

## **PRESS RELEASE**

December 16, 2019

### **voestalpine undertakes non-recurring write offs to the sum of EUR 280 million**

- » **Unscheduled, non-recurring depreciations (EUR 280 million) at plants including Traisen and Kindberg (Austria), Wetzlar (Germany), Cartersville, and Texas (USA)**
- » **Provisions of over EUR 80 million for restructuring programs and other risks**
- » **Non-recurring effects will have a negative impact on the annual results**
- » **Outlook: operating result (EBITDA) of EUR 1.2 billion expected**
- » **Cost and efficiency optimization programs on plan**
- » **Jobs in Austria not threatened by the non-recurring effects announced today**

In November 2019 the Management Board of voestalpine AG announced an investigation into the impact of the changing global economic framework conditions on the long-term positioning of all key business segments. At a Management Board meeting in Linz today, far-reaching decisions were taken based on the results of this analysis. The most recent changes in the global economy, primarily the global trade dispute, but also Europe's continuing development as an economic region which clearly has a dwindling interest in a continuous industrial value chain, demand measures over and above purely short-term operative optimizations.

During the current business year 2019/2020, voestalpine AG will undertake impairments to the sum of EUR 280 million in key business segments. At the main businesses affected are the companies Giesserei Traisen GmbH (Traisen, Austria) and voestalpine Tubulars GmbH & Co KG (Kindberg, Austria), Buderus Edelstahl GmbH (Wetzlar, Germany) as well as Automotive Components Cartersville Inc. and voestalpine Texas LLC (both in the USA).

To a lesser extent, also provisions for risks which will have a negative financial impact (including restructuring costs) of around EUR 80 million are recognized. The write offs will have an impact on the EBIT during the third quarter of the current business year, with the provisions also having an effect on the EBITDA.

### **Expectations for the long-term development of the international markets must be adjusted**

"In view of these new framework conditions, we are considerably more circumspect with respect to future market expectations than originally planned. Consequently, we must lower our expectations of individual companies as a result of the impairments and implement non-recurring write offs," says Herbert Eibensteiner, Chairman of the Management Board of voestalpine AG. "This does not alter our long-term strategic orientation. We will continue to focus on technology-intensive sectors with the most stringent quality standards."

### **Steel Division has to write off a total of EUR 200 million in Traisen and Texas**

As a result of the impairment test, the Steel Division needs to undertake two write offs to a total of EUR 200 million. While, following structural changes in the European energy market and growing competition from Asia, Giesserei Traisen will be unable to meet its future earnings targets and must

write off EUR 25 million, a much more significant impairment is required at the plant in Texas LLC (voestalpine Texas LLC). The direct reduction plant, which went into full scale operation in 2017, produces around two million tons of high-quality sponge iron (HBI) annually—a sophisticated pre-material used for the Group's own steel production in Austria as well as for customers, primarily in North America. The HBI plant is particularly severely impacted by the current high prices for iron ore and low scrap prices, and this market volatility will continue to increase in future. The global price for iron ore is primarily influenced by growing demand from China, while the local scrap price (no longer) has an affect on this ore price. This decoupling is leading to price fluctuations for iron ore and scrap at a scale hitherto unknown, and consequently also on HBI prices and production.

### **Unscheduled, non-recurring depreciations in Cartersville and Wetzlar, amongst others**

The productivity level on which the original plans for the automotive plant in Cartersville (USA) were based cannot be achieved. The reasons for this include the impossibility of an efficient personnel deployment (comparable to those in Europe), with result that significantly higher personnel costs are expected in future. As a result, the planned results are not achievable. The required write offs amount to around EUR 40 million. voestalpine opened its first North American production site for ultra high-strength lightweight body parts in Cartersville in 2014 and has subsequently gradually expanding operations at the site on an annual basis. Following huge initial difficulties during the third expansion phase, the technical challenges are now coming to an end and several lines are currently starting up in parallel. voestalpine is anticipating positive results as early as the coming business year. Cartersville remains an important site for voestalpine in the USA. Due to continued disruptions in the automotive sector and their impact on the automotive supply industry, the Metal Forming Division will have to make provisions of around EUR 20 million, which will also include restructuring at other sites.

In the European special steel market, over the past quarters trade restrictions have had a significantly negative impact on supply and demand, especially for tool steel. This has particularly affected the German voestalpine subsidiary Buderus Edelstahl. In addition to the economic downturn in Europe, uncertainty in the automotive sector, and a steep rise in imports from competitors based outside Europe, energy and power grid costs are also having a negative impact on business performance at the site in Wetzlar. The non-recurring costs (special write offs and restructuring costs) at Buderus Edelstahl amount to around EUR 35 million and also include a significant reduction in the share of in-house production for one production area. This could impact a quarter of the current workforce of 1,500 employees (FTE).

### **Punitive tariffs ("Section 232") have lasting impact on production of seamless tubes in Kindberg**

voestalpine Tubulars, with a production site in Kindberg, Austria, is particularly affected by the punitive tariffs imposed on European steel and aluminium products ("Section 232") by the US administration in 2018. Following expectations of an indefinite period of trade barriers, resulting from a protectionist US trade policy, around EUR 20 million in intangible assets will be written off. voestalpine Tubulars is specialized in the production of highly resilient seamless tubes for the global oil and natural gas industry and exports over half of its output to the USA.

**Outlook: expected operating result (EBITDA) of EUR 1.2 billion**

Based on these exceptional, non-recurring measures, from its current standpoint the Management Board of voestalpine AG expects an operating result (EBITDA) of around EUR 1.2 billion as well as a just positive profit from operations (EBIT). The Management Board will recommend to the Supervisory Board that for the business year 2019/2020 a dividend appropriate to the situation and therefore lower than in the previous year—taking into consideration a dividend yield and a payout ratio—be presented at the Annual General Meeting.

In order to ensure that its financial situation is improved and strengthened, voestalpine is currently working at full speed to implement additional cost savings and efficiency optimization programs. EUR 50 million will have been saved by the end of the current business year 2019/20 (as of March 31, 2020), with at least EUR 100 million having been saved overall by 2020/21. The focus will be widened to include cash flow and reductions in inventory. Jobs in Austria are not threatened by the non-recurring effects announced today. Reductions in overtime, cuts in the number of leasing personnel, and the policy of not filling posts that become vacant are all proceeding according to plan.

**The voestalpine Group**

In its business segments, voestalpine is a globally leading technology 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 a leading partner of the automotive and consumer goods industries as well as of the aerospace and oil & gas industries. voestalpine is also the world market leader in complete railway systems as well as in tool steel and special sections. In the business year 2018/19, the Group generated revenue of EUR 13.6 billion, with an operating result (EBITDA) of EUR 1.6 billion; it had just under 52,000 employees worldwide.

**Please direct your inquiries to**

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