

Q&A - SUPERVISORY BOARD APPROVAL FOR greentec steel

What is your expectation on market size for “green steel” in 2027?

- Based on our “synthetic” greentec steel deliveries via a banking model we have been developing the green steel market in Europe. We have experienced a constantly growing demand for green steel products from various customer segments. Our assessment is underpinned by research of consulting firms, which expects that the European market for flat steel with low carbon emissions will increase strongly within the next years.

Do you expect a price premium for greentec-Steel? By what extent?

- Customers in the manufacturing industry, the consumer goods industry and the auto industry, for example, are already paying a surcharge for green steel products. On our opinion, the market for green steel will continue to establish itself in the coming years providing a price surcharge of roughly 10 – 20%.

What are your assumptions on OPEX? Is greentec steel production more expensive? By what extent?

- Our calculation regarding the 1st transformation step includes a growing cost burden from energy and raw materials. However, we expect that the higher price level for green steel products together with the lower need to purchase emission allowances will exceed increasing costs for the operation of our hybrid steel plants in Linz and Donawitz.

Why did CAPEX increase by 50% to 1.5bn EUR vs. the original expectation of roughly 1.0bn EUR?

- The adapted capex figure already includes all essential infrastructure measures for the 2nd expansion stage at the Linz site. In addition, the investment sum of EUR 1.5 billion covers the entire transformation steps at the Donawitz site for 100% green steel production. Furthermore, the new figure includes the inflation adjustment of last years.

Split of the CAPEX between Linz and Donawitz?

- Around 70 percent of the estimated budget in the 1st transformation step is earmarked for the Linz site and 30 percent for the Donawitz site.

Apart from the lower capacity of the EAF in Donawitz, are there other reasons for the significantly lower capex figure?

- In particular, the costs for site clearance in Donawitz were significantly lower. In addition, the infrastructure measures in Linz have already provided for the 2nd transformation stage in that the supply of electricity as well as the sites for raw material storage are planned in sufficient size.

How will CAPEX for the 1st transformation step spread over the years?

- As a result of the increased capital expenditure requirements for the decarbonization steps in the next few years, the investment budget has been expanded compared to the original capex plan. In 2022/23 cash-out for site clearing measures accounted for c. 5% of the total budget of 1.5bn EUR for the 1st transformation step. The largest capital expenditures are expected to incur in business years 2024/25 and 2025/26 when spending on the main aggregates for the 1st steel transformation phase will peak.

What's your sourcing strategy for HBI for the second step (implementation of the 3rd EAF)?

- In the context of the operation of the 3rd electric arc furnace, from today's point of view, there are several options. One possible option is the development of a market for direct reduced iron. Alternatively, participation in a producer of HBI could also be considered.

Are there already funding commitments on the part of the Austrian state or at the European level?

- We expect clarity in the next two months as to how the funding guidelines in Austria are designed and what level of funding is envisaged for our project. From today's perspective, we assume that we will receive funding from the Austrian state already for the 1st transformation step. Based on the framework conditions in force today, we believe that funding of 5 to 10% is possible in relation to the investment volume of 1.5 billion euros.

Who will build the two EAFs?

- This has not yet been determined. Whereas in Donawitz the decision on which plant manufacturer will receive the order is scheduled for 2023, in Linz the decision will be made in early 2024.

Apart from the 1st transformation step, for which projects do you expect monetary support from the public sector?

- Public funding will be available in particular for projects with a high degree of innovation and which, from today's perspective, are associated with a substantial economic risk. We would particularly include our Hyfor project among these. A major strategic advantage would lie in the use of low-grade iron ore as major raw material input material and hydrogen as energy source.

What is the current status of the SuSteel plant? What findings have been made so far?

- Metallurgical production trials have already been carried out very successfully with the SuSteel plant in Donawitz. Based on the results of this test program, it has been possible to gain valuable insights for further optimization of the plant. Currently, the next plant optimization step is being planned (e.g. measures regarding performance upgrades, optimization of process control and further implementation of improvements from the past trial productions).

At the end of 2022, it was announced that voestalpine plans to operate a Hyfor pilot facility together with Primetals and Fortescue at the Linz site. What would be the advantage of such a plant?

- HYFOR is a reduction process for fine ores that does not require agglomeration steps such as sintering or pelletizing. A smaller test project with voestalpine using this technology is already successfully operating at the Donawitz site. At the site in Linz, Primetals will build a "Hyfor"-test plant on an industrial scale together with Fortescue and voestalpine. The project also includes a new smelter technology, which is an electrically powered furnace used for smelting and final reduction of direct reduced iron (DRI) based on low-grade iron ores. In this way, green pig iron is produced for the steel mill.