

PRESS RELEASE

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Economic slowdown and non-recurring effects impact voestalpine's earnings for the third quarter of the business year 2019/20; excluding the non-recurring effects puts the operating results in slightly positive territory

- » **Non-recurring effects (impairment losses of EUR 270 million and provisions of about EUR 75 million¹) have a significant negative effect on key performance indicators**
- » **Economic environment remains challenging due to worldwide trade conflicts and shrinking demand, especially in Europe**
- » **High iron prices put pressure on European steel industry**
- » **The customer segments rail technology, aerospace, welding technology, and storage systems remain stable at a positive level throughout the business year's first nine months**
- » **At EUR 9.6 billion, revenue for the first three quarters of 2019/20 is 3.8% lower than in the previous year (EUR 9.9 billion)**
- » **EBITDA falls year over year by 24.2%, from EUR 1.1 billion to EUR 837 million**
- » **EBIT falls from EUR 526 million to EUR -82 million due to a total of EUR 345 million in non-recurring effects**
- » **Profit before tax declines from EUR 431 million to EUR -185 million, profit after tax is EUR -160 million**
- » **Gearing ratio rises from 58.4% to 80% due to earnings performance and accounting measures**
- » **Equity is EUR 5.7 billion (down 12% year over year)**
- » **Number of employees as of December 31, 2019, is 49,838 (-3.2%)**

voestalpine has been confronted with a gradual dampening of economic sentiment throughout the business year 2019/20. The negative effects of the trade conflicts on the global economy, particularly the weak performance of Europe's export-driven industries—voestalpine's key sales market—pose significant challenges for the company. Aside from declining demand in the key automotive segment, globally rising iron ore prices in tandem with low steel prices put additional pressure on profit margins in the steel sector. Internally, steps taken at the company's plant in Cartersville, Georgia, USA, have already boosted its efficiency, but additional optimization steps will be required to achieve the initial targets.

"The economic downturn in our most important markets and industries as well as the impairment losses and provisions booked in the current business year have a substantially negative impact on voestalpine's result for the third quarter of the business year 2019/20. At the same time, however, the cost-cutting and efficiency improvement measures that we are implementing are already bearing fruit. We are seeing first signs that demand might stabilize in some of the business segments," says Herbert Eibensteiner, Chairman of the Management Board of voestalpine AG. "Our broad positioning in terms

¹For details, please see the press release dated December 16, 2019: <https://bit.ly/2rluajp>; current figures deviate slightly from those in that publication.

of both technology and regions turns out to be a source of strength in these challenging times. As a result, the performance of the rail technology, aerospace as well as welding and storage technology systems segments was solid throughout the first nine months of the current business year.”

Brexit and Coronavirus Epidemic

While a “hard Brexit” with its negative effects did not come to pass, the economic and financial fallout from the coronavirus epidemic in China, where voestalpine operates nine local manufacturing companies, is not foreseeable at this time. Pursuant to governmental requirements or recommendations, these Chinese plants are subject to an extended vacation shutdown until at least February 9th. The ramifications of the coronavirus add yet another risk factor to the current global economic picture.

Development of Revenue and Earnings

Due to lower delivery volumes, the revenue of the voestalpine Group as of the third quarter of the business year 2019/20 declined slightly by 3.8%, from EUR 9.9 billion the previous year to EUR 9.6 billion. Year-over-year comparisons of the current earnings figures are only marginally relevant to descriptions of the company’s operating performance. As previously reported, voestalpine AG recognized impairment losses in its key business segments and, additionally, set up provisions for restructuring expenses and other risks in the third quarter of the current business year following an analysis of the changed global economic environment. About EUR 75 million in provisions adversely affect EBITDA for the third quarter; the impact on EBIT amounts to about EUR 345 million (impairment losses and provisions).² As a result, EBITDA fell year over year by a total of –24.2%, from EUR 1.1 billion to EUR 837 million. Given the difficult economic environment and the aforementioned non-recurring effects, EBIT stands at EUR –82 million, down from EUR 526 million the previous year.

In keeping with EBIT, the Group’s profit before tax is EUR –185 million, while the profit after tax is EUR –160 million. Aside from the Group’s earnings performance, accounting measures also had a significant impact on the development of the gearing ratio (net financial debt as a percentage of equity). For one, the EUR 500 million hybrid bond issued in 2013, which had previously been recognized in equity, was repaid as of October 31, 2019, and refinanced through borrowings. For another, the net financial debt increased as a result of changes in accounting standards (IFRS 16). In sum, net financial debt rose by 20.3% year over year to EUR 4.6 billion as of December 31, 2019. Equity fell in the same period by 12.1% to EUR 5.7 billion, ultimately causing the gearing ratio to climb from 58.4% the previous year to currently 80%.

The voestalpine Group had 49,838 employees (FTE) as of December 31, 2019; this figure represents a reduction by 3.2%. The number of full-time equivalents will continue to drop in the business year’s fourth quarter through ongoing measures such as reductions in the number of leased employees and cuts in both vacation and overtime.

²For details, please see the press release dated December 16, 2019: <https://bit.ly/2rluajp>; current figures deviate slightly from those in that publication.

Outlook

Based on the fact that the first nine months of the business year 2019/20 have passed and, in particular, based on analyses of the changed global economic environment and its ramifications for voestalpine's key business segments and given the conclusions drawn and actions taken, from today's vantage point the Management Board of voestalpine AG expects EBITDA of EUR 1.2 billion for the business year 2019/20 and an EBIT to be just positive.

The voestalpine Group

In its business segments, voestalpine is a globally leading technology group with a unique combination of materials and processing expertise. This global Group comprises about 500 Group companies and locations in more than 50 countries on all five continents. It has been listed on the Vienna Stock Exchange since 1995. With its top-quality products and system solutions using steel and other metals, the voestalpine Group is a leading partner of the automotive and consumer goods industries as well as of the aerospace and oil & natural gas industries. voestalpine is also the world market leader in complete rail technology systems as well as in tool steel and special sections. In the business year 2018/19, the Group generated revenue of EUR 13.6 billion, with an operating result (EBITDA) of EUR 1.6 billion; it had just under 52,000 employees worldwide.

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