REPORT FOR THE FIRST QUARTER OF 2020/21

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voestalpine GROUP
KEY FIGURES

Q 1 2019/20 VS. Q 1 2020/21

In millions of euros	Q 1 2019/20 04/01–06/30/2019	Q 1 2020/21 04/01–06/30/2020	Change in %
Income statement			
Revenue	3,336.1	2,397.3	–28.1
EBITDA	370.9	157.8	–57.5
Depreciation	214.3	206.5	–3.6
EBIT	156.7	–48.7	–131.1
Profit before tax	124.4	–74.4	–159.8
Profit after tax[1]	90.4	–69.7	–177.1
Statement of financial position			
Investments in tangible and intangible assets and interests	170.9	135.4	–20.8
Equity	6,712.1	5,517.1	–17.8
Net financial debt	3,896.5	3,956.1	1.5
Net financial debt in % of equity (gearing)	58.1%	71.7%	
Financial key performance indicators (KPIs)			
EBITDA margin	11.1%	6.6%	
EBIT margin	4.7%	–2.0%	
Cash flows from operating activities	–86.3	–33.6	61.1
Share information			
Share price, end of period (euros)	27.17	19.15	–29.5
Market capitalization, end of period	4,850.4	3,417.8	–29.5
Number of outstanding shares, end of period	178,520,566	178,520,566	0.0
EPS – earnings per share (euros)	0.44	–0.40	–190.9
Personnel			
Employees (full-time equivalent), end of period	51,670	47,894	–7.3

[1] Before deduction of non-controlling interests and interest on hybrid capital.

INTERIM REPORT FIRST QUARTER OF 2020/21

This report is a translation of the original report in German, which is solely valid.

ECONOMIC ENVIRONMENT AND COURSE OF BUSINESS

The ramifications of the COVID-19 pandemic had a massive impact worldwide at the macroeconomic level in the first quarter of the business year 2020/21. Media outlets have described the situation as the most severe recession since the end of World War II. The voestalpine Group was confronted with substantially weaker demand in almost all of its market segments in all regions worldwide. Trade between the continents and the major economic regions was largely brought to a standstill.

In **Europe,** the state-mandated lockdowns had a massive effect on the economy at the start of the first business quarter. While the overriding picture in April was that of an economic collapse, the month of May saw the onset of a slow recovery. Private consumption, in particular, rebounded sharply once the lockdowns were eased, in complete contrast to the industrial sector, where investment activity remained restrained even after the lockdowns due to the uncertainty regarding sustained damage to the economy. While intra-European demand was weak, the export sector imploded owing to both the decline in world trade and newly imposed travel restrictions. The European automotive industry completely shut down production in April and started it up again incrementally in May. By the end of the reporting period, automotive production still fell far short of the level that obtained prior to the outbreak of the pandemic.

Given that the voestalpine Group generates about two thirds of its revenue in Europe, these developments obviously brought about a dramatic dampening of the economic climate in which it operates. All of the Group's divisions were affected especially by the standstill of the automotive industry at the start of the first business quarter, but also by the general weakness of the industrial sector. Subsequently, production capacities had to be adjusted to prevailing lower demand at many of the Group's sites.
This drew a swift response from EU member state governments. They launched a variety of programs aimed at propping up the economy; European voestalpine companies availed themselves of this aid. The most important of these measures from the Group's point of view was the introduction of short time work in both Austria and Germany and similar models elsewhere because they enabled voestalpine to adopt a flexible approach to personnel costs during periods of low capacity utilization.
The European Central Bank put in place additional fiscal stimulus packages. At the start of the second quarter of the current business year, the member states of the European Union agreed to a support package that is unprecedented in its scope. Among other things, it entails breaking open the existing national debt structures by enacting a policy pursuant to which the EU will raise jointly issued debt for the very first time and disburse funds as needed.

Just as in Europe, in **North America,** too, the COVID-19 pandemic brought about a sharp downturn at the start of the current business year. But consumer spending recovered rapidly and forcefully toward the end of the business year's first quarter, and the labor market also signaled a more positive trend. The capital goods sector rebounded only a bit, however, and industrial production remained weak. Aside from the meltdown of global trade, there is also a lot of uncertainty as to future macroeconomic developments. In contrast to Europe, no packages aimed at directly supporting the economy were adopted in North America. Instead, the Federal Reserve (Fed) responded with a massive easing of monetary policy and put in place emergency loan programs. As a result, the increase in asset prices initially outpaced any direct economic recovery. Yet economic sentiment and momentum on the whole were better than in Europe because no blanket lockdown had been put in place. However, the automotive industry shut down production completely for several weeks, just as Europe and China had done so earlier on.
These conditions had varying impacts on the North American sites of the voestalpine Group, depending on the market segment. While the automotive plants had to adjust their production capacity to reduced demand, entities focused on consumer goods were not affected as much. The direct reduction plant in Texas, USA, succeeded in offsetting weak North American and European demand by acquiring new Asian customers and maintained production levels without enacting noticeable volume cutbacks.

The COVID-19 pandemic hit **Brazil,** the most important economy in South America for the voestalpine Group, a bit later on. While both the country's economy and voestalpine's Brazilian sites remained on a good trajectory early in the reporting period, the economic meltdown occurred here, too, in the course of the business quarter. Although no national lockdown was enacted, weaker demand along with governmental restrictions led to production curtailments anyway. The massive devaluation of the real, Brazil's currency, reveals the level of uncertainty internationally regarding the Brazilian government's ability to find ways to overcome the crisis.

In Asia, **China** was the first country to be affected by the COVID-19 pandemic already in the business year 2019/20. In contrast to democratically governed countries, rigorous measures helped to bring the pandemic under control fairly quickly—even at the price of massive restrictions on the personal liberties of its citizens. Following several weeks of complete lockdowns of vast regions, the country started a coordinated effort even before the end of the business year 2019/20 to ramp up economic activity. The voestalpine Group's facilities in China returned in the first quarter of the current business year to the production levels prevailing prior to the pandemic's outbreak. This enabled a rapid rebound not just with respect to the industrial value chain and capital investments. Substantially rising personal consumption during the reporting period point to the rebound in Chinese consumers' confidence also.
The Chinese steel industry was exempted from the general lockdown in China; it did not cut back production at all or only a bit even at the height of the pandemic. Demand for iron ore in the world market thus remained high, further pushing up iron ore prices despite the sharp recession worldwide. The fear that the pandemic might lead to delivery shortfalls from iron ore producers such as Brazil further intensified this trend.

All of the above made the first quarter of the current business year very difficult for the voestalpine Group. Regionally speaking, near-normal conditions prevailed only in Asia (including China), whereas the rest of the world saw the worst recession in decades.
Yet individual segments within the voestalpine Group managed to deliver positive performance even in these exceptional conditions. As already happened during the previous year's economic downturn, the rail technology segment of the Metal Engineering Division turned out to be extremely resilient yet again. Railway operators used the cutbacks in railway services during the lockdowns to carry out maintenance work. As a result, even the first quarter of the business year 2020/21 saw good order levels and full capacity utilization.
The lockdowns delivered a massive boost to e-commerce. The Warehouse & Rack Solutions segment, which had already benefited previously from the growing trend toward e-commerce, posted record orders and achieved maximum capacity utilization.

DEVELOPMENT OF THE KEY FIGURES

The worldwide spread of the COVID-19 pandemic affected the performance of the voestalpine Group in the first quarter of the business year 2020/21. The resulting recession led to lower key figures year over year. Group revenue for the reporting period dropped by 28.1% to EUR 2,397.3 million (Q 1 2019/20: EUR 3,336.1 million). Delivery volumes declined across numerous customer segments. The Steel Division and the Metal Forming Division posted the greatest revenue losses, relatively speaking. Both divisions are highly dependent on the automotive sector, which was affected by production shutdowns that lasted several weeks. The revenue decline in the Metal Engineering Division was much smaller thanks to its stable performance in the rail technology customer segment.

However, the voestalpine Group succeeded in generating substantially positive EBITDA of EUR 157.8 million and barely negative EBIT of EUR –48.7 million despite the dramatic drop in revenue thanks to the rapid and consistent implementation of measures to improve earnings. To the extent available and suitable, the company also availed itself of support programs such as short time work. This approach made it possible to achieve effective flexibility of costs in those production units where lower capacity utilization over a limited time was foreseeable.
Given the circumstances, both EBITDA and EBIT are lower year over year. EBITDA dropped by slightly more than one half to EUR 157.8 million in the first quarter of the business year 2020/21, down from EUR 370.9 million in the previous year. While EBIT dropped to EUR –48.7 million in the reporting period, down from EUR 156.7 million in the previous year, there was a clearly positive trend at the end of the period.

Based on net financial income of EUR –25.7 million (previous year: EUR –32.3 million), the voestalpine Group posted profit before tax of EUR –74.4 million for the first quarter of the business year 2020/21 compared with EUR 124.4 million in the previous year. Slightly positive income tax led to profit after tax of EUR –69.7 million (previous year: EUR 90.4 million).

The gearing ratio (net financial debt as a percentage of equity) was 71.7% as of June 30, 2020, up from 58.1% as of June 30, 2019. While the increase in net financial debt as of June 30, 2020, to EUR 3,956.1 million was relatively small year over year (June 30, 2019: 3,896.5 million), equity fell sharply to EUR 5,517.1 million as of June 30, 2020, down from EUR 6,712.1 million as of June 30, 2019. Besides the negative earnings performance in the past business quarters, this development is due to the redemption of a hybrid bond as of October 31, 2019. It had been recognized in equity and was refinanced through borrowings. Compared with the annual reporting date, the gearing ratio rose but slightly from 67.2% to 71.7%.

As of June 30, 2020, the number of employees (full-time equivalent, FTE) in the voestalpine Group fell year over year by 7.3% to 47,894 (June 30, 2019: 51,670).

COMPARISON OF THE QUARTERLY FIGURES OF THE voestalpine GROUP

In millions of euros	Q 1 2019/20 04/01–06/30/2019	Q 2 2019/20 07/01–09/30/2019	Q 3 2019/20 10/01–12/31/2019	Q 4 2019/20 01/01–03/31/2020	Q 1 2020/21 04/01–06/30/2020
Revenue	3,336.1	3,205.5	3,033.6	3,142.0	2,397.3
EBITDA	370.9	294.6	171.7	344.3	157.8
EBITDA margin	11.1%	9.2%	5.7%	11.0%	6.6%
EBIT	156.7	72.9	–311.9	–6.7	–48.7
EBIT margin	4.7%	2.3%	–10.3%	–0.2%	–2.0%
Profit before tax	124.4	38.1	–347.7	–45.1	–74.4
Profit after tax[1]	90.4	24.8	–275.2	–56.5	–69.7
Employees (full-time equivalent), end of period	51,670	51,275	49,838	49,682	47,894

[1] Before deduction of non-controlling interests and interest on hybrid capital.

Net financial debt can be broken down as follows:

NET FINANCIAL DEBT

In millions of euros	06/30/2019	06/30/2020
Financial liabilities, non-current	3,502.1	3,959.3
Financial liabilities, current	1,281.3	740.0
Cash and cash equivalents	–339.8	–661.5
Other financial assets	–533.3	–57.5
Loans and other receivables from financing	–13.8	–24.2
Net financial debt	**3,896.5**	**3,956.1**

STEEL DIVISION

QUARTERLY DEVELOPMENT OF THE STEEL DIVISION

In millions of euros	Q 1 2019/20 04/01–06/30/2019	Q 1 2020/21 04/01–06/30/2020	Change in %
Revenue	1,182.1	834.9	–29.4
EBITDA	150.6	68.2	–54.7
EBITDA margin	12.7%	8.2%	
EBIT	60.8	–13.5	–122.2
EBIT margin	5.1%	–1.6%	
Employees (full-time equivalent), end of period	10,730	10,181	–5.1

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

For the Steel Division, the first quarter of the business year 2020/21 was marked by weak demand in all of its customer segments against the backdrop of the COVID-19 lockdown.
The European automotive industry largely shut down its manufacturing operations in April and restarted production incrementally in May and, in part, as late as in June. The lockdown also affected the division's other market segments albeit to varying degrees. While the consumer goods and white goods industries weathered the crisis fairly well, the mechanical engineering industry was hammered by weak demand. Closings of construction sites due to COVID-19 restrictions affected the construction industry at the start of the reporting period, but its subsequent performance pointed to a fairly solid rebound.
Thanks to ongoing projects and considering the circumstances, the energy segment (oil and natural gas)—a market that is key to the heavy plate product segment—delivered satisfactory performance in the first business quarter.

On the whole, however, the prevailing sentiment in the market caused a meltdown, particularly at the start of the reporting period. Subsequent developments saw a slight recovery from a low level. Yet demand in Europe toward the end of the first quarter was still substantially lower compared to the level prior to the COVID-19 outbreak. The Steel Division's production capacities had to be adjusted accordingly. A small blast furnace was shut down in March 2020, i.e., even before the start of the current business year. Combining the large blast furnace with another small one during ongoing operations allowed the division to adopt a flexible approach to the best possible use of raw materials and to adjustments regarding the development of demand over the course of the reporting period.

Iron ore prices continued to rise despite the deep disruptions of the market on account of the COVID-19 pandemic. This is because China has developed into the world's largest consumer of iron ore. China's steel industry barely made any capacity adjustments during the pandemic in its own country and achieved new highs in pig iron production once the lockdown was lifted. The prices of all other raw materials that are key to the production of steel, especially coal but also energy, fell in response to the capacity cutbacks in steel production outside of China. This made it possible to roughly offset the cost increases related to iron ore.

Steel prices in the European spot market during the first business quarter declined due to shrinking demand. While the Steel Division managed in part to steer clear of this trend thanks to long-term customer agreements, it had to contend with falling prices in its short- and medium-term business regardless.

Due to the steel production cutbacks in both North America and Europe, the division's direct reduction plant in Texas, USA, was confronted with declining demand from its existing customer base during the reporting period. However, the acquisition of new customers in the Far East helped to largely offset this market weakness, thus ensuring fairly solid capacity utilization at the plant during the first business quarter.

DEVELOPMENT OF THE KEY FIGURES

The Steel Division's key figures for the first quarter of the business year 2020/21 reflect the difficult market environment. As a result, the division's revenue dropped by 29.4%, from EUR 1,182.1 million in the first quarter of the business year 2019/20 to EUR 834.9 million in the reporting period. This substantial decline is due mainly to the dramatic decrease in deliveries. Slightly lower prices year over year had an additional negative impact.
The development of raw materials prices helped only in part to offset lower sales prices. The division's cost structures were adjusted to the changed order levels in order to mitigate the negative impact of these developments on volumes. Against this backdrop, EBITDA plunged by 54.7% from EUR 150.6 million in the previous year to EUR 68.2 million in the first quarter of 2020/21, causing the EBITDA margin in turn to drop from 12.7% to 8.2%. At EUR –13.5 million (margin of –1.6%), the division's EBIT for the reporting period is slightly negative compared with EBIT of EUR 60.8 million (margin of 5.1%) in the same quarter of the previous business year.

As of June 30, 2020, the number of employees (full-time equivalents, FTE) in the Steel Division fell year over year by 5.1% to 10,181 (June 30, 2019: 10,730). This reduction in human resources stems from the adjustments made in the light of the substantial drop in production.

HIGH PERFORMANCE METALS DIVISION

QUARTERLY DEVELOPMENT OF THE HIGH PERFORMANCE METALS DIVISION

In millions of euros	Q 1 2019/20 04/01–06/30/2019	Q 1 2020/21 04/01–06/30/2020	Change in %
Revenue	777.6	527.3	–32.2
EBITDA	99.2	40.4	–59.3
EBITDA margin	12.8%	7.7%	
EBIT	57.1	–1.5	–102.6
EBIT margin	7.3%	–0.3%	
Employees (full-time equivalent), end of period	14,302	12,902	–9.8

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

The market environment of the High Performance Metals Division in the first quarter of the current business year was substantially weaker compared to previous quarters. The COVID-19 pandemic and the resulting lockdown in all of the division's major markets triggered a meltdown in demand which, in turn, led to stiffening competition in all of the division's major customer segments.

Due to its relatively short-term business cycle, the **toolmaking industry** reacted directly and immediately to the shutdowns of customers' businesses. Compounded by COVID-19, the significant dampening of demand stemmed, above all, from the palpable uncertainty that has gripped the automotive industry already since the previous business year. Sales of tool steel for consumer goods were affected by weak consumption. Applications in medical technology were the only areas in the tool steel segment that performed well.

The **special materials** product segment was confronted with massive cuts in the aerospace as well as the oil and natural gas industries. Widespread delays and cancellations affected the aerospace industry in the first quarter of the business year

2020/21. All current forecasts for this industry are based on the premise that both business and leisure air travel and hence the demand for new aircraft will decline over a longer period. Just as the aerospace industry is currently adapting its overall supply chains to this new production environment, the High Performance Metals Division is reacting to its changed market environment through capacity cutbacks.

The **oil and natural gas industry** is affected by both COVID-19 and low crude oil prices. Exploration activity has dropped substantially. To some extent, however, the division succeeded in benefiting from other special steel manufacturers' temporary plant closings. In the medium term, this market is likely to return to the previously achieved demand level for technologically complex products because the exploration of new sources is becoming ever more expensive.

COVID-19 had a negative impact on developments in individual regions. While demand in the European Union, but especially from the European automotive industry, declined dramatically across the board, it mainly affected the tool steel and high-speed steel product segments. Orders in the product segment related to the production of drop-forge parts for the commercial vehicle industry also fell dramatically. The year-over-year decline in deliveries to the aerospace industry was even more pronounced.
North America presented a similar picture. Here, too, there was a massive meltdown in demand from the automotive industry. Orders from the oil and natural gas industry also plummeted. The aerospace industry saw extensive order delays. South America is also suffering dramatically from the ramifications of the COVID-19 pandemic. Demand from all industrial segments in the first business quarter was substantially lower year over year.

In China, a country that was the first to be impacted by the COVID-19 crisis, the recovery of the market environment from the shutdown has been surprisingly rapid. In the rest of Asia, however, the division has had to contend with a sharp decline in economic momentum due to the continuation of widespread measures aimed at containing the pandemic and thus a sharp decline in economic momentum.

DEVELOPMENT OF THE KEY FIGURES

The development of the key figures of the High Performance Metals Division also reflects the difficult economic environment. The division's revenue dropped by 32.2%, from EUR 777.6 million in the first quarter of the business year 2019/20 to EUR 527.3 million in the reporting quarter. This decline is largely due to the substantial decrease in deliveries resulting from the COVID-19 pandemic. Intensified competition also affected pricing developments. The number of human resources was adjusted in line with the reduced utilization of production capacity. Nevertheless, the operating result (EBITDA) plummeted by 59.3% from EUR 99.2 million (margin of 12.8%) in the first quarter of the business year 2019/20 to EUR 40.4 million (margin of 7.7%) in the first quarter of the business year 2020/21. At EUR –1.5 million (margin of –0.3%), the profit from operations (EBIT) for the reporting period was slightly negative. By comparison, the division's EBIT for the first quarter of 2019/20 was EUR 57.1 million (margin of 7.3%).

As of the close of the first quarter of the business year 2020/21, the number of employees (full-time equivalents, FTE) in the High Performance Metals Division fell by 9.8% to 12,902 (Q 1 2019/20: 14,302). This decline in staffing levels stems from the restructuring of the Group's special steel plant in Wetzlar, Germany, as well as from overall adjustments to the massive deterioration in the economic environment.

METAL ENGINEERING DIVISION

QUARTERLY DEVELOPMENT OF THE METAL ENGINEERING DIVISION

In millions of euros	Q 1 2019/20 04/01–06/30/2019	Q 1 2020/21 04/01–06/30/2020	Change in %
Revenue	778.8	669.2	–14.1
EBITDA	90.0	54.6	–39.3
EBITDA margin	11.6%	8.2%	
EBIT	44.9	10.3	–77.1
EBIT margin	5.8%	1.5%	
Employees (full-time equivalent), end of period	13,371	13,061	–2.3

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

Being “systemically relevant” to key global markets, the Railway Systems business segment of the Metal Engineering Division had a stabilizing effect on the division’s performance in the first quarter of the business year 2020/21. By contrast, weakening trends in the Industrial Systems business segment that had already made themselves felt in the business year 2019/20 intensified against the backdrop of the COVID-19 lockdown.

Railways Systems has remained largely unaffected by COVID-19, and its business volume in the first quarter of 2020/21 was satisfactory. Order activity in numerous European countries, as well as in China, India, and South Africa, weakened slightly in the wake of the pandemic’s spread. In North America, private freight companies curtailed their investments in the maintenance of their rail networks, given the economic downturn. In South America, demand remained stable. The turnout systems product segment, which is active throughout the world, performed well in this environment. Delivery volumes during the reporting period in the rails product segment, which is largely oriented toward Europe, held steady year over year.

Industrial Systems already faced a challenging market environment in the previous business year. The economic environment of the wire technology product segment—a supplier to the automotive supply industry—continued to deteriorate in the reporting period due to automakers’ multi-week production shutdowns. Given that this segment is positioned at the top of the value chain, so far there is no palpable indication as to when order levels might recover.
The tubulars product segment also faced a particularly unfavorable economic environment. Demand in the segment’s important U.S. market has collapsed due to the drop in crude oil prices. The development of the so-called “rig count,” an early indicator regarding active oil exploration facilities, underscores the massive decline in the activities of the oil and natural gas industry in the United States: It decreased by about two thirds in the first half of 2020.
Although COVID-19 affected demand in the welding product segment (welding technology), too, capacity utilization at the segment’s production facilities was significantly better than at tubulars and wire technology sites. In global terms, the situation in China and India has recently improved whereas the situation in Europe is becoming increasingly difficult. The Industrial Systems business segment reacted to the slowing momentum by availing itself of the short time work option and by adjusting capacities.

DEVELOPMENT OF THE KEY FIGURES

Thanks to the largely stable development of the Railway Systems business segment, the key figures for the Metal Engineering Division show slightly lower declines than those for the voestalpine Group’s other divisions. The division’s revenue fell by 14.1% from EUR 778.8 million in the first quarter of the business year 2019/20 to EUR 669.2 million in the first quarter of the business year 2020/21. Primarily the wire technology and tubulars product segments posted substantial declines in revenue during the reporting period as a result of massive declines in deliveries. The fact that prices also gave way owing to heightened competition made matters worse for these two segments. In earnings terms, the division's EBITDA dropped by 39.3% from EUR 90.0 million in the first quarter of 2019/20 to EUR 54.6 million in the first quarter of 2020/21, causing the EBITDA margin in turn to fall from 11.6% to 8.2%. At EUR 10.3 million (margin of 1.5%), EBIT was down 77.1% compared with the previous year (EUR 44.9 million, margin of 5.8%). Analogous to the development of revenue, the downturn thus was rooted mainly in the weaker performance of both the wire technology and the tubulars product segments.

As of June 30, 2020, the number of employees (full-time equivalents, FTE) in the Metal Engineering Division declined year over year by 2.3% to 13,061 (June 30, 2019: 13,371). This reduction in human resources stems from necessary adjustments in the wire technology and tubulars product segments, both of which were massively impacted by the deteriorating economic environment.

METAL FORMING DIVISION

QUARTERLY DEVELOPMENT OF THE METAL FORMING DIVISION

In millions of euros	Q 1 2019/20 04/01–06/30/2019	Q 1 2020/21 04/01–06/30/2020	Change in %
Revenue	737.6	456.0	–38.2
EBITDA	58.4	14.6	–75.0
EBITDA margin	7.9%	3.2%	
EBIT	24.3	–20.7	–185.2
EBIT margin	3.3%	–4.5%	
Employees (full-time equivalent), end of period	12,374	10,854	–12.3

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

Given its focus on the automotive industry, which had to contend with a significant downturn in the wake of the COVID-19 pandemic, the Metal Forming Division was confronted with an extremely difficult market environment in the first quarter of the business year 2020/21. All of the division's sites that were substantially affected by the downturn in orders responded by cutting capacity and registering their employees for short time work.

Plummeting car sales in Europe resulting from the COVID-19 crisis had a devastating impact on the **Automotive Components** business segment. Starting in mid-March 2020, automakers shut down production across the board. The United States also saw nation-wide production stoppages. Following several weeks of shutdowns in Europe, the first production plants started up again between late April and the middle of May. Subsequently, the step-by-step increase in production capacity on the part of original equipment manufacturers (OEMs) boosted order levels at voestalpine's European automotive component plants. The premium segment—which is key to the Automotive Components business segment—recovered more quickly than the large-volume segment. While the division's most important automotive customers in the U.S. remained closed for a bit longer than their counterparts in Europe, their ramp-up curve was steeper. Supply chain difficulties were a key reason for the extended shutdowns. voestalpine's automotive plants in China returned to good capacity utilization at the start of the current business year. There, demand for cars, particularly premium segment vehicles, recovered sooner because the country's lockdown had preceded all others.

Tubes & Sections also had to contend with difficulties at the start of the current business year.

Declines in orders mainly affected the commercial vehicle and automotive industries. While the construction industry, for its part, also faced project stoppages due to COVID-19, deliveries of tubes & sections for high-bay warehouses benefited from the e-commerce boom. Regionally, the division's sites in Europe had to contend with plummeting demand. Market conditions in Great Britain were extremely challenging on account of both COVID-19 and the Brexit. In North America, the market environment remained largely stable during the first quarter of the business year 2020/21. While the economic impact of COVID-19 in Brazil made itself felt later than elsewhere owing to the absence of any crisis management from the government, it is to be expected that the pandemic will negatively affect the country over a longer term.

Orders in the **Precision Strip** segment in Europe were also marked by a downward trend. In North America, by contrast, the economic environment in this segment remained good at a stable level, similar to developments in Tubes & Sections. China saw a slight recovery from a relatively low level during the first quarter of the business year 2020/21.

By contrast, the momentum in the **Warehouse & Rack Solutions** business segment intensified despite the spread of COVID-19, bucking the general trend. This is due to the shift toward online commerce, which continues unabated and gained additional momentum during the current crisis, thus causing greater demand for storage systems.

DEVELOPMENT OF THE KEY FIGURES

Owing to its strong orientation toward the automotive industry, in revenue terms the Metal Forming Division posted the biggest decline within the voestalpine Group. This also means that the division's Automotive Components business segment was affected the most by falling revenue in the first quarter of the business year 2020/21. By contrast, the division's two smaller business segments—Precision Strip and Warehouse & Rack Solutions—posted solid revenue growth year over year. In sum, the revenue of the Metal Forming Division fell by 38.2%, from EUR 737.6 million in the first quarter of the business year 2019/20 to EUR 456.0 million in the first quarter of 2020/21. The division's earnings performance is in keeping with this development. Here, too, Automotive Components delivered the weakest performance within the division on account of the distortions in the automotive sector. Temporary capacity cutbacks that were put in place immediately in response to the automotive industry's production shutdowns helped to reduce the negative impact on costs. By contrast, the Precision Strip and Warehouse & Rack Solutions business segments followed a satisfactory trajectory. Overall, the EBITDA of the Metal Forming Division plummeted by 75.0% year over year, from EUR 58.4 million (margin of 7.9%) in the first quarter of 2019/20 to EUR 14.6 million (margin of 3.2%) in the first quarter of 2020/21. At –20.7 million (margin of –4.5%), the division's EBIT for the reporting period is in negative territory, compared with EBIT of 24.3 million (margin of 3.3%) in the same period of the previous business year.

Year over year, the number of employees (full-time equivalents, FTE) in the Metal Forming Division as of June 30, 2020, fell by 12.3% to 10,854 (June 30, 2019: 12,374). This decrease reflects adjustments in human resources to the deterioration in the economic environment.

OUTLOOK

The end of the lockdown in the first quarter of the business year 2020/21 led to an incremental recovery in demand. The extent of the rebound depends on both regions and market segments. The second business quarter is expected to see seasonally slightly weaker demand over the summer, as usual, for example, due to customer shutdowns. Hence a more informed assessment of both the strength and the sustainability of this economic recovery will have to wait until the end of the second business quarter. Given the ongoing volatility in an uncertain market environment affected by COVID-19, the voestalpine Group will continue to focus on cost management and earnings stabilization. At the same time, our efforts to manage working capital will remain high and investments will remain low in order to strengthen the Group's cash flow as well as its balance sheet structure.

Against this backdrop, we will stick to our forecast expressed at the beginning of the business year pursuant to which the voestalpine Group is expected to generate EBITDA of between EUR 600 million and EUR 1 billion in the business year 2020/21.

voestalpine AG

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 06/30/2020

The report for the first quarter of 2020/21 was prepared in accordance with the International Financial Reporting Standards (IFRS). This report has not been audited nor reviewed, nor does it constitute a consolidated interim report pursuant to IAS 34.

This report is a translation of the original report in German, which is solely valid.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	03/31/2020	06/30/2020
A. Non-current assets		
Property, plant and equipment	6,558.8	6,467.3
Goodwill	1,494.9	1,494.3
Other intangible assets	338.6	329.1
Investments in entities consolidated according to the equity method	127.6	125.6
Other financial assets and other equity investments	65.9	73.4
Deferred tax assets	283.9	313.6
	8,869.7	**8,803.3**
B. Current assets		
Inventories	3,598.2	3,617.5
Trade and other receivables	1,650.1	1,566.4
Other financial assets	55.4	57.5
Cash and cash equivalents	794.7	661.5
	6,098.4	**5,902.9**
Total assets	**14,968.1**	**14,706.2**

In millions of euros

EQUITY AND LIABILITIES

	03/31/2020	06/30/2020
A. Equity		
Share capital	324.3	324.3
Capital reserves	660.3	660.3
Retained earnings and other reserves	4,493.6	4,390.7
Equity attributable to equity holders of the parent	**5,478.2**	**5,375.3**
Non-controlling interests	136.7	141.8
	5,614.9	**5,517.1**
B. Non-current liabilities		
Pensions and other employee obligations	1,277.9	1,351.9
Provisions	92.4	91.6
Deferred tax liabilities	92.5	92.9
Financial liabilities	3,889.7	3,959.3
	5,352.5	**5,495.7**
C. Current liabilities		
Provisions	646.9	582.2
Tax liabilities	38.8	47.1
Financial liabilities	754.1	740.0
Trade and other payables	2,560.9	2,324.1
	4,000.7	**3,693.4**
Total equity and liabilities	**14,968.1**	**14,706.2**

In millions of euros

CONSOLIDATED STATEMENT OF CASH FLOWS

	04/01–06/30/2019	04/01–06/30/2020
Operating activities		
Profit after tax	90.4	–69.7
Non-cash expenses and income	226.5	193.9
Change in inventories	–213.6	–31.8
Change in receivables and liabilities	–109.0	–70.6
Change in provisions	–80.6	–55.4
Changes in working capital	**–403.2**	**–157.8**
Cash flows from operating activities	**–86.3**	**–33.6**
Investing activities		
Additions to other intangible assets, property, plant and equipment	–249.2	–164.8
Income from disposals of assets	1.5	2.8
Cash flows from the loss of control of subsidiaries	0.0	0.1
Additions to/divestments of other financial assets	–352.5	–4.2
Cash flows from investing activities	**–600.2**	**–166.1**
Financing activities		
Dividends paid, non-controlling interests	–8.9	–6.9
Capital increase, non-controlling interests	0.0	0.8
Acquisition of non-controlling interests	–3.2	0.0
Increase in non-current financial liabilities	503.3	150.4
Repayment of non-current financial liabilities	–102.0	–144.6
Repayment of lease liabilities	–19.0	–11.1
Change in current financial liabilities and other financial liabilities	172.8	80.0
Cash flows from financing activities	**543.0**	**68.6**
Net decrease/increase in cash and cash equivalents	**–143.5**	**–131.1**
Cash and cash equivalents, beginning of reporting period	485.9	794.7
Net exchange differences	–2.6	–2.1
Cash and cash equivalents, end of reporting period	**339.8**	**661.5**

In millions of euros

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

	04/01–06/30/2019	04/01–06/30/2020
Revenue	**3,336.1**	**2,397.3**
Cost of sales	–2,681.7	–2,104.9
Gross profit	**654.4**	**292.4**
Other operating income	89.9	139.5
Distribution costs	–302.2	–239.6
Administrative expenses	–185.5	–161.6
Other operating expenses	–103.3	–81.9
Share of profit of entities consolidated according to the equity method	3.4	2.5
EBIT	**156.7**	**–48.7**
Finance income	9.4	10.1
Finance costs	–41.7	–35.8
Profit before tax	**124.4**	**–74.4**
Tax expense	–34.0	4.7
Profit after tax	**90.4**	**–69.7**
Attributable to:		
Equity holders of the parent	77.6	–70.5
Non-controlling interests	5.3	0.8
Share (planned) for hybrid capital owners	7.5	0.0
Diluted and basic earnings per share (euros)	**0.44**	**–0.40**

In millions of euros

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED OTHER COMPREHENSIVE INCOME

	04/01–06/30/2019	04/01–06/30/2020
Profit after tax	**90.4**	**–69.7**
Items of other comprehensive income that will be reclassified subsequently to profit or loss		
Cash flow hedges	–3.7	18.5
Currency translation	–15.6	–0.6
Share of result of entities consolidated according to the equity method	–1.3	–0.6
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss	**–20.6**	**17.3**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss		
Actuarial gains/losses[1]	–54.7	–50.3
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**–54.7**	**–50.3**
Other comprehensive income for the period, net of income tax	**–75.3**	**–33.0**
Total comprehensive income for the period	**15.1**	**–102.7**
Attributable to:		
Equity holders of the parent	3.5	–102.7
Non-controlling interests	4.0	0.0
Share (planned) for hybrid capital owners	7.5	0.0
Total comprehensive income for the period	**15.1**	**–102.7**

[1] The valuation of the social capital was based on an interest rate of 1.0% as of June 30, 2020 (March 31, 2020: 1.5%) and 1.1% as of June 30, 2019 (March 31, 2019: 1.5%).

In millions of euros

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Q 1 2019/20			Q 1 2020/21		
	Group	Non-controlling interests	Total equity	Group	Non-controlling interests	Total equity
Equity as of April 1	**6,544.0**	**165.8**	**6,709.8**	**5,478.2**	**136.7**	**5,614.9**
Total comprehensive income for the period	11.1	4.0	15.1	−102.7	–	−102.7
Dividends to shareholders	–	−7.3	−7.3	–	−2.6	−2.6
Share-based payment	−1.1	–	−1.1	–	–	–
Other changes	−6.5	2.1	−4.4	−0.2	7.7	7.5
Equity as of June 30	**6,547.5**	**164.6**	**6,712.1**	**5,375.3**	**141.8**	**5,517.1**

In millions of euros

Disclaimer
This report contains forward-looking statements that reflect the current views of voestalpine AG regarding future events. Forward-looking statements naturally are subject to risks and uncertainties, which is why actual events and hence results may differ substantially from such statements. The company is under no obligation to publish updates of the forward-looking statements contained herein unless so required under applicable law.

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voestalpine AG
voestalpine-Strasse 1
4020 Linz, Austria
T. +43/50304/15-0
F. +43/50304/55-Ext.
www.voestalpine.com

voestalpine
ONE STEP AHEAD.