Press Release

November 6, 2013

voestalpine reports solid result in a difficult market environment

- **Revenue declines slightly by 3.5% from EUR 5.9 to EUR 5.7 billion**
- **Operating result (EBITDA) of EUR 687 million 5.2% below the previous year's figure**
- **Profit from operations (EBIT) down by 8% from EUR 435 million to EUR 401 million**
- **Margins remain almost unchanged (EBITDA dips from 12.2% to 12% and EBIT from 7.3% to 7%)**
- **Equity above EUR 5 billion (+3.6%); gearing ratio reduced from 51% to 47%**
- **Investments stepped up by 44% from EUR 301 million to EUR 434 million**
- **Headcount significantly increased to 47,750 (+3.5%)**
- **Implementation of "Strategy 2020" on schedule**

The volatile economic trend since the beginning of the year and the recent slowdown of economic consolidation in Europe had an adverse impact on the performance of the voestalpine Group as well. After a solid first quarter of the current business year, the second quarter revealed some vulnerabilities in individual business segments that had not been anticipated in the early part of the summer. "Considering the economic environment and in comparison with other companies in the industry, the performance of the voestalpine Group in the past six months was very satisfactory," stated Wolfgang Eder, CEO and Chairman of the Management Board of the voestalpine Group. A major reason for this achievement is the broad-based positioning of the Group, both geographically and with regard to its sectoral activities. It is especially the unique combination of steel production and processing that provides the company with a comparatively crisis-resistant value chain; the processing of other materials as well, such as aluminum, titanium, and plastics, which is growing, additionally differentiates the Group from its competitors.

As Wolfgang Eder sees it, there is no alternative: "After years of declining demand, the steel industry in Europe has no choice but to come to terms with permanently lower capacity utilization levels." Alongside the unsolved question of how to eradicate the massive overcapacity on the European market, which presents an existential, industry-specific problem, Eder sees additional reasons for this tense situation in the EU's generally anti-industry economic policies. "Environmental and climate policies that negate what is actually feasible in many areas, no energy strategy, costs for government and social services that exact the highest average tax rates worldwide—all of this is hardly the stuff that the future of an economically successful continent is made of," Eder emphasized again. "However, anyone who believes that the solution is a return to individual nation states and the elimination of the euro is a priori robbing Europe of any future it may have, for each individual economy would be too small and too vulnerable, both politically and economically."

Consolidation of voestalpine's earnings, market, quality, and technology leadership

In the first half of 2013/14, the voestalpine Group's revenue decreased by 3.5% compared to the same period of the previous year due to lower raw materials prices, falling from EUR 5,933 million to EUR 5,724 million. The operating result (EBITDA) dropped from EUR 725 million to EUR 687 million (−5.2%). Profit from operations (EBIT) declined by 8% to EUR 401 million (previous year: EUR 435 million). The financial result that improved slightly in a year-to-year comparison kept the decline in profit before tax at a reasonable level of 7.9% (down to EUR 320 million from EUR 348 million in the previous year). Profit for the period amounted to EUR 240 million compared to EUR 270 million (−11%), partly due to a somewhat higher tax rate. In a year-to-year comparison, equity rose by 3.6% to EUR 5.06 billion as of September 30, 2013. This figure remained practically the same compared to the closing date of March 31, 2013 (EUR 5.08 billion) despite payment of a dividend. This also resulted in a slight increase in net financial debt in the first half of 2013/14 compared to the beginning of the business year, which went from EUR 2.26 billion to currently EUR 2.37 billion, with free cash flow positive for the period. Compared year-to-year, the net financial debt was reduced by 5.1%. In a year-to-year comparison, the gearing ratio (net financial debt in percent of equity) declined considerably and was 46.7% as of September 30, 2013.

Solid position compared to industry competitors

Today, the voestalpine Group is in a leading position in Europe in its core segments with regard to profitability as well as quality and technology; furthermore, it is a global market leader in major business segments. The results of the first half of 2013/14 reflect this development. “In the last twelve years, we have developed from a classic steel company to a steel-based technology and capital goods group that is focused on the most technologically sophisticated customer segments. The performance of the Group’s earnings—especially in a challenging economic environment—confirms that the strategy of extending the value chain based on premium steel products, which voestalpine has been pursuing consistently in recent years, was the right path to take,” Eder explains. The focus of the Group’s growth objectives is on the technologically sophisticated growth industries of mobility and energy. Geographically, the focus is primarily on growth markets outside of Europe. In Europe, the consolidation of voestalpine’s market, quality, and technology leadership in its core business segments is at the forefront of its activities. Continued expansion of its processing operations, which are already dominating its activities—with the addition of alternative materials—will continue to be pursued systematically so that the Group's transformation from a steel company to a technology and capital goods group will be even more pronounced.

Metal Engineering and Metal Forming Divisions demonstrate formidable crisis resistance

In the Metal Engineering and Metal Forming Divisions, sales in a year-to-year comparison were only slightly below those in the first half of the previous year. As both divisions were able to increase their results, this assisted significantly in the stabilization of the Group’s consolidated result. In addition to positive market trends, the cost-cutting and efficiency improvement measures, which were consistently implemented in both divisions, contributed substantially to the positive result. In the first six months of the previous year, the Steel Division enjoyed positive effects from raw materials prices that were trending downward and sales prices that were concurrently rising, while in the first half of the current year, the situation was exactly the opposite. While sales prices remained almost unchanged, burgeoning optimism in China over the course of the summer resulted in unexpectedly high raw materials prices with commensurate effects on the margins. Additionally, the Steel Division’s operating result in the last quarter was impacted by non-recurring expenditures totaling EUR 10 million, which, however, will be recouped in the next two years. In the Special Steel Division, the first quarter of 2013/14 was solid, but the second quarter was characterized by considerable reticence on the part of its customers and at the same time, by falling scrap and alloy prices and growing competition from Asia.

Outlook for the current business year 2013/14 unchanged

The current economic expectations for the coming months differ very little from the expectations for the previous quarters. A continuation of the development of recent months is expected, in other words, continuing stabilization at a moderate level. Nevertheless the prospects of growing global economic momentum in the course of 2014 seem to be sound, especially considering the noticeable successes of restructuring measures with regard to budget management in a number of European countries, the stabilization of growth in China at just above 7%, and a marked economic upswing in North America.

Exports will remain the driving force of the automobile industry in Europe. Uncertainty with regard to scope and speed of the paradigm shift with regard to energy, but also as far as the oil price is concerned, has been slowing down investment activity in the energy sector for the past year and a half—not only in Europe. The economic momentum that is still in short supply in the major industrial sectors of automotive, energy, and construction (with the latter playing a secondary role for voestalpine) cannot be fully compensated by the significantly better trend in a number of niche segments, such as the white goods and consumer goods industries, the construction machinery and agricultural machinery segments, railway infrastructure, the aviation industry, and the mechanical engineering industry.

The development of the voestalpine Group should continue at a stable level during the second half of the business year 2013/14. This means solidly full capacity utilization, however, at price levels that continue to be subdued for the Steel Division; almost full capacity utilization at slightly more volatile prices for the Special Steel Division; stable, full capacity utilization and steady prices that continue to be competitive for the Metal Engineering Division; and largely full capacity utilization at reliably consistent prices for the Metal Forming Division. "In anticipation of a slightly improved overall economic trend in the first months of the 2014 calendar year, from today's vantage point, the voestalpine Group can expect an operating result (EBITDA) and profit from operations (EBIT) for the business year 2013/14 that are at about the same level as the previous business year," Eder stated.

The voestalpine Group

The voestalpine Group is a steel-based technology and capital goods group that operates worldwide. With around 500 Group companies and locations in more than 50 countries on all five continents, the Group 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 2012/13, the voestalpine Group reported revenue of more than EUR 11.5 billion and an operating result (EBITDA) of EUR 1.45 billion; it has around 46,400 employees worldwide.

Please direct your inquiries to:

voestalpine AG
Peter Felsbach, Spokesman
voestalpine AG, voestalpine-Strasse 1,
4020 Linz
Phone: +43/50304/15-2397
peter.felsbach@voestalpine.com
www.voestalpine.com