Press Release

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voestalpine reports solid business performance and slightly higher profit for the period

- **At EUR 11.2 billion, revenue slightly below previous year's figure (–2.6%)**
- **At EUR 1.38 billion, operating result (EBITDA) slightly down (–3.4%)**
- **EBITDA margin remains almost the same at 12.3% (previous year: 12.4%)**
- **At EUR 523 million, profit for the period increases slightly compared to previous year (EUR 522 million)**
- **Earnings per share remain constant at EUR 2.60 (2012/13: EUR 2.61)**
- **Planned dividend increase from EUR 0.90 to EUR 0.95 (+5.6%)**
- **Equity climbs to EUR 5.3 billion, with gearing ratio remaining stable despite high level of investment (46%)**
- **Investments almost attain EUR 1 billion**
- **Despite difficult economic environment, work force at a record level of 48,100**
- **HBI plant in the USA on schedule and within budget**

Despite the continuing challenging economic situation, the voestalpine Group again demonstrated solid business development in the business year 2013/14 (April 1, 2013 to March 31, 2014) even though its performance did not quite measure up to the original expectations. In a year-to-year comparison, revenue slipped by 2.6% from EUR 11.5 billion to EUR 11.2 billion. The primary reason for this were declining price levels, triggered by dropping pre-material costs and continuing intense competition. A somewhat differentiated picture emerges, when one compares the development in the individual reporting categories with that of the previous year. At EUR 1.38 billion, the operating result (EBITDA) of the voestalpine Group was 3.4% below the previous year's figure of EUR 1.43 billion, with profit from operations (EBIT) dropping analogously by 6% from EUR 843 million to EUR 792 million. This development is due almost solely to the economic trend in the energy sector (power plant and pipeline construction) that continues to be critical.

The fact that in the business year 2013/14 voestalpine was nevertheless able to maintain its profit before tax (EUR 656 million) at practically the same level as in the previous year (previous year: EUR 655 million) is due to significantly lower financing costs and repayment of a corporate bond issued in 2009 with a high interest rate. With a corporate tax rate that remained at 20.3%, profit for the period (net income) was EUR 523 million, minimally above the previous year's figure (EUR 522 million). Earnings per share (EPS) were at EUR 2.60, thus also remaining practically unchanged compared to the previous year (EUR 2.61).

Earnings leadership expanded compared to industry competitors

"Considering the economic environment and in comparison with other companies in the industry, the performance of the voestalpine Group in the past business year was rock solid," 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. However, it is primarily the unique combination of steel production and processing and the increasing utilization of other materials, such as aluminum and titanium, that differentiate the Group more and more powerfully from the competition. “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 ever more strongly that the strategy of extending the value chain based on premium steel products—and increasingly on products made of other materials as well—which voestalpine has been pursuing consistently, was the right path to take,” says Eder.

Divisions focused on downstream activities ensure consistently good results

The largely stable development of the voestalpine Group, especially in comparison to traditional steel companies, is due to the Company's business model. This year again, the Metal Engineering and Metal Forming Divisions, with their portfolios that are focused on downstream products and applications, but also the Special Steel Division with its special products, ensured a business performance that was consistently gratifying. Despite a difficult economic environment, the Metal Forming Division was able to substantially increase both EBITDA (+8.2%) and EBIT (+10.2%), while the results of the Special Steel Division (EBITDA –2.3%, EBIT +1.2%) and the Metal Engineering Division (EBITDA +0.6%, EBIT –0.2%) remained mostly stable at the previous year’s level.

Thus, with regard to the key figures EBITDA and EBIT margin and ROCE that were maintained at a stable and high level, the Metal Engineering Division was again the best division in the Group. But the Metal Forming Division as well found markets for its business segments that demonstrated a solid level of demand, primarily for automobile parts and components. The Steel and Special Steel Divisions, which are more cyclical, were more strongly affected by the intermittently difficult market environment in Europe than the downstream divisions. While the Special Steel Division, with its global positioning, was able to compensate the weaknesses in Europe through its international business, the Steel Division suffered setbacks, not least due to its geographic focus on Europe, with its continuing structural overcapacity that allows very little room to set prices, even in the top quality segment. Against this backdrop, the Steel Division incurred a significant decline in earnings (EBITDA –12%, EBIT –25.5%).

Investments up to almost EUR 1 billion, work force increases significantly

Despite the difficult economic environment and another increase in the level of investment to EUR 944 million, the gearing ratio (net financial debt in percent of equity) remained practically constant at 45.8% (previous year: 44.5%). This again makes it absolutely clear that implementation of the Group's growth strategy is not causing its debt ratios to deteriorate. In a year-to-year comparison, net financial debt rose by 6.5% from EUR 2.3 to EUR 2.4 billion, due on one hand to the high level of investment activity and on the other, to an increase in working capital (increased interim inventories due to forthcoming blast furnace repairs). The solid operating results strengthen the Group’s equity base even further. In concrete figures, equity rose by 3.7% from EUR 5.1 billion as of March 31, 2013 to EUR 5.3 billion as of the end of March 2014. R&D expenditure (EUR 130 million) went up in comparison to the previous business year by EUR 4.4 million or 3.5%; in the current business year 2014/15, it is expected to reach a new record of more than EUR 140 million. (Domestic) environmental investments and ongoing operating expenses for environmental systems totaled EUR 241 million, slightly higher than in the previous year (EUR 240 million).

As of March 31, 2014, the voestalpine Group had a work force (including apprentices and temporary staff on an FTE/full-time equivalent basis) of 48,113 employees, an increase of 1,762 persons or 3.8% over the previous year (46,351 FTEs). As of the end of the business year, the Group was training 1,405 apprentices (66% of whom were being trained at Austrian companies and 34% at international sites). Compared to the previous year, the number of apprentices has risen by 54 young people (+4%).

Group's long-term strategy is being consistently implemented; internationalization process is on track

Ever since its IPO in 1995, but especially since the strategic realignment in the business year 2001/02, the voestalpine Group has consistently forged ahead with its strategy of value-added growth. This strategy has enabled the Group to take a leading position in Europe in its core segments both with regard to profitability as well as quality and technology; furthermore, it is a global market leader in major business segments. The focus of the Group's growth objectives is on the technologically sophisticated growth industries of mobility and energy (together they make up 62% of total revenue).

Geographically, the focus is primarily on growth markets outside of Europe. voestalpine is pursuing a consistent internationalization strategy and is always on the lookout for new possibilities to put sustainable cost and technology optimization models in place. Part of this process is the direct reduction plant in Texas (USA), for which ground was broken in April. At EUR 550 million, this is the largest ever foreign investment undertaken by the Group. The plant is slated to begin operations in two years. In the business year 2013/14, 2,600 employees at 68 sites in North America generated 9 percent of total revenue, corresponding to around EUR 1 billion. In Asia, the number of companies and sites has now risen to 64; 3,600 employees generated around EUR 750 million there in the past year (7 percent of the Group's revenue).

Dividend rises from EUR 0.90 to EUR 0.95 per share

The voestalpine AG share has been listed on the Vienna Stock Exchange since October 1995. After the 1:4 share split in August 2006, the initial offering price of EUR 20.71 corresponds to a share price of EUR 5.18, which equals a total shareholder return in value since the IPO (total increase in value including paid out dividends) of 743% as of the end of March 2014. Subject to the approval of the Annual General Shareholders' Meeting of voestalpine AG on July 2, 2014, a dividend of EUR 0.95 per share will be distributed to shareholders for the past business year, an increase of 5.6% compared to the previous year's dividend of EUR 0,90 per share. Based on the earnings per share (EPS) of EUR 2.60, this recommendation corresponds to a distribution ratio of around 36.5%. Based on the average price of the voestalpine share of EUR 31.21 in the business year 2013/14, the dividend yield is 3%.

Cautiously optimistic outlook for the current business year 2014/15

After 2013, which was significantly weaker than experts anticipated, 2014 is expected to see not only a continued consolidation in those regions that are most important for the global economy for the first time since the "crisis," but also increasing momentum in economic growth. The fact that the global economic forecasts have been revised upward numerous times in recent months points to growing optimism with regard to the development of the global economy. Despite this improved economic environment, it would be premature to speak of a broad-based global trend reversal.

Indications of future demand from the most important customer industries point to a development that ranges from stable to moderately positive for the year. For example, signals from the construction and construction supply industries are conveying the prospect of a gathering recovery for the first time in years. While the overseas automobile industry reported solidly growing sales figures in the past year, the European automotive sector has joined this upward trend, increasingly across the entire range from high-end cars to sub-compacts. As was the case in 2013, the energy sector is expected to remain the weakest of the major industrial sectors in 2014 as well. Apart from a largely stable development in the oil and natural gas exploration sectors, the energy transport segment (oil and natural gas pipelines) is expecting only a slight recovery in the form of execution of individual projects, some of which had been postponed multiple times. A more broad-based revival in this sector seems unlikely in 2014 as well. The same applies to the conventional energy generation segment, where—with the exception of China—a noticeable uptrend does not appear to be forthcoming from today's perspective. The consumer goods, white goods, and electrical industries are not expecting major changes and are anticipating a solid level of demand in 2014 as well. The agricultural machinery sector continues to experience good economic conditions, and the mechanical engineering sector has seen growing demand in recent months. The aviation industry and the overseas railway sector continue to enjoy a high level of demand.

"Due to its specific, competitive position as a quality and technology leader in the production of high-end steel products, combined with its EUR 900 million program to optimize earnings over the next three years, the voestalpine Group anticipates maintaining the earnings leadership that it has demonstrated in recent years. Against the background of an economic environment that is stabilizing, the Group is anticipating an operating result (EBITDA) and profit from operations (EBIT) in the business year 2014/15 that will be somewhat above the past business year's level," says Eder.

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 and 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 2013/14, the voestalpine Group reported revenue of EUR 11.2 billion and an operating result (EBITDA) of EUR 1.4 billion; it had around 48,100 employees worldwide.

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