

PRESS RELEASE

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voestalpine delivers record revenue in the first half of the business year 2018/19—but earnings are impacted by special effects

- » Revenue rises year over year by 5.9% from EUR 6.3 billion to EUR 6.7 billion in the business year's first six months—a new record for the first half of a business year
- » Operating result (EBITDA) declines by 11.2% from EUR 969 million to EUR 860 million
- » Profit from operations (EBIT) decreased by 17.9% from EUR 584 million to EUR 480 million
- » Profit before tax drops by 17.9% from EUR 514 million to EUR 422 million and profit after tax by 18.7% from EUR 389 million to EUR 316 million
- » Equity improves from EUR 6.2 billion to EUR 6.6 billion
- » Gearing ratio rises slightly from 54% to 55%
- » At 51,931, number of employees as of September 30, 2018, reaches a new high
- » Macroeconomic developments increasingly shaped by global trade war conflicts
- » European automotive industry comes under pressure in the second quarter due to problems implementing the new emissions test (WLTP)

While the economic momentum at the start of the voestalpine Group's business year 2018/19 was solid, the economic climate began to cloud over a bit in the second quarter, especially in the light of growing trade conflicts worldwide. The Group succeeded nonetheless in the first half of the business year 2018/19 to boost revenue year over year yet again but, as far as earnings are concerned, it finished at a level slightly below the previous year owing to a number of negative factors, both external and internal. "We did raise revenue yet again compared with 2017/18, our best year to date, but the slightly weaker results for the first half of the business year reflect the initial effects of globally increasing protectionist economic policies, for one, and internal non-recurring effects that impact earnings, for another," explains Wolfgang Eder, Chairman of the Management Board of voestalpine AG.

The revenue increase in all four divisions stems, in particular, from rising unit sales in key customer segments such as the oil & gas, railway, aerospace, and mechanical engineering industry as well as from higher prices in individual business segments. The distortions of international trade in the wake of increasingly protectionist tendencies in an ever growing number of countries as well as the dampened development of the European automotive industry due to the shift to the new emissions testing procedure known as WLTP were the key macroeconomic factors in the weaker performance of the voestalpine Group, especially in the business year's second quarter. Important regional developments outside of the European Union include the recent noticeable slowdown in China's economic growth. Operationally speaking, the summer saw increasing logistical difficulties owing to extremely low water levels in Europe's shipping routes. Within the voestalpine Group, both the long planned general overhaul of its major blast furnace at the Linz site, which took more than three and a half months, as well as an unexpected stoppage at the Texas HBI facility due to flooding put further pressure on earnings. Earnings were also impacted by start-up costs related to new automotive facilities in North America.

Rising revenue yet declining earnings

The voestalpine Group posted year-over-year revenue growth of 5.9% in the first half of the business year 2018/19: the increase from EUR 6.3 billion to EUR 6.7 billion is a new semi-annual record. At EUR 860 million, the operating result (EBITDA) was 11.2% lower than the all-time high (EUR 969 million) achieved in the first half of the business year 2017/18. This caused the EBITDA margin to fall from 15.4% to 12.9%. The profit from operations (EBIT) dropped in the same period from EUR 584 million to EUR 480 million—a decline of 17.9%. Hence the EBIT margin fell from 9.3% in the previous year to 7.2% in the current business year. Just as the profit from operations, the profit before tax declined by 17.9% also, from EUR 514 million to EUR 422 million. The profit after tax dropped in the same period by 18.7% from EUR 389 million to EUR 316 million.

Increases in both equity and personnel

Due to the positive earnings growth in the past 12 months, the equity of the voestalpine Group rose from EUR 6.2 billion as of September 30, 2017, to EUR 6.6 billion as of September 30, 2018. It remained stable relative to the annual reporting date (March 31, 2018). Net financial debt rose year over year from EUR 3.3 billion to EUR 3.6 billion, due in particular to the increase in working capital. Compared with the March 31, 2018, reporting date, primarily the dividend distribution of some EUR 250 million caused a corresponding increase in net financial debt. Against this backdrop, the gearing ratio (i.e. net financial debt as a percentage of equity) rose slightly year over year, specifically, from 53.5% to 54.9%. The voestalpine Group had just under 52,000 employees (FTE) as of September 30, 2018, which corresponds to a year-over-year increase of 2.6% and thus is a new record.

Investments greatly surpass previous year's level owing to blast furnace repairs

At EUR 475 million, the investment expenditures of the voestalpine Group in the first half of the business year 2018/19 were 40.5% higher year over year. This increase is due mainly to the major overhaul of Blast Furnace A in Linz at a total cost of some EUR 180 million, which was completed in September, as well as to the work on the construction of a new special steel plant in Kapfenberg, which is proceeding as planned. The pilot operations of a high-tech forging press for aerospace materials were launched at this site, too, as part of the expansion of our activities in the aerospace segment. A new rolling mill for titanium sheet, which is also used in aircraft construction, was started up in the neighboring Austrian town of Mürzzuschlag. The international rollout of proprietary automotive technologies continued apace during the current business year with the opening of new facilities in Mexico (Aguascalientes and Zacatecas) as well as the start-up of a new production line in Tianjin, China. The establishment of a second joint venture for the production of turnouts in China represents yet another key expansionary step in the newly formed Railway Systems business segment.

Outlook for the current business year

The economies of some regions were subject to increasingly fragile growth and thus earnings toward the end of the first six month-period of the business year 2018/19; in Europe, this development was increasingly intensified by rising price volatility in the energy sector and not least with respect to CO₂ emissions certificates. Currently, however, the accumulating negative effects from distortions of the

international trade flows as well as weakening demand in individual industrial segments, including the European automotive industry that has been buffeted by the new emissions testing rules (WLTP), are the main reasons for intensifying macroeconomic concerns. voestalpine, for its part, has had to contend with additional reductions in earnings owing especially to the major overhaul of the Steel Divisions' blast furnace, start-up costs in excess of budgeted costs at the Group's North American automotive sites, and unplanned downtimes at the HBI facility in Texas. Not least the extremely low water levels in Europe's shipping routes posed yet another challenge.

"As already communicated two weeks ago in an ad hoc report, contrary to expectations at the start of the current business year, it will not be possible against this backdrop and given the available figures for the first half of the current business year to repeat the record results of 2017/18, particularly due to the reduction in earnings from the complete overhaul of the Group's largest blast furnace during the summer months," says CEO Wolfgang Eder. Given these internal and external facts, it will no longer be possible to offset these negative effects through other positive effects, as initially planned. According to Eder, "based on the current figures for the business year 2018/19, therefore, we now expect a profit from operations (EBIT) of just under EUR one billion and an operating result (EBITDA) of just under EUR 1.8 billion."

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. 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 one of the leading partners of the automotive and consumer goods industries in Europe as well as 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 some EUR 13 billion, with an operating result (EBITDA) of just under EUR 2 billion, and had about 51,600 employees worldwide.

Please direct any inquiries to:

voestalpine AG
Mag. Peter Felsbach, MAS
Head of Group Communications | Group Spokesperson

voestalpine-Strasse 1
4020 Linz, Austria
T. +43/50304/15-2090
peter.felsbach@voestalpine.com
www.voestalpine.com