voestalpine AG

Press Release

June 3, 2015

voestalpine gets a significant boost in earnings in the business year 2014/15

- **Revenue increases slightly to EUR 11.2 billion (+1.0%) despite negative price effects**
- **At EUR 1.53 billion, operating result (EBITDA) markedly higher than previous year (+11.4%)**
- **EBITDA margin considerably higher at 13.7% (previous year: 12.4%)**
- **EBIT increases from EUR 788 million to EUR 886 million (+12.4%)**
- **EBIT margin improves to 7.9% (previous year: 7.1%)**
- **At EUR 594 million, profit for the period increases by 18% compared to previous year (EUR 503 million).**
- **Earnings per share rise to EUR 3.11 (2013/14: EUR 2.59)**
- **Dividend increase per share from EUR 0.95 to EUR 1.00 planned**
- **Investments of EUR 1.18 billion at record level (+25.8% !!)**
- **Direct reduction plant in Texas more than 50% completed; 80% of sales volume already allocated**
- **Workforce stable at around 47,500 employees**
- **Successful employee shareholding scheme expanded**
- **Outlook for the business year 2015/16: target is continuing improvement of operating results**

In a global economic environment that is inconsistent, the voestalpine Group continued the positive development of the previous year in the business year 2014/15 (April 1, 2014 to March 31, 2015). Despite constant price pressure from customers, triggered primarily by the sharp decline of raw materials prices, revenue rose by 1% in a year-to-year comparison from EUR 11.1 billion to EUR 11.2 billion. Viewed individually, the reporting categories present a picture that is even more satisfactory: The operating result (EBITDA) of the voestalpine Group rose by 11.4% from EUR 1,374 million to EUR 1,530 million, whereby EUR 61.9 million are the result of non-recurring effects from the sale of two business units (Flamco and Plastics) that had diverged from the Group's core business. Even adjusted, these extraordinary earnings contributions still amount to an increase in EBITDA of 6.9%. As far as profitability is concerned, this means an improvement of the EBITDA margin of 1.3 percentage points to 13.7% (adjusted:13.1%). Profit for the period (net income) rose even more substantially with a plus of 18.0% (adjusted: 9.6%) to EUR 594 million. Thus, earnings per share (EPS) gained markedly, going from EUR 2.59 in the previous year to EUR 3.11.

Wolfgang Eder, CEO of voestalpine AG, summarizes it like this: "The business year 2014/15 was very gratifying. Our strength in innovation and our focus on the high-tech segment has paid off in an economic environment that continues to be challenging. Ultimately, we have succeeded in continuing to expand our earnings leadership."

Earnings and margins improve in all four divisions

While the Steel Division, which is focused primarily on the European premium steel market, profited from quite satisfactory demand for high quality steel products, at the same time, it faced falling prices due to the deflationary development of raw materials prices. Nevertheless, these negative effects were compensated by increased volumes on one hand and on the other, by way of the first positive effects of the cost optimization and efficiency improvement measures, which had been initiated in 2014. Thus, in comparison to the previous business year, the business year 2014/15 showed a significant improvement in earnings. The operating result (EBITDA) rose by 12% from EUR 402 million to EUR 450 million, with the EBITDA margin increasing from 10.6% to 11.6%.

Due to its global presence, the Special Steel Division was able to profit from the positive economic developments in North America and Asia, where demand for high quality tool steel and special materials across most industry sectors was at a solid level. The market in Europe revived somewhat toward the end of the business year, so that, ultimately, the business year 2014/15 was also positive for the division in terms of earnings compared to the previous years. EBITDA increased by 13.5% from EUR 359 million to EUR 407 million, with the EBITDA margin rising from 13.6% to 14.7%.

The Metal Engineering Division once again continued the outstanding development that had marked its performance in recent years. This was driven primarily by strong demand from North America, Europe, and Asia in the railway infrastructure sector, but the division’s performance was supported and secured by a comparably satisfactory development of earnings in the Wire, Seamless Tube, and Welding Consumables business segments. EBITDA improved slightly from EUR 418 million to EUR 420 million, with the EBITDA margin going up from 15.6% to 16.2%.

The development of the Metal Forming Division in the automobile component segment continued to be characterized by excellent demand not only in Europe but also at its newly constructed sites in North America, Asia, and South Africa. The market environment for the Special Section and Precision Strip business segments was satisfactory overall, while the Warehouse und Rack Solutions business segment enjoyed an outstanding global market environment, enabling the division to achieve considerable improvements in earnings over the course of the entire business year. The operating result (EBITDA) showed an increase of 20% from EUR 276 million to EUR 331 million, with the EBITDA margin going up from 11.7% to 14.2%.

Record investments of almost EUR 1.2 billion highlight the Group’s internationalization strategy; construction of the direct reduction plant in the USA on schedule

With a record amount of EUR 1.18 billion, during the past business year, the voestalpine Group invested more than ever in its future and in the realization of its internationalization strategy. While the share of funds invested in foreign countries was still at under 20% in the business year 2005/06, now more than half of all investments are in other countries, with 30% thereof in countries outside of Europe.

Construction of the direct reduction plant in the USA, in Corpus Christi, Texas, is on schedule, despite difficult weather conditions. This was the largest ever foreign investment made by voestalpine in its history and the largest ever by an Austrian company in the USA. Of the planned sales volume, 80% has already been allocated by way of sales agreements. For the remaining

20%, there is plenty of demand worldwide, especially from Europe and the NAFTA region. These negotiations have already made excellent progress. “Our assumptions regarding our major investment in Texas have been fully confirmed,” Wolfgang Eder states. “This strong interest on the part of our customers proves that we were right not only relative to our product HBI/sponge iron but also with regard to our decision on the location we have chosen and the associated logistics.” The plant is scheduled to begin operation on schedule in the first calendar quarter of 2016.

Number of employees remains consistent; successful employee shareholding scheme again expanded

As of March 31, 2015, the voestalpine Group had 47,418 employees (including apprentices and temporary employees) on an FTE/full-time equivalent basis. This means that the number of employees remained practically unchanged (previous year: 47,485). As of the end of the business year, the Group was training 1,400 apprentices (65% of whom were being trained at Austrian companies and 35% at international sites).

For 15 years, the voestalpine employee shareholding scheme has been viewed throughout Europe as a unique and successful system that has been a role model for other companies. In accordance with decisions made in March 2015 by the Management Board and Supervisory Board, the share capital of voestalpine AG was increased by 2.5 million shares for the purpose of expanding the employee shareholding scheme. This will increase the voting share of the Mitarbeiterstiftung (employee foundation) to 14.9%, and the voestalpine employees will thus remain the second-largest shareholder of voestalpine AG.

Dividend increase per share to EUR 1.00 planned

Subject to the approval of the Annual General Shareholders' Meeting of voestalpine AG on July 1, 2015, a dividend of EUR 1.00 per share will be paid to shareholders, an increase of 5.3% compared to the business year 2013/14 (dividend of EUR 0.95 per share). With regard to the earnings per share of EUR 3.11, this means a distribution ratio of 32%. Assuming an average share price of the voestalpine share in the business year 2014/15 of EUR 32.86, the dividend yield is 3%, the same as in the previous year.

Outlook: target is continuing improvement of operating results

Although major factors that determine the economic environment, such as the development of the oil and raw materials prices or the global rate of exchange parities, will probably remain volatile, and geopolitical uncertainties, for example in the Near and Middle East and in the Ukraine, can be expected leave their mark in the near term, the overall global economic development should at least continue to stabilize. For Europe, there have been signs for some time that indicate at least slight growth.

Against this backdrop, in the business year 2015/16, the voestalpine Group should be able to not only defend the leading position it has acquired in the past years in technology and quality as well as efficiency and earnings vis-à-vis its competitors but expand it. The new investments undertaken in recent years at a number of sites in all divisions that are now beginning to bear fruit and the continued consistent implementation of the EUR 900-million program to optimize earnings will do their part to support this development.

"We are very well positioned in the important core industries, such as the automobile, mechanical engineering, and railway infrastructure sectors, and are profiting from our sophisticated industry mix," emphasizes Wolfgang Eder. "As a result, we will continue to develop stably and solidly in an economic environment that—viewed globally—is inconsistent. Furthermore, the uncompromising implementation of the downstream strategy, which has been pursued by the Group for 15 years, is leading toward the definitive departure from the classic earnings mechanisms of the steel industry in favor of both higher and more stable margins in sophisticated industrial sectors."

Based on the current economic situation, it can be anticipated that in the business year 2015/16, the voestalpine Group will record further improvement compared to the business year just ended in both operating result (EBITDA) and profit from operations (EBIT), before any non-recurring effects and changes in the scope of consolidation.

The voestalpine Group

The voestalpine Group is a steel-based technology and capital goods group that operates worldwide. With around 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 2014/15, the voestalpine Group reported revenue of EUR 11.2 billion and an operating result (EBITDA) of EUR 1.5 billion; it had around 47.500 employees worldwide.

Please direct your inquiries to

voestalpine AG
Peter Felsbach
Head of Group Communications I Spokesman

voestalpine-Strasse 1
4020 Linz
Phone: +43/50304/15-2090
peter.felsbach@voestalpine.com
www.voestalpine.com

voestalpine AG

Overview of key figures

voestalpine Group

In millions of euros	2013/14[1]	2014/15	Change in %
Revenue	11,077.2	11,189.5	1.0
EBITDA	1.374.0	1.530.2	11.4
EBITDA margin	12.4%	13.7%	
EBIT	788.4	886.3	12.4
EBIT margin	7.1%	7.9%	
Profit before tax[2]	640.8	740.9	15.6
Profit for the period	503.4	594.2	18.0
Earnings per share (EUR)	2.59	3.11	20.1
Cash flow from operating activities	934.6	1,119.9	19.8
Investments	936.0	1.177.8	25.8
Equity	5,261.6	5,102.5	−3.0
Net financial debt	2,421.4	2,978.1	23.0
…in % of equity (gearing ratio)	46.0%	58.4%	
ROCE	9.3%	10.0%	
Dividend/share (EUR)	0.95	1.00[3]	5.3
Employees (full-time equivalent)	47,485	47,418	−0.1

[1] Business year 2013/2014 retroactively adjusted. For details, please refer to the notes to the consolidated financial statements, B. Accounting policies, General information.
[2] Before non-controlling interests and interest on hybrid capital
[3] As proposed to the Annual General Shareholders' Meeting.

voestalpine AG

<u>voestalpine divisions</u>

In millions of euros	Revenue	EBITDA	EBITDA margin	Employees (full-time equivalent)
Steel	3,873.9	450.3	11.6%	11,103
Special Steel	2,777.4	407.0	14.7%	13,490
Metal Engineering	2,593.0	419.8	16.2%	11,685
Metal Forming	2,335.2	331.3	14.2%	10,328

voestalpine
ONE STEP AHEAD.