

### **voestalpine reports stable operating results compared to the immediately preceding quarter**

- **At EUR 3.051 billion in the first quarter of 2012/13, revenue remains constant in a year-to-year comparison**
- **Reporting categories adversely affected by the weak economy in comparison to Q1 2011/12**
  - **EBITDA declines by 19% from EUR 463 million to EUR 375 million**
  - **EBIT down from EUR 318 million to EUR 231 million (-27.4%)**
- **Operating results are stable compared to the immediately preceding quarter**
- **Gearing ratio reduced further from 53.5% to 49.9%**
- **Full utilization of production capacity in all of the main business segments**
- **Investments accelerated in the processing divisions**

Although the economy has experienced a significant weakening in the past twelve months, the voestalpine Group was able to keep revenue in the first quarter of the business year 2012/13 (EUR 3,051 million as of June 30, 2012) at practically the same level as it has been in the excellent first quarter of the previous year (EUR 3.052 million). This is primarily the result of a new record for quarterly revenue set by the Metal Engineering Division, while the three other divisions experienced slight declines. "The consistent level of revenue year to year makes it abundantly clear that the broad-based regional and sectoral set-up of the voestalpine Group enables it to maintain a largely stable level of revenue even in economically difficult periods," stated Wolfgang Eder, CEO of voestalpine AG.

On the other hand, the operating results reflected the changes that had taken place in the economic environment since the first quarter of the previous business year 2011/12. In the first quarter of 2012/13, EBITDA fell by 19%, decreasing from EUR 463 million to EUR 375 million, which corresponds to an EBITDA margin of 12.3% (previous year: 15.2%). At EUR 231 million, EBIT was 27.4% below the comparative figure of the previous year (EUR 318 million), resulting in an EBIT margin that fell from 10.4% to 7.6%. With a financial result that has remained stable compared to the previous year, the profit before tax was EUR 185 million, 32% below last year's figure of EUR 272 million. The profit for the period (net income) was EUR 145 million after EUR 210 million in the first quarter of the last business year (-31%). In comparison to the immediately preceding quarter (before non-recurring items, EBITDA and EBIT at EUR 389 million and EUR 233 million respectively), the current operating result figures reflect a largely stable trend.

### **Gearing ratio under 50 percent for the first time since the Böhler-Uddeholm acquisition**

Equity increased from EUR 4,878 million to EUR 4,981 million. Concurrently, due to positive free cash flow that amounted to EUR 92 million, net financial debt was reduced to EUR 2,484 million, compared to EUR 2,780 million in the same period of the previous year and compared to EUR 2,586 million in the immediately preceding quarter. As a result, the first quarter of 2012/13 saw another significant reduction of the gearing ratio (net financial debt in percent of equity) to 49.9%.

down from 57% (as of the end of the first quarter of 2011/12) and from 53.5% (as of the end of the immediately preceding quarter) respectively. This means that the gearing ratio was reduced to below the 50-percent mark for the first time since the acquisition of Böhler-Uddeholm.

### **Broadly-based customer behavior marked by caution and a wait-and-see attitude**

The sovereign debt crisis, the euro crisis, the growth crisis, and production overcapacities have caused the economic mood to darken. Against this background, downward trends have been detected even in the economies of Northern and Western Europe, which had been stable thus far, while the economic landscape in Southern Europe continues to drift at a very weak level. Additionally, the signs suggesting a slackening of the exceptionally dynamic economic development in the threshold countries, which are so important for global economic growth—particularly, China, Brazil, and India—have recently been confirmed. The voestalpine Group and its key customers cannot remain unaffected by this trend. A direct comparison of the key figures with the last quarter of the previous business year 2011/12, however, shows revenue that has declined only slightly (EUR 3.181 million, Q4 2011/12) and stable operating profit as reflected by both EBITDA and EBIT. At more than 46,000, the number of employees also remained the same.

The uncertainty on the part of market participants resulting in more cautious order patterns affected the individual industries to varying degrees. While the European automotive industry's mass market was confronted with massive declines in sales, affecting many of the manufacturers, demand in the premium segment—particularly in Germany—(still) remained high as of the middle of the year. Demand from the energy exploration, mechanical engineering, and aviation sectors was still relatively robust, and the market environment in the railway infrastructure segment also remained largely constant. In the rail sector, it was the high quality segment (premium grades) that sustained its performance. The market for standard rails continues to be dominated by overcapacities and price wars. Most recently, there were signs for a slight recovery in the white goods and consumer goods industries, however, the construction and construction supply sectors continue to stagnate at a low level in most countries.

The unfavorable macroeconomic environment has brought changes to the European steel market in particular. While demand and price trends in the first quarter of the previous year were still affected by a strong recovery due to the more positive growth expectations, the market environment in recent months has been characterized by falling demand, prices that have been trending down, and massive structural overcapacities. The trend in the three processing divisions was much more stable; while they also experienced declines, they were relatively moderate.

### **Investments accelerated in the processing divisions**

With its falling gearing ratio and in line with investment behavior that is intentionally anti-cyclical, in contrast to previous years, the voestalpine Group expanding its investment activities in the current business year. Investments rose immediately in the first quarter by 15% to EUR 135 million compared to last year's figure of EUR 117 million; this trend is the result of significantly higher expenditures in the Special Steel and Metal Engineering Divisions. The international expansion of the Automotive Body Parts business segment, which is part of the Metal Forming Division, is also proceeding on schedule at several Group locations outside of Europe. For the time being, investments by the Steel Division are being intentionally scaled back.

## Outlook for the current business year unchanged

The situation in Europe continues to be dominated by the topics debt and euro crisis, which remain unsolved, and as a result, the economic mood has remained subdued. The European steel industry is suffering more than ever from massive structural overcapacities, particularly in the flat products segment. Continuing weak demand combined with falling raw materials prices is resulting in destructive price wars. In the current economic environment, this confirms yet again how right our longstanding, consistent policy of extending the value chain down to the end user in demanding niche sectors has been. "By way of this strategy, we have developed from a steel producer to a leading processing and technology Group in promising, future-oriented market segments. Pursuing an innovative direction in the broadest sense of the word bears fruit especially in difficult times," said Eder and, as proof of his statement, pointed out that the processing divisions are currently already generating more than two thirds of the revenue and almost 80 percent of the operating results.

From today's perspective, the relatively stable development of these three processing divisions, both with regard to revenue and operating results, should enable us to again attain the previous year's adjusted profit from operations (EBIT) of around EUR 900 million, confirming the forecast made at the beginning of the business year. This presupposes, however, that the economic environment is not additionally destabilized, for example, by an escalation of the euro crisis or a sustained economic slowdown in the threshold countries. "From today's perspective, full utilization of the Group's production capacity in all important segments has been assured for the coming months. Therefore, the question of instituting reduced working hours at significant Group locations is not relevant," Eder explained in conclusion.

### The voestalpine Group

The voestalpine Group is a steel, processing, and technology group that is operating worldwide and manufacturing, processing, and developing high-quality steel products. With its 400 production and sales companies in more than 60 countries on five continents, the Group has been listed on the Vienna Stock Exchange since 1995.

With its top-quality flat steel products, the Group is one of the leading partners of the automobile, white goods, and energy industries in Europe as well as of the oil and gas industries worldwide. Furthermore, the voestalpine Group is the world market leader in turnout technology, tool steel, and special sections. In the business year 2011/12, the Group reported revenue of EUR more than 12 billion and an operating result (EBIT) of EUR 704 million; it has around 46,500 employees worldwide.

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