

PRESS RELEASE

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COVID-19 pandemic negatively impacts voestalpine results for the past business year 2019/20

- » **COVID-19 pandemic negatively impacts operating result (EBITDA and EBIT) for the past business year 2019/20 by around EUR 40 million**
- » **Further unscheduled, non-recurring write-offs (EUR 125 million) due to changed framework conditions and WACC increase necessary at plants including foundries (Traisen and Linz), Seamless Tubes (Tubulars), Welding Consumables (welding sector), Buderus Edelstahl (Wetzlar, Germany), Cartersville and Texas (USA)**
- » **Outlook BY 2019/20: operating result (EBITDA) at over EUR 1.1 billion, profit from operations (EBIT) will be negative at around –EUR 135 million**

The COVID-19 pandemic and its global impact will have a negative influence on voestalpine results for the past business year 2019/20, both operationally and as a consequence of one-time effects. Today the Management Board of voestalpine AG announced the necessity of non-recurring write-offs due to impairments of assets. These impairments impact the EBIT, but not the EBITDA. Assets are being revalued as a consequence of the changed framework conditions for the 2020/21 business year. The effects of COVID-19 have also resulted in a higher discount rate (WACC—weighted average cost of capital), so that further write-offs to the amount of EUR 125 million are required. Furthermore, the first operational effects of the COVID-19 pandemic started to have an impact in mid-March. These effects are having a negative impact on both EBITDA and EBIT by around EUR 40 million.

Back in December 2019 the Management Board of voestalpine AG had already taken far-reaching decisions in response to a strategic analysis which had examined changes in the global economy, primarily the global trade dispute, but also Europe's continuing development as an economic region with an evident dwindling interest in a continuous industrial value chain. Already at that time, the results of the analysis clearly showed the need for measures over and above purely short-term operative optimizations. Therefore, in the third quarter of the 2019/2020 business year non-recurring write-offs of EUR 270 million were announced in response to the impairment tests undertaken at that time. In addition, provisions for risks which will have a negative financial impact (including restructuring costs) of EUR 75 million were recognized. The COVID-19 pandemic now makes further revaluations necessary.

EUR 125 million in write-offs

In addition to the measures taken in December 2019, voestalpine AG will now make non-recurring write-offs to the sum of EUR 125 million in several business segments during the 2019/2020 business year. The impairment tests indicated that non-recurring write-offs needed to be made at the foundries in Traisen and Linz, Seamless Tubes (Tubulars), Welding Consumables (welding sector), Buderus Edelstahl (Wetzlar, Germany), Cartersville and Texas (USA). The write-offs will have an impact on the EBIT during the fourth quarter of the 2019/2020 business year.

Currently around 18,000 employees in Austria and 6,000 employees in Germany in short-time work

As announced at the end of March, of the total 22,300 employees in Austria, around 18,000 have already been registered for short-time work. This figure will rise to 20,000 by May. voestalpine has registered almost 6,000 of its 8,300 employees in Germany for short-time work; the deployment of similar models is currently being considered and implemented in Belgium and the Netherlands. "Registering for short-time work on a large scale across Europe is designed to achieve the clear objective of retaining our highly-qualified employees within the Group. The Austrian government's new short-time work model is a good and sensible measure for achieving this objective," says Herbert Eibensteiner, Chairman of the Management Board of voestalpine AG.

"It will be vital to get the economy up and running again as soon as possible"

"We have succeeded in adapting to this completely new situation very quickly. The voestalpine team has managed the past few weeks magnificently. We are very proud of them and thank all of our employees most heartily for their engagement. As before, irrespective of the economic considerations, our primary concern remains the health of our employees," says CEO Eibensteiner. "However, in view of the COVID-19 pandemic and its impact on our operating environment, naturally we have no other choice but to be much more critical than originally planned in our assessments of future market expectations. Therefore, we must further reduce our expectations for the business year 2020/21 and for the value of individual companies, and again implement non-recurring write-offs," Eibensteiner continues. "This does not alter our long-term strategic orientation. We will continue to focus on technology-intensive sectors with the most stringent quality standards."

The current standstill in many sectors of the economy must end soon. "Apart from our current crisis management, we are already preparing for the announced restart of the automotive industry and other sectors which are more important to our Group. Quickly getting back up to speed will be vital. The Austrian government has now taken the first step towards restarting economic activities and reviving consumption. Now further steps must soon follow in order to get industrial production back up and running as quickly as possible."

Outlook BY 2019/20: expected operating result (EBITDA) of over EUR 1.1 billion

Based on these exceptional, non-recurring measures, from its current standpoint the Management Board of voestalpine AG expects a slightly reduced (over the outlook in late 2019) operating result (EBITDA) of over EUR 1.1 billion for the business year 2019/20 ended on March 31, 2020. With respect to EBIT, the previous outlook no longer applies: profit from operations (EBIT) will be negative at around -EUR 135 million (previous outlook: "just positive EBIT").

In order to secure its financial resources, voestalpine continues to work at full speed to implement the announced cost savings and efficiency optimization programs. Furthermore, the focus will remain on cash flow optimization and reductions in inventory, while investments will be cancelled. Construction of the special steel plant in Kapfenberg will continue.

The voestalpine Group

In its business segments, voestalpine is a globally leading steel and 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, it is a leading partner to the automotive and consumer goods industries as well as the aerospace and oil & gas industries, and is also the world market leader in railway systems, tool steel, and special sections. voestalpine is fully committed to the global climate goals and is working intensively to develop technologies which will allow it to decarbonize and reduce its CO₂ emissions over the long term. 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.

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