

## voestalpine reports a restrained first quarter 2016/17, as expected; outlook for the entire business year remains unchanged

- A comparison of the earnings only has informative value based on adjusted figures because of significant non-recurring effects
- Revenue and operating results are impacted by weak development in the oil and natural gas markets and by the steel contract business, where positive price effects have been pushed back into the next quarter
- Upward trend is foreseeable during the course of the year
- Revenue at EUR 2.8 billion after EUR 3 billion in the first quarter 2015/16 (-7.6%)
- Operating result (EBITDA) falls from EUR 527 million to EUR 334 million—a drop of 36.6%; adjusted for non-recurring effects, the decline is from EUR 389 million to EUR 334 million (-14.2%); adjusted EBITDA margin goes down slightly from 13% to 12%
- Profit from operations (EBIT) is reduced from EUR 368 million in the first quarter of the previous year to EUR 168 million (-54.5%); the adjusted decline is from EUR 237 million to EUR 172 million (-27.6%); at 6.2%, adjusted EBIT margin is down from last year's figure of 7.9%
- Profit before tax at EUR 139 million is 57.7% below the previous year's figure; the adjusted decline is from EUR 197 million to EUR 143 million (-27.4%); unadjusted profit after tax falls by 63.5% to EUR 106 million, while adjusted decline is down from EUR 152 million to EUR 109 million (-28.3%)
- Number of employees remains largely constant at 48,319 (FTE) with a marginal decline of -0.7%
- Start-up phase of the direct reduction plant in Texas has begun

The development of the financial key figures of the voestalpine Group in the first quarter of the business year 2016/17 (April 1 to June 30, 2016) reflects the significant non-recurring effects in the first quarter of 2015/16, as well as the economic environment that continues to be difficult. Furthermore, the current weaker figures are being compared to the first quarter of 2015/16, when operating results were well above average. "Although the global economic conditions became more challenging in the first quarter of the current business year and, as previously often forecast, left their mark on our earnings figures, those market segments that are most important for us—with the exception of the energy sector—remain at a stable and solid level," says Wolfgang Eder, CEO and Chairman of the Management Board of voestalpine AG. "We anticipate that the situation will ease up significantly in the course of the year, especially since the price increases in the steel contract business, which have already been agreed upon, will now be gradually taking effect," Eder continues. "Additionally, the oil and natural gas sector should be improving toward the end of the business year as necessary investments are expected."

Compared to the first quarter of 2015/16, the first quarter of 2016/17 saw a decline in revenue of 7.6%, going from around EUR 3 billion to just under EUR 2.8 billion due to deteriorating demand in the oil and natural gas sector that became increasingly apparent in the course of the year and,

most recently, due to the delay in price increases taking effect in the steel contract business. In terms of earnings, non-recurring effects stemming from changes in consolidation in the Metal Engineering Division in the first quarter of the previous year resulted in extraordinary increases in EBITDA and EBIT. On this basis, a comparison of the earnings would be as follows: EBITDA down by 36.6% from EUR 527 million to EUR 334 million; EBIT declines by 54.5% from EUR 368 million to EUR 168 million.

The informative value of the figures is greater when the figures are adjusted for the non-recurring effects, presenting a much less dramatic picture even though they reflect the much more challenging economic environment and its effects on the development of the Group's earnings. In a year-to-year comparison of the first quarter, adjusted EBITDA fell by 14.2% from EUR 389 million to EUR 334 million, and adjusted EBIT declined by 27.6% from EUR 237 million to EUR 172 million. In addition to temporary negative operational effects in the steel sector (delayed effect of price increases in the contract business compared to the spot market with its up-to-the-minute pricing), other non-recurring effects in the Steel Division must be taken into account in the first quarter of the business year 2016/17. On the one hand, these effects result from costs for the run-up of the new direct reduction plant in Texas and on the other, they are due to the fact that operation of blast furnace 5 in Linz, which had been extensively renovated in the last business year, had to be scaled down in order to adjust the coal injection system. Furthermore, changes in the interest rates in the valuation of employee benefits resulted in negative effects in both income and—to a much greater extent—in equity. This was the reason for the increase in the gearing ratio (net financial debt in percent of equity) from 53.4% in the previous year (or from 54.5% as of the reporting date of March 31, 2016) to 55.9% as of June 30, 2016. The workforce remained practically constant at 48,319 employees (FTE), with only a marginal decline of -0.7%.

### **Investment projects move into the operational phase**

A particular highlight among the Group's investment projects in the first quarter of 2016/17 was the start-up of the first facility worldwide for phs-directform<sup>®</sup>, which enables production of press-hardened, ultra high-strength, and corrosion-resistant automotive components made from galvanized steel strip in a single process step (direct process). Thus, voestalpine is the first provider worldwide that has made the technological advance to the direct hot forming of galvanized steel possible. In addition to the new, state-of-the-art wire rod mill in Donawitz, the currently largest investment project of the voestalpine Group, the new direct reduction plant in Corpus Christi, Texas, is also in the start-up phase.

### **Outlook for the current business year 2016/17 remains unchanged**

Two months after publication of the forecast for the current business year in the annual financial statements 2015/16, the outlook for 2016/17 remains largely unchanged. In comparison to the previous year, which reported a considerably weaker second half of the business year, a marked increase is expected in the course of 2016/17 both with regard to operating result (EBITDA) and profit from operations (EBIT). Three major factors are driving this development. First, there is a time-lag in the effect of the positive price trend in the longer-term contract-based steel business; second, the start-up costs of the direct reduction plant in Texas will taper off in the course of the year; and third, an easing of the situation in the oil and natural gas sector is expected toward the end of the business year. "Based on this scenario and in conjunction with the consistent continuation of the comprehensive cost and efficiency optimization programs, the voestalpine

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Group continues to aim for an operating result (EBITDA) and profit from operations (EBIT) that are approximately equal to the adjusted figures in the last business year," Eder says.

### **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, the Group 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.

### **Please direct your inquiries to**

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