Media information

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voestalpine achieves new record revenue of over EUR 12.1 billion

- **Increase in revenue to EUR 12.06 billion (plus 10.1% over BY 2010/11)**
- **EBITDA, EBIT, and all other reporting categories adversely affected by the non-recurring effects in the Railway Systems Division amounting to EUR 205 million**
- **Drop in EBITDA from EUR 1.6 billion to EUR 1.3 billion (minus 18.9%) – EBITDA excluding non-recurring effects EUR 1.5 billion (minus 5.6%)**
- **EBIT falls from EUR 985 million to EUR 704 million (minus 28.5%) – excluding non-recurring effects EUR 909 million (minus 7.7%)**
- **EBIT margin falls from 9.0% to 5.8%**
- **Earnings per share of EUR 1.98, proposed dividend of EUR 0.80 per share**
- **Gearing ratio reduced from 57.8% to 53.5%**
- **Overall workforce back to pre-crisis level (46,500)**
- **Record R&D budget of EUR 132 million (plus 11.6%)**

At EUR 12.1 billion, the voestalpine Group generated the highest revenue in the company's history during the business year 2011/12 (April 1, 2011 to March 31, 2012), thus exceeding revenue for the previous year (EUR 10.95 billion) by 10.1%. The previous record of EUR 11.7 billion was achieved during the business year 2008/09. Against the backdrop of non-recurring negative effects, the previous year's operating result could not be attained. Both EBITDA and EBIT were negatively affected by provisions formed for the closure of rail production in Duisburg and for the antitrust proceedings relative to railway superstructure material. The decline in earnings in the Steel Division due to the general economic situation also impacted the operating result.

During the business year 2011/12, the voestalpine Group recorded EBITDA of EUR 1,302 million and an EBITDA margin of 10.8 %. Compared to the preceding year (EUR 1,606 million), this represents a drop of 18.9%. When the non-recurring effects amounting to EUR 205 million are excluded, this results in EBITDA of EUR 1,507 million and an EBITDA margin of 12.5%, a performance only slightly below that of the preceding year. Naturally, the operating results show a similar picture. When accounting for non-recurring effects, EBIT amounts to EUR 704 million, 28.5% under the level for the preceding year (EUR 985 million). However, without the impact of the non-recurring effects, EBIT was EUR 909 million, only 7.7% below the previous year's adjusted operating result.

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Record revenue thanks to the value chain as well as technology and quality leadership

Viewed overall, the second half of the business year (October 1, 2011 to March 31, 2012) lagged behind both the first half of the year and the same period in the previous year. However, a certain upward trend was observed in the fourth quarter. Overall, thanks to the long value chain, and voestalpine's technology, innovation and quality leadership compared to the sector as a whole, during the past business year, the voestalpine Group demonstrated significantly less volatility, when comparing the quarterly figures, and finally, (without taking the non-recurring effects into account) only a minor decline in results over the previous year. "Growth in the core strategic segments of mobility and energy was accelerated, with 60% of Group revenue being generated in these segments," explained Eder. "The long-term target is at least 70 percent."

Overall workforce of 46,500 back at pre-crisis level

As of the end March 2012, the voestalpine Group workforce numbered 47,217 (41,649 employees, excluding 1,263 apprentices and 4,305 temporary employees). Using the "full time equivalent" (FTE) indicator, the workforce currently numbers around 46,500 employees, 3% over the level of the previous year. The proportion of employees working in Austria compared to those based at international sites remains the same. At 53.5% (22,297 employees), the majority of employees are working at Group locations outside Austria, and 46.5% (19,352 employees) at domestic sites. Just over a third of the apprentices are undergoing their training at locations abroad.

Higher distribution ratio, equity increased

The debt situation of the voestalpine Group continued to ease up in 2011/12. We were able to reduce the gearing ratio (net financial debt as a percentage of equity) from 57.8% to 53.5% compared to the reporting date of the previous year. On the one hand, this was made possible by equity growth, which went from EUR 4,691 million in the previous year to EUR 4,836 million (a plus of 3.1%) as a result of higher earnings; on the other hand, positive cash flow reduced the net financial debt as of the end of March 2012 to EUR 2,586 million. This corresponds to a reduction of the debt by 4.7% from EUR 2,713 million, the figure at the end of the previous business year.
Subject to the approval of the Annual General Shareholder's Meeting on July 4, 2012, a dividend of EUR 0.80 per share will be paid to shareholders. This is the same as the dividend paid for the business year 2010/11. Based on the earnings per share (EPS) of EUR 1.98, the distribution ratio is 40.5%, a significant increase compared to the previous year's ratio of 26.3%. Based on the average share price in the business year 2001/12 of EUR 27.78, the dividend yield is 2.9%.

Streamlining of the Group's structure and English division names

In keeping with the Group's long-term growth strategy, voestalpine AG decided to merge the two divisions Automotive and Profilform as of April 1, 2012 to create the "Metal Forming Division." Furthermore, due to growing internationalization, the four divisions will only be known by their English names in the future. The former Railway Systems Division will be known as the "Metal Engineering Division," as its activities now extend far beyond the railways sector.
Thus, effective immediately, the names of the divisions will be the Steel Division, Special Steel Division, Metal Engineering Division (formerly the Railway Systems Division), and the Metal Forming Division (formerly the Automotive and Profilform Divisions, specializing in forming).

Overview of development in the divisions

Development in the Steel Division as well as in the other strongly downstream-oriented divisions was stable despite a difficult market environment, with revenue and earnings staying at the level of the previous year. The relatively largest revenue plus was achieved by the Automotive Division (part of the Metal Forming Division since March 31, 2012) with growth of 17.7%. The main reason for its growth, which is gratifying for the voestalpine Group, is uninterrupted demand from the premium automobile manufacturers. At the same time, growth in this segment continues to shift increasingly to regions outside of Europe. Revenue rose from EUR 1,040 million to EUR 1,225 million. The Profilform Division (also part of the Metal Forming Division since March 31, 2012) also increased both revenue and operating results. Revenue growth of just over 10% was the result of higher volumes on the one hand, especially in the Precision Strip business segment, and a rise in the average level of earnings on the other. The Tubes and Sections as well as Storage Technology segments were characterized by ongoing solid levels of demand.

The Special Steel Division also achieved significant growth in revenue and operating results, almost reaching its pre-crisis level. Revenue rose by 11.9% over the previous year, from EUR 2,631 million to EUR 2,945 million. Improvement in EBIT was even more striking, climbing by almost one third from EUR 209 million to EUR 273 million. This trend in the operating result was enabled primarily by the expansion of divisional capacity, thus making greater production and delivery volumes possible.

It was particularly the high levels of demand for premium qualities in the railway infrastructure segment that resulted in revenue growth of 8.5%, going from EUR 2,723 million to EUR 2,956 million for the Metal Engineering Division (until March 31, 2012 Railway Systems Division).

On the other hand, the situation in the standard rail segment was completely different (see below). Due to stable demand at a high level from the oil/gas sector and a good volume of incoming orders for industrial tubes for the commercial vehicle and automobile industries, the Seamless Tubes segment reported full capacity utilization. Order volumes in the Wire and Welding Technology business segments were also at a level that was high and consistently stable.
Even though the Steel Division was operating in an exceptionally difficult market environment, it achieved a significant rise in revenue of 7.6%. The strongly volatile development of its results was due to fears surrounding the economy and structural overcapacity in Europe.

Increase in the volume of investments

The investment activities of the voestalpine Group in the business year 2011/12 were significantly more dynamic than in the previous year. Due to increases in all the divisions, total investment volume rose by 35.9% from EUR 423 million to EUR 575 million, of which EUR 560 million were spent for property, plant and equipment, EUR 12.8 million for intangible assets, and EUR 1.9 million for equity holdings and securities.

At EUR 132 million, a record budget for research and development

In the key sector of research and development, in the new business year 2012/13, voestalpine is continuing its progressive strategy of the past years. The Group's budget of EUR 132 million for R&D expenditures is an absolute record figure. It is 11.6% above last year's figure of EUR 117 million. "Despite economic crises and cost-cutting programs, expenditures for this core sector, which is key for our future development, have risen by an average of 11% per year," Eder explained.

Investments and expenditures for environmental standards increased to EUR 244 million

The voestalpine Group's environment-specific investments in the business year 2011/12 amounted to roughly EUR 32 million (Group sites in Austria) and were thus significantly higher than the previous year's figure of EUR 20 million. At EUR 212 million, current expenditure for operation and maintenance of environmental protection systems surpassed the previous year's comparative figure of EUR 194 million. Overall, the voestalpine Group spent around EUR 244 million (2010/11: EUR 214 million) for measures directly associated with environmental issues (including about EUR 10 million for CO_2 certificates). In the year under review, a number of environmentally relevant projects were implemented Group-wide. The focal points were in the energy and raw materials efficiency sectors, air and water emissions as well as waste reduction and recycling.

Decision to close rail production facility due to insufficient cost-effectiveness

On March 13, 2012, the Management Board of voestalpine AG decided to close down rail production at the TSTG Schienen Technik GmbH & Co. KG ("TSTG") site in Duisburg, thus pulling out of the production of standard rails entirely. The reason was the insufficient cost-effectiveness of the facility, which was due, on one hand, to its inability to provide its own pre-materials and on the other, to massive overcapacity in the standard rail sector in Europe. Against this backdrop, TSTG fought a losing battle against declining capacity utilization in the past years and, most recently, had posted substantial losses. The closure will take place at the earliest at the end of 2012. All existing customer orders will be carried out as contractually agreed. We are currently analyzing how the approximately 350 employees affected by the closure can be supported in this situation. The management of TSTG is currently engaged in intensive negotiations with employee representatives regarding reconciliation of interests and a social compensation plan.

Compliance structure comprehensively expanded as a consequence of the antitrust proceedings

Due to agreements violating antitrust laws regarding the sale of rails and other railway superstructure materials in Germany, the Group submitted a self-report to the German Federal Cartel Office [*Bundeskartellamt*] in the spring of 2011 on behalf of the affected Group companies that are doing business in this sector. The Federal Cartel Office subsequently initiated proceedings. The comprehensive official investigative proceedings are currently still ongoing. Within the scope of the internal review, voestalpine AG has not only taken the necessary personnel-related steps but has also implemented far-reaching organizational measures. These include the comprehensive expansion of the compliance structures and processes throughout the Group, which have been consistently implemented worldwide since the fall of 2011. Today, the Group has an instrument in place that comprises all levels, including an up-to-date whistleblower system.

Outlook for the current business year 2012/13

The challenging macroeconomic climate is increasingly leaving its mark on the real economy, especially in Europe. In addition to the construction and construction supply industries, which have still not returned to their former levels after the crisis years 2008 and 2009, significant parts of the automobile industry and of the energy sector have now begun to suffer from a growing weakness in demand.

These adverse effects cannot be compensated by the development in the mechanical engineering, aviation, and railway infrastructure segments, which continue to be satisfactory. In this environment, very specific challenges are looming for the European steel industry. “The industry, which continues to be impacted by structural overcapacities, is a long way from the recovery that we had hoped for in early 2012,” Eder said, analyzing the situation. “Massive underutilization of capacity in Europe, especially in the ordinary steel industry, combined with extremely volatile raw materials prices, which are, however, trending downward, is resulting in destructive price wars.” Now, in mid-2012, the growing volatility of the Chinese and Brazilian economies as well as persistent doubts about the crisis resistance of the financial markets are not conductive to strengthening confidence in a positive economic outlook for the rest of the year.

Against this backdrop, once again, the voestalpine Group’s consistent downstream strategy, in conjunction with its technology and quality leadership, is proving to be the key to differentiating us from the competition. “Today, the three processing divisions are generating two thirds of the Group's revenue and, for the past several quarters, their stable operating results have been largely compensating the volatility of the Steel Division,” stated Eder looking back at the year. As far as the operating result is concerned, this means that despite the difficult environment in the steel sector, due to the Group’s robust downstream operations, “from today’s perspective, an operating result that is at about last year's level” should be attainable in the business year 2012/13. Ultimately, however, the development during the rest of the year will continue to be driven by the all too familiar macroeconomic topics of debt crisis, capital market volatility, and skepticism regarding the financial markets as well as the rate of growth in the threshold countries.

The voestalpine Group

The voestalpine Group is a globally active steel, processing, and technology Group, which produces, processes, and further develops high-quality steel products. The Group is represented by 360 production and sales companies in more than 60 countries on five continents and has been listed on the Vienna Stock Exchange since 1995.

With its highest quality flat steel products, the Group is one of Europe’s leading partners to the automotive, white goods, and energy industries 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 voestalpine Group generated revenue of more than EUR 12 billion and an operating result (EBIT) of EUR 704 million; the Group has around 46,500 employees worldwide.

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