

Q&A voestalpine group results Q1 BY 2022/23

One-off effects in Q1 2022/23 results

Q.) Are there any one-offs in the results?

A.) No, there are no one-offs in the Q1 22/23 results included.

Energy costs and natural gas

Q.) How have energy costs developed in Q1?

A.) Energy costs have increased somewhat in Q1 2022/23 compared to the immediately preceding quarter of Q4 2021/22. However, the pace of increase has slowed down.

Q.) Were you able to pass on the higher energy costs to the market?

A.) On the whole we were able to pass on the higher energy costs to the market, particularly in Europe. Exports of products from Europe to Asia and North America is a different story. Customers there are not always prepared to pay for the higher energy costs in Europe.

Q.) What's the status of your own natural gas stocks?

A.) We have stored 1.5 MWh of natural gas in a rented gas storage. This amount would enable us to produce on maximum capacity for 3 months and on reduced capacity for around half a year if gas supply/supplies in Europe came to a standstill.

Low water on European rivers, Logistic issues

Q.) Are you affected by the low water on the river Rhine?

A.) The river Rhine is a main logistics route via the Rhine-Main-Danube Canal, particularly for the supply of raw materials of our steel plant in Linz. Due to the fact, that the river Danube sometimes freezes in winter, we always have alternative delivery routes, especially via railways.

Therefore, we do not suffer from the low water situation at the river Rhine. In addition, we have built up stocks, to be on the safe side. As we have long-term supply contracts with our customers, being able to deliver is a top priority for voestalpine.

Q.) Do you face issues with logistics?

A.) There are numerous issues with logistics. In general availability of cargo space is an issue in all means of transport. For this reason, we have built up raw material stocks

to ensure our ability to deliver. Apart from this short-term measure, we have long-term agreements with our logistic partners.

Cash Flow and working capital

- Q.) Is the cash inflow from the Texas transaction part of the cash flow?
- A.) Yes, the cash inflow is part of the cash flow statement of Q1 2022/23. It is shown in the line "Cash flows from the loss of control of subsidiaries" and amounts to 756.9 million EUR.
- Q.) Why is the Free Cash Flow of voestalpine group for Q1 2022/23 so low then?
- A.) Because of a significant build of working capital of around 1.3 billion EUR.
- Q.) What are the reasons behind the huge investments into working capital?
- A.) The build of working capital of around 1.3 billion EUR can be broken down to the following factors (data according to consolidated statement of cash flows):

Change of inventories: increase of around 957,9 million EUR; thereof:

Price effect: approximately 2/3;

due to rising raw material and product prices across the whole voestalpine group

Volume effect: approximately 1/3;

due to storage of natural gas for the first time (accounting for around 1/3 of the volume effect) and due to the deliberate increase of raw material stocks because of the war in the Ukraine and the problems with logistics (accounting for around 2/3 of the volume effect)

change of receivables and liabilities: decrease of 271.1 million EUR; thereof:

change of liabilities:

approx. flat. Liabilities did not rise in proportion to the increased raw material purchases because we reached the maximum limits of bills of exchange.

Change of receivables:

Receivables increased according to the rising revenues. Note, that in order to avoid negative interest payments on our cash position, we did not push factoring to the maximum.

Change of provisions: decrease of -76.5 million EUR.

A mixture of various effects. The largest single position is based on the accounting of CO2-certificates, which were handed in this quarter.

Q.) What is your expectation for the development of working capital for the remaining business year 2022/23?

A.) In general, we assume, that we have seen the peak of working capital in this Q1 2022/23. But the development going forward depends on many moving factors.

Our basic assumptions from today's point of view are:

Liabilities: No further increase of liabilities expected, as we do not build up stocks any further.

Receivables: In our outlook we expect a cooldown of the economy and therefore decreasing revenues can be expected and consequently a reduction in receivables. In addition, there is room for extending factoring.

Inventories:

Price effect: In a slowing economy, declining raw material prices can be expected, which would lead to a release of working capital.

Volume effect: Stock levels depend on the further development of the war in the Ukraine and the consequences on the natural gas supplies in Europe as well as the availability of logistic routes and cargo space.

In case of a relaxation and secured supply we will reduce stock levels. If the situation stays unchanged, we will keep increased stock levels in order to secure deliveries to our customers.

Q.) What is your expectation for the development of Cash Flow for the business year 2022/23?

A.) We expect a positive Free Cash Flow for the business year 2022/23.

Texas

Q.) Is the transaction already closed?

A.) Yes, the transaction was closed on 30th of June 2022.

Q.) Where and how is the result of Texas shown in the P&L of Q1 2022/23?

A.) In this Q1 2022/23 the earnings of Texas LLC are shown in the P&L as part of the line “profit after tax from discontinued operations” amounting to 91.1 million EUR.

This number however includes more than just the earnings from Texas and therefore needs some explanation:

Apart from the quarterly result of Texas LLC, this number contains cost to sell, net balance from deconsolidation and currency differences accumulated on deconsolidation.

In addition, note that according to IFRS 5, no depreciation may be recognized in the results of Texas LLC. Therefore, the included earnings-figure is similar to the EBITDA of the company.

Q.) Was there a cash Inflow from the transaction already in Q1 2022/23?

A.) Yes, the cash inflow is part of the cash flow statement of Q1 2022/23. It is shown in the line “Cash flows from the loss of control of subsidiaries” and amounts to 756.9 million EUR.

Q.) Why was the cash-inflow higher than indicated in the first place?

A.) Mainly because of the change of the EUR-USD-exchange rate and the development of working capital at Texas LLC as well as some other minor topics.