Media Information

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voestalpine: clearly positive earnings in 2nd quarter 2009/10

- **Second quarter with revenue stabilisation, EBITDA, EBIT, Profit before and after tax clearly positive.**
- **First half of the current business year affected by the crisis, revenue fell by a third, but profit from operations (EBIT) with more than EUR 45 million positive.**
- **Outlook for business year 2009/10 unchanged.**

voestalpine Group Key Figures: Quarterly comparison

	Q 1 2009/10	Q 2 2009/10	Change
In millions of euros [1]	04/01-06/30/2008	07/01-09/30/2009	in %
Revenue	2,073.6	2,067.6	-0.3
EBITDA	134.9	234.2	73.6
EBITDA margin (in %)	6.5	11.3	
EBIT	-24.0	70.4	
EBIT margin (in %)	-1.2	3.4	
Profit fort he period [2]	-48.2	28.3	
Earnings per share (in euros)	-0.40	0.05	
Employees excl. apprentices	40,120	39,295	-2.1

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

After a negative but manageable result for the voestalpine AG during the first quarter of the 2009/10 business year, which was the consequence of the global economic crisis, with its figures for the second quarter the Group is reporting a clear return to the profit zone: in addition to EBITDA exceeding EUR 230 million, not only is the operating result for the last three months positive at EUR 70 million, but we have engineered a turnaround in all other reporting categories – including profit for the period of almost EUR 30 million. This means that, with EBITDA of just over EUR 370 million and EBIT of more than EUR 45 million, our operational performance in the first half of the current business year has been in the profit zone. While profit before tax and profit for the period figures are still negative for the period under review, the losses in both categories were halved as compared to the first quarter.

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voestalpine Group Key Figures: Half Year 2009/10

In millions of euros [1]	H 1 2008/09 04/01-09/30/2008	H 1 2009/10 04/01-09/30/2009	Change in %
Revenue	6,468.2	4,141.2	-36.2
EBITDA	1,143.4	369.1	-67.7
EBITDA margin (in %)	17.6	8.9	
EBIT	785.6	46.4	
EBIT margin (in %)	12.1	1.1	
Profit fort he period [2]	518.8	-19.9	
Earnings per share (in euros)	2.94	-0.35	
Employees excl. apprentices	42,325	39,295	-7.2

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

Global economy has bottomed out

Since the end of the summer, there have been growing signs that the **global economy has bottomed out**. However, it is still **premature** to interpret this as an indication of a **sustained recovery**. On one hand, the recovery is being driven largely by the economic upward trend in Asia, while the fact that demand is picking up in Europe and North America is primarily due to the **normalization of** both distributors' and end customers' **inventories**, which had been massively reduced in the course of the year and had reached a very low level. In the industrialized nations, the "uptrend" has thus far been more or less limited to a bottoming out process. Currently, this development is also being adversely impacted by the fact that during the second quarter of 2009/10 customer segments, which had been mostly stable thus far, were showing signs of a slowdown. With the exception of the alternative energies sectors, this applies to the entire energy production sector, the aviation industry, and – although somewhat delayed – to railway infrastructure in Eastern Europe as well.

The performance of the construction industry is still reasonably satisfactory, at least in the European core segment, as it is being bolstered by extensive state funding programs, while any consolidation that has occurred in the machinery manufacturing and commercial vehicle industries has been at a very low level. The increase in demand in the automobile industry during the course of this year can probably be attributed largely to the scrapping premium in a number of countries, which, however, is set to be discontinued for good. The core question for the development of this segment in 2010 is to what extent it will be possible to replace the artificial demand that was created by these premiums in the sub-compact and compact car categories by increased demand that is more broadly based. As far as the underlying circumstances are concerned, the **weakness of the US dollar** vis-à-vis the euro continues to be a **challenge** for the overall economic situation, as it is hampering exports.

Business performance of the voestalpine Group in the first half 2009/10

In the first six months of the 2009/10 business year, the voestalpine Group experienced a considerable decline compared to the record revenue and result figures of the same period of 2008/09 due to the economic circumstances that continue to be difficult. During the first half of 2009/10, the **Group's revenue** fell by EUR 2,345 million (-36.2%) from EUR 6,486.2 million to EUR 4,141.2 million. In absolute figures, the greatest decline was recorded by the Special Steel Division, whose revenue fell by EUR 862.9 million (-43.3%) from EUR 1,994.4 million to EUR 1,131.5 million. Viewed relatively, the Profilform Division was most severely affected, its revenue dropping by 48.8% from EUR 689.7 million to EUR 353 million due to continuing weak demand in the commercial vehicle sector and in the construction and construction supply industries in Western Europe and Russia. In the Steel Division, declines in deliveries and prices also resulted in lower revenue at EUR 1,513.4 million, 36.1% below the comparable figure in the previous year (EUR 2,368.6 million). While government backed incentive programs to stimulate automobile sales did slow the downward trend, the Automotive Division's figures reflect the performance of European automobile manufacturing, showing a revenue decline by 29.7% from EUR 494.9 million to EUR 347.9 million. The Railway Systems Division has again proven to be the division most resistant to the crisis; with 23.3%, its decline in revenue from EUR 1,264.6 million to EUR 969.5 million is comparatively manageable, as it is due solely to somewhat weaker demand for wire and seamless tubes, two of the smaller segments.

However, the current economic trend can be assessed much more substantively by comparing the second quarter of 2009/10 with the immediately preceding quarter (first quarter of 2009/10) than by comparing a six month period at an interval of one year. This shows that revenue in the second quarter of 2009/10 stabilized at EUR 2,067.6 million and was only 0.3% below the figure of the preceding quarter (EUR 2,073.6 million). A view across all the divisions confirms the broadly based and consistent trend toward stabilization, as the range of changes in the revenue figures is very narrow with -1.8% (Special Steel Division), -1.7% (Automotive Division), -0.9% (Steel Division), +1.3% (Railway Systems Division), and +3.3% (Profilform Division). In the divisions Steel and Special Steel, it was primarily increases in volumes that contributed to this stability, as the prices in the Steel Division did not bottom out until the second quarter of 2009/10 due to the high proportion of long term delivery agreements and the Special Steel Division was still being impacted by declining alloy prices. The revenue increase in the Profilform Division is more the result of a restocking of sharply reduced customer inventories and purchases by customers ahead of anticipated price increases rather than an actual growth in demand. While government-backed incentive programs had a stabilizing effect in the Automotive Division in the second quarter of 2009/10, there was a definite recovery in the wire segment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) showed an even more marked slide than revenue. A decline in revenue in the first half of 2009/10 of 36.2% resulted in EBITDA that is down by 67.7% from EUR 1,143.4 million to EUR 369.1 million, when comparing it to the same period in the previous year.

In contrast to a record operating result (EBIT) of EUR 785.6 million in the first six months of 2008/09, the voestalpine Group reported a profit from operations for the first half of 2009/10 of EUR 46.4 million, a figure that was lower than the previous year's by 94.1%; however, it is still a **positive operating result despite the massive recession**. In the first half of 2009/10, the Group recorded an EBIT margin of 1.1% (after 12.1% in the previous year). While EBIT in the first quarter of 2009/10 was still slightly negative at EUR -24 million, it was clearly positive in the second quarter of 2009/10 at EUR 70.4 million (corresponding to an EBIT margin of 3.4%), and all the divisions contributed to this gratifying development. The divisions Railway Systems and Automotive already reported a positive EBIT in the first quarter, with the divisions Steel and Profilform reversing their negative EBIT in the second quarter of 2009/10 and recording clearly positive figures. Only the Special Steel Division, traditionally a late-cyclical segment, still reported negative figures in the second quarter of 2009/10 at EUR -33.2 million. In a year-to-year comparison, the first half of 2009/10 showed a profit before tax that fell from EUR 658.9 million to EUR -38.4 million due to lower operating results and to financing costs. The Group's **profit for the period (net income)** was EUR -19.9 million (compared to EUR 518.8 million in the previous year). Although, compared to the same six-month period last year, the profit before tax and the profit for the period are negative, the trend from the first to the second quarter of the current business year is showing a reversal in these categories as well, with profit before tax shifting from EUR -67.7 million in the first three months to a EUR 29.3 million in the second quarter and profit for the period increasing from EUR -48.2 million to EUR 28.3 million.

Stable gearing ratio proves self-financing capacity of the Group

Equity fell during the first half of 2009/10 compared to March 31, 2009 by 6.1% from EUR 4,262.5 million to EUR 4,001.7 million. This decline is primarily due to the dividend payment to shareholders and owners of hybrid capital in the amount of EUR 241.1 million and the profit for the period of EUR -19.9 million. Net financial debt went down due to the fact that, for the first time, investment expenditure was lower than depreciation and working capital declined markedly by 4.2% from EUR 3,761.6 million to EUR 3,601.8 million. Therefore, this results in a **gearing ratio** (net financial debt as a percentage of equity) for the voestalpine Group of 90% as of the end of the first half of 2009/10. Despite the dividend payment and the continuing difficult economic circumstances, it is only marginally higher than the gearing ratio as of March 31, 2009 (88.2%); once again, this proves the self-financing capability of the Group, even in the midst of a crisis.

Crude steel production reduced by almost a third

The Group’s crude steel production in the first half of 2009/10 was 2.73 million tons, 32.8% below the previous year’s corresponding figure (4.06 million tons). The Special Steel Division had the greatest reduction in crude steel production at 55.2% (from 460,000 tons to 206,000 tons), with the Steel Division seeing a decrease of 28.8% at 1.98 million tons; the Railway Systems Division’s production volume was 545,000 tons, which means a cut by 34.3%.

Investment expenditures reduced substantially

The Group’s investments during the first half of 2009/10 came to EUR 276.1 million. The substantial decline by 40.9% compared to the previous year (EUR 467.2 million) reflects the changed economic circumstances. For the first time in many years, the voestalpine Group’s investments were below depreciation. Despite this very restrictive investment policy, it must be stressed that we will continue to consistently pursue those projects that aim to extend our leadership role, both in technology and quality.

No acquisitions and one small divestment

The sale as of April 1, 2009 of the Italian company Euroweld S.r.l. (Automotive Division), which produces laser-welded blanks, was already reported in the Letter to Shareholders for the first quarter of 2009/10. Within the scope of the restructuring of the plastics segment, in late August 2009 the location at St. Helens (Great Britain) was closed; it was part of the voestalpine Polynorm Group, which also belongs to the Automotive Division. During the 2009/10 business year thus far, no acquisitions or further divestments have been made.

Number of employees decreased by 7 percent

The voestalpine Group had 39,295 (core) employees as of September 30, 2009 (not including apprentices). Vis-à-vis the previous year’s comparative figure (42,325), which represented the highest number of employees in the company’s history, it showed a drop of 7.2% or 3,030 employees.

Additionally, as of September 30, 2009, 4,851 employees were on reduced working hours; compared to June 30, 2009 (11,294 employees), 6,443 employees were able to return to normal working hours due to the improved level of incoming orders. At 3,765 employees, the reduction in employees on reduced working hours was most significant in the Steel Division. All the measures undertaken both in the core staff and leased employee sectors have resulted in a reduction in personnel Groupwide by about 14.4% compared to September 30, 2008 in order to make adjustments reflecting the changed economic circumstances.

The voestalpine Group continues to adhere to the scope of its apprenticeship program even in times of crisis in order to secure the company's know-how in the future. As of September 30, 2009, the company was training 1,717 apprentices worldwide, about one third of whom is at locations outside of Austria. Compared to the previous year (1,801), this is a decline of just 4.7%.

Future economic situation remains difficult to assess

As already set forth in the discussion of the current economic environment at the beginning, while it seems that the economic downturn has bottomed out, it remains difficult to assess the future economic situation. Based on all the indications available, a broadly-based recovery can be ruled out; on the contrary, we must assume that future developments will be sharply differentiated, depending on the respective sectors of business and industry. While the situation with regard to inventories is largely uniformly favourable across all industries to the extent that there has not been a pronounced build-up of inventories in the last few months, there are significant differences as far as demand and prices are concerned. One can assume that there will be a slight uptick in demand in the automobile and the automotive components supply industries, with prices becoming more and more competitive; the construction and construction supply industries will probably remain more or less stable, both with regard to demand and prices for the foreseeable future (apart from seasonal fluctuations), although there will be sharp regional distinctions. In the railway infrastructure sector, with the exception of North America and Eastern Europe, demand should be largely stable, although increased price pressure is expected. No relief is anticipated in the conventional energy production sector (oil, gas, etc.) in the next few months, either on the demand or the price side; on the other hand, the boom in the alternative energies sector (wind, sun, etc.) appears to be holding steady. The trend in the machinery manufacturing and commercial vehicle industries has stabilized at a very low level; a true recovery is currently not foreseeable. In the past months, demand in the aviation industry has declined most steeply; a trend reversal in the short term can be ruled out.

Outlook unchanged: Clearly positive Profit from operations expected

Based on the economic situation that continues to be extremely challenging in the most significant customer industries and considering the negative seasonal effects, in particular, the extensive Christmas closures of many customer plants, one can assume a similar operating result in the third quarter of the business year as in the second quarter. Individually, performance in the Steel and

Automotive Divisions should be largely stable; there are signs of an initial, slight improvement for the divisions Special Steel and Profilform; and in the Railway Systems Division, one must expect a certain degree of pressure on sales volumes and profit (although at a fairly high level) due to seasonal and competitive factors.

From today's vantage point, a clearly positive profit from operations (EBIT) can be expected for the 2009/10 business year. At the same time, it should be possible to attain a profit for the period (net income) that is, at the very least, at the break-even level.

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