

# Letter to Shareholders

## 1<sup>st</sup> Quarter 2013/14

# voestalpine Group Key Figures

In millions of euros	Q 1 2012/13 <sup>1</sup> 04/01– 06/30/2012	Q 1 2013/14 04/01– 06/30/2013	Change in %
Revenue	3,050.6	2,936.1	-3.8
EBITDA	372.4	366.3	-1.6
EBITDA margin	12.2%	12.5%	
EBIT	228.0	223.3	-2.1
EBIT margin	7.5%	7.6%	
Profit before tax (EBT)	185.1	179.9	-2.8
Profit for the period <sup>2</sup>	144.9	138.6	-4.3
EPS – Earnings/share (euros)	0.74	0.69	-6.8
Investments in tangible and intangible assets and interests	134.6	175.8	30.6
Depreciation	144.3	143.0	-0.9
Capital employed	8,098.0	8,196.4	1.2
Equity	4,980.8	5,159.9	3.6
Net financial debt	2,484.2	2,272.4	-8.5
Net financial debt in % of equity (gearing)	49.9%	44.0%	
Employees (full-time equivalent)	46,075	47,154	2.3

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

<sup>2</sup> Before deduction of non-controlling interests and interest on hybrid capital.

## Ladies and Gentlemen:

It is summer in Europe, a hot summer—but only as far as temperature is concerned. If it weren't for the Italian drama—whether it will ultimately be a comedy or a tragedy is still undecided—and the birth of the youngest Windsor in the line of succession to the British throne, one could be justified in thinking that Europe has fallen into a kind of collective summer hibernation, despite the election campaign in Germany.

The absolute hotspot in Europe, however, in the truest sense of the word, is probably Brussels. You will remember that in the fall of the past year, we received the announcement from Brussels that the EU has set the goal of raising industrial value added from the current figure of 16% to 20% of the EU gross domestic product (GDP) by the year 2020. The relevant report, which was published on October 10, 2012, raised hopes—due in part to the title alone “Industrial revolution brings industry back to Europe”—that the EU had in fact understood the seriousness of the situation and had, for the first time, committed itself to a solid and offensive industrial policy. However, apart from referring to six priorities for action, the report contained only numerous declarations of intent and “shoulds” instead of tangible, concrete measures. As far as the most crucial point is concerned, namely the restoration of global competitiveness with regard to costs as the fundamental requirement for success of the entire undertaking, the bottom line was solely the following sobering statement: “As the cost structure in industry changes, cost competitiveness will continue to be the key factor of industrial location and cannot be ignored by policy makers.” Ultimately, this means nothing other than that the Commission does not consider itself to be responsible for actively participating in the creation of those framework conditions that will enable industry based in Europe to position itself successfully in the face of ever tougher global competition.

This is what the actual conduct we have seen from Brussels since last October looks like: Instead of abandoning climate goals that are, in part, technically completely unrealistic, they are escalating the situation by way of “back loading,” an artificial restriction of free CO<sub>2</sub> certificates for energy-intensive industries. Emissions regulations for vehicles will also be made more stringent. At the same time, there are no apparent initiatives at the pan-European level to get the problem which is most urgent for many industrial enterprises, under control—the increasingly prohibitive energy costs. This is the reality of European industrial policies; everything else reflects a common German proverb—paper is patient, in other words, indifferent to what is written on it, or put a little less politely—hot air during a hot summer. Therefore, it will not really surprise anyone if the 20% GDP goal that has been set for industry by 2020 suffers the same fate as the “Lisbon Strategy” from a good dozen years ago. Just to refresh our memory—according to the strategy decided upon at the summit meeting of the European Council in Lisbon in the spring of 2000, Europe wanted to be the “the most competitive and dynamic knowledge-based economy in the world” by 2010. Many people don't even remember that there ever was such a goal.

What is there to say as a final remark? Europe needs an atmosphere of renewal instead of bureaucracy, leadership instead of provincialism, and economic realism instead of esoteric daydreams. Until this happens, we have no other choice but to increasingly look outside of Europe to create the future of the voestalpine Group—not least in order to improve the competitive position of our Group's European locations despite of all the political uncertainties and obstacles.

Linz, August 7, 2013

The Management Board



Wolfgang Eder



Herbert Eibensteiner



Franz Kainersdorfer



Robert Ottel



Franz Rotter

## Highlights

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- In a year-to-year comparison, the weak global economic trend in all regions and industries has remained unchanged.
- However, cautious signs of an economic stabilization are anticipated in the next months.
- With a level of pricing that is almost unchanged overall, voestalpine has a stable, high level of capacity utilization in all divisions and at all the major production sites.
- Implementation of the HBI (sponge iron) project in Texas is on schedule.
- Revenue and results are almost unchanged compared to the immediately preceding quarter; margins slightly improved.
- At EUR 2,936.1 million, revenue in the first quarter of 2013/14 is 3.8% below the previous year's figure (EUR 3,050.6 million) in a year-to-year comparison due to lower raw materials prices.
- Results largely stable: At EUR 366.3 million, operating result (EBITDA) is currently only 1.6% below the figure in the first quarter of the previous year (EUR 372.4 million) despite a weaker economic environment. At EUR 223.3 million, profit from operations (EBIT) is down 2.1% compared to the previous year's figure (EUR 228.0 million).
- Profitability slightly improved: EBITDA margin is 12.5% compared to 12.2% in the previous year; EBIT margin is at 7.6% compared to 7.5% year-over-year.
- At EUR 138.6 million, profit for the period is 4.3% below that of the first quarter of 2012/13 (EUR 144.9 million).
- Equity as of June 30, 2013 (EUR 5,159.9 million) is up by 1.7% compared to equity as of the reporting date of March 31, 2013 (EUR 5,075.3 million).
- Net financial debt is largely stable: EUR 2,272.4 million as of June 30, 2013 compared to EUR 2,259.2 million as of March 31, 2013.
- Compared to March 31, 2013, gearing ratio (net financial debt in percent of equity) fell by 0.5 percentage points to 44.0%.
- Number of employees (full-time equivalent) rose by 1% from 46,351 to a new record figure of 47,154 employees due to the newest acquisitions.

# Interim Management Report

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## Market environment

While practically the entire business year 2012/13 was characterized by a broadly-based downward trend in most of the economic regions worldwide, the first months of the current business year 2013/14 showed a certain stabilizing trend for the first time after a one-year-long downtrend, albeit naturally at a low level. 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.

Development of the major industrial sectors was also largely constant during the last six months. Demand in the entire construction and construction supply sector mainly in Southern and Eastern Europe remained weak. With the exception of the month of April, the European automotive industry reported declining registration figures on the domestic market and—also looking at a long-term comparison—has now reached a very low level. The premium manufacturers, who are strongly export-oriented, were the only ones who could compensate this development due to significant delivery volumes to Asia and North America so that their production figures (actual number of produced cars) are still trending upward. However, the development of production figures of the other manufacturers has recently also indicated that a certain stabilization can be expected in the course of the year.

In the first quarter of the current business year, the energy sector demonstrated a performance that has continued to be varied both according to economic regions and market segments. While projects in the pipeline sector have continued to experience a cautious climate worldwide, exploration activities—albeit regionally differentiated—continued to be at a solid level when viewed globally. In the energy engineering industry (power plant and turbine construction), however, demand, which has been restrained for

quite some time, continued at that subdued level in the most recent quarter as well.

The entire consumer and white goods sector continued to be largely stable at a solid level where it has been since the fall of 2012, and the aviation industry also continues to be characterized by strong demand.

The railway infrastructure sector, which has been performing highly satisfactorily for quite some time, maintained its positive level during the most recent quarter; the strong level of demand in non-European markets more than made up for the weakness of the European markets as Southern Europe especially has not experienced any recovery trends.

Viewed overall, in the spring of 2013, the European economic region continued to demonstrate the same subdued economic trend of the past quarters. The economic drivers of recent years, 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 its customers.

Continuing price volatility of raw materials (iron ore, coal, and scrap) has resulted in frequent but relatively short-term price fluctuations on the sales end of the spectrum—not only in the Steel Division. Nevertheless, by accelerating the implementation of its downstream strategy (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.

## Business performance of the voestalpine Group

Despite the definite cooling of the macroeconomic environment in practically all of the major global economic regions, the voestalpine Group reported a largely stable performance in the last twelve months—apart from some seasonal fluctuations—both with regard to revenue and results. On one hand, this is due to the Group's concentration on market segments that are focused on technology and innovation and whose performance tends to be more sound structurally due to their high entry barriers than market segments that deal with commodity products. On the other hand, the company's quick reaction to framework conditions that substantially deteriorated during the course of the year also had a significant role in the positive development. In addition to classic cost-cutting measures, it was primarily efficiency and productivity improvement programs that made it possible to attain results that were far more positive than the industry average. It is important to note that this was achieved despite a continuing commitment to research and development and ongoing investments in high-tech production facilities with incurring significant expenditures to run these facilities.

In comparison to the first quarter of the last business year, revenue dropped by 3.8% to EUR 2,936.1 million (first quarter of 2012/13: EUR 3,050.6 million), which was mainly induced by falling raw material prices, with all divisions sharing equally in this reduction.

As far as results are concerned, the aforementioned internal measures were quite successful in counteracting this trend. At EUR 366.3 million, the operating result (EBITDA) in the quarter

under review varied only slightly compared to the previous year's figure of EUR 372.4 million (-1.6%). Due to lower revenue, the EBITDA margin even rose from 12.2% in the previous year to 12.5% in the reporting quarter.

Profit from operations (EBIT) followed an analogous pattern with a slight decrease of 2.1% year-over-year from EUR 228.0 million in the past business year to EUR 223.3 million in the quarter under review. During the same reporting period, the EBIT margin rose marginally from 7.5% in the previous year to 7.6% in the past quarter.

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.

Another contribution—albeit still a relatively small one—to the positive margin figures came from the results posted by the Group's newest acquisitions.

Earnings before tax (EBT) came to EUR 179.9 million, a slight decline of 2.8% compared to the first quarter of 2012/13 (EUR 185.1 million). At EUR 138.6 million, profit for the period is 4.3% below that of the first quarter of 2012/13 (EUR 144.9 million), not least due to a slightly higher tax rate year-over-year.

Equity rose as of the reporting date of June 30, 2013 to EUR 5,159.9 million compared to the balance sheet date of March 31, 2013 (EUR 5,075.3 million), an increase of 1.7%. At EUR 2,272.4 million as of the end of June 2013, net financial debt during the same period under review remained largely stable (EUR 2,259.2 million as of March 31, 2013).

Therefore, the gearing ratio (net financial debt in percent of equity) fell during the first quarter of 2013/14 by 0.5 percentage points to 44.0%.

## Quarter-to-quarter business performance of the voestalpine Group

In millions of euros	<b>Q1 2012/13<sup>1</sup></b> 04/01–06/30/2012	<b>Q2 2012/13<sup>1</sup></b> 07/01–09/30/2012	<b>Q3 2012/13<sup>1</sup></b> 10/01–12/31/2012	<b>Q4 2012/13<sup>1</sup></b> 01/01–03/31/2013	<b>Q1 2013/14</b> 04/01–06/30/2013
Revenue	3,050.6	2,882.2	2,719.7	2,871.8	2,936.1
EBITDA	372.4	352.1	319.3	387.5	366.3
EBITDA margin	12.2%	12.2%	11.7%	13.5%	12.5%
EBIT	228.0	207.4	171.8	235.9	223.3
EBIT margin	7.5%	7.2%	6.3%	8.2%	7.6%
Profit before tax	185.1	162.7	125.9	181.0	179.9
Profit for the period <sup>2</sup>	144.9	124.6	100.0	152.4	138.6
Employees (full-time equivalent)	46,075	46,115	44,696	46,351	47,154

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

<sup>2</sup> Before deduction of non-controlling interests and interest on hybrid capital.

**Steel Division**

In millions of euros	<b>Q 1 2012/13<sup>1</sup></b> 04/01–06/30/2012	<b>Q 1 2013/14</b> 04/01–06/30/2013	Change in %
Revenue	999.8	989.8	-1.0
EBITDA	107.9	111.3	3.2
EBITDA margin	10.8%	11.2%	
EBIT	51.4	55.3	7.6
EBIT margin	5.1%	5.6%	
Employees (full-time equivalent)	10,459	10,805	3.3

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

**Market environment and business development**

As expected, the early part of the business year 2013/14 did not bring any fundamental changes for the Steel Division with regard to the general economic environment. Unutilized capacity in the European steel industry in combination with continuing weak demand is still putting pressure on the steel prices. As there are no indications that any blast furnaces in Europe will be permanently shut down in the near future, a structural improvement of the situation is not to be expected.

The development on the raw materials markets has contributed to an easing of the cost situation, with prices for ore, coal, coke, as well as for scrap generally trending downward during the first quarter of 2013/14. However, due to the imbalance between supply and demand, these cost savings are not resulting in an improvement of the European steel industry's profitability but in price reductions.

Although the current situation does not suggest a market recovery, the first signs of stabilization at a low level are nevertheless beginning to be noticeable. Customers have already reduced orders in expectation of the seasonal decline in demand over the summer; as a result, current inventories are already below average. Considering the stabilization of raw materials prices in the last few weeks and the already very low spot market prices, it can be expected that the second

quarter of 2013/14 will not see a repetition of the situation during previous years, when the steel processing industry reduced call-offs to an absolute minimum during the summer months due to the prospect of even lower product prices.

Viewed overall, demand in the industries that are most important for the Steel Division have remained relatively constant (in comparison to the previous business year as well). While new registrations in the European automobile industry hit a low point in May and June 2013, the premium manufacturers were able to compensate this decline with high growth rates in the export business; however, many manufacturers of sub-compact and compact cars, which depend mainly on the domestic markets in Europe, are forced to deal with the continuing sub-par capacity utilization of their plants.

Demand in the mechanical engineering industry during the first quarter of 2013/14 declined slightly; in comparison, while the production figures in the white goods industry remained below the peak figures of past years, they nevertheless remained at a sound level.

Viewed regionally, the construction and construction supply industries in Europe varied, although the construction industry in Southern and Eastern Europe has practically come to a standstill. This industry's situation continues to be somewhat better in Germany, Austria, and Northern Europe. After a more than twelve-month phase of stagnation, the energy industry (heavy plate) has put



the first small line pipe projects out to tender, however, the focus in this business segment is currently on the European South Stream project that is set to be awarded this coming fall.

#### Development of the key figures

Despite the challenging conditions, in particular the continuing high degree of volatility both with regard to the raw materials prices and demand, the very specific positioning of the Steel Division has enabled it to keep both revenue and operating result stable. In comparison to the first quarter of 2012/13, revenues fell only marginally by 1.0% from EUR 999.8 million to EUR 989.8 million. This is due primarily to the fact that, despite declining prices, delivery volumes were signifi-

cantly increased compared to the first three months of 2012/13. Therefore, despite the difficult market environment, the division enjoyed full capacity utilization. As opposed to the revenue figures, both operating result (EBITDA) and profit from operations (EBIT) rose. While EBITDA increased by 3.2% from EUR 107.9 million to EUR 111.3 million (EBITDA margin: 11.2%; previous year: 10.8%), EBIT even went up by 7.6% from EUR 51.4 million to EUR 55.3 million, corresponding to an EBIT margin of 5.6% (previous year: 5.1%).

As of June 30, 2013, the Steel Division had 10,805 employees (FTE), thus increasing its workforce compared to the previous year (10,459) by 3.3%.

#### Special Steel Division

In millions of euros	Q 1 2012/13 <sup>1</sup> 04/01–06/30/2012	Q 1 2013/14 04/01–06/30/2013	Change in %
Revenue	735.7	682.8	-7.2
EBITDA	104.5	98.5	-5.7
EBITDA margin	14.2%	14.4%	
EBIT	68.3	65.0	-4.8
EBIT margin	9.3%	9.5%	
Employees (full-time equivalent)	12,348	12,884	4.3

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

#### Market environment and business development

In the first quarter of 2013/14, the performance of the Special Steel Division was more positive than in the immediately preceding quarter, however, when comparing the figures with the first quarter of the previous year, there was a slight decline. This is primarily the result of several factors: the economy in Europe is not yet recovering, economic growth in China has slowed in the course of the year, and the economic recovery in the USA continues to be sluggish.

Against this backdrop, it is only logical that many customers continue to proceed highly cautiously. Capacity utilization in the production companies was subject to considerable fluctuations during the first quarter of 2013/14 due to very short-term order patterns on the part of customers mentioned above. Particularly the downturn in European markets since the beginning of the year is causing an atmosphere of uncertainty with regard to future short-term development. Growth in the emerging markets, especially China and Brazil, has also slowed, resulting in noticeable adverse effects.

In the High Performance Metals business segment, the economic slump in the automobile industry had the greatest negative impact as it is this segment's largest customer, while the mechanical engineering industry saw a largely stable market environment, albeit at a somewhat lower level than in the comparable period of the previous year. The tool and high-speed steel segments enjoyed the positive effects of customers' low inventories. Demand for special materials, in comparison, was at a solid level, with especially satisfactory development in the consumer goods industry and oil and natural gas exploration.

Integration of the companies acquired in the fourth quarter of 2012/13 (Eifeler Group, Sturdell Industries) was implemented on schedule so that the High Performance Metals business segment's value-added services segment was able to significantly expand its range of services with regard to high-quality coatings and mechanical processing (sawing, milling, grinding). In the first quarter of 2013/14, voestalpine took over the assets of Rieckermann Steeltech Ltd. (Shanghai) and P.M. Technology Ltd. (Shenzhen) in order to enhance its position in the growth market China (regarding the details, see the "Acquisitions" section).

In the Special Forgings business segment, the aviation industry remained a strong customer segment, while the energy equipment market continued to stagnate at a low level with still no

signs of a recovery. In contrast, the first signs of an economic revival in the commercial vehicle industry have been increasing.

#### **Development of the key figures**

As a consequence of the downward trend in production and delivery volumes—albeit at slightly higher prices in comparison to the first quarter of the previous year—revenue fell by 7.2% from EUR 735.7 million to EUR 682.8 million. The fact that it was possible to keep declines in the operating result (EBITDA) within narrow limits in the first quarter of 2013/14 despite more challenging market conditions is due, on one hand, to the efficiency improvement measures undertaken during the last business year and, on the other, to the initial contributions to earnings by the newly acquired companies (Eifeler Group, Sturdell Industries).

At EUR 98.5 million, EBITDA is 5.7% below the previous year's figure of EUR 104.5 million. The improvement in the EBITDA margin, however, was only slight, with this figure rising from 14.2% to 14.4%. Profit from operations (EBIT) went down by 4.8%, going from EUR 68.3 million in the first quarter of 2012/13 to EUR 65.0 million in the first quarter of 2013/14, with the EBIT margin increasing slightly from 9.3% to 9.5%.

As of June 30, 2013, the Special Steel Division had 12,884 employees (FTE), an increase of 4.3% compared to the same reporting date in the previous year (12,348) due primarily to acquisitions.

## Metal Engineering Division

In millions of euros	Q 1 2012/13 <sup>1</sup> 04/01–06/30/2012	Q 1 2013/14 04/01–06/30/2013	Change in %
Revenue	805.6	766.9	–4.8
EBITDA	110.9	112.3	1.3
EBITDA margin	13.8%	14.6%	
EBIT	83.3	83.2	–0.1
EBIT margin	10.3%	10.8%	
Employees (full-time equivalent)	11,291	11,558	2.4

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

### Market environment and business development

The Metal Engineering Division's business activities continued to evolve at a very high level in the first quarter of the business year 2013/14. Results in the immediately preceding quarter (fourth quarter of the business year 2012/13) were remarkably positive due to outstanding achievements in individual projects, and the first quarter of 2013/14 was a seamless continuation of the development in the previous quarters, reflecting the division's ongoing excellent performance under "normal" conditions as well.

The Rail business segment had an outstanding first quarter, driven by stable demand in the project business, especially in non-European regions; this factor enabled this segment to compensate the currently weak development in Europe. This is not expected to change in the course of the business year 2013/14. The global presence of the Turnout business segment contributed to the stability of the Metal Engineering Division's results. While demand in Europe remains subdued, especially in the Mediterranean countries, the continuing favorable development in the other global regions has enabled the segment to compensate this weaker area. Demand from Asia, the USA, and South Africa has been quite robust, and South America is also sending positive signals. New projects for turnout systems in the Middle East and Turkey are also contributing to the very good performance of this business segment.

Performance of the Wire business segment continues to be positive in contrast to the general market trend. Although raw materials prices, which have been trending downward, have to some degree resulted in declining sales prices as well, profitability was not adversely affected because high demand ensured almost complete capacity utilization.

Stable performance has also distinguished the Welding Technology business segment, where weak markets in Europe have been compensated by increasing demand that has come mainly from the power plant construction segment in India, China, and Southeast Asia.

Slightly falling orders from the USA in the Seamless Tube business segment have been offset by higher sales in other markets (Australia, Russia) so that the segment has maintained its outstanding performance.

### Development of the key figures

While revenue declined slightly year-over-year due to lower raw materials prices and resulting decreased sales prices, results were at the same outstanding level as in the first quarter of the previous business year.

In the first quarter of the business year 2013/14, the division's revenue was at EUR 766.9 million, merely 4.8% below the record figure of the first quarter of the previous business year (EUR 805.6 million). At EUR 112.3 million, the operating result (EBITDA) rose by 1.3% in comparison to the

first quarter of the business year 2012/13 (EUR 110.9 million), and the EBITDA margin went up as a result from 13.8% to 14.6%. At EUR 83.2 million, profit from operations (EBIT) matched almost precisely the figure in the comparable quarter of the previous business year (EUR 83.3 million).

EBIT margin was at 10.8%, 0.5% higher than that of the first quarter of 2012/13.

As of the reporting date of June 30, 2013, the Metal Engineering Division had 11,558 employees (FTE), an increase of 2.4% compared to the same reporting date in the previous year (11,291).

### Metal Forming Division

In millions of euros	Q 1 2012/13 <sup>1</sup> 04/01–06/30/2012	Q 1 2013/14 04/01–06/30/2013	Change in %
Revenue	611.1	597.9	-2.2
EBITDA	68.0	68.5	0.7
EBITDA margin	11.1%	11.5%	
EBIT	45.6	46.1	1.1
EBIT margin	7.5%	7.7%	
Employees (full-time equivalent)	11,272	11,117	-1.4

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

### Market environment and business development

In the first quarter of the business year 2013/14, the Metal Forming Division seamlessly continued its performance during the immediately preceding quarter. Despite the economically challenging market environment, it was able to continue its stable development at the operational level; the cost-cutting and efficiency improvement programs, which were initiated as a reaction to the generally subdued market situation, are already showing positive effects on the operating result.

The development of the markets serviced by the Tubes and Sections business segment was regionally differentiated, but they remained at a sufficient level overall. Particularly in Europe, the situation with regard to incoming orders has been showing increased volatility because, to an ever greater extent, customers are making their buying decisions on a short-term basis, although the development of the basic trends in the individual

market segments has not been showing any noticeable changes since the beginning of the calendar year. The entire construction industry sector, including the construction machinery sector, has remained unchanged at a weak level.

The trends in the commercial vehicle and bus industries in Europe continue to be varied. While the order situation has been quite good for export-oriented manufacturers as it has been driven by markets outside of Europe, those manufacturers who are focused on the European markets have faced continuing subdued demand. Demand in the aviation industry in the first quarter of the business year 2013/14 also remained at the same high level as in the past quarters.

Performance in the Automotive Body Parts segment developed at a stable level during the first quarter of the business year due to its long-term order structure; capacity utilization was at a solid level throughout the entire quarter. The export-driven order situation of the premium automobile manufacturers in Europe ensured a solid level of

demand in a market environment marked by severely reduced registration figures in the European markets. Furthermore, the successful implementation of technological innovations—such as “phs-ultraform” (press hardening steel), a product that has defined new global standards in the area of crash-sensitive safety components—has made a substantial contribution to the continued satisfactory position of the voestalpine Group in the challenging European automotive market.

In the Precision Strip business segment, the first quarter of the business year 2013/14 was characterized by a slight weakening of the market due to new manufacturing capacities in Asia and declining demand due to political instability in North Africa.

For the Material Handling business segment, the first quarter of the new business year was positive both with regard to capacity utilization and the order situation.

Viewed regionally, the development in Europe continued to be difficult, with the momentum of demand generally cooling and some markets showing a high level of volatility with regard to the volume of incoming orders. Apart from seasonal effects in the agricultural machinery segment and the end of several projects in the solar segment, the North American market remained at a good level. Despite a roll-back of the growth forecasts for the markets relevant for the Metal

Forming Division, the development of the business situation in Brazil remained stable.

#### **Development of the key figures**

In the first quarter of the business year 2013/14, the Metal Forming Division was able to maintain the results of the immediately preceding quarter despite slightly lower sales. At EUR 597.9 million, revenue was 2.2% below the comparable quarter of the previous business year (EUR 611.1 million) due to the price pressure as a result of lower pre-material prices. As far as results are concerned, this decline was more than compensated, in particular by the implementation of efficiency improvement and cost-cutting measures. At EUR 68.5 million, the operating result (EBITDA) was slightly higher than the figure in the comparable quarter of the previous business year (EUR 68.0 million), an increase of 0.7%. Accordingly, the EBITDA margin of 11.5% was also somewhat higher than in the previous year (11.1%). Profit from operations (EBIT) went up year-over-year by 1.1% and was at EUR 46.1 million as of the end of the first quarter 2013/14 (first quarter of 2012/13: EUR 45.6 million); the EBIT margin was at 7.7%, a slight increase in comparison to the first quarter of the business year 2012/13 (7.5%).

As of the reporting date of June 30, 2013, the number of employees (FTE) was 11,117, a slight decline of 1.4% compared to the same reporting date in the business year 2012/13.

## Antitrust proceedings relative to railway superstructure material

The monetary penalty proceedings by the German Federal Cartel Office (Bundeskartellamt) relating to voestalpine and relative to deliveries of rails and railway superstructure material to Deutsche Bahn, was concluded about one year ago. On July 23, 2013, the German Federal Cartel Office also concluded the still unresolved portion of the proceedings concerning the private market by issuing an official notice of the fine. The portion of the proceedings relative to the private market concerns deliveries of rails and railway superstructure material to municipal mass transit agencies as well as industrial customers and construction companies.

In this portion of the proceedings, a fine in the amount of EUR 6.4 million was imposed on voestalpine for deliveries of turnouts to customers in Germany. Otherwise, voestalpine's status of cooperating witness was also confirmed for this portion of the proceedings. This means that the monetary penalty proceedings by the German Federal Cartel Office in connection with the so-called "rail cartel" are now concluded in their entirety. Up to July 23, 2013, fines totaling EUR 232.1 million have been levied by the German Federal Cartel Office in the antitrust proceedings relative to railway superstructure material, of which EUR 14.9 million were levied against companies belonging to the voestalpine Group.

As far as claims for compensatory damages for deliveries by the cartel are concerned, claims by Deutsche Bahn for direct deliveries of rails by voestalpine were resolved in May 2013 by way of payment of damages. Claims for compensatory damages for indirect deliveries of rails to Deutsche Bahn as well as deliveries to municipal mass transit agencies and other private market customers are still unresolved.

The provisions recognized for the antitrust proceedings and associated actions and costs as well as for the closure of TSTG Schienen Technik GmbH & Co KG in the annual financial statements 2012/13 in the amount of EUR 204.4 million were mainly reduced by the amount paid to compensate Deutsche Bahn for direct rail deliveries as of June 30, 2013. The remaining provisions are still considered to be appropriate.

## Closure of TSTG Schienen Technik GmbH & Co KG

As already set forth in the Annual Report 2012/13, the negotiations with employee representatives regarding reconciliation of interests and a social compensation plan for the remaining 350 employees, which were initiated after the resolution by the Management Board in March 2012 to close the rail production of TSTG Schienen Technik GmbH & Co KG in Duisburg, were successfully completed on May 16, 2013. The final closure will take place toward the end of the 2013 calendar year after all still remaining orders have been completed (regarding provisions formed for the closure, please see the section "Antitrust proceedings relative to railway superstructure material").

## Business transactions with associated companies or parties

Information regarding business transactions with associated companies and parties is available in the Notes.

## Investments

Following a period of consolidation after the major acquisition of BÖHLER UDDEHOLM and the effects of the financial and economic crisis, investment activity at the voestalpine Group has been markedly accelerating again since the business year 2012/13. This was necessary, on the one hand, to enhance the Group's position as quality and technology leader and on the other hand, to advance the Group's strategic orientation as a globally positioned, integrated technology and capital goods Group.

In the first quarter 2013/14, investments for the entire Group amounted to EUR 175.8 million, a figure that is 30.6% above the same quarter of the previous business year. While the Metal Forming Division reported only moderate additional investment in the same period (+12.2%), and the investments of the Metal Engineering Division hovered at about the same level as the previous year (-3.1%), the Steel Division showed a major increase (+42.4%), although even this figure was markedly eclipsed by investments in the Special Steel Division (+82.5%).

Specifically, the Steel Division's investments in the first quarter of 2013/14, compared to the same period of the previous year, rose from EUR 51.9 million to EUR 73.9 million. The measures in the metallurgical segment primarily related to projects to increase efficiency in the blast furnace area (retooling the cowpers; installation of the new coal injection system). For rolling activities, several plans are currently underway concurrently. Work is currently being focused on the substructure of the new heavy plate rolling stand, which is scheduled for operational launch in December 2014. The continuous annealing line 2, for production of premium quality electric steel strip, is still being completed during this business year so that the ramp-up phase can start on schedule at the beginning of the business year 2014/15. In addition, investments are currently underway to modernize the tandem pickling cold rolling mill and the electrolytic galvanizing facility.

In percentage terms, the Special Steel Division achieved the most substantial expansion of investments in the first quarter of 2013/14 compared to the first quarter of the previous year. Though partially due to acquisitions, investment volume soared by 82.5%, from EUR 20.0 million to EUR 36.5 million. The most important undertakings are projects that have already been running for a long time: increase of capacity in the area of powder-metallurgical steels at the Kapfenberg (Austria) site and expansion of the steel plant at the Wetzlar (Germany) site. The latter project will span a total of more than four years and will add a whole new dimension to the plant in terms of productivity, quality, environmental protection, and occupational safety. The goal of numerous investments in the Value-Added Services segment is to facilitate the global expansion of the product range. Customers should not only be provided locally with steel, but also increasingly with qualitatively valuable services, such as heat treatment, pre-processing, and coating. The division's most recent acquisition activities (Eifeler and Sturdell still in 2012/13 and Rieckermann in the previous quarter; see "Acquisitions") are providing a considerable contribution to this undertaking.

In the Metal Engineering Division, the level of investment, totaling 31.3 million in the first

quarter of the business year 2013/14 held steady in comparison to last year's figure of EUR 32.3 million. The division successfully completed the construction of production facilities to manufacture ultra-high-tensile fine wire, as part of the acquisition of a majority stake in CPA Filament GmbH about one year ago. The new facilities were put into operation by the end of the first quarter of the current business year, as scheduled. Currently, the division is preparing initial sample deliveries to customers. A substantial portion of the Metal Engineering Division's investment expenditures in the first quarter of 2013/14 were employed for a number of minor maintenance and restoration projects.

The Metal Forming Division laid out EUR 32.3 million for investments in the first quarter of 2013/14, which corresponds to a 12.2% increase over the previous year's figure of EUR 28.8 million. Most of this amount was applied to investments in global support and facilitation of the expansion activities of strategically significant customers in the automotive, agricultural, and construction machinery sectors. The implementation of the high tensile strategy in the Automotive Body Parts business segment is proceeding according to plan, so that the new parts plant in the USA will be ready after the summer to commence production. The other new sites in China and South Africa will follow in the next nine months. The expansion of production facilities for special profiles in China are likewise proceeding according to plan. Meanwhile, in the Precision Strip business segment, the second phase of expansion was completed at the Kematen (Austria) site.

## Acquisitions

In the first quarter of 2012/13, two divisions made acquisitions as part of the implementation of the Group's internationalization strategy as set forth in "voestalpine 2020":

The Special Steel Division acquired two production and service locations in China from the Rieckermann Group within the scope of an asset deal—Shanghai-based Rieckermann Steeltech Ltd. and P.M. Technology Ltd., based in Shenzhen. At the two locations, around 100 employees are handling pre-processing and heat treatment of special steel products. These acquisitions enable

voestalpine to expand distribution in China on one hand, and, on the other, they provide the opportunity to establish and develop the segment of sophisticated special materials, which are used in oil and natural gas production, energy and power plant technology, and the aerospace industry, for local demand.

The Metal Engineering Division expanded its portfolio with regard to the welding technology segment by acquiring the Italian company *Trafilerie di Citadella S.p.A./FILEUR*, based in Citadella. *Böhler Welding Holding GmbH* took over 90% of the shares of this Italian company, which employs 60 people and generated annual revenue of EUR 13.7 million in 2012. *Trafilerie di Citadella* specializes in the production of seamless flux cored wire; due to its product characteristics, it is particularly suitable for welding high-strength, low-temperature and heat-resistant steel.

## Employees

As of the reporting date of June 30, 2013, the voestalpine Group had 47,154 employees (full-time equivalent, FTE) worldwide, an increase of 2.3% compared to the figure in the first quarter of 2012/13 (46,075), which constitutes a new record in the number of employees. Of this number, 4,254 employees (FTE) were designated as temporary staff, which corresponds to an increase of 1.6% year-over-year (4,189 employees/FTE). The number of apprentices who are being trained increased as of June 30, 2013 compared to the previous year by 22 young people; the total is now 1,323.

## Research and development

According to Eurostat, voestalpine AG is the most research-intensive company in Austria. Indeed, the Group's R&D budget for the business year 2013/2014 totals EUR 137 million. One focus of current research activities is the Group's involvement in various competence centers, which act as interfaces between science, business and in-

dustry; in their work, the researchers focus on fundamental issues regarding materials and efficiency development.

For example, voestalpine is participating in ten different competence centers and projects that focus on a variety of subject matters under the Austrian research program known as "COMET." The core projects involve the fields of metallurgy, materials development, and mechatronics. In addition, there are other important collaborative efforts in steel processing, materials testing, development of surface engineering, and future-oriented IT solutions.

The core competency and focus of the "MPPE Material, Process and Product Engineering" research center, located at Leoben University of Mining and Metallurgy—and partner with voestalpine on a number of projects—are the integration and optimization of materials selection, manufacturing processes, and component geometry. It deals with achieving the highest functionality, minimal weight, greatest process reliability, and the lowest possible cost.

CEST GmbH, the Austrian competence center for electro-chemical surface technology, recently celebrated its five-year anniversary. As one of the co-owners for years now, voestalpine is firmly anchored in the broad-based research program. Together with the experts at various universities, the answers to the latest issues in surface engineering—for example, the replacement of Cr(VI)—were found in the course of more than 20 projects.

One of the first projects approved under the newly initiated Austrian "Frontrunner Strategy" (front-runner here refers to companies who are technology leaders), was a project of the voestalpine Group, which dealt with the topic of sustainable production of intelligent materials.

Under "HORIZON 2020," the new EU Framework Program for Innovation and Research, the Group is participating in "SPIRE," a public-private partnership. "SPIRE" stands for "Sustainable Process Industry through Resource and Energy Efficiency" and is an initiative of energy-intensive industries whose common goal is to develop new, cross-sector energy and resource-efficient solutions.



## Environment

### Environmental policy topics

As described in detail in earlier reports, the political, economic, and technical debate surrounding the issue of the environment is focused on the EU 2050 Roadmaps, CO<sub>2</sub> emissions trading, and the Steel Roadmap of the European Steel Association EUROFER.

### EU 2050 Roadmaps

Subsequent to the publication of the EU Commission's "2050 Roadmaps" for climate policy, energy, and resource efficiency in 2011, the Commission also presented a white paper on the transportation system. With respect to deliberations in the European Parliament and the Council, so far both bodies have only been able to reach consensus about the roadmap on the topic of resource efficiency and thus gave a corresponding implementation assignment to the Commission. The definitive implementation process will be voted on at the plenary session of the EU Parliament this coming October.

### Steel Roadmap

The European Steel Association EUROFER developed the "Low Carbon Steel Roadmap" over the past twelve months, which has since been published. On the one hand, this roadmap illustrates the significance of steel within the context of active climate protection; on the other hand, it examines the technologically achievable potential—realistically speaking—of reducing CO<sub>2</sub> emissions. It basically showed that, given the current conditions in Europe, any further significant reduction of emissions is not economically feasible and would only be achievable with the existence of new preconditions that the steel industry is unable to influence (e.g., availability of inexpensive energy sources, public acceptance of new framework conditions). Bearing in mind that, within this context, only new technological solutions would facilitate—at least to some extent—the "low carbon goal" that Europe is striving for, voestalpine is taking a definitive step toward improving carbon efficiency by investing in a direct reduction system in North America. In

the production process for sponge iron (HBI or hot-briquetted iron) as the base material for blast furnace and steel mill, coke and coal are no longer used as the reducing agent, but natural gas instead, which leads to a substantially smaller carbon footprint.

### CO<sub>2</sub> emissions trading

The CO<sub>2</sub> emissions trading process, described in the Annual Report 2012/13, and the continued development of the Emissions Trading Guideline by the EU Commission might gain new momentum within the foreseeable future. The proposal for the allocation volumes that apply to Austria under the EU Emissions Trading Scheme had already been published nationwide on March 5, 2012 and submitted to the EU Commission; however, other member states submitted their documentation considerably later. Consequently, the review of these proposals is still underway at present. But all of the national allocation plans have to be evaluated before the Commission can decide whether or not the total of the scheduled free allocations is consistent with the total volumes allowed by the Emissions Trading Guideline. If not, then the allocation volume would have to be lowered across the board by a "correction factor." As the general public learned in July 2013, a correction factor of this kind might even become necessary in the short-term, at which point the producing industry, first and foremost, would bear a significantly greater burden. In the interest of preserving the global competitiveness of European production sites, a structural reform—with a clear separation of energy production and producing industry sectors—would certainly be unavoidable in this case. Therefore, it is impossible at this time to make any reliable assertions on the definitive CO<sub>2</sub> cost burden for the next few years.

### New environmental information campaign

The voestalpine Group is presenting a new face in regard to its environmental activities—both on the Internet and in the print media—based on a standard and clearly delineated baseline. The slogan "We have the environment firmly in focus" is intended to deepen the understanding of en-

environmental protection activities, both within and outside of the Group, and create the greatest possible level of transparency. Complex environmental issues are presented in a concise, easy-to-understand package. The new Internet presence and an up-to-date environmental folder communicate the Group's environmental awareness to the outside world.

The environmental network at the voestalpine companies promote the active exchange of knowledge, open and regular transfer of information and communications, target-group oriented communications plans, and regularly scheduled meetings, so that together, solutions can be further enhanced and implemented in the interest of the company as well as its surroundings.

## Outlook

Only two months after publishing the outlook for 2013/14 in the Annual Report 2012/13, there are no fundamentally new insights with regard to expectations for the economic situation for the period up to March 2014.

From today's perspective, the construction and construction supply industries will remain problematic sectors for quite some time—not only in Southern and Eastern Europe. The European automobile industry will be able to at least partially compensate for the continuing weak markets in Europe only by expanding their presence on the international markets. And as far as the landscape for projects in the area of oil and natural gas is concerned, the recovery that had been anticipated for a long time has not materialized, nor will it in the immediate future (although there has been some movement during the last weeks). Demand in the consumer goods and white goods sectors continues to be solid, whereas the mechanical engineering sector has been weaker recently, and it will not be clear until after the summer months whether this is only temporary or whether this soft patch will be more prolonged. Demand from the aerospace industry and the (non-European) railway sector remains stable.

All in all, the development of the last months confirms the conclusion expressed in the outlook for the entire year that, at minimum, the economic downward trend that had prevailed up to the early part of 2013 has been broken. From the current point of view, 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, 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.

The performance of the voestalpine Group up to the end of 2013 is expected to be stable overall, with the exception of some moderate seasonal effects. For the next months, it is anticipated that

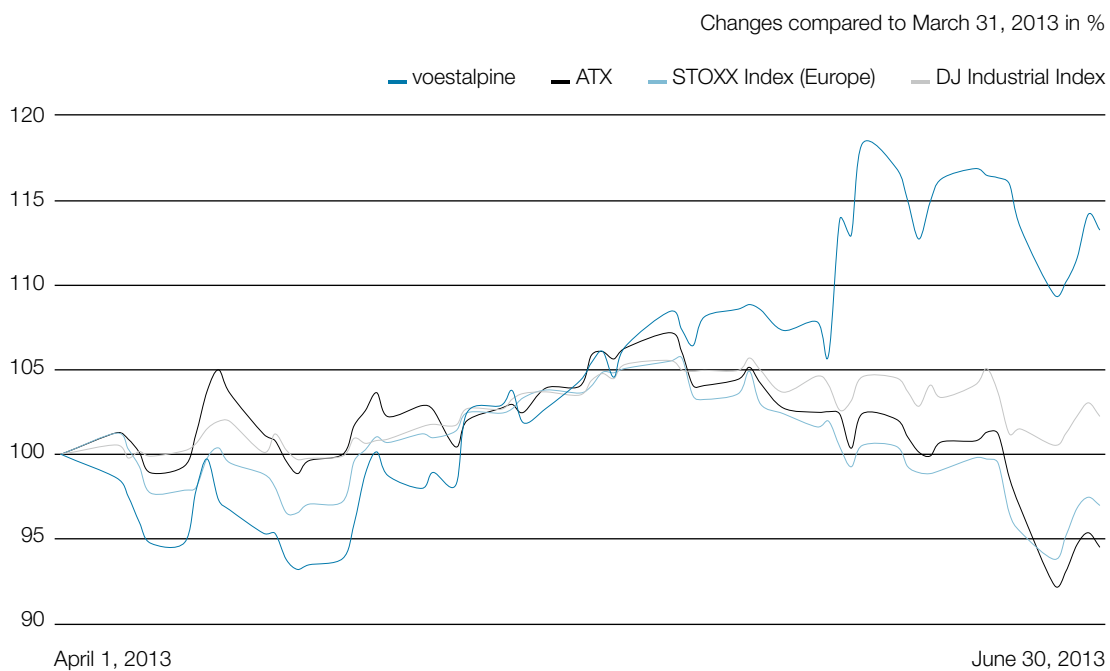
- the Steel Division will enjoy absolutely complete capacity utilization, with prices trending upward,
- the Special Steel Division will have almost full capacity utilization, with prices at a stable level,
- the Metal Engineering Division will see absolutely complete capacity utilization, with prices at a consistently solid level, and
- the Metal Forming Division will see 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 very 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.

Against this backdrop—especially considering the continuing uncertainty regarding a positive economic trend reversal in the coming year—it appears that a repetition of the previous year's results (EBITDA, EBIT) is the most probable scenario for the voestalpine Group in 2013/14 and that these results are somewhat more certain than they had been at the beginning of the business year.

## Investor relations

### voestalpine AG vs. the ATX and international indices



### Price development of the voestalpine share

In a period when the European capital markets were trending toward lateral movement, the voestalpine share performed very positively in the first quarter of 2013/14 in comparison. Within three months, it not only achieved a significant increase in value, but, for the first time in quite a while, it was successful in outstripping the most important indices (Stoxx Index Europe, Dow Jones

Industrial Index, and ATX) by a healthy margin. The primary reason for the increase in the share's price were the results for the fourth quarter of 2012/13 that were published on June 5, 2013 and were excellent considering the difficult market environment. Up to this point in time, the voestalpine AG share had been more or less in step with the aforementioned indices. As of June 30, 2013, however, its price of EUR 27.13 was significantly higher than its price at the end of the immediately preceding quarter (EUR 23.96).

## Bonds

### Hybrid bonds (2007–2014, 2013–2019)

Within the scope of financing the acquisition of the BÖHLER-UDDEHOLM Aktiengesellschaft, voestalpine AG issued a subordinated hybrid bond in October 2007 with an issue volume of EUR 1 billion and a coupon rate of 7.125%. The earliest possible call option by voestalpine AG is in October 2014. During its first two years, the hybrid bond traded consistently under its initial offering price due to the generally difficult financial and economic situation. It reached its lowest price at 75 (% of the face value) in the spring of 2009. Subsequently, the bond's price started to rise, in particular as of early 2010. Since then it has continued its very positive development, closing at the end of the first quarter of 2013/14 at about 103 (% of the face value).

In order to optimize its financing portfolio, in February 2013, voestalpine AG offered all existing holders of the hybrid bond 2007 the opportunity to exchange their holdings for a new hybrid bond 2013 with a volume of up to EUR 500 million on a 1:1 basis. As more than 70% of the investors took advantage of this offer, allocation of the new bonds had to be curtailed accordingly. The coupon rate of the (new) hybrid bond 2013 is fixed at 7.125% until October 31, 2014, then it is set at 6% until October 31, 2019. Demand for this security was so high that the price rose as of June 30, 2013 to around 109 (% of the face value).

### Corporate bond 2 (2011–2018)

In early February 2011, voestalpine AG successfully placed a seven-year bond issue on the capital market with a coupon rate of 4.75 % and a volume of EUR 500 million. From the very beginning, demand on the part of investors was very strong, and this was manifested by the positive development of the price. Particularly in the 2012 calendar year, the price rose significantly. As of

the end of June 2013, the price of this bond was at about 108 (% of the face value).

### Corporate bond 3 (2012–2018)

At the end of September 2012, voestalpine successfully placed another bond issue on the capital market with a volume of EUR 500 million and an interest rate of 4%. The bond was subscribed primarily by international investors, mainly from Germany, Switzerland, and the UK. Issue of the bond and the start of official trading was on October 5, 2012 on the Luxembourg Stock Exchange. Once again, the development of the price on the secondary market shows that the bondholders have a great deal of confidence in the company; by the end of June 2013, the price of this bond had risen to about 105 (% of the face value).

### voestalpine AG is currently being analyzed by the following investment banks/institutions:

- Baader Bank AG, Munich
- Banco Espirito Santo de Investimento, Lisbon
- Bank of America/Merrill Lynch, London
- Citigroup, London
- Commerzbank, Frankfurt
- Credit Suisse, London
- Deutsche Bank, London
- Erste Bank, Vienna
- Exane BNP Paribas, Paris
- Goldman Sachs, London
- HSBC, London
- Jefferies, London
- JP Morgan, London
- Kepler Cheuvreux, Frankfurt
- MainFirst, Frankfurt
- Morgan Stanley, London
- Nomura, London
- Raiffeisen Centrobank, Vienna
- Société Générale, Paris
- Steubing, Frankfurt
- UBS, London

## Share information

Share capital	EUR 313,309,235.65 divided into 172,449,163 no-par value shares
Shares in proprietary possession as of June 30, 2013	28,597 shares
Class of shares	Ordinary bearer shares
Stock identification number	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

### Prices (as of end of day)

Share price high April 2013 to June 2013	EUR 28.35
Share price low April 2013 to June 2013	EUR 22.34
Share price as of June 30, 2013	EUR 27.13
Initial offering price (IPO) October 1995	EUR 5.18
All-time high price (July 12, 2007)	EUR 66.11
Market capitalization as of June 30, 2013*	EUR 4,677,769,955.58

\* Based on total number of shares minus repurchased shares.

### Business year 2012/13

Earnings per share	EUR 2.61
Dividend per share	EUR 0.90
Book value per share	EUR 29.06

### Financial calendar 2013/14

Letter to shareholders for the second quarter of 2013/14	November 6, 2013
Letter to shareholders for the third quarter of 2013/14	February 11, 2014
Annual Report 2013/14	June 4, 2014
Annual General Shareholders' Meeting	July 2, 2014
Ex-dividend date	July 7, 2014
Dividend payment date	Juli 14, 2014

**voestalpine AG****Financial data 06/30/2013**

In accordance with International Financial Reporting Standards (IFRS)

**Consolidated statement of financial position****Assets**

	03/31/2013	06/30/2013
<b>A. Non-current assets</b>		
Property, plant and equipment	4,580.6	4,553.7
Goodwill	1,470.2	1,469.6
Other intangible assets	320.9	323.6
Investments in associates	156.4	151.3
Other financial assets	109.2	96.1
Deferred tax assets	343.6	333.3
	<b>6,980.9</b>	<b>6,927.6</b>
<b>B. Current assets</b>		
Inventories	2,876.9	2,925.4
Trade and other receivables	1,655.5	1,694.9
Other financial assets	473.3	425.8
Cash and cash equivalents	1,092.7	698.2
	<b>6,098.4</b>	<b>5,744.3</b>
<b>Total assets</b>	<b>13,079.3</b>	<b>12,671.9</b>

In millions of euros

## Equity and liabilities

	03/31/2013	06/30/2013
<b>A. Equity</b>		
Share capital	313.3	313.3
Capital reserves	472.5	467.0
Hybrid capital	993.2	993.2
Retained earnings and other reserves	3,228.9	3,310.9
<b>Equity attributable to equity holders of the parent</b>	<b>5,007.9</b>	<b>5,084.4</b>
Non-controlling interests	67.3	75.5
	<b>5,075.2</b>	<b>5,159.9</b>
<b>B. Non-current liabilities</b>		
Pensions and other employee obligations	1,004.6	1,005.8
Provisions	113.8	119.3
Deferred tax liabilities	189.6	185.9
Financial liabilities	2,558.8	2,725.3
	<b>3,866.8</b>	<b>4,036.3</b>
<b>C. Current liabilities</b>		
Provisions	612.2	532.2
Tax liabilities	60.8	78.4
Financial liabilities	1,324.6	734.1
Trade and other payables	2,139.7	2,131.0
	<b>4,137.3</b>	<b>3,475.7</b>
<b>Total equity and liabilities</b>	<b>13,079.3</b>	<b>12,671.9</b>

In millions of euros

## Consolidated statement of cash flows

	04/01–06/30/2012	04/01–06/30/2013
<b>Operating activities</b>		
Profit for the period	144.9	138.6
Adjustments	151.9	160.8
Changes in working capital	1.0	-150.0
<b>Cash flows from operating activities</b>	<b>297.8</b>	<b>149.4</b>
<b>Cash flows from investing activities</b>	<b>-218.0</b>	<b>-123.9</b>
<b>Cash flows from financing activities</b>	<b>43.3</b>	<b>-412.3</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>123.1</b>	<b>-386.8</b>
Cash and cash equivalents, beginning of period	677.2	1,092.7
Net exchange differences	0.1	-7.7
<b>Cash and cash equivalents, end of period</b>	<b>800.4</b>	<b>698.2</b>

In millions of euros



## Consolidated income statement

	04/01–06/30/2012 <sup>1</sup>	04/01–06/30/2013
Revenue	3,050.6	2,936.1
Cost of sales	-2,433.3	-2,317.8
<b>Gross profit</b>	<b>617.3</b>	<b>618.3</b>
Other operating income	83.6	69.1
Distribution costs	-250.1	-249.0
Administrative expenses	-151.6	-150.7
Other operating expenses	-71.2	-64.4
<b>EBIT</b>	<b>228.0</b>	<b>223.3</b>
Share of profit of associates	5.1	3.4
Finance income	20.4	11.7
Finance costs	-68.4	-58.5
<b>Profit before tax (EBT)</b>	<b>185.1</b>	<b>179.9</b>
Income tax expense	-40.2	-41.3
<b>Profit for the period</b>	<b>144.9</b>	<b>138.6</b>
Attributable to:		
Equity holders of the parent	125.2	119.1
Non-controlling interests	1.7	1.5
Share planned for hybrid capital owners	18.0	18.0
<b>Diluted and basic earnings per share (euros)</b>	<b>0.74</b>	<b>0.69</b>

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

In millions of euros

## Statement of comprehensive income

	04/01–06/30/2012 <sup>1</sup>	04/01–06/30/2013
<b>Profit for the period</b>	<b>144.9</b>	<b>138.6</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Hedge accounting	-0.1	3.2
Currency translation	3.7	-57.7
<b>Other comprehensive income for the period, net of income tax</b>	<b>3.6</b>	<b>-54.5</b>
<b>Total comprehensive income for the period</b>	<b>148.5</b>	<b>84.1</b>
Attributable to:		
Equity holders of the parent	128.4	66.2
Non-controlling interests	2.1	-0.1
Share planned for hybrid capital owners	18.0	18.0
<b>Total comprehensive income for the period</b>	<b>148.5</b>	<b>84.1</b>

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised).

In millions of euros

## Consolidated statement of changes in equity

	Q1 2012/13			Q1 2013/14		
	Group	Non-controlling interests	Total	Group	Non-controlling interests	Total
<b>Equity as of April 1</b>	<b>4,765.9</b>	<b>70.4</b>	<b>4,836.3</b>	<b>5,007.9</b>	<b>67.3</b>	<b>5,075.2</b>
Total comprehensive income for the period	146.4	2.1	148.5	84.2	-0.1	84.1
Dividends to shareholders	-	-6.6	-6.6	-	-1.7	-1.7
Own shares acquired/ disposed	1.2	-	1.2	1.6	-	1.6
Purchase of non-controlling interests	-	6.7	6.7	-	-	-
Dividends to hybrid capital owners	-	-	-	-8.9	-	-8.9
Other changes	-5.3	-	-5.3	-0.4	10.0	9.6
<b>Equity as of June 30</b>	<b>4,908.2</b>	<b>72.6</b>	<b>4,980.8</b>	<b>5,084.4</b>	<b>75.5</b>	<b>5,159.9</b>

In millions of euros

## voestalpine AG

## Notes

These interim consolidated financial statements of voestalpine AG as of June 30, 2013 for the first quarter of the business year 2013/14 were prepared in accordance with IAS 34 – Interim Finan-

cial Reporting. The accounting policies are unchanged from the annual consolidated financial statements for the business year 2012/13 with the following exceptions:

**New and revised Standards adopted for the first time in the business year 2013/14**

Standard	Content	Effective date <sup>1</sup>
IFRS 13	Fair Value Measurement	January 1, 2013
IFRS 7, amendments	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IAS 12, amendments	Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2013
IAS 1, amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012
IAS 19, amendments	Employee Benefits	January 1, 2013
Various Standards	Annual Improvements to International Financial Reporting Standards, 2009–2011 Cycle (Exception: amendments related to IAS 32 have been early adopted in the business year 2012/13)	January 1, 2013

<sup>1</sup> These Standards are applicable to reporting periods beginning on or after the effective date.

IFRS 13 defines the concept of fair value, provides a framework for measuring fair value in a single Standard, and prescribes the disclosures related to the measurement of fair value. There are additional notes disclosures in interim consolidated financial statements of voestalpine AG as a result of the first-time application of IFRS 13.

New provisions governing disclosures for offsetting financial instruments in the statement of financial position are added as a result of the amendments to IFRS 7. This change had no impact on interim consolidated financial statements of voestalpine AG as of June 30, 2013.

The amendments to IAS 1 require that the items of other comprehensive income are grouped according to whether they will be recycled later to the income statement or not. The presentation of the statement of comprehensive income was adjusted accordingly.

The corridor method is eliminated and finance costs are determined on a net basis as a result of the amendments to IAS 19. Furthermore, past service cost is to be recognized immediately through profit or loss in the future and additional disclosures are required in relation to defined benefit plans. In the voestalpine Group, actuarial

gains and losses from severance and pension obligations has already been recognized directly in equity in the year in which they are incurred. The amendments to IAS 19 result in a change in the accounting treatment of expected return on plan assets of voestalpine AG. Until March 31, 2013, the expected return on plan assets was reported based on the underlying contracts

with the pension funds in the voestalpine Group; now it is recognized in full under net financial income.

The relevant line items were retroactively adjusted for the first quarter of the business year 2012/13 to reflect the following adjustments due to the amendments to IAS 19:

#### Adjustments to the income statement

	04/01–06/30/2012
Cost of sales	-1.1
Distribution costs	-0.4
Administrative expenses	-1.1
Other operating expenses	-0.1
<b>Total</b>	<b>-2.7</b>

In millions of euros

The application of the other new standards does not have a significant impact on the interim consolidated financial statements. Further information on the principles of preparation is provided in the consolidated financial statements as of March 31, 2013, on which these interim consolidated financial statements are based.

The interim consolidated financial statements are presented in millions of euros (the functional cur-

rency of the parent company). The use of automated calculation systems may result in rounding differences.

Unless otherwise stated, comparative information relates to the first quarter of the business year 2012/13 (reporting date: June 30, 2012).

The interim consolidated financial statements have not been audited or reviewed by auditors.

## Scope of consolidated financial statements/acquisitions

The changes made in the scope of consolidated financial statements during the reporting period were as follows:

	Full consolidation	Proportionate consolidation	Equity method
<b>As of April 1, 2013</b>	<b>291</b>	<b>2</b>	<b>12</b>
Acquisitions	1		
Change in consolidation method			
Additions	5		
Disposals			
Reorganizations	-1		
Divestments or disposals	-1		
<b>As of June 30, 2013</b>	<b>295</b>	<b>2</b>	<b>12</b>
Of which foreign companies	235	0	6

The additions resulting from the change in consolidation methods include a fund of funds that was consolidated as of April 1, 2013. The effect

on the interim consolidated financial statements is to be considered as immaterial.

## Notes on the consolidated statement of financial position

Non-current assets have decreased from EUR 6,980.9 million to EUR 6,927.6 million due to exchange rate effects despite investments amounting to EUR 175.8 million and depreciations that amounted to EUR 143.0 million. Inventories have increased by EUR 48.5 million in comparison to March 31, 2013, due primarily to higher inventory volumes. The balance of cash and cash equivalents decreased from EUR 1,092.7 million to EUR 698.2 million mainly due to the repayment of borrowed funds.

As of June 30, 2013, voestalpine AG's share capital amounted to EUR 313,309,235.65 (June 30, 2012: EUR 307,132,044.75) and is divided into 172,449,163 shares (June 30, 2012: 169,049,163). The Company held 28,597 of its own shares as of the reporting date. In the first quarter of the business year 2013/14, the Company sold 62,032 of its own shares.

Effective October 16, 2007, voestalpine AG issued a hybrid bond subordinated to all other creditors with a total issue volume of EUR 1 billion. The bond has an indefinite term and a 7.125% coupon rate. The Company may defer coupon payments

if no dividends are being paid. In the fourth quarter of the business year 2012/13, voestalpine AG issued a new subordinate undated bond (hybrid bond 2013) with a volume of EUR 500 million following an invitation extended to the holders of the hybrid bond to exchange the bond for a new hybrid bond in a 1:1 ratio. The outstanding nominal value of the hybrid bond 2007 as a result of this exchange is thus EUR 500 million. The nominal value of the hybrid bond 2007 and the hybrid bond 2013 is again EUR 1 billion in total. As the hybrid bond satisfies the IAS 32 criteria for equity, the proceeds from the bond issues are recognized as part of equity. Accordingly, coupon payments are also presented as dividend payments.

Profit for the period amounting to EUR 138.6 million has contributed to the increase in equity. For the business year 2012/13, a dividend per share of EUR 0.90 was decided upon at the Annual General Meeting on July 3, 2013; the dividend will be distributed in the second quarter of the business year 2013/14.

Despite non-current loans developed according to our redemption schedule and loan repayments before maturity, non-current financial liabilities increased to EUR 2,725.3 million due to new loans.

## Notes on the consolidated income statement

Revenue for the period from April 1 to June 30, 2013, in the amount of EUR 2,936.1 million decreased by 3.8% compared to the same period of the preceding year (EUR 3,050.6 million). In the first quarter of the business year 2013/14,

EBIT reached EUR 223.3 million compared to EUR 228.0 million for the first three months of the business year 2012/13. After consideration of the financial result and taxes, profit for the period amounted to EUR 138.6 million compared to EUR 144.9 million for the first quarter of the preceding year.

Diluted and basic (undiluted) earnings per share are calculated as follows:

	04/01–06/30/2012	04/01–06/30/2013
Profit attributable to equity holders of the parent (in millions of euros)	125.2	119.1
Weighted average number of issued ordinary shares (millions)	168.8	172.4
<b>Diluted and basic (undiluted) earnings per share (euros)</b>	<b>0.74</b>	<b>0.69</b>

## Operating segments

The following tables contain information on the operating segments of the voestalpine Group for the first quarter of the business year 2013/14 and business year 2012/13, respectively<sup>1</sup>:

### 1<sup>st</sup> quarter of 2013/14

	<b>Steel Division</b> 04/01–06/30/2013	<b>Special Steel Division</b> 04/01–06/30/2013
Segment revenue	989.8	682.8
of which revenue with third parties	918.0	668.6
of which revenue with other segments	71.8	14.2
EBITDA	111.3	98.5
EBIT	55.3	65.0
EBIT margin	5.6%	9.5%
Segment assets	3,632.7	3,952.6
Employees (full-time equivalent)	10,805	12,884

### 1<sup>st</sup> quarter of 2012/13

	<b>Steel Division</b> 04/01–06/30/2012	<b>Special Steel Division</b> 04/01–06/30/2012
Segment revenue	999.8	735.7
of which revenue with third parties	930.6	720.6
of which revenue with other segments	69.2	15.1
EBITDA	107.9	104.5
EBIT	51.4	68.3
EBIT margin	5.1%	9.3%
Segment assets	3,681.3	4,021.0
Employees (full-time equivalent)	10,459	12,348

<sup>1</sup> Business year 2012/13 retroactively adjusted in accordance with IAS 19 (revised); see adjustments to the income statement.



<b>Metal Engineering Division</b> 04/01–06/30/2013	<b>Metal Forming Division</b> 04/01–06/30/2013	<b>Other</b> 04/01–06/30/2013	<b>Reconciliation</b> 04/01–06/30/2013	<b>Total Group</b> 04/01–06/30/2013
766.9	597.9	376.4	-477.7	2,936.1
756.6	590.7	2.2	0.0	2,936.1
10.3	7.2	374.2	-477.7	0.0
112.3	68.5	-20.7	-3.6	366.3
83.2	46.1	-22.6	-3.7	223.3
10.8%	7.7%			7.6%
2,527.2	1,940.6	9,635.1	-9,016.3	12,671.9
11,558	11,117	790	0	47,154

In millions of euros

<b>Metal Engineering Division</b> 04/01–06/30/2012	<b>Metal Forming Division</b> 04/01–06/30/2012	<b>Other</b> 04/01–06/30/2012	<b>Reconciliation</b> 04/01–06/30/2012	<b>Total Group</b> 04/01–06/30/2012
805.6	611.1	425.7	-527.3	3,050.6
795.5	602.8	1.1	0.0	3,050.6
10.1	8.3	424.6	-527.3	0.0
110.9	68.0	-21.6	2.7	372.4
83.3	45.6	-23.1	2.5	228.0
10.3%	7.5%			7.5%
2,525.7	1,941.8	9,765.3	-9,030.0	12,905.1
11,291	11,272	705	0	46,075

In millions of euros

The reconciliation of the key ratios EBITDA and EBIT are shown in the following tables:

#### EBITDA

	04/01–06/30/2012	04/01–06/30/2013
Net exchange differences incl. result from valuation of derivatives	2.2	-3.2
Consolidation	-1.1	-0.4
Other	1.6	0.0
<b>EBITDA – Total reconciliation</b>	<b>2.7</b>	<b>-3.6</b>

In millions of euros

#### EBIT

	04/01–06/30/2012	04/01–06/30/2013
Net exchange differences incl. result from valuation of derivatives	2.2	-3.2
Consolidation	-1.1	-0.4
Other	1.4	-0.1
<b>EBIT – Total reconciliation</b>	<b>2.5</b>	<b>-3.7</b>

In millions of euros

For the most part, all other key ratios contain solely the effects of consolidation.

### Notes on the consolidated statement of cash flows

Cash flow before capital changes in the amount of EUR 299.4 million remained approximately constant compared to the first quarter of the business year 2012/13 (EUR 296.8 million). Taking the change in working capital into consideration, cash flows from operating activities amounted to EUR 149.4 million in comparison to EUR 297.8

million in the first quarter of the preceding year; this represents a significant decrease. After the deduction of EUR 123.9 million in cash flows from investing activities and taking into account cash flows from financing activities amounting to EUR -412.3 million (mainly the repayment of borrowed funds), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR -386.8 million.

## Notes on financial instruments

The following table presents the carrying amounts and fair values for each class of financial assets and liabilities:

	06/30/2012		06/30/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Financial assets measured at amortized cost	2,591.4	2,591.4	2,405.7	2,405.7
Financial assets measured at fair value	594.8	594.8	509.4	509.4
	<b>3,186.2</b>	<b>3,186.2</b>	<b>2,915.1</b>	<b>2,915.1</b>
<b>Liabilities</b>				
Financial liabilities measured at amortized cost	6,054.0	5,891.3	5,579.6	5,667.8
Financial liabilities measured at fair value	41.3	41.3	15.7	15.7
	<b>6,095.3</b>	<b>5,932.6</b>	<b>5,595.3</b>	<b>5,683.5</b>

In millions of euros

The carrying amount of the financial assets represents a reasonable approximation of fair value.

The table below analyses financial assets and financial liabilities that are measured at fair value

on a recurring basis. These fair value measurements are based on a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The three levels are defined as follows:

### Inputs

<b>Level 1</b>	comprises quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
<b>Level 2</b>	comprises other inputs than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
<b>Level 3</b>	comprises unobservable inputs for the asset or liability.

## Level of the fair value hierarchy for recurring fair value measurements

	Level 1	Level 2	Level 3	Total
<b>06/30/2012</b>				
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss				
Held for trading (derivatives)		41.8		41.8
Fair value option (securities)	485.9			485.9
Other			67.1	67.1
	<b>485.9</b>	<b>41.8</b>	<b>67.1</b>	<b>594.8</b>
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss –				
Held for trading (derivatives)		41.3		41.3
	<b>0.0</b>	<b>41.3</b>	<b>0.0</b>	<b>41.3</b>
<b>06/30/2013</b>				
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss				
Held for trading (derivatives)		13.5		13.5
Fair value option (securities)	432.7			432.7
Other			63.2	63.2
	<b>432.7</b>	<b>13.5</b>	<b>63.2</b>	<b>509.4</b>
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss –				
Held for trading (derivatives)		15.7		15.7
	<b>0.0</b>	<b>15.7</b>	<b>0.0</b>	<b>15.7</b>

In millions of euros

The underlying assets of the fund of funds initially consolidated in the business year 2013/14 are reported as part of the "Fair value option".

The derivative transactions (Level 2) are marked to market by determining the value that would be realized if the hedging position were closed out (liquidation method). Input for the calculation of fair values are observable currency exchange rates and raw materials prices as well as interest

rates. Fair values are calculated based on the inputs by discounting expected future cash flows at typical market interest rates.

There were no transfers between Level 1 and Level 2, nor any reclassifications into or out of Level 3, during the reporting period. The reconciliation of Level 3 financial assets measured at fair value from the opening balance to the closing balance is represented as follows:

#### Level 3 – Financial assets measured at fair value through profit or loss

	04/01–06/30/2012	04/01–06/30/2013
<b>Opening balance</b>	<b>66.9</b>	<b>63.7</b>
Additions	0.2	0.8
Disposals	0.0	-1.3
<b>Closing balance</b>	<b>67.1</b>	<b>63.2</b>

In millions of euros

Level 3 contains other investments that are measured at fair value in accordance with IAS 39. As the fair value cannot be reliably determined for all other investments, amortized costs serve as an approximation. The costs (in the current reporting period as well as in the previous year) either correspond to the fair value, or the deviations are immaterial. The underlying fair value calculation provided for the purpose of comparison is based on valuation methods that are oriented on market value or net present value,

with carrying amount multiples of comparable listed entities and any available budget plans serving as input factors.

Significant sensitivities in the determination of fair values can result from changes in the underlying market data of comparable entities and the input factors used to determine net present value (in particular discount rates, long-term forecasts, plan data, etc.).

## Seasonality and cyclicity

We refer to the relevant explanations in the Interim Management Report.

## Business transactions with associated companies or parties

Business transactions in the form of deliveries and services are carried out with associated Group companies within the scope of operational activities. These business transactions are implemented exclusively based on normal market terms.

There were no changes in transactions with associated companies and persons as set forth in the last annual financial report, which significantly affected the Company's financial situation or its net operating profit during the first three months of the current business year.

## Antitrust proceedings relative to railway superstructure material

The provisions recognized for the antitrust proceedings and associated actions and costs as well

as for the closure of TSTG Schienen Technik GmbH & Co KG in the annual financial statements 2012/13 in the amount of EUR 204.4 million were mainly reduced by the amount paid to compensate Deutsche Bahn for direct rail deliveries as of June 30, 2013. On July 23, 2013, the German Federal Cartel Office (Bundeskartellamt) imposed a fine of EUR 6.4 million on voestalpine for supplying turnout to customers in Germany in connection with the part of its antitrust proceedings pertaining to the "private market" (see Interim Management Report). The remaining provisions are still considered to be appropriate.

Please note that we are invoking the safeguard clause in accordance with IAS 37.92, according to which detailed information about provisions is not provided if this could seriously and adversely impact the Company's interests.

## Events after the reporting period

No significant events after the reporting period have occurred (with the exception of the remarks associated with antitrust proceedings relative to the railway superstructure material).

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