voestalpine AG

Press release

November 5, 2014

voestalpine with jump in earnings in the first half of the business year

- **At EUR 5.56 billion, revenue only slightly below the value for the previous year of EUR 5.64 billion (-1.5%)**
- **Solid earnings development supported by portfolio adjustments (non-recurring effects with EBITDA of EUR 67 million and EBIT of EUR 45 million)**
- **Operating result (EBITDA) improved by 11.2% to EUR 757 million**
- **Profit from operations (EBIT) significantly increased, by 12.2% from EUR 396 to EUR 445 million**
- **Rise in EBITDA margin from 12.1% to 13.6%, and EBIT margin from 7.0% to 8.0%**
- **Profit before tax (from EUR 312 million to EUR 392 million) and for the period (from EUR 238 million to EUR 324 million) stepped up by 25.5% and 35.9% respectively**
- **Gearing ratio increased from 47% to almost 59% (calling of hybrid bond 2007)**
- **Start of construction for the direct reduction plant in Texas in July as scheduled**

Despite a persistently challenging economic climate, the voestalpine Group posted a largely solid performance during the first half of the business year 2014/15 (April 1, 2014 to March 31, 2015). The business year started with optimistic economic forecasts for the mature economies and mixed expectations for the emerging markets. However, measured against these expectations, and excepting North America and China, the global economic trend cooled down in the course of the first six months. "Nevertheless, in view of the increasingly challenging environment, voestalpine Group performance during the first half of the business year was at a most satisfactory level," says Dr. Wolfgang Eder, Chairman of the voestalpine Group. A key reason for this result is the Group's broad geographical base and presence in a wide range of industries. The consistent strategic focus on global quality and technology leadership for demanding niche products, and the focus on consistently lengthening the value chain in all business segments, is a guarantee of success.

Significant improvements in all earnings categories

At -1.5%, revenue was down slightly, from EUR 5.64 billion to EUR 5.56 billion. This is the result of the closure of standard rail production in Duisburg as of the end of 2013, the resulting decrease in the Metal Engineering Division's delivery volumes, and again a weaker price level in a series of business segments, the consequence of continued falling raw materials and pre-material costs. The significantly higher operating result (EBITDA), up by 11.2% to EUR 757 million, includes non-recurring effects in the Metal Forming Division totaling EUR 66.5 million (including effects relating to the sale of the Flamco Group and the agreement to sell the Plastics Solutions business segment). Adjusted for these non-recurring effects, EBITDA rose by 1.5%, from EUR 680 million in the previous year to EUR 690 million; as a result the (adjusted) EBITDA margin went up from 12.1 to 12.4%. The (unadjusted) profit from operations (EBIT) rose by 12.2%, from EUR 396 million to EUR 445 million. Adjusted by the non-recurring effect of EUR 45.2 million, EBIT came to EUR 400 million in the first half of 2014/15, corresponding to an increase of almost 1%. The adjusted EBIT margin was therefore at 7.2% (previous year: 7.0%)

voestalpine

ONE STEP AHEAD.

Earnings per share increase by 43.5 percent

Profit before tax improved even more substantially, with an increase of 25.5% to EUR 392 million (from EUR 312 million). Even after deduction of the non-recurring effect of EUR 45.2 million, profit before tax in the first six months of the current business year was still EUR 347 million, or 11% above the previous year's figure. Profit for the period rose by 36%, going from EUR 238 million to EUR 324 million. Without taking the non-recurring effects (EUR 43.4 million) into account, the adjusted profit for the period is EUR 281 million, also a considerable improvement of around 18% over the previous year. This positive development is primarily the result of the lower financing costs.

Earnings per share were EUR 1.65, a rise of +43.5% compared to the previous year's figure of EUR 1.15 (adjusted earnings per share: EUR 1.40). As of September 30, 2014, equity fell year-to-year by 2.6%, from EUR 5.1 billion to EUR 4.9 billion. Compared to the reporting date of March 31, 2014 (EUR 5.3 billion), equity fell by 6.3%. This decline is largely due to reclassification of the hybrid bond 2007 called in September 2014 (EUR 500 million) from equity to borrowed capital. As a result, net financial debt went up year-to-year by 22.4%, from EUR 2.4 billion (adjusted retroactively) to EUR 2.9 billion. Compared to the reporting date of March 31, 2014 (EUR 2.4 billion, adjusted retroactively), there was an increase of 19.7%. Due to these changes in the Group's financing structure, the gearing ratio (net financial debt in percent of equity) rose in the first six months of the business year 2014/15 from 46% to 59%. As of September 30, 2014, the voestalpine Group had 47,379 employees (+ 0.5% over the previous year).

Solid position compared to industry competitors

In its core business segments the voestalpine Group has established a leading position in Europe, both with respect to its profitability as well as its quality and technology leadership. Furthermore, it is world market leader in key business segments. The results of the first half year 2014/15 mirror this development. "Over the last 15 years we have developed from a traditional steel company into a steel-based technology and capital goods group, with a focus on the most technologically-demanding customer segments. The performance of earnings – especially in a challenging economic environment – confirms that the strategy of extending the value chain based on premium steel products which has been pursued consistently in the past years was the right path to take," says Eder. The focus lies on the demanding growth sectors of mobility and energy. The primary geographical focus is the promising North American and Asian markets where the Group has consistently driven forward its internationalization strategy, also during the past half year. In Europe, the focus is on consolidating market, quality, and technology leadership in the core business segments. The continued expansion of processing operations, which are already dominating current activities – supplemented by alternative materials – will be pursued systematically, enhancing the company’s profile as a technology and capital goods group.

Divisions remain stable at a positive level

In this very inconsistent macroeconomic climate, operational business performance of the voestalpine Group's four divisions was largely stable during the first half of the business year 2014/15. The Steel Division, which is actively mainly on the European market, profited from continuing high demand from the automotive sector and a recovery in the sector of oil and natural gas transport (pipeline projects), while the remaining market segments, after a mostly stable trajectory in the early part of the year, waned somewhat over the course of the summer months. The Special Steel Division profited from the prospering markets in the USA and Asia, while the European market was generally subdued over the course of the first six months of the current business year. The Metal Engineering Division continued its positive development. Due to its broad-based positioning and a continuing satisfactory level of demand in practically all business units in the first half of the year, its performance is stable at a high level. In the Automotive Parts business segment, the Metal Forming Division continued its very good performance. However, it has faced a subdued market in Europe for tubes and sections since the early part of the business year.

Outlook for the current business year 2014/15 remains unchanged

Although during the first quarter 2014/15 the overall economic situation seemed to indicate a stable or even an upward trajectory for the remainder of the year, in the meantime the signs have faded, at least for Europe. This is the result of continuing political and military destabilization in parts of the Middle East, as well as the Russia-Ukraine conflict. The economic performance of the USA, in contrast, continues to be strong, and China, too, is succeeding in maintaining stable growth of 7% over the course of the year. In clear contrast, the negative economic development in Brazil and Russia continues.

With regard to the industrial sectors that are most important for the voestalpine Group, increasing differentiation is discernible: while the performance of the automotive industry worldwide is marked by continuing demand, and the situation in the aviation and railway infrastructure industries is the same, or at least similar, the slight upward trend in the construction, mechanical engineering, and electrical industries that persisted until the summer has not continued in the last few months, at least in Europe. The trend in the conventional energy generation industry has also remained weak, while the development in the oil and natural gas sectors has continued to be very favorable worldwide, and there is a certain upwards trend in the transport sector as well, the result of major pipeline projects recently awarded. Performance of the consumer goods and white goods industries is stable, while the agricultural machinery industry is trending significantly weaker.

Even though the economic framework conditions in Europe have not improved as had been hoped at the beginning of the year, it can be anticipated that all four of the Group's divisions will enjoy practically full capacity utilization in the second half of the business year 2014/15. Despite continued strong price pressure, efficiency improvements and cost optimization programs, and the accelerated development of markets outside Europe, should make it feasible to at least slightly improve profitability compared to the previous year, even without taking extraordinary income into account.

"From today´s vantage point, the voestalpine Group’s outlook for 2014/15 remains unchanged, with an operating result (EBITDA) and profit from operations (EBIT) slightly above the level of the past business year," according to 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.

Please direct your inquiries to

voestalpine AG
Peter Felsbach
Spokesman

voestalpine-Straße 1
4020 Linz
Phone: +43/50304/15-2397
peter.felsbach@voestalpine.com
www.voestalpine.com