

voestalpine increases earnings in the second quarter of the business year – year-to-year comparison of first six months impacted by non-recurring effects in the previous year

- Marked upward trend in earnings from first to second quarter 2016/17
- Revenue declines by 4.9% from EUR 2.8 to EUR 2.6 billion in a comparison of the first and second quarters 2016/17
- Operating result (EBITDA) rises by 11.1% to EUR 371 million; EBITDA margin up from 12% to 14.1%
- EBIT (profit from operations) improves by 20.1% to EUR 201 million; EBIT margin up from 6.0% to 7.6%
- Comparison of earnings in first half of 2015/16 to first half of 2016/17 of limited informative value due to significant positive non-recurring effects in the previous year
- Revenue declines by 6.5% from EUR 5.8 billion to EUR 5.4 billion in a year-to-year comparison of first six months
- EBITDA falls by 21% from EUR 892 million to EUR 705 million (adjusted EBITDA declines by 6.6% from EUR 755 million to EUR 705 million; adjusted EBITDA margin remains constant at 13%)
- EBIT drops by 35.9% from EUR 575 million to EUR 369 million (adjusted EBIT goes down by 16.3% from EUR 450 million to EUR 376 million); adjusted EBIT margin declines slightly from 7.8% to 7.0%
- Direct reduction plant in Texas opens after construction period of two and a half years

The voestalpine group increased its earnings significantly in the second quarter of 2016/17 compared to the first quarter (EBITDA +11.1%, EBIT +20.1%). The main factor was the performance of the Steel Division, which markedly boosted its earnings in the past months due to price increases.

“The second quarter shows a substantial upward trend in comparison to the first quarter. As expected, however, the continuing difficult framework conditions in the global economy are reflected in an overall analysis of the earnings of the first six months of the business year in comparison to the previous year—disregarding the non-recurring effects,” says Wolfgang Eder, CEO and Chairman of the Management Board of voestalpine AG. “While the oil and natural gas sectors continue to be extremely challenging, the steel sector profited in the most recent quarter from the positive effects of higher prices that had been signalized in the previous quarter. Furthermore, important customer segments remained constant at a high level, in particular the automotive industry and the aerospace sector, but the consumer goods industry as well.”

Dominated primarily by significant positive non-recurring effects in the same period of the previous year on one hand and on the other, impacted by the current still difficult economic conditions, a year-to-year comparison of the first six months (H1 2015/16 to H1 2016/17) shows a downward trend of the key economic indicators. A weaker price environment—due not least to lower pre-material costs—and continuing challenging conditions in the oil and natural gas sectors—were mainly responsible for the decline in revenue by 6.5% from EUR 5.8 billion to EUR 5.4 billion in the first half of 2016/17.

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In a comparison of the results of the first six months with those of the previous year, EBITDA declined by 21% from EUR 892 million to EUR 705 million, while EBIT fell by 35.9% from EUR 575 million to EUR 369 million. However, because the previously mentioned positive non-recurring effects were due to consolidation changes in the Metal Engineering Division in the same period of the previous year, the comparison has limited informative value as far as operational figures are concerned. Taking these non-recurring effects (not related to operations) into consideration, consolidated EBITDA in the first half of 2016/17 is EUR 705 million, just 6.6% behind last year's figure of EUR 755 million. The adjusted EBITDA margin remained constant at 13%. The decline of EBIT, adjusted for non-recurring effects, was 16.3%, going from EUR 450 million (margin: 7.8%) to EUR 376 million (margin: 7.0%).

In part as a consequence of a level of investment that was considerably reduced in comparison to the previous year—albeit still above the level of depreciation—and the payment of dividends in the second quarter, the gearing ratio (net financial debt in percent of equity) increased both in a year-over-year comparison and in a comparison with the reporting date of the business year 2015/16. While it was 57% as of the reporting date of September 30, 2015 and 55% as of March 31, 2016, as of September 30, 2016, it was at 60%. Investment expenditure declined compared to the first half of 2015/16 by 27.3% from EUR 647 million to EUR 471 million. As of September 30, 2016, the voestalpine Group had 48,786 employees (FTE). In a year-to-year comparison, this is an increase of 0.1 %.

Direct reduction plant in Texas officially opened

On October 26, 2016, the direct reduction plant in Corpus Christi, Texas, was officially opened after a construction period of just over two and a half years. The new plant has its own deep-sea port and is considered to be the largest and most modern facility of its kind in the world. After its successful commissioning, it is expected to reach full operating performance in the third quarter of 2016/17 with ongoing delivery to customers. The plant is slated to produce two million tons of high quality HBI (hot briquetted iron or sponge iron) annually, a sophisticated pre-material for steel production. 800,000 tons will be used in voestalpine's own plants in Linz and Donawitz. The first shipload will leave the port of Corpus Christi for Europe before the end of the calendar year. The new plant opens up new potential for the future not just with regard to cost and technology; the utilization of HBI, which is manufactured using gas instead of coal, will enable a reduction of CO₂ emissions by around 5% across the voestalpine Group.

Outlook for the current business year 2016/17

While in the business year 2015/16, a very strong first half of the year was contrasted with a substantially weaker second half—both adjusted for non-recurring effects—it currently appears that in 2016/17, the second half of the year will see an improvement of EBITDA and EBIT compared to the first six months of the year. This expectation is confirmed by the movement from the first to the second quarter that saw prices recover considerably in the Steel Division's contract business, resulting in a strong improvement in the division's and therefore also the Group's earnings.

“Against the backdrop of the current economic scenario and taking the positive effects of the consistent continuation of the comprehensive cost optimization and efficiency improvement programs into consideration, expectations for the business year 2016/17 are currently as follows: The objective continues to be profit from operations (EBIT) that approximately equals the (adjusted)

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figure in the past business year. With regard to the operating result (EBITDA), in light of current expectations, it should be possible to match the previous year's (adjusted) figure," says Wolfgang Eder regarding the outlook for the second half of the current business year.

The voestalpine Group

In its business segments, voestalpine is a globally leading technology and capital goods group with a unique combination of material 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 and to the oil and gas industries worldwide. The voestalpine Group is also the world market leader in turnout technology, special rails, tool steel, and special sections. In the business year 2015/16, the Group generated revenue of EUR 11.1 billion, with an operating result (EBITDA) of EUR 1.6 billion; it has 48,500 employees worldwide, who are collectively a major shareholder in the company with a stake of 14.5 percent.

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