Media Information

November 7, 2012

voestalpine:
Great stability despite challenging environment: earnings expectations for year as a whole lowered roughly 10% due to economic uncertainties

- **Revenue virtually unchanged at EUR 5.9 billion (EUR 6.0 billion in BY 2011/12)**
- **In comparison to first half of previous year, operating result (EBITDA) declined from EUR 824 million to EUR 730 million (−11.5%)**
- **Slight drop of EBITDA margin from 13.8% to 12.3%**
- **Operating result nearly equal in all four divisions**
- **Equity increased; debt and gearing ratio lowered further**
- **Projection for business year 2012/13 reduced by EUR 100 million**

“Due to the negative development in the overall economy, during the first six months of 2012/13, despite an overall stable sales performance, the voestalpine Group incurred a decline of slightly more than 10% in the operating result compared to the excellent results of the first six months of 2011/12,” stated Wolfgang Eder, CEO of voestalpine AG. “Even though we were on course toward the same results as the previous year, in light of ever growing economic uncertainty, yesterday the Management Board cut back the profit projection for the year as a whole by EUR 100 million,” Eder continued. Therefore, from today’s standpoint, the Board anticipates an operating result (EBITDA) for the BY 2012/13 of roughly EUR 1.4 billion and a profit from operations (EBIT) of approximately EUR 800 million. Despite the continuously deteriorating business environment, equity, net financial debt and gearing have nonetheless shown sustained positive development.

Consolidated revenue in the first two quarters of the business year 2012/13 (April 1 to September 30, 2012) at EUR 5.9 billion was nearly identical to the sales figures for the previous year (EUR 6.0 billion). While the Metal Engineering Division was even able to expand its revenue based on outstanding demand—primarily in the railway infrastructure sector—the remaining three divisions showed minor revenue losses as a consequence of declining raw materials costs (Steel Division) and lower shipping volumes (Special Steel and Metal Forming Divisions). Viewed in terms of earnings performance, the comparison to the same period of the previous year, at the Group level, indicates an 11.5% decline in operating result (EBITDA), from EUR 824 million to EUR 730 million, and a 17.1% decline in profit from operations (EBIT), from EUR 531 million to EUR 441 million. Thus, the EBITDA margin was reduced from 13.8% in the previous year to today’s 12.3%, and the EBIT margin from 8.9% to 7.4%. All four divisions were affected by the decline in earnings in almost equal measure. In the six-month comparison to the previous year, the profit before tax (−21.5%, from EUR 443 million to EUR 348 million) was somewhat weaker, as was profit for the period, i.e., net income (−22.1%, from EUR 346 million to EUR 270 million).

Equity increased; gearing ratio just over 50%; number of employees unchanged

Equity increased in the first two quarters of 2012/13 to EUR 4.9 billion, which corresponds to a net plus of 2.4% over the comparison figure for the previous year of EUR 4.8 billion. Based on the positive cash flow generation in the last four quarters, the Group's net financial debt has declined quite substantially. While it still equaled EUR 2.9 billion at the end of September 2011, within a year it dropped by 14.2% to EUR 2.5 billion, or 3.6% when compared to the beginning of the business year (EUR 2.6 billion). Accordingly, the gearing ratio (net financial debt in percent of equity) receded in the last twelve months, from 61% to 51%. At the beginning of the business year, it was still at 53.5%. As of September 30, 2012, there were 46,115 employees working on a full-time equivalent (FTE) basis at the voestalpine Group. By comparison to the previous year's figure of 45,944 employees, the marginal increase of 0.4% resulted in a net minus of 0.8% when compared to the beginning of the business year (46,473 employees).

Steel Division again achieves second quarter gains despite prevailing trend in Europe

A comparison of the second quarter with the immediately preceding quarter reveals a slightly differentiated image. Revenues diminished in all four divisions, due to lower raw materials costs or material input costs; at the Group level, they equaled EUR 2.9 billion, or 5.5% below the first quarter of 2012/13 (EUR 3.1 billion). In terms of earnings performance, EBITDA of EUR 355 million in the current quarter is contrasted with EUR 375 million in the same period of the previous year (−5.4%). Thus, in a direct comparison of the first and second quarters, the EBITDA margin remained at a constant 12.3%. In a direct comparison with the immediately preceding quarter, EBIT fell by 9% from EUR 231 million to EUR 210 million. Whereas the three processing divisions exhibited declines in the EBITDA and EBIT due to the more challenging economic circumstances, the Steel Division was able to make substantial gains. This was primarily due to the full utilization of capacities, while, at the same time, price levels remained relatively stable. The Group EBIT margin diminished slightly, from 7.6% in the first quarter to 7.3% for the quarter under review.

Investment volumes increased dramatically in all four divisions

After a period of restraint over several years, all four divisions expanded their investments compared to the same period of the previous year; the Metal Engineering Division reported a 92% increase to EUR 82 million (specifically due to a long-scheduled major blast furnace repair). Altogether, investments increased in the first six months of 2012/13 over the comparison value of the previous year (EUR 227 million) by 32%, to EUR 301 million. The Steel Division's investments of EUR 111 million were 18% above the previous year's figure of EUR 94 million; those of the Special Steel Division totaled EUR 43 million and were thus 29% above the previous year's level (EUR 34 million). The Metal Forming Division applied EUR 61 million for investments and was thus 19% above the comparison figure from the corresponding period of the previous year (EUR 51 million).

No change in status to antitrust proceedings; provision sufficient

Following the decision to close rail production at TSTG Schienen Technik GmbH & Co KG in Duisburg, Germany, corporate management remains in ongoing informational and advisory discussions with the Works Council. Production will close once any still remaining orders have been processed over the course of calendar year 2013.

In the antitrust proceedings regarding railway superstructure materials, the German Federal Cartel Office imposed fines equaling a total of EUR 124.5 million against the four manufacturers and suppliers of rails due to anti-competitive arrangements at the expense of Deutsche Bahn. Of this amount, EUR 8.5 million applied to the companies of the voestalpine Group. The Federal Cartel Office thereby confirmed the status of cooperating witness sought by voestalpine for the predominant majority of the proceedings; the comparatively minor fines merely affect marginal areas. Therefore, these proceedings involving Deutsche Bahn have now been resolved. At a later stage, the Federal Cartel Office will examine shipments of railway superstructure materials to regional and local customers. From today's standpoint, it is impossible to project when one can anticipate a decision on the facts and circumstances of these other matters.

The provision totaling EUR 205 million, formed in the financial statements of 2011/12 for the antitrust proceedings and for the closure of TSTG Schienentechnik GmbH & Co KG, continues to be considered funded at sufficient levels.

Industry segments and business regions in economic downturn

The overall global economic trend has moved in a downward direction since the summer of 2011, and the situation over the past several months has gradually worsened. This applies both in relation to the development of the majority of industry segments as well as the most important economic regions in the world. A positive economic environment prevailed in the first six months of 2012/13, just in a few industries, such as aerospace, agricultural machinery, and parts of the railroad infrastructure sector. A marked price decline was reported in the raw materials segment (iron ore, coal) over the last twelve months, whereas the prices over the past few weeks stabilized at a level that was approximately one third below that of the previous year.

Outlook for the ongoing business year 2012/13

With an EBITDA of EUR 730 million and an EBIT of EUR 441 million, the voestalpine Group is exactly within the range of the original projections for 2012/13 even for the course of the business year to date, namely, an operating result (EBITDA) of approximately EUR 1.5 billion and profit from operations (EBIT) of approximately EUR 900 million. Considering the degree of insecurity that has vastly expanded over the past several months regarding the worsening of the economic environment, the Management Board feels compelled—having alerted stakeholders in this respect in the last quarterly report—to reduce its projected figures for both EBITDA and EBIT by EUR 100 million. Thus, from today's perspective, an operating result (EBITDA) of approximately EUR 1.4 billion and profit from operations (EBIT) of approximately EUR 800 million for the business year 2012/13 are anticipated.

The voestalpine Group

voestalpine is a globally active steel, processing, and technology Group which produces, processes, and further develops high-quality steel products. The group is represented by approximately 400 production and sales companies in more than 60 countries on five continents and has been listed on the Vienna Stock Exchange since 1995.

With its top-quality flat steel products, the Group is one of the leading partners of the automobile, white goods, and energy industries in Europe as well as of the oil and gas industries worldwide. Furthermore, the voestalpine Group is the world market leader in turnout technology, tool steel, and special sections. In the business year 2011/12, the Group generated revenue of more than EUR 12 billion and profit from operations (EBIT) of EUR 704 million; it currently has around 46,000 employees worldwide.

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