

INTERIM REPORT

FOR Q1 – Q3 2019/20

This report is a translation of the original report in German, which is solely valid.

ECONOMIC ENVIRONMENT AND COURSE OF BUSINESS

EUROPE / EURO ZONE

On the whole, economic growth in Europe remained moderate during the business year 2019/20 to date, but began to lose some of its momentum toward the end of the third quarter owing primarily to developments in the manufacturing industry which, in addition to weak domestic demand and especially from the automotive industry, suffered from weak global growth. Europe's export-driven industries were increasingly exposed to the global trade conflicts and the resulting trade barriers in a number of countries, above all the United States and China.

Private consumption in Europe, however, remained positive throughout the business year to date. Good employment levels with low unemployment, wage gains, and the resulting growth in household incomes as well as low interest rates have supported private purchasing power. The leading economic indicators stabilized toward the end of the third quarter of the business year 2019/20 despite growing concerns that the negative performance of industrial sectors might affect consumption as well.

The weak performance of the manufacturing industry presents a major challenge for voestalpine, because about two thirds of its revenue is generated in Europe. Earnings were impacted especially by the downward trend in automotive production—the Group's key market segment.

NORTH AMERICA / USA

The growth trend in North America continued unabated during the first nine months of the business year 2019/20 despite the escalating trade war with China. Just as in Europe, private consumption drove the positive development of the U.S. economy on the whole. The continued growth of the labor market led to employment highs and rising household incomes which, in turn, helped to boost private purchasing power yet further. The "Phase One Trade Deal" between the United States and China that was signed toward the end of the reporting period has stabilized bilateral trust and should hold off any further escalation of the trade conflict with China for the time being.

The manufacturing sector was weak, even in North America, and exposed to a declining trend throughout the business year 2019/20. It is not surprising that both exports and commerce suffered from the global distortions and impediments to trade.

While voestalpine benefited from the altogether positive developments in North America throughout most of the current business year, the economic environment began to deteriorate toward the end of the reporting period. In addition to the protectionist Section 232 tariffs, this development is rooted particularly in the weak performance of the oil and natural gas industry.

SOUTH AMERICA / BRAZIL

After starting out the current business year on a positive note, the Brazilian economy barely registered any growth during the summer months. It did not regain its momentum until the third quarter of the business year 2019/20. In addition to stronger private consumption, there was also an uptick in investments. The weakening of the Brazilian currency supported local export-driven industries, even though exports remained at a very low level overall. For the most part, this development was related to the country's most important export commodity—iron ore—which suffered a major downturn after the catastrophic dam failure in the spring of 2019 and recovered but slowly throughout the business year to date. voestalpine's Brazilian entities delivered solid performance overall in this challenging environment.

ASIA / CHINA

Over the course of the current business year, China's economic growth was supported largely by the construction industry. Governmental construction and infrastructure programs kept demand high in this sector. The consumer goods industry, however, displayed little momentum, and the automotive industry was down significantly for the second year in a row. The same applied to exports, given the escalating trade conflicts.

voestalpine's Chinese entities profited from the state's infrastructure projects in the railway sector. As regards tool steel, the current weakness of both the consumer goods and automotive industry was reflected in declining demand, which did not stabilize until the end of the reporting period. The country's construction boom also had the effect of pushing the production of crude steel and thus the demand for iron ore to record highs. In turn, this brought about worldwide increases in the price of iron ore, given China's globally dominant position in steel production.

On the whole, voestalpine was confronted with the gradual dampening of economic sentiment throughout the business year 2019/20. Aside

from the direct and indirect ramifications of the escalating trade war, the accelerating downturn in the automotive industry became a growing challenge. Europe—voestalpine's most important market—was the most unfavorable environment in this respect. Add to that the difficulties resulting from the slowdown in North America's manufacturing sector in conjunction with the Section 232 trade barriers. While certain elements of the Chinese economy provided a positive impetus to voestalpine, the record level of crude steel production led to rising iron ore prices worldwide. In turn, this put pressure on the entire European steel industry and thus the financial performance of voestalpine's steel plants in Europe.

But the broad positioning of voestalpine's market and product portfolio shows its strength in times of economic challenges. The Group's rail technology, aerospace industry, storage technology systems, and welding systems segments all delivered good performance throughout the first nine months of the current business year—despite the altogether difficult economic environment.

REPORT ON THE FINANCIAL KEY PERFORMANCE INDICATORS OF THE voestalpine GROUP

Non-recurring effects comprising primarily impairment losses as well as, to a smaller extent, provisions for restructuring expenses and other risks have had a significant impact on the Group's financial key performance indicators (KPIs) for the third quarter as well as the first nine months of the business year 2019/20. These non-recurring effects represent the impact of the analysis announced in the semi-annual report for the business year 2019/20 of the changes in the global economic order on voestalpine's key business segments.

About EUR 75 million in non-recurring effects adversely affect EBITDA for the third quarter and the first nine months of the business year 2019/20; the impact on EBIT (including the EBITDA effects) amounts to about EUR 345 million.

Non-recurring effects also impacted the figures for the same period of the previous year—i.e. the first nine months of the business year 2018/19. These effects arose from the delayed start-up of the automotive component plant in Cartersville, Georgia, USA, as well as from the need to set up provisions in connection with an investigation by the German Federal Cartel Office (*Bundeskartellamt*) against steel producers on suspicion of past anti-competitive practices in the heavy plate product segment. The scheduled overhaul of the Steel Division's largest blast furnace impacted the Group's performance for the business year 2018/19 as well.

Against this backdrop, any comparison of the KPIs pursuant to IFRS is of limited relevance to descriptions of the company's operating performance.

The voestalpine Group generated revenue of EUR 9,575.2 million during the first nine months of the business year 2019/20, which equates to a decline of 3.8% compared to the previous year's revenue of EUR 9,948.6 million. All four divisions were affected by this development, albeit to different degrees. Weak demand, especially in Europe, resulted in lower delivery volumes. On the earnings side, EBITDA dropped by 24.2%, from EUR 1,104.1 million in the first three quarters of the business year 2018/19 to EUR 837.2 million in the same period of the current business year. Aside from the aforementioned non-recurring effects, lower production volumes and deliveries led to a reduction in the funds available for covering fixed costs. In the Steel Division, furthermore, sales prices came under pressure, in turn eroding margins on account of sustained highs in prices for raw materials, especially iron ore. This historically unfavorable price/cost scenario is but one outcome of the record steel production in China. As the world's largest steel producer, China determines the world's iron ore markets, with the result that prices have not responded to weaker market conditions in Europe and North America. Besides the challenging economic environment, EBIT was also impacted by impairment losses in the third quarter of the business year 2019/20

which, in the final analysis, resulted in negative EBIT of EUR –82.3 million in absolute terms. In the same period of the previous business year, the voestalpine Group generated EBIT of EUR 525.5 million.

In keeping with EBIT, the Group's profit before tax for the first nine months of the current business year is negative as well: EUR –185.2 million (previous year: EUR 430.6 million). Given the negative earnings, at EUR 25.2 million the corporate income tax is positive. This results in a profit after tax of EUR –160.0 million.

Aside from the Group's earnings performance, accounting measures also had a significant impact on the development of the gearing ratio (net financial debt as a percentage of equity). For one, the EUR 500 million hybrid bond issued in 2013 was repaid as of October 31, 2019. It was recognized in equity as of September 9, 2019, and refinanced through borrowings. For another, the increase in net financial debt stems from the recognition of EUR 437 million in leases pursuant to IFRS 16. As of December 31, 2019, net financial debt stood at EUR 4,554.7 million, which equates to an increase of 20.3% over the previous year (December 31, 2018: EUR 3,785.7 million). Relative to the amount recognized as of the March 31, 2019, reporting date (EUR 3,125.4 million), this corresponds to an increase of 45.7%. Equity declined year over year by 12.1%, from EUR 6,478.0 million as of December 31, 2018, to EUR 5,693.2 million as of December 31, 2019. Compared with the March 31, 2019, reporting date (EUR 6,709.8 million), equity fell by 15.2%. Given these developments, as of December 31, 2019, the gearing ratio is 80.0%, which represents a substantial increase over both the previous year's figure (58.4%) and the figure as of the March 31, 2019, reporting date (46.6%). As of December 31, 2019, the voestalpine Group had 49,838 employees (FTE), a decrease of 3.2% from the previous year's level (51,472 employees). This is 4.0% lower than the number as of the March 31, 2019, reporting date (51,907 employees).

QUARTERLY DEVELOPMENT AND NINE-MONTH FIGURES OF THE voestalpine GROUP

In millions of euros

In millions of euros				Q 1 – Q 3		Change in %
Q 1 2019/20 04/01–06/30/2019	Q 2 2019/20 07/01–09/30/2019	Q 3 2019/20 10/01–12/31/2019	2019/20 04/01–12/31/2019	2018/19 04/01–12/31/2018		
Revenue	3,336.1	3,205.5	3,033.6	9,575.2	9,948.6	–3.8
EBITDA	370.9	294.6	171.7	837.2	1,104.1	–24.2
EBITDA margin	11.1%	9.2%	5.7%	8.7%	11.1%	
EBIT	156.7	72.9	–311.9	–82.3	525.5	–115.7
EBIT margin	4.7%	2.3%	–10.3%	–0.9%	5.3%	
Profit before tax	124.4	38.1	–347.7	–185.2	430.6	–143.0
Profit after tax ¹	90.4	24.8	–275.2	–160.0	281.3	–156.9
Employees (full-time equivalent)	51,670	51,275	49,838	49,838	51,472	–3.2

¹ Before deduction of non-controlling interests and interest on hybrid capital.

Net financial debt can be broken down as follows:

NET FINANCIAL DEBT

In millions of euros

	12/31/2018	12/31/2019
Financial liabilities, non-current	2,960.0	3,786.6
Financial liabilities, current	1,309.0	1,494.6
Cash and cash equivalents	–280.4	–548.0
Other financial assets	–191.5	–153.0
Loans and other receivables from financing	–11.4	–25.5
Net financial debt	3,785.7	4,554.7

OUTLOOK

Based on the fact that the first nine months of the business year 2019/20 have passed and, in particular, based on analyses of the changed global economic environment and its ramifications for voestalpine's key business segments and given the conclusions drawn and actions taken, from today's vantage point the Management Board of voestalpine AG expects EBITDA of EUR 1.2 billion for the business year 2019/20 and just positive EBIT.