

voestalpine: Difficult business year 2009/10 successfully mastered

- 2009/10 the toughest and most difficult business year in decades.
- Revenue with EUR 8.6 billion about a quarter below previous year level.
- All reporting categories clearly positive – EBITDA EUR 1,004 million, profit after tax EUR 187 million.
- Profit from Operations increased fivefold to EUR 177 million in the fourth quarter compared to the previous years level.
- Free cash flow for the first time above EUR 1 billion.
- Gearing reduced from 88 % to 71 %.
- Proposed dividend of EUR 0,50 per share (previous year: EUR 1,05).
- Outlook: Higher earnings despite economic uncertainties.

voestalpine Group Key Figures

	2008/09	2009/10	Change
In millions of euros ¹⁾	04/01/2008-03/31/2009	04/01/2009-03/31/2010	in %
Revenue	11,724.9	8,550.0	-27.1
EBITDA	1,710.1	1,004.3	-41.3
EBITDA margin (in %)	14.6	11.7	
EBIT	988.7	352.0	-64.4
EBIT margin (in %)	8.4	4.1	
Profit for the period ²⁾	611.6	186.8	-69.5
Earnings per share (in euros)	3.26	0.65	-80.1
Employees excl. apprentices	41.915	39.406	-6.0

¹⁾ According to IFRS all figures after purchase price allocation (ppa). ²⁾ Before minority interest and hybrid capital.

Due to the extremely challenging economic circumstances, in the business year 2009/10, the voestalpine Group incurred a significant decline in revenue and operating result compared to the previous year; nevertheless, all reporting categories are continuing to show substantial profits.

Wolfgang Eder, Chairman of the Management Board and CEO of voestalpine AG:

„The voestalpine Group has the toughest, most difficult business year in many decades behind it. Right from the start of the economic crisis, we were confronted with a situation,

voestalpine

ONE STEP AHEAD.

where we could not predict how the next weeks or even days would be developing. Now, 12 months later, we are rich in experience and happy that, together with our employees, customers, and shareholders, we have successfully met this challenge.“

The overview of the **business year 2009/10**:

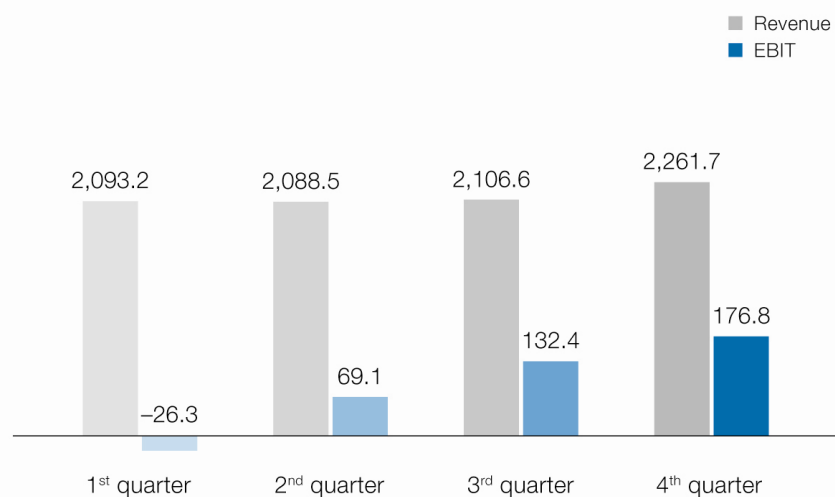
- **Business year 2009/10 the most difficult in decades** due to the economic climate. **Gradual economic recovery since summer 2009**, the extent and speed of which **varies significantly** across the regions and industries.
- The **sustainability of the upswing** will largely **depend** on the effects of the strained **financial situation in many economies**, and further economic development in the **emerging markets**, especially China.
- Extremely challenging economic environment compared to 2008/09 resulting in a **decline in revenue of 27.1%** from EUR 11,724.9 million **to EUR 8,550.0 million**.
- Despite the economic slump **EBITDA** and **EBIT** remain **highly positive** at **EUR 1,004.3 million** (–41.3%) and **EUR 352.0 million** (–64.4%).
- **Group EBIT** only slightly negative in the first quarter, at EUR –26.3 million, **massive development over the course of the year** to a final **EUR 176.8 million** (fourth quarter).
- Economic slump results in **decline in profit for the period¹ of 69.5%**, from EUR 611.6 million **to EUR 186.8 million**.
- **Earnings per share at EUR 0.65** significantly below last year's figure (EUR 3.26 per share) but still **clearly positive**.
- **Dividend** reduced from EUR 1.05 per share to **EUR 0.50 per share** (recommendation to the Annual General Meeting), nevertheless **2.2% dividend yield** (measured against annual average rate).
- At EUR 1,019.2 million, **highest free cash flow** in the Group's history.
- **Massive reduction** in the **gearing ratio** from 88.2% (March 31, 2009) **to 71.3%** in spite of difficult economic conditions and dividend paid to shareholders and hybrid capital owners.
- A **cost optimization and efficiency program** being implemented **across the Group** is targeted at generating **EUR 600 million** (2012/13) in sustainable cost savings.
- The number of **employees** (core employees and temporary personnel, excluding apprentices) **dropped by 10.2%**, from **47,182 to 42,357 employees** as compared to the beginning of the crisis in September 2008.
- The (purely accounting) **effects of the purchase price allocation** (ppa) arising from the

¹⁾ Before minority interest and hybrid capital.

BÖHLER-UDDEHOLM acquisition **adversely affected the operating result (EBIT)** of the Group and the Stainless Steel Division **by EUR 116.4 million** in the business year 2009/10 so that **EBIT before ppa amounts to EUR 468.4 million**; this represents an **EBIT margin before ppa of 5.5%**.

Quarterly development of the voestalpine Group

In millions of euros
Business year 2009/10



Further details on the business development

Crude steel production fell by 11 % to 6 million tons

The Group's crude steel production in the business year 2009/10 was 6.07 million tons, 10.9% below the previous year's figure (6.81 million tons). Therefore, with a production output of 4.36 million tons, the Steel Division saw a decline by 5.0%, while the Railway Systems Division had a production output of 1.20 million tons, which corresponds to a decrease by 18.4%. The Special Steel Division reported the greatest cutback in crude steel production from 0.75 million tons to 0.51 million tons or by 32.0%.

Investments halved in business year 2009/10

The investments of the voestalpine Group in the business year 2009/10 came to EUR 542.5 million. Of the total investments, EUR 524.9 million were attributable to tangible fixed assets, EUR 14.7 million to intangible assets, and EUR 2.9 million to equity holdings. The reduction of the Group's investment volume by half compared with the previous year (EUR 1,078.9 million) and the relatively uniform reduction in each of the five divisions are the result of the swift and determined liquidity and cost management immediately after the outbreak of the crisis in the fall of 2008.

¹⁾ Before minority interest and hybrid capital.

Number of apprentices almost at previous years level

At the end of the business year 2009/10 the voestalpine Group was training 1,472 apprentices. At 32.0%, already nearly a third (471 apprentices) are being trained at international sites compared to 68.0% (1,001 apprentices) in Austria. The number of Group-wide apprentices has thus remained almost constant—at a very high level—as compared to the previous year (1,506), declining by a mere 2.3% or 34 apprentices.

Reduced working hours fading out until Summer

At the height of implementation of reduced working hours in June 2009, almost one third of the staff was affected; since the fall of 2009, the employment situation has eased to the extent that it was possible to cut back the number of employees still working reduced hours by the end of the business year 2009/10 to only 1,460 employees (this corresponds to 3.7% of the Company's workforce). Already in April reduced working hours were cut back completely in Austria and fell to only 317 employees (0.8 % of the workforce) outside Austria. Until summer all employees Group wide still working reduced hours will return to normal working hours.

No acquisitions, one divestment in business year 2009/10

In the business year 2009/10, the voestalpine Group did not make any acquisitions; instead, against the backdrop of the economic crisis, it focused on streamlining and consolidation of its portfolio of companies.

In the Automotive Division, the sale of the Italian company Euroweld S.r.l., which is active in the production of laser-welded blanks, as well as the closure of the British site St. Helens, which had been part of the plastics segment of the voestalpine Polynorm Group, were completed as of April 1, 2009.

The efforts to sell the two remaining companies in the plastics segment of the Automotive Division in the Netherlands as well as the French company Amstutz Levin & Cie have not yet been successful due to the difficult economic and financial circumstances. These companies, which had previously been recorded under discontinued operations, were therefore again included under continuing operations in the business year 2009/10 and were undergoing a reinforced restructuring process.

R&D expenses stable at a very high level despite economic crisis

Despite the economic crisis, the voestalpine Group's expenses for research and development remained at a very high level. The R&D budget, which was at EUR 111.9 million for the past business year (thus precisely corresponding to the actual 2008/09 figure, the absolute record thus

¹⁾ Before minority interest and hybrid capital.

far), was not completely exhausted due to this sector's ongoing efficiency gains so that at EUR 108.8 million, the actual R&D expenses represented a slight decline by 2.8%. The estimated R&D expenses for the current business year amount to EUR 111 million; this means that after increasing its innovation expenses four-fold in the last ten years, the voestalpine Group has kept them at the all-time high for already three consecutive years, even after the onset of the economic crisis.

The development of the research ratio (R&D expenses to total revenue) should also be highlighted. This key figure went up in the past business year from 0.96% to 1.27%, while the R&D coefficient (expenses measured by added value) rose just as significantly from 2.58% to 3.42%.

Voestalpine patents again up

The trend with regard to patents was equally gratifying: Running against the worldwide declining number of new patent registrations in the 2009 calendar year due to the economic crisis (globally by more than 4%, in Europe by more than 8%), the voestalpine Group was even able to further increase the number of its patents. Despite comprehensive streamlining of the patent portfolio by about 260 proprietary/patent rights, the total number rose in the past year by roughly 200 or about 6% to 3,470 patents (applied for and granted).

Again multiple awards for the voestalpine Group's high environmental standards

The Group's environmental standards, which put it among the leaders in the field by international benchmarks, were again honored in the business year 2009/10 with a number of awards. To name just two examples, the lime works in Steyring was awarded the Sustainability Prize 2010 by "Forum Rohstoffe" and the World Wildlife Fund (WWF) for changing to environmentally friendly mining practices, and VAE Eisenbahnsysteme GmbH received the European EMAS Award 2009 for green procurement in the category of "large corporations." It should be noted that this Group company, whose 2009 National EMAS Award was its fourth, was the first Austrian company ever to receive this European award.

Financial burden for the purchase of emission rights will come to about EUR 50 million

From today's perspective, the financial burden for the purchase of CO₂ certificates in the second trading period (2008–2012) will come to about EUR 50 million. The voestalpine Group already ensured the necessary number of certificates and has already purchased about half of them. The remainder will be purchased by the end of the period.

Outlook for the business year 2010/11

In the spring of 2010, the global economic situation is being shaped almost exclusively by macroeconomic parameters. The development of individual companies, sometimes even of entire

¹⁾ Before minority interest and hybrid capital.

business sectors, is being eclipsed by fundamental debates and decisions concerning political, economic, and monetary policy. In the last decades, the structures and positions within the global economic and monetary fabric have seldom been questioned and challenged as forcefully as has been the case in these weeks and months—from the basic topic of the general relationship between politics and the economy, to the limits of the debt-carrying capacity of national economies and to the question of regulation of capital and financial markets.

Against this backdrop, it is even harder today to predict than it was just a few months ago to what extent the effects of the worst recession of the last decades have been definitively overcome and whether we can assume at least a gradual recovery of the global economy in the next years. In the light of the progressively worsening indebtedness situation in a number of—not only European—countries, the question also arises of whether a broad-based recovery of the world economy in the foreseeable future is even realistic or whether we should assume that this is merely an upswing in individual regions and is itself possibly only temporary.

The decisive role in the answer to this question will be the development of the economic situation in Asia, primarily the sustainability of the uptrend in China. In this context, the Chinese monetary and foreign exchange policies have become increasingly important for the future course of global trade. From the European perspective, it is the further development of the euro in relation to other Western currencies that will determine the economic landscape. Apart from the pacifying effect that a possible euro consolidation would have on the capital markets, current events could also have positive aspects for Europe in the long term. Should a deepening of the economic integration of the European Union or the euro area result from a solution of the indebtedness problems of individual European countries, this would in the long term lead to a significant strengthening of this economic area in terms of worldwide competition.

In addition to all of these fundamental uncertainties, there are a number of unanswered questions from an industry-specific perspective with regard to what the further development of the economic situation might be. Which industries will recover more quickly and which only over the long term? How long will it take to be able to pass on the current doubling of raw materials costs for steel products along the entire value chain to the market? What does it mean for pricing vis-à-vis our customers that after decades of annual price agreements for raw materials, we are now dealing with quarterly price fixing?

But even if there is a great deal that is still unanswered and uncertain for the future, there are a number of facts that allow us to anticipate a continuation of the positive basic trend for the next months. Capacity utilization in the Steel and Railway Systems Divisions is outstanding and the

¹⁾ Before minority interest and hybrid capital.

positive trend in the Special Steel, Profilform, and Automotive Divisions is continuing. Demand is stable at a good level in the important customer segments of the automobile and white goods industry, railway infrastructure, and alternative energies, and we are seeing rising demand in the conventional energy segment, in the mechanical engineering and tool manufacturing segments, and in the commercial vehicle industry. Only the construction and aviation sectors have shown hardly any growth. Additional favorable factors that support a continuation of the positive trend are a defused import situation in the European steel sector, customer inventories that are not filled above a normal level in all divisions, and price levels that are trending upward.

In summary, despite the very challenging economic environment that we described at the outset, we are anticipating a continuing improvement of the Group's operating result, at least for the first half of the business year 2010/11. From today's perspective, it is almost impossible to make predictions for the second half of the year. However, due to the increasing effect of continuing cost reduction measures, we anticipate that the voestalpine Group's operating result for the entire business year 2010/11 will be higher than that of the previous year.

For further information please contact:
voestalpine AG
Corporate Communications

Gerhard Kürner
T. +43/50304/15-2090
gerhard.kuerner@voestalpine.com

Peter Schiefer
T. +43/50304/15-2397
peter.schiefer@voestalpine.com

<http://www.voestalpine.com/ag/en/press/news.html>

¹⁾ Before minority interest and hybrid capital.