

Special Steel Division

	Q 1 – Q 3					
	Q 1 2014/15 04/01– 06/30/2014	Q 2 2014/15 07/01– 09/30/2014	Q 3 2014/15 10/01– 12/31/2014	2014/15 04/01– 12/31/2014	2013/14 04/01– 12/31/2013	Change in %
Revenue	675.9	674.5	678.5	2,028.9	1,947.1	4.2
EBITDA	96.1	87.3	95.8	279.2	253.8	10.0
EBITDA margin	14.2%	12.9%	14.1%	13.8%	13.0%	
EBIT	61.3	53.0	62.0	176.3	154.5	14.1
EBIT margin	9.1%	7.9%	9.1%	8.7%	7.9%	
Employees (full-time equivalent)	12,958	13,086	13,334	13,334	12,884	3.5

**Market environment
and business development**

The economic environment of the Special Steel Division in the first nine months of the business year 2014/15 improved slightly compared to the previous year. This is due primarily to a revitalization of incoming orders, in particular for special materials for oil and natural gas exploration, but also because of an expansion of the market position for tool steel by consistently focusing on the division's core business. However, due to the currently very low oil prices, a weakening of demand in the oil and natural gas sector must be expected because investment activity will be reduced.

Regionally, the division's development has presented a differentiated picture. In Europe, there is still no sign of a broad-based recovery. Nevertheless, the automobile and consumer goods customer segments have been stable at a solid level, even in the current environment. Demand from the energy engineering industry (power plants) remains cautious and the fundamental mood in

the general mechanical engineering industry is subdued so that there have been no positive impulses thus far from Germany, voestalpine's core market. Most recently, the market environment in Spain and Great Britain improved slightly.

Economic development in North America continued to be at an attractive level in the current business year as well, and the market in the USA experienced a significant growth spurt. Additionally, the weakened euro vis-à-vis the US dollar improved the division's competitive position in the USA. New automobile plants have been opened in Mexico by European premium manufacturers so that the importance of these markets continues to grow for the tool steel segment as well.

Cautious economic sentiment in Brazil continues unabated. The low oil price has had a negative impact on the national oil company Petrobras, particularly because oil well sites in the Atlantic, which are expensive to develop, are not cost-effective at the current oil price. In Asia (China, Japan, Turkey), the Special Steel Division profited

from sustained, dynamic economic development. Due to the limited volume of business, the direct impact of Russia's conflict with the Ukraine is minimal.

The development in the High Performance Metals business segment was affected by low customer inventories. This was an important reason why the sale of premium products in the tool steel and high-speed steel segments was substantially increased during the first three quarters of 2014/15. A solid level of orders from the automobile and consumer goods industries also contributed significantly to the high capacity utilization of production facilities in this business segment. Demand for special materials for oil and natural gas exploration and for the aviation sector was also at a positive level. Framework conditions for open die forging products for the energy engineering industry continue to be difficult.

In the Value-Added Services business segment, expansion of services continued on schedule during recent months. Expansion continued in Taiwan with the opening of a second location in Asia for the coating of tool steel and special materials. In order to meet growing demand for heat treated and mechanically processed tool steel by the automobile industry in Mexico, the Special Steel Division also opened a new service center in Northern Mexico. With these strategic investments, the Value-Added Services business segment enhanced its already strong position as a premium service provider for toolmaking worldwide.

Financial key performance indicators

Revenue of the Special Steel Division went up in the first three quarters of 2014/15 compared to the same period of the previous year by 4.2%, going from EUR 1,947.1 million to EUR 2,028.9 million. While the price level remained largely constant, delivery volumes were considerably increased, which resulted in a positive development of the division's earnings situation. Conse-

quently, at EUR 279.2 million, the operating result (EBITDA) in the first three quarters of 2014/15 was 10.0% above last year's figure of EUR 253.8 million. Therefore, the division's EBITDA margin was 13.8% in the third quarter of the business year 2014/15, a noticeable increase compared to the previous year (13.0%). The development of profit from operations (EBIT) is similar, with a boost by 14.1% from EUR 154.5 million (margin of 7.9%) to EUR 176.3 million (margin of 8.7%). In a direct comparison of the second and third quarters of 2014/15, revenue rose by 0.6% from EUR 674.5 million to EUR 678.5 million. Despite substantial seasonal effects in December 2014, the division achieved this stable performance as a result of good sales in the USA and China, combined with a slightly higher price level. Against the backdrop of a price increase at the end of the second quarter of 2014/15, both the operating result (EBITDA) and profit from operations (EBIT) improved. While EBITDA went up by 9.7% from EUR 87.3 million to EUR 95.8 million, EBIT even rose by 17.0% from EUR 53.0 million to EUR 62.0 million. Therefore, in a comparison with the immediately preceding quarter, the EBITDA margin went up from 12.9% to 14.1% and the EBIT margin went from 7.9% to 9.1%.

The number of employees (FTE) in the Special Steel Division as of the end of the third quarter of 2014/15, was 13,334, a gain of 3.5% compared to the same quarter of 2013/14 (12,884 FTE); the increase compared to the figure at the end of the last business year (12,885 FTE) was also 3.5%.