

voestalpine defies weak economy – largely stable performance in the first quarter of 2013/14

- High capacity utilization remains unchanged in all divisions
- Headcount reaches new record level with 47,154 employees
- Revenue of EUR 2.94 billion in the first quarter of 2013/14 3.8% below previous year's figure (EUR 3.05 billion) due to lower raw materials prices and a weaker economy
- At EUR 366 million, operating result (EBITDA) only slightly below previous year's figure (EUR 372 million); EBITDA margin up from 12.2% to 12.5%
- At EUR 223 million, profit from operations (EBIT) almost equal to last year's figure (EUR 228 million); EBIT margin increases marginally from 7.5% to 7.6%
- HBI project in the USA on schedule and within budget

Despite the definite cooling of the macroeconomic environment in the most important global economic regions, the voestalpine Group's performance continued to be stable both as far as revenue and results are concerned. It is especially gratifying that voestalpine's workforce has reached a new record figure of 47,154 employees. "The technology- and innovation-focused market segments in which we operate have high entry barriers and therefore, their performance is considerably more stable than the segments that deal with "classic" steel products. This enables us to keep both revenue and operating result at a largely constant level and to maintain consistently high and stable capacity utilization," says Wolfgang Eder, Chairman of the Management Board and CEO of voestalpine AG. "The quick and consistent implementation of efficiency and cost optimization measures was a significant factor in maintaining our above average performance compared to other companies in our industry."

The slight decrease in the Group's revenue in the first quarter of the business year 2013/14 (April 1 to June 30, 2013) is due to the weaker economy in comparison to the previous year on one hand, and on the other, to lower raw materials prices. At EUR 2.94 billion, revenue was only slightly below the previous year's level (-3.8% compared to Q1 2012/13: EUR 3.05 billion), with this decline being distributed equally among the divisions. As far as results are concerned, the company was able to successfully escape the negative market trend due to the aforementioned reasons. At EUR 366 million, the operating result (EBITDA) in the quarter under review varied only slightly compared to the previous year's figure of EUR 372 million (-1.6%). Due to slightly lower revenue, the EBITDA margin rose from 12.2% in the previous year to 12.5%. Profit from operations (EBIT) followed an analogous pattern with only a slight decrease of 2.1% year-over-year, going from EUR 228 million to EUR 223 million. The EBIT margin went up from 7.5% to 7.6%. It should be noted that all divisions increased their margins compared to the first quarter of the previous year both with regard to operating result and profit from operations.

Profit before tax (EBT) came to EUR 180 million (-2.8%, previous year: EUR 185 million); profit for the period amounted to EUR 139 million (-4.3% compared to 2012/13 at EUR 145 million), not least due to a slightly higher tax rate in a year-to-year comparison. Compared to EUR 5.1 billion as

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of March 31, 2013, equity rose to EUR 5.2 billion (+1.7%) as of June 30, 2013. At EUR 2.3 billion, net financial debt remained largely stable, with the gearing ratio (net financial debt in percent of equity) dropping to 44%.

Customers still cautious; continuing price volatility in the raw materials segment

While the business year 2012/13 in the most important global economic regions was characterized by a broad-based downward trend, the first months of the current business year showed a certain tendency toward stabilization. The performance of the voestalpine Group confirms this trend insofar as the first quarter of the new business year brought very few changes in the most important key figures in comparison to the immediately preceding quarter (Q4 2012/13). Viewed overall, in the spring of 2013, the European economic region continued to demonstrate a subdued economic performance. The economic drivers of recent years, such as China and Brazil, have also suffered a decline in their economic momentum in the course of last year, however, in recent months their development was again relatively stable, albeit at a significantly weaker level. The economic climate in North America, which has been quite positive overall, could not be translated into an upward momentum in demand in the first quarter of 2013/14.

The economic environment of significant segments of the voestalpine Group has been and continues to be marked by cautious buying patterns among their customers. Continuing price volatility in the raw materials segment (iron ore, coal, and scrap) has resulted in frequent but relatively short-term price fluctuations on the sales end of the spectrum. Nevertheless, by accelerating the implementation of its strategy aimed at extending its value chain, the voestalpine Group is able to increasingly prevent these fluctuations from significantly affecting its corporate operating results so that—all in all—its performance is stable at a solid level.

voestalpine significantly outperforming its industry competitors

“Considering the economic environment, the performance of the voestalpine Group in recent months was very satisfactory, especially in comparison to its industry competitors,” stated Wolfgang Eder. A major reason for this achievement is the broad-based positioning of the Group, both geographically and with regard to its sectoral activities. It is especially 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 that the strategy of extending the value chain based on premium steel products, which voestalpine has been pursuing consistently, was the right path to take,” Eder explains. This strategy has enabled the Group to take a leading position in Europe in its core segments with regard to profitability as well as quality and technology; furthermore, it is a global market leader in major business segments.

Stable outlook for the current business year 2013/14

The development in recent months shows that the economic downward trend that had prevailed up to the early part of 2013 has been broken. From the current vantage point, the next few months could see a further stabilization of the global economic situation, provided that, this time, the recovery in the USA proves truly sustainable, China does not suffer any new economic reversals,

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and the current first faint signs of optimism now visible in Europe do not turn out to be an illusion. If this is indeed the case, it might be possible that, in the second half of 2013, those preconditions will be created that will make the first global economic recovery in years possible in 2014.

“We anticipate that the voestalpine Group will continue to enjoy stable performance overall until the end of 2013. Our expectation is that the Steel Division will see absolutely full capacity utilization, with prices trending upward and that the Special Steel Division will have almost full capacity utilization, with prices at a stable level,” says Eder. “The Metal Engineering Division is expected to continue its very good performance in the past business year, with both full capacity utilization and a consistently solid price level being assured. For the Metal Forming Division, we also anticipate largely full capacity utilization at stable prices.” There are, of course, uncertainties with regard to the general situation because the trend for raw materials prices is difficult to gauge. However, continuing overcapacity in the mining sector and still cautious order patterns on the part of customers should enable a calculable development of prices.

“From today's perspective, it appears that a repetition of the previous year's results (EBITDA, EBIT) is the most probable scenario for the voestalpine Group,” Eder states, adding, “and this is somewhat more certain today than it had been as recently as at the beginning of the business year.”

The voestalpine Group

The voestalpine Group is a steel-based technology and capital goods group that operates worldwide. With 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 2012/13, the voestalpine Group reported revenue of more than EUR 11.5 billion and an operating result (EBITDA) of EUR 1.45 billion. It has around 46.400 employees worldwide.

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