

voestalpine able to boost results in first half year 2010/11

- voestalpine group increases EBIT yoy almost tenfold up to 414 Mio EUR
- Revenue goes up by 24.2 % due to significant growth in sales
- With 250 Mio EUR Profit for the period nearly reaches level before crisis
- Gearing Ratio substantially reduced

voestalpine Group was able to boost its results in the first half of the business year 2010/11. With an EBIT increased almost tenfold up to 414,2 mio EUR compared to 42.7 mio EUR in the same period last year, Net Income was clearly back in profit zone with 249.7 mio EUR. At the same time revenue increased by 24.2% from 4.18 bn EUR to 5.19 bn EUR. While the number of permanent staff was slightly downsized to under 39.900, the group was able to reduce its gearing ratio substantially from 90% to 66%.

This significant increase in revenue and operating results can be seen both at the group level and in all five divisions, with full utilization of the crude steel production capacity in the Steel and Railway Systems divisions, while the Special Steel, Profilform, and Automotive divisions operating at almost full capacity. A trend which is expected to continue in the upcoming months thanks to an overall positive development on most of the important main markets.

Although taking an in-deph look at the situation in the various countries and industry sectors a more differentiated picture appears. In contrast to an ongoing positive development in the large economies in Asia, parts of Europe and Brazil, the situation in the USA remains critical. A similar ambivalence has to be stated regarding the various industry sectors: while the areas of automotive engineering, machine building, consumer goods, renewable energy and the exploration of oil and gas and enjoy a constant recovery, the outlook for the construction and building sector is less favourable due to the effects of cuts in public spending in many countries.

“As dramatically as the broadly-based economic reversal began two years ago in the fall of 2008, so swiftly and unexpectedly did the recovery start in the summer of 2009 at least for the industry. But anyone who is using the dangerously overheated economic situation of the first half of 2008, as a yardstick will have to wait for quite some time for an all-clear signal. And that is a good thing, because then, the next economic slump would be inevitable. For the near future, we should be satisfied with growth that is not quite so dynamic, but modest and sustainable”, Dr. Wolfgang Eder, CEO of voestalpine AG said presenting the report for the first half year.

As agenda for the upcoming months Eder defined three major projects for the voestalpine Group. Under the headline “Doing our homework consistently”, the CEO announced the completion of the structural modernization in the divisions Steel and Special Steel, an accelerated orientation of the group towards products and markets for the coming decades, and the realization of the major part of the cost-cutting and efficiency improvement programs with the objective of achieving an optimization of EUR 600 million by 2012.

This clear agenda in mind and against a quite favourable economic backdrop from today’s perspective a doubling of last year’s profit from operations (EBIT) of EUR 352 million for the business year 2010/11 appears to be assured.

Q 1 2010/11 vs. Q 2 2010/11

In millions of euros ¹	Q 1 2010/11 04/01– 06/30/2010	Q 2 2010/11 07/01– 09/30/2010	Change in %
Revenue	2,556.1	2,635.7	3.1
EBITDA	350.9	359.6	2.5
EBITDA margin	13.7%	13.6%	
EBIT	203.3	210.9	3.7
EBIT margin	8.0%	8.0%	
Profit before tax	156.5	160.9	2.8
Profit for the period ²	121.1	128.6	6.2
Earnings per share (euros)	0.60	0.64	6.7
Investments	80.0	89.2	11.5
Depreciation	147.6	148.7	0.7
Capital employed	7,990.0	7,841.7	-1.9
Equity	4,435.9	4,370.0	-1.5
Net financial debt	2,981.8	2,873.5	-3.6
Net financial debt in % of equity	67.2%	65.8%	
Employees (excl. temporary personnel and apprentices)	39,595	39,862	0.7

H 1 2009/10 vs. H 1 2010/11

In millions of euros ¹	H 1 2009/10 04/01– 09/30/2009	H 1 2010/11 04/01– 09/30/2010	Change in %
Revenue	4,181.8	5,191.8	24.2
EBITDA	366.8	710.5	93.7
EBITDA margin	8.8%	13.7%	
EBIT	42.7	414.2	870.0
EBIT margin	1.0%	8.0%	
Profit before tax	-42.3	317.4	
Profit for the period ²	-19.8	249.7	
Earnings per share (euros)	-0.35	1.24	
Investments	276.1	169.2	-38.7
Depreciation	324.0	296.3	-8.5
Capital employed	8,192.3	7,841.7	-4.3
Equity	4,001.7	4,370.0	9.2
Net financial debt	3,601.8	2,873.5	-20.2
Net financial debt in % of equity	90.0%	65.8%	
Employees (excl. temporary personnel and apprentices)	39,919	39,862	-0.1

¹ According to IFRS all figures after purchase price allocation (ppa). Please refer to the Annual Report 2007/08 for more details.

² Before non-controlling interests and interest on hybrid capital.

Summary of voestalpine business report first half year 2010/11

Business performance of the voestalpine Group^{1,2}

In the first six months of the business year 2010/11, the voestalpine Group was not only able to achieve very significant growth in revenue and profit compared to the previous year, but it also again exceeded revenue and results during the second quarter of 2010/11 compared to the immediately preceding quarter for the fifth consecutive time.

The Group's revenue went up in the first half of 2010/11 compared to the same period of the previous business year by EUR 1,010.0 million (+24.2%) from EUR 4,181.8 million to EUR 5,191.8 million. With an increase of EUR 423.0 million (+28.0%), the Steel Division reported the largest gain in absolute figures due to a very substantial rise in supply volumes. Viewed relatively, the growth in the Special Steel Division (+35.8%) and the Profiform Division (+33.2%) was even more substantial. These two divisions, however, were also the ones most strongly affected by the downturn in the previous year and therefore had commensurately low comparative figures. High demand from the emerging countries for vehicles from the premium segment and the satisfactory development of demand for commercial vehicles resulted in a 22.7% higher revenue for the Automotive. Due to its strong resistance to crisis, the Railway Systems Division's revenue level had remained stable in the previous year, the growth in the first half year adds up to 15.2%.

The improved economic situation and the success in implementing the efficiency improvement programs are reflected by the profit from operations before depreciation and amortization (EBITDA) even more strongly than by the level of revenue. In comparison to the first half of 2009/10, the rise in revenue of 24.2% results in EBITDA that went up by 93.7%, representing a Group margin in the first half of 2010/11 of 13.7% (previous year: 8.8%).

¹ In accordance with IFRS, all figures after application of the purchase price allocation (ppa).

² As of April 1, 2010, the new organizational structure of the voestalpine Group came into effect. The business segments Precision Strip (Profiform Division) and Welding Consumables (Railway Systems Division), which had previously been part of the Special Steel Division, were reassigned to other Group divisions. In order to enable a better means of comparison, the divisional figures for the relevant quarters of the previous year were adjusted accordingly; the Group's figures remained unchanged.

In comparison to an EBIT of EUR 42.7 million in the first six months of the previous year, in the first half of 2010/11, the Group recorded an operating result of EUR 414.2 million, an almost tenfold increase. Especially the Group's almost 100% production capacity utilization resulted in a very satisfactory operating result that ranks highly in comparison with the competition and represents an increase of the EBIT margin from 1.0% to 8.0%.

The economic environment, which improved significantly compared to last year, is also reflected in a substantial rise in crude steel production across the Group. During the first half of 2010/11, the total volume was 3.75 million tons, in other words, 37.4% above the comparative figure in the previous year (2.73 million tons). At 2.70 million tons, the Steel Division reported 36.4% growth in production, and at 641,000 tons, the Railway Systems Division saw an increase in output of 17.6%. The Special Steel Division more than doubled its production from 206,000 tons to 407,000 tons.

Investments focused on strengthening leadership in technology and quality

The investments of the voestalpine Group in the first six months of the business year 2010/11 came to EUR 169.2 million. Compared to the investments in the first half of the previous business year, which had already been significantly reduced due to the crisis (EUR 276.1 million), this represents yet another decline of EUR 106.9 million or 38.7%. This means that the Group's investment expenditures continue to be substantially lower than the level of depreciation (EUR 296.3 million). Nevertheless, all projects that aim to extend the Group's leadership role, both in technology and quality, are pursued consistently.

Acquisitions setting course for new markets

In the first quarter of 2010/11, the voestalpine Group signed a joint venture agreement between the Group company VAE GmbH, the Turkish State Railways (TCDD), and the Turkish steel manufacturer Karabuk Demir Celik Sanayi ve Ticaret A.S. (Kardemir) to establish a facility for turnout production; this represents an important step toward long-term utilization of the growth potential of the Turkish railway market. The new production facility, whose opening is planned for the early part of the 2011 calendar year, will manufacture both high-speed switches for new railway lines and switches for the modernization of existing ones.

More employees due to a plus of temporary staff

As of September 30, 2010, the voestalpine Group had 39,862 core employees (not including apprentices). Compared to the same reporting date of the preceding year (39,919 employees), this represents a slight decline of 57 employees. 3,584 employees were employed as temporary staff; compared to last year's figure, this represents an increase of 45.2% or 1,116 employees. As of September 30, 2010, only 82 employees group-wide were working reduced hours. Compared to March 31, 2010 (1,460), this corresponds to a decline by 94.4% or 1,378 employees; compared to September 30, 2009, this is a decrease by 98.3% or 4,769 employees. As of the end of the second quarter 2010/11, the voestalpine Group was training 1,668 apprentices, in other words, almost as many as in the previous year (1,722).

R&D remain basis for permanent innovation process

In September 2010, the "Innovationscenter Stahl" ("Steel Innovation Center") was opened in Linz, the center of operations of the Steel Division. The laboratory center, which was built over a period of one and a half years and represents an investment of about EUR 13 million, is focused on the development of new surface technologies for high-quality steel strip, including basic analytics, and provides state-of-the-art work stations for 70 researchers and testing technicians.

voestalpine's globally leading turnout technology is now being used for the first time on a high-speed track in South Korea, which is operated at up to 370 km/h. The integrated setting system Hydrostar®, which combines all of the functions required for a turnout — such as operation, locking, and monitoring — guarantees the greatest possible degree of safety and at the same time, optimized lifecycle costs for the railroad operator.

Last but not least, a new type of welding filler material for high-strength and ultra high-strength applications was presented in October 2010. The unique feature of this laser-sealed technology is that its special properties prevent moisture, which can lead to formation of cracks in welding seams, from entering the material.

Environmental requirements crucial for Europe as location for industry

The focus of the environmental agenda during the first half of 2010/11 continued to be the topics that have priority for the European steel industry — the CO₂/post-Kyoto regime, implementation of the EU Regulation REACH (registration, evaluation, authorization, and restriction of chemicals), and revision of the IPPC Directive (Integrated Pollution Prevention and Control Directive) aimed at standardizing emission threshold values for industrial facilities in all EU member states.

Capital Market

During the period from April to September 2010 and since, the voestalpine share was able to reassert itself very well compared to the shares of other European industries; especially in the last several months, the voestalpine share performed significantly better than the shares of the competition. This positive performance is due on one hand to the fundamentals, which have greatly improved compared to the previous year and on the other hand, it is a result of the fact that the Group has strategically positioned itself with a clear focus on the top quality and technology segments. In comparison to the benchmark indices, which are broader as far as the industries included are concerned, the voestalpine share has — appropriately for the development of a cyclical stock — underperformed in the first two quarters of the business year 2010/11. However, it was able to compensate for this underperformance in the further course of the business year.

The hybrid bond issued by voestalpine AG in October 2007 recovered well after the upheaval on the international credit markets in 2008 and 2009 and rose from its low in February 2009 at 75 (% of the face value) to 102 (% of the face value) as of the end of the first half of 2010/11. In the past several weeks, the bond was able to continue its positive trend and register additional price gains.

The corporate bond, which voestalpine AG placed on the market at the height of the credit crisis, has registered substantial price gains since it was issued; on September 30, 2010, it had a price of 111 (% of the face value). Since then, the price has shown little momentum and has been very stable.

Outlook

Against a quite favorable economic backdrop, the prospects for the voestalpine Group in the second half of 2010/11 are stable, with largely full utilization of production capacity. This applies primarily to the Railway Systems, Special Steel, Profilform, and Automotive divisions. Only in the Steel Division the quarterly pricing model for some of the raw materials adds an element of uncertainty with regard to results during the fourth quarter. Nevertheless, from today's perspective, a doubling of last year's profit from operations (EBIT) of EUR 352 million for the business year 2010/11 appears to be assured.

voestalpine Group

voestalpine is a globally active group with a number of specialized and flexible companies that produce, process and further develop high-quality steel products. The Group is represented by 360 production and sales companies in more than 60 countries.

With its highest quality flat steel products, voestalpine is one of Europe's leading partners to the automotive, white goods and energy industries. Furthermore, voestalpine is the world market leader in turnout technology, tool steel and special sections, as well as number one in Europe in the production of rails.

The voestalpine Group generated revenues of EUR 8,55 billion in the business year 2009/10 and employs around 41,000 staff throughout the world.

For further information please contact:

voestalpine AG
Corporate Communication
Mag. Nick Donig
voestalpine Straße 1
4020 Linz
T. +43/50304/15-2397
M. +43/664/615 60 49
nick.donig@voestalpine.com
www.voestalpine.com