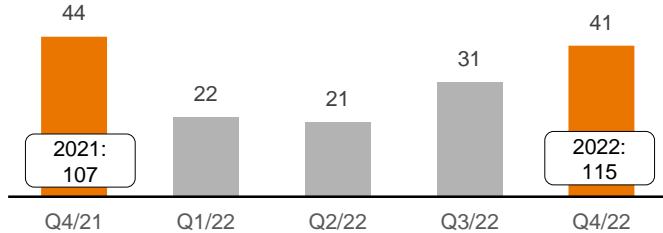
Production adopted to lower demand and high energy prices

Crude steel production (kt)



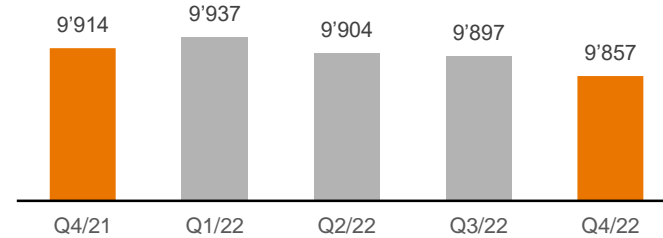
- Crude steel production below prior year quarter due planned production shutdowns to adapt to lower market demand and high energy prices

Capital expenditures (EUR mn)



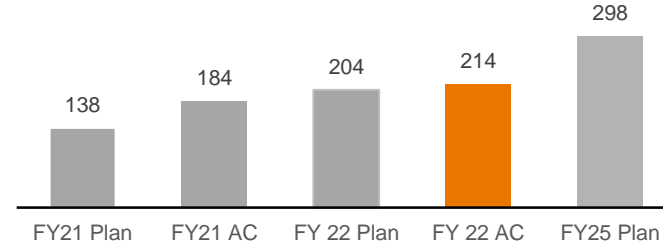
- Seasonally high capital expenditure in the fourth quarter, full-year spend in line with long-term average

Headcount



- Steady reduction of headcount since Q1/22 in line with reduced activity

Transformation Office Contribution (EUR mn)



- The TO program shows measures defined with actuals of EUR 213.6mn for FY22 and a continues over-fulfillment of cumulated monthly targets

Outlook – Weaker start expected with stronger second half of the year

Market outlook

- Significantly lower energy prices at the beginning of the year will lead to a temporary margin erosion
- Supply chain disruptions in the automotive industry likely to continue
- Cost inflation with extreme volatility and access to energy have exacerbated uncertainty, but eased lately

Priorities for the Group

- 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 customer centric organization along product groups: Engineering Steel, Tool Steel and Stainless Steel and rebranding to Swiss Steel Group
- Transition to net zero carbon emissions, and become the leading player for Green Steel

Outlook FY 2023

Swiss Steel Group expects an adjusted EBITDA between EUR 160 and 200 million



**Together.
For a future that matters.**