

**voestalpine boosts revenue in the 3rd quarter of 2018/19, earnings affected by non-recurring items**

- » Revenue for first nine months rises 5.2% year over year from EUR 9.5 billion to just under EUR 10 billion
- » Negative non-recurring effects impact Group's earnings categories
- » Operating result (EBITDA) declines by 21.4% from EUR 1.4 billion to EUR 1.1 billion
- » Profit from operations (EBIT) drops by 37% from EUR 835 million to EUR 526 million
- » Profit before tax drops by 41.6% from EUR 737 million to EUR 431 million and profit after tax by 50.4% from EUR 556 million to EUR 276 million
- » Equity improves from EUR 6.3 billion to EUR 6.5 billion
- » Gearing ratio rises from 54% to 58%
- » At 51,472, number of employees as of 12/31/2018 1.6% higher year over year

The first half of the business year 2018/19 had started on a solid economic footing for the voestalpine Group, but the business year's third quarter was already affected by a dampening of economic sentiment overall. For example, by rising prices for raw materials and energy; the first palpable negative effects from the global trade conflicts; and not least the growing escalation of the conflict surrounding Great Britain's exit from the EU. "While we succeeded in boosting revenue year over year in the first three quarters of the business year 2018/19, the weaker earnings performance reflects not just the dampening of economic sentiment but also the impact of internal negative one-time effects," says Wolfgang Eder, Chairman of the Management Board of voestalpine AG. As a result, earnings in the second business quarter were impacted primarily by the complete overhaul of large blast furnace A in Linz and—to a lesser extent—by the fact that several weeks of planned and unplanned production stoppages occurred at the HBI facility in the United States. Add to that provisions that were set up in the third business quarter for the heavy plate segment in connection with a pending investigation by the German Federal Cartel Office (*Bundeskartellamt*); significant start-up cost overruns at the automotive facility in Cartersville, Georgia, USA; as well as associated provisions related to external shifts in order activity.

**Developments in detail**

The revenue of the voestalpine Group rose by 5.2% in the first three quarters of the business year 2018/19 from EUR 9.5 billion to just under EUR 10 billion. All four divisions posted revenue growth. As far as earnings are concerned, the voestalpine Group had to contend with substantial losses in the current business year due to the aforementioned negative non-recurring effects. In sum, therefore, the Group's operating result (EBITDA) for the first three quarters of the business year 2018/19 dropped year over year by 21.4% from EUR 1.4 billion (margin of 14.9%) in the previous year to EUR 1.1 billion (margin of 11.1%) in the current year. The profit from operations (EBIT) fell in the same period by 37.0% from EUR 835 million (margin of 8.8%) to EUR 526 million (margin of 5.3%). The profit before tax declined to an extent echoing EBIT, specifically, by 41.6% from EUR 737 million to EUR 431 million. The profit after tax dropped year over year from EUR 556 million to EUR 276 million.

Equity improved in the past 12 months, from EUR 6.3 billion as of December 31, 2017, to EUR 6.5 billion as of December 31, 2018, and the equity ratio (total equity relative to total assets and liabilities) thus is 42.4% (as of December 31, 2017: 41.2%). Net financial debt rose from EUR 3.4 billion as of December 31, 2017, to EUR 3.8 billion as of December 31, 2018. Consequently, the gearing ratio (net financial debt as a percentage of equity) rose year over year from 53.5% as of December 31, 2017, to 58.4% as of December 31, 2018.

The details of the shortfalls in earnings were already communicated in the ad hoc reports dated October 24, 2018, and January 16, 2019. Given the comprehensive optimization measures that have been launched, it is to be expected from the current vantage point particularly with respect to net working capital that the funding ratios will relax substantially yet again by the close of the current business year.

As of December 31, 2018, the voestalpine Group had 51,472 employees (FTE), an increase of 1.6% year over year (50,658 employees).

### Outlook for the current business year

While the economic climate in the first half of the business year 2018/19 was largely characterized by stability, the third business quarter brought a dampening of the macroeconomic environment due to rising geopolitical uncertainty. But the third quarter was also shaped by negative economic trends in key individual industries. For example, the Worldwide Harmonized Light Vehicle Test Procedure (WLTP), which has been in effect since September 1, 2018, led to considerable uncertainty in the automotive industry. Demand has peaked in the consumer goods and electrical industries as well. The slumping oil price triggered a temporary weakening in the demand for oil equipment, especially in North America. At the regional level, the growth momentum especially in China lost considerable steam in the past 12 months, followed by Europe in the second half of 2018. The USMCA region, by contrast, was stable at a high level throughout the 2018 calendar year, and Brazil remained on a cautious growth trajectory not least due to the political changes in the country.

From today's vantage point, not much is expected to change in the coming months with respect to the big picture that prevailed at the turn of 2018/2019. The economic scenario in Europe in 2019 will undoubtedly be shaped by the final procedure regarding Great Britain's exit from the European Union. A "hard" Brexit would impact the macroeconomic climate in Europe in any case.

Aside from the uncertainties that such a scenario would entail, the European economy is likely to cool off a bit more in the first half of the 2019 calendar year compared with the final months of the previous year, but it is not expected to slide into a recessionary scenario. However, this scenario of moderate cyclical growth in Europe might be undermined primarily by political factors: Besides the Brexit issue, which dominates everything at this point, this would include the global trade conflicts and, within the EU, decisions related to energy and climate policies (electricity price zone discussion, CO<sub>2</sub> pricing, and the like).

"On the assumption that the coming months will not bring any such dramatic distortions, and in keeping with the trajectory already indicated in our ad hoc report dated January 16, 2019, we expect the Group's operating result (EBITDA) for the business year 2018/19 to be around EUR 1,550 million

## voestalpine AG

and its profit from operations (EBIT) around EUR 750 million. The revenue for the business year ending on March 31, 2019, should surpass that of the business year 2017/18 and thus reach a new high," says Eder.

### The voestalpine Group

In its business segments, voestalpine is a globally leading technology and capital goods group with a unique combination of materials and processing expertise. voestalpine, which operates globally, has around 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, it is one of the leading partners to the automotive and consumer goods industries in Europe as well as to the aerospace and oil & natural gas industries worldwide. voestalpine is also the world market leader in turnout technology, special rails, tool steel, and special sections. In the business year 2017/18, the Group generated revenue of around EUR 13 billion, with an operating result (EBITDA) of almost EUR 2 billion, it has around 51,600 employees worldwide.

### Please direct any inquiries to:

voestalpine AG  
Peter Felsbach  
Head of Group Communications | Group Spokesperson

voestalpine-Strasse 1  
4020 Linz, Austria  
T. +43/50304/15-2090  
peter.felsbach@voestalpine.com  
[www.voestalpine.com](http://www.voestalpine.com)