

Media Information

November 17, 2011

voestalpine significantly increases revenue and operating result for the first half of the business year

- Revenue grows to EUR 5,978 million (up 15.1% compared to 2010/11)
- EBITDA increases from EUR 710 million to EUR 824 million (up 16.0%)
- EBIT rises by 28.3% from EUR 414 million to EUR 531 million
- EBIT margin improves from 8.0% to 8.9%
- Profit for the period climbs by 39% from EUR 250 million to EUR 346 million
- At EUR 1.82, earnings per share surpass the 2010/11 comparative figure by 46.8%
- Overall work force again at the pre-crisis level (47,109)
- Difficult second half of the year anticipated

Compared to the first half of the previous year, the voestalpine Group achieved significant increases during the first six months of the current business year, both in revenue and in all reporting categories. Revenue rose by 15.1% from EUR 5,191.8 million in the previous year to EUR 5,977.7 million. A comparison of EBITDA and EBIT at the Group level to the first half of the previous year shows an increase in profits in EBITDA by 16.0%, from EUR 710.5 million to EUR 824.2 million, while EBIT climbed by 28.3% from EUR 414.2 million to EUR 531.4 million.

Significant improvement in all reporting categories

With the exception of the Steel Division (shutdown during the second quarter to complete investments), all divisions contributed to this positive trend, whereby the Special Steel Division, with its EBIT increase of 88.7% compared to last year's figure, deserves special mention. But the other divisions also reported two-digit growth rates in EBIT. In addition to the gratifying trend in operating results, profit before tax and profit for the period have gone up substantially compared to the previous year's figures. EBT rose from EUR 317.4 million to EUR 443.3 million or 39.7%, while the profit for the period went from EUR 249.7 million to EUR 346.1 million, an increase of 38.6%. For the first half of this business year, earnings per share (EPS) were EUR 1.82 per share (previous year: EUR 1.24).

Equity rose in the first six months of the business year 2011/12 (March 31, 2011) by EUR 80.1 million or 1.7% to EUR 4,771.2 million. The increase is due to the very positive profit for the period, whereby the payment of a dividend in the amount of EUR 135.0 million in the second quarter of the business

year as well as the proportionate share of reserves for interest on hybrid capital of EUR 65.2 million had the customary subduing effect on the trend in equity. The most significant factors for the build-up of working capital and the resulting increase of net financial debt by 7.1% from EUR 2,713.1 million as of March 31, 2011 to EUR 2,905.1 million as of September 30, 2011 were rooted in the seasonal effects and the economy in general, but also in operational effects resulting from the three-week shutdown in the Steel Division. Against this background, as of the end of the first half year 2011/12, there was a gearing ratio (net financial debt as a percentage of equity) of 60.9%. Thus, it is 3.1 percentage points above the figure as of March 31, 2011 (57.8%), however, it will decrease substantially in the course of the year.

Second quarter at a high and stable level despite seasonal fluctuations

Compared to the immediately preceding quarter, revenue in the second quarter showed a slightly downward trend at -4.1%. This was due primarily to the customary seasonal effects in the summer and the three-week shutdown in the Steel Division. The effects of this shutdown made themselves felt in the comparison of the second quarter with the immediately preceding quarter, and the customary seasonal effects, which were amplified somewhat by increasingly cautious customer behavior, affected the other divisions as well. Against this backdrop, Group EBITDA fell by 21.9% from EUR 462.9 million to EUR 361.3 million when compared to the immediately preceding quarter, while EBIT showed a decrease of 32.7% from EUR 317.6 million to EUR 213.8 million.

Crude steel production continues to grow

The voestalpine Group was able to increase its crude steel production in the first half of 2011/12 compared to the same figure in the previous year by 5.4% from 3.75 million tons to 3.95 million tons. The Railway Systems Division reported the largest relative growth at 25.9% and 810,000 tons. However, the previous year's figure had been reduced by the (scheduled) major blast furnace repair in the second quarter of 2010/11. While crude steel production in the Special Steel Division went up by 430,000 tons or 6.3%, the figure remained practically unchanged in the Steel Division at 2.71 million (+0.4%) tons.

“Real” companies ensure a return to growth and employment

Once again, the European real economy has done remarkably well this year despite an economic environment that was anything but congenial. Despite out-of-control debt in more and more countries, despite enormous impairment losses and increasing anxiety about the future in the financial sector, despite the disorientation on the capital markets, and despite the growing helplessness of the political decision makers about the right road into the future, in the more than three years after “Lehman,” the “real” companies have ensured a return to growth and employment for most of Europe's population.

“In the wake of the crisis years 2007 and 2008, the real economy has apparently done its homework more conscientiously and probably with greater vigor than other sectors of the economy. We, too, have reduced costs, streamlined our structures, increased efficiency and productivity, and improved competitiveness by accelerating globalization,” said Dr. Wolfgang Eder, Chairman of the Management Board of voestalpine AG. “It is late, but not yet too late to make the necessary decisions for a competitive European future,” he continued.

“The real economy wants reliable, calculable business and competition policies to provide clarity about the long-term economic parameters in Europe. What is required are clear rules and uniform, fundamental principles for taxation and employment policy, for the financial markets, for research, but also in energy, environmental, and climate policies. These rules must not change on a yearly basis,” stated Dr. Eder.

Economic environment is becoming more volatile

The trend in the macroeconomic environment during the first six months of the business year 2011/12 was variable and unsettled. Initially, the first quarter continued the upward trend that had begun more than a year ago quite seamlessly and saw additional growth momentum in all of the market segments and sales regions that are important for the voestalpine Group. And the trend of the operating results was correspondingly positive.

In the early part of the summer, public interest became focused on the discussion about the sovereign debt situation in Southern Europe as well as the extension of the debt ceiling in the USA. Continued uncertainty on the international financial and capital markets due to the critical developments in Greece and Italy followed as well as the resulting discussion about the future of the EU and the euro. In the wake of these developments, toward the end of the summer, more cautious order patterns on the part of customers became apparent so that the trend in those industries that are most crucial for the voestalpine Group became increasingly differentiated. During the entire first half of 2011/12, demand in the automobile and commercial vehicle industries, mechanical engineering, the railway and aviation industries as well as in the energy sector (oil and gas) remained robust at a high level. The situation in the construction and construction supply industries was considerably more difficult as they have not recovered in most of Europe since the 2008 crisis with the exception of private residential construction. Since the spring of 2011, the electrical, white goods, and consumer goods industries have been showing little momentum, an indicator that uncertainty has begun to affect the attitudes of end consumers as well.

Varied developments in the individual divisions

These developments have been affecting the individual divisions of the voestalpine Group in different ways. While the Railway Systems Division has not experienced any noticeable effects thus far and the Special Steel, Profilform, and Automotive Divisions have reported only slight effects in addition to some uncertainty on the part of their customers, in the Steel Division, there is increasing caution in a number of customer segments. As a reaction to this trend, most European steel companies have significantly reduced their production since September in order to reestablish balance between supply and demand in Europe. For the first time, since the beginning of the raw materials boom about seven years ago, the raw materials markets have reacted to these developments with substantially lower ore and coal prices.

China, India, and Brazil remain growth drivers

Geographically, it is primarily the emerging countries, particularly China, India, and Brazil, that continue to be the drivers of global economic growth. In the mature economies, primarily in Europe but also in the USA, the economy is adversely affected by the high debt ratio in a number of regions as well as uncertainty about the future of the capital and financial markets.

Antitrust proceedings relative to railway superstructure material

After initiation of antitrust proceedings by the German Federal Cartel Office in connection with the suspicion of conduct in violation of antitrust law on the market for railway superstructure material, in the spring of this year, a total of six executives in the Railway Systems Division were discharged. Currently, the associated circumstances are being clarified in full cooperation with the appropriate authorities. Furthermore, as a consequence of these proceedings, the Railway Systems Division was comprehensively reorganized both with regard to its organization and its leadership.

Investments

In the first half of 2011/12, the investments of the voestalpine Group came to EUR 227.4 million. While they were 34.4% higher than the low comparative figure in the previous year (EUR 169.2 million), which was due to the economic crisis, it was still substantially below the level of depreciation (EUR 292.8 million).

Employees

As of September 30, 2011, the voestalpine Group had 41,168 employees (excluding temporary employees and apprentices). This represents an increase compared to the previous year (39,862) of 3.3% or 1,306 employees. As of the end of the first half of 2011/12, there were an additional 4,343 employees employed as temporary staff; this represents an increase of 21.2% or 759 employees compared to the previous year. As of September 30, 2011, the voestalpine Group was training 1,598 apprentices worldwide, only 70 (or 4.2%) less than in the previous year (1,668). Therefore, the workforce (core staff, temporary personnel, apprentices) totaled 47,109 employees as of September 30, 2011. This corresponds to an increase of 4.4% vis-à-vis the comparative figure in the previous year (45,114).

Outlook: Slightly weaker results anticipated for the entire year

All signs point to a difficult economic environment for the remainder of this business year. Early indicators for the global economic trend are pointing downward and causing uncertainty among customers and consumers. Provided that there is no new flare-up of the debt crisis that would lead to additional uncertainty, a return to stronger growth in the real economy—in Europe as well—in the course of the first half of 2012 is quite realistic. Until then, however, we must assume that both our customers and consumers will for the most part exercise caution in their order planning and spending. In the wake of the broad-based discussion about sovereign debt, new orders from numerous industry sectors continue to be restrained and consumers are cautious in their private spending.

A further escalation of the problems resulting from excessive sovereign debt in Greece and Italy and the associated necessity of significantly expanding the EU “rescue parachute” and implementing additional measures to maintain the solvency of these two countries have exacerbated the macroeconomic conditions in Europe. Additionally, in the last several months, the hoped for stabilization of the financial and capital markets has not occurred so that, as a result, from late summer on, global economic sentiment with regard to the real economy also began to cloud. Nevertheless, it is expected that the most recent decisions made by the European Union and/or the countries in the eurozone, respectively, in conjunction with government changes in the two crisis-stricken countries in the next few months will lead to a stabilization of both the political and economic development in Europe.

“Assuming that the development in the other significant global economic regions remains stable and that thus demand in the most important European export markets stays constant, we do not see the current economic situation as a return of the crisis, in other words, a double-dip recession. On the contrary, we are assuming that this is a cyclical cooling down period following the broad-based economic recovery in the period from the fall of 2009 to the spring of this year,” Dr. Eder stated.

Against this backdrop, it is anticipated that the trend toward levels of incoming orders that are differentiated according to industry, which had already made itself felt in the second quarter of the business year, will continue in the next months in the voestalpine Group's customer segments. We expect that the energy, mechanical engineering, aviation, and non-European railway sectors as well as parts of the automobile industry, including the commercial vehicle sector, will maintain a stable development.

All in all, it appears likely that after the successful first half year, the second half of the year will be more challenging for the voestalpine Group. A significant improvement will not be possible in the second half of the year due to the more volatile economic situation. From today's perspective, we anticipate that the results for the 2011/12 year overall (without taking any possible non-recurring effects resulting from the antitrust proceedings in the rails segment into consideration) will be slightly weaker compared to the previous year.

voestalpine Group

voestalpine is a globally active group with a number of specialized and flexible companies that produce, process, and further develop high-quality steel products. The Group is represented by 360 production and sales companies on all five continents in more than 60 countries.

With its highest quality flat steel products, voestalpine is one of Europe's leading partners to the automotive, white goods, and energy industries. Furthermore, voestalpine is the world market leader in turnout technology, tool steel, and special sections as well as number one in Europe in the production of rails.

In the business year 2010/11, the voestalpine Group generated revenues of about EUR 11 billion, recording a profit from operations (EBIT) of just over EUR 1 billion; the Group has 45,000 employees worldwide.

For further information please contact:

voestalpine AG
Corporate Communication
Mag. Peter Felsbach
voestalpine Strasse 1
4020 Linz
T. +43/50304/15-2397
presse@voestalpine.com
www.voestalpine.com