

**Difficult environment has adverse impact on voestalpine's results for the first half of the business year 2019/20**

For the voestalpine Group, the first half of the business year 2019/20 was defined by a substantial dampening of sentiment in its economic environment. Particularly in Europe, where voestalpine generates about two thirds of its revenue, the weakening of the export industry due to increasing global barriers to trade, decreasing demand from the automotive industry as well as fewer investments affected all of the Group's divisions. But the global trade disputes are being reflected in declining economic momentum in China and the United States too. The adverse conditions in the steel sector intensified all the more on account of massive increases in raw materials prices in tandem with decreasing sales prices and large volume steel imports into Europe that continue unabated. Furthermore, the financial expenditures for CO<sub>2</sub> allowances in the European Union as well as the corporate issue of start-up costs at the Group's Automotive Components plant in Cartersville, Georgia, USA, continued to have adverse impact on the profit margins.

Under these conditions, there was a decline in all earnings categories of the voestalpine Group in the first half of 2019/20. As measures to stabilize earnings, the cost-cutting and efficiency improvement programs already implemented were further intensified.

Nevertheless, in this generally difficult macroeconomic environment, the technology segments railway systems, aerospace, warehouse and rack-solutions as well as welding technology recorded a stable, positive development, confirming the strategic orientation of the voestalpine Group as a special and complete system provider.

**Investments reduced**

Having made large investments in recent years, the voestalpine Group is cutting back on its investment activity, reducing its investment volume in the first half of the year by almost 30% to EUR 338 million (EUR 475 million a year earlier).

**Balance sheet structure affected by non-recurring items**

The voestalpine Group's reported indebtedness in the first half of 2019/20 was materially affected by accounting factors in addition to the operating developments and the dividend payment. For one, the interest-bearing liabilities rose by around EUR 437 million on account of a change in the International Financial Reporting Standards (IFRS)—specifically, the recognition of leases pursuant to IFRS 16—relative to the March 31, 2019, reporting date. For another, the EUR 500 million hybrid bond issued in 2013 was called as of October 31, 2019, with the result that, as of September 30, 2019, it is recognized in financial liabilities instead of in equity. Given these developments, the Group's net financial debt climbed from EUR 3.6 billion as of September 30, 2018, to EUR 4.5 billion as of September 30, 2019. Equity declined from EUR 6.6 billion to EUR 6 billion in the same period due to the dividend payment

## voestalpine AG

and the redemption of the hybrid bond. In turn, this caused the gearing ratio to rise year over year from 55% to 75%.

### Outlook

The Management Board's assessment at the start of the business year 2019/20—specifically, that the previous year's performance based on EBITDA would probably be achievable again in the current business year—was premised on a number of factors. The key market and cost variables underlying the assessment at the time were as follows: a cooling of the economy in markets that are material to voestalpine, but no recessionary or crises scenarios; a cooling of momentum in the automotive industry, but no new dramatic distortions in the automotive market on account of the new emissions test to be introduced in Europe in September 2019; no negative effects from the global trade conflicts or the Brexit above and beyond the anticipated cooling of the economy; a normalizing of iron ore prices over the course of the business year as well as positive dispositions of challenges internal to the company.

Key assumptions largely did not come to pass over the first six months of the current business year. While the intracorporate challenges are being dealt with and certain improvements are still expected to be realized, the slowdown in the momentum of the automotive industry has been both more intense and widespread than originally expected, even though the new emissions test that was introduced in September of this year did not trigger the distortions seen a year ago. The global trade war along with protectionist policies have clearly crimped investments in many parts of the world and thus have led, particularly toward the end of the first half of the business year 2019/20, to significant demand declines in many markets that are key to the voestalpine Group. Although iron ore prices did ease over the summer, the expected margin growth did not materialize. Record imports into the European Union combined with weak intra-European demand continued to depress steel prices at the end of the current reporting period.

Given these negative macroeconomic developments, the scenario posited at the start of the current business year no longer applies. From today's vantage point, it is to be expected that the third business quarter is likely to be as difficult as the second quarter of the business year 2019/20 in terms of earnings. Positive effects from both seasonal influences and the resolution of intracorporate issues as well as earnings contributions from the steps taken to lower costs and boost efficiency should take effect in the business year's last quarter.

In this difficult environment, the Management Board's focus is on measures designed to stabilize earnings and generate free cash flow. Aside from short-term actions, over the next few months this will also entail examining the ramifications of the changed global economic framework for the positioning of all of the Group's material business segments.

At this point in time, the Management Board of voestalpine AG thus expects EBITDA of about EUR 1.3 billion for the business year 2019/20—an assessment that is largely in line with market expectations.

Key figures of voestalpine Group

(acc. IFRS)	H1 BY 2018/19 04/01/-09/30/2018	H1 BY 2019/20 04/01/ 09/30/2019	Delta %
Revenue	6,674.0	6,541.6	-2.0
EBITDA	860.1	665.5	-22.6
EBITDA margin in %	12.9 %	10.2%	
EBIT	479.5	229.6	-52.1
EBIT margin in %	7.2 %	3.5%	
Profit before tax	421.5	162.5	-61.4
Profit after tax *	319.9	115.2	-64.0
EPS – earnings per share (euros)	1.69	0.54	-68.0
Gearing-ratio in % (09/30)	54.9 %	75.1%	

In millions of euros

\*Before deduction of non-controlling interests and interest on hybrid capital.

voestalpine AG's 1<sup>st</sup> half results BY 2019/20 as of September 30, 2019, may be viewed on the Company's website, [www.voestalpine.com](http://www.voestalpine.com), under the "Investors" tab.

If you have any questions, please contact the Investor Relations Team at +43/50304/15-9949.

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