

# Letter to Shareholders, 1<sup>st</sup> – 3<sup>rd</sup> Quarter 2010/11

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# voestalpine Group Key Figures

## Q 1 2010/11 vs. Q 2 2010/11 vs. Q 3 2010/11

In millions of euros <sup>1</sup>	<b>Q 1 2010/11</b> 04/01– 06/30/2010	<b>Q 2 2010/11</b> 07/01– 09/30/2010	<b>Q 3 2010/11</b> 10/01– 12/31/2010	Change Q 2 to Q 3 in %
Revenue	2,556.1	2,635.7	2,744.8	4.1
EBITDA	350.9	359.6	396.5	10.3
EBITDA margin	13.7%	13.6%	14.4%	
EBIT	203.3	210.9	244.0	15.7
EBIT margin	8.0%	8.0%	8.9%	
Profit before tax	156.5	160.9	197.5	22.7
Profit for the period <sup>2</sup>	121.1	128.6	150.6	17.1
Earnings per share (euros)	0.60	0.64	0.78	33.3
Investments	80.0	89.2	106.9	19.8
Depreciation	147.6	148.7	152.6	2.6
Capital employed	7,990.0	7,841.7	8,066.8	2.9
Equity	4,435.9	4,370.0	4,553.4	4.2
Net financial debt	2,981.8	2,873.5	2,977.4	3.6
Net financial debt in % of equity	67.2%	65.8%	65.4%	
Employees (excl. temporary personnel and apprentices)	39,595	39,862	40,078	0.5

## Q 1 – Q 3 2009/10 vs. Q 1 – Q 3 2010/11

In millions of euros <sup>1</sup>	<b>Q 1–Q 3 2009/10</b> 04/01– 12/31/2009	<b>Q 1–Q 3 2010/11</b> 04/01– 12/31/2010	Change in %
Revenue	6,288.3	7,936.6	26.2
EBITDA	663.9	1,107.0	66.7
EBITDA margin	10.6%	13.9%	
EBIT	175.1	658.2	275.9
EBIT margin	2.8%	8.3%	
Profit before tax	47.5	514.9	984.0
Profit for the period <sup>2</sup>	51.6	400.3	675.8
Earnings per share (euros)	–0.05	2.02	
Investments	381.3	276.1	–27.6
Depreciation	488.7	448.9	–8.1
Capital employed	7,995.6	8,066.8	0.9
Equity	4,091.6	4,553.4	11.3
Net financial debt	3,323.5	2,977.4	–10.4
Net financial debt in % of equity	81.2%	65.4%	
Employees (excl. temporary personnel and apprentices)	39,404	40,078	1.7

<sup>1</sup> In accordance with IFRS, all figures after purchase price allocation (ppa). Please refer to the Annual Report 2007/08 for more details.

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

## Ladies and Gentlemen:

The headlines at the beginning of 2011 have not been about the economy for the first time in quite a while, but about political events in North Africa and the Middle East reported by international news agencies. Discussions about national debt and rescue parachutes, about the reorganization of the international banking system and the creation of a European economic government, about whether exchange rates are overvalued or undervalued and the sustainability of the post-crisis recovery are currently being overshadowed by the political agenda. Not being in the spotlight quite so much is an opportunity for the business community and for the politicians who are responsible for economic policy to take advantage of this quieter environment to find solutions to the important open questions quickly and rigorously. The will seems to be there—on both sides of the Atlantic; now, it's a matter of taking action, not only in the interest of the business community, but primarily in order to secure the future of the people in the major mature economies.

From the perspective of the European business community, particularly to the extent that energy companies and industry are involved, one topic that will have a very significant impact on Europe's position in the arena of global competition in the next decades is entering the decisive phase: energy and climate policy. If, starting in 2013, Europe continues to massively expand its pioneering role with regard to climate issues without a comparable commitment of the other major economic regions around the world, this will definitively mean the beginning of a creeping deindustrialization of the "old continent."

Traditionally, the environmental requirements—and we are committed to them—are stricter here than in other regions, but in individual industries, certificate trading is already creating an additional disadvantage in global competition. The plans of the EU Commission must be critically examined from two perspectives. Does it make sense in terms of environmental policy that a producer of 14% of the global CO<sub>2</sub> emissions commits to environmental legislation that jeopardizes parts of business and industry—at least in the long term—in favor of the other 86% who don't even commit themselves to the existing European environmental standards? And then there is the question of whether it is really right under sociopolitical, social, and moral aspects to subordinate the future to environmental policy so unreflectively and in such a disproportionate manner. Environmental protection is, without a doubt, a central component of our value system. But is it really feasible to allow it—without much critical thought—to jeopardize other fundamental values, such as employment, social security, and prosperity in the future? The current situation in those countries, which have focused primarily on the service sector during the last 30 years should serve as a warning example. A reasonable balance between our fundamental values must be an imperative for the future.

In contrast to a number of its competitors in Europe, the voestalpine Group has achieved a very stable performance in the past months, and the trend in revenue and earnings continues to move upward. From today's vantage point, apart from seasonal fluctuations and temporary effects of quarterly pricing of raw materials, which occur within a narrowly circumscribed timeframe, we do not anticipate that the positive basic trend will change either in the fourth quarter of the current business year or in the first half of the business year 2011/12. Generally speaking, a quite satisfactory economic environment in all of the markets and product segments that are important for the voestalpine Group is on the horizon for the entire 2011 year.

Linz, February 18, 2011

The Management Board



Wolfgang Eder



Franz Hirschmanner



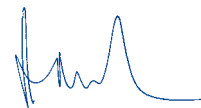
Josef Müllner



Robert Ottel



Franz Rotter



Wolfgang Spreitzer

## Highlights<sup>1,2</sup>

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- Stable economic trends driven by broad-based demand; sustained growth in the emerging countries fuels the uptrend of the export-oriented economies in Western, Central, and Northern Europe; increasing recovery trends in the USA as well.
- Outstanding development of demand in the automobile, commercial vehicle, mechanical engineering, energy and consumer goods sectors; economic recovery in the construction industry still lagging.
- Across all three quarters, very stable development of the margins at a high level compared to the competition.
- Almost full utilization of production capacity in all five divisions during the third quarter 2010/11.
- Revenue for the first three quarters of the business year 2010/11 increases by 26.2% from EUR 6,288.3 million to EUR 7,936.6 million.
- EBITDA up compared to the previous year by 66.7% from EUR 663.9 million to EUR 1,107.0 million.
- At EUR 658.2 million, the operating result (EBIT) almost quadruples compared to the first nine months of the previous year (EUR 175.1 million).
- EBITDA margin of 10.6% in the previous year increases to 13.9%, EBIT margin jumps from 2.8% to 8.3%.
- At EUR 514.9 million, profit before tax (EBT) goes up more than ten-fold (Q1 – Q3 2009/10: EUR 47.5 million).
- Profit for the period<sup>3</sup> surges from EUR 51.6 million to EUR 400.3 million, a gain of nearly 700%.
- Earnings per share again strongly positive at EUR 2.02 (previous year: EUR –0.05 per share).
- Despite dividend payments, servicing of the hybrid capital, and shift of pension obligations, the gearing ratio fell from 71.3% to 65.4% compared to March 31, 2010.
- In the first nine months of the business year 2010/11, employee headcount (excluding temporary personnel and apprentices) rises from 39,406 to 40,078 employees (+1.7%).

<sup>1</sup> In accordance with IFRS, all figures after application of the purchase price allocation (ppa).

<sup>2</sup> To the extent that no other time period is explicitly referred to, all comparative figures refer to the first three quarters of the business year 2009/10.

<sup>3</sup> Before non-controlling interests and interest on hybrid capital.

# Interim Management Report

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## Market environment

In the third quarter of 2010/11, the global economic recovery that was already becoming clearly apparent during the first half of the business year continued to gain momentum. Although the degree of intensity of the recovery varied, the economic environment improved overall, resulting in a pronounced increase in demand from practically all sales regions and customer industries that are important for the Group.

In addition to the sustained uptrend in the automotive industry, in which—driven by the export boom—some manufacturers in the premium segment, which has such crucial importance for the voestalpine Group, were even able to exceed the pre-crisis level, it is particularly noteworthy that after the dramatic losses in the wake of the crisis, the commercial vehicle sector has experienced a major improvement even on the European market. The global development in the railway infrastructure segment continued to be stable at a high level, albeit with significant regional differences.

The market environment in the aviation sector recently improved markedly compared to the previous year, however, there is still no sustained and broad-based uptrend in the construction and construction supply industries. As a result of increasing demand for fossil fuels due to the economic recovery, investment momentum has picked up rapidly; viewing the entire Group, oil/gas exploration and production as well as thermal energy generation are of particular importance. A continuing focus on alternative energies resulted in greater demand overall, especially for

installations for solar and wind energy, however, long-term planning of projects is difficult because of inconsistent and highly variable political conditions (latitude for subsidies, investments in the expansion of the electrical grid, public opinion).

Viewed regionally, it is particularly the markets in Asia (China, India) and South America (Brazil) that continue to be the major drivers of global economic trends. With their higher-than-average growth momentum, they are also to a large degree driving the economic recovery in the Northern and Central European export-oriented economies, Germany in particular, while the development in Southern and Eastern Europe is still comparatively unsatisfactory despite a slight improvement of the situation. Toward the end of the 2010 calendar year, North America was again experiencing a broadly based improvement of the economy.

Mirroring the overall economic situation, steel production worldwide in the first half of the 2010 calendar year not only reached the pre-crisis level, but achieved a new monthly record in May of about 125 million tons. After a slight decline over the summer, which however was due less to the economic situation than to the fact that customer inventories were leveling off to a realistic level of demand, global crude steel production continued to prosper until the end of the year.

Considering the previously described global economic environment throughout the business year 2010/11 thus far, the voestalpine Group's orientation toward sophisticated product and

customer segments is having positive effects. On one hand, the Group is profiting from its high business volume with European export nations, here particularly from its focus on technologically sophisticated industries, such as the automotive industry, high-quality mechanical engineering, or innovative energy applications. On the other hand, the Group is also a leader on non-European growth markets in special high-tech segments, for example, in high-speed turnout technology (Asia) or renewable energy (especially in South America).

### Business performance of the voestalpine-Group<sup>1,2</sup>

In the first nine months of the business year 2010/11, the voestalpine Group was able to not only achieve very significant growth in revenue and profit compared to the previous year, but in the third quarter of 2010/11, it exceeded the figures of the immediately preceding quarter for the sixth consecutive time. This gratifying development was due to the economic momentum that kept improving throughout the year and to the almost 100% utilization of the Group's production capacity; this development was additionally facilitated by the effects of the efficiency improvement and cost optimization programs that are in place Group-wide.

The Group's revenue went up in the first three quarters of 2010/11 compared to the same period of the previous business year by EUR 1,648.3 million (+26.2%) from EUR 6,288.3 million to EUR 7,936.6 million. With an increase of EUR 683.0 million (+29.8%) from EUR 2,291.5 million to EUR 2,974.5 million, the Steel Division reported the largest gain in absolute figures due to a rise in both supply volumes and prices. Viewed in

relative terms, revenue of the Special Steel (+38.3% from EUR 1,369.9 million to EUR 1,895.1 million) and Profiform (+31.3% from EUR 633.5 million to EUR 831.9 million) divisions grew most strongly, however, these two divisions were also the ones most strongly affected by the economic downturn in the previous years.

High demand from the emerging countries for vehicles from the premium segment and the continuing pick-up in demand for commercial vehicles resulted in revenue for the Automotive Division of EUR 742.5 million in the first three quarters of 2010/11, which was 23.4% higher than the comparative figure in the previous year (EUR 601.6 million). Because the Railway Systems Division was strongly resistant to crisis, its revenue level had remained stable in the previous year, so that, viewed relatively, its growth of 18.8% from EUR 1,710.5 million to EUR 2,031.9 million was the lowest of all the divisions. Viewed across the division, the development in the wire, seamless tube, and welding consumables segments was quite satisfactory, more than compensating falling prices for standard rails.

The recent dynamic economic trend was very apparent in the comparison of the third quarter of 2010/11 with the immediately preceding quarter. As a result of the very positive development in all of its divisions, the voestalpine Group was able to again increase its revenue in the third quarter of 2010/11 for the sixth consecutive time; compared to the second quarter of 2010/11, revenue went up by 4.1% from EUR 2,635.7 million to EUR 2,744.8 million. However, the latitude for continuing revenue growth based on volume increases is limited, as—going against the European trend overall—almost all of the Group's production capacity for the third quarter of 2010/11 has already been utilized.

The development of the operating results mirrors the improved economic situation even more clearly than the progression of the Group's revenue. In comparison to the first three quarters of 2009/10, a revenue gain of 26.2% resulted in an increase of 66.7% in the earnings before interest, taxes, depreciation and amortization (EBITDA), which went up from EUR 663.9 million to EUR 1,107.0 million, and a rise in the EBITDA margin from 10.6% to 13.9%. The Special Steel Division saw the largest gain in EBITDA, both in absolute and relative figures, of EUR 206.6 million, going from EUR 41.3 million to EUR 247.9 million, a six-fold increase compared to the previous year. The EBITDA figures in the Profilform (+146.1% from EUR 46.9 million to EUR 115.4 million), Automotive (+80.9% from EUR 46.0 million to EUR 83.2 million), and Steel (+43.9% from EUR 289.5 million to EUR 416.6 million) divisions also experienced a significant boost. Because last year's figures had already been very high compared to the other divisions, the increase in the Railway Systems Division is "only" 9.3%, nevertheless, this represents another substantial improvement of the division's EBITDA from EUR 266.9 million to EUR 291.8 million.

Because raw materials costs dropped slightly in the third quarter of 2010/11 and with the Group's price level remaining very stable in contrast to the situation in short-term business transactions in Europe, the overall increase in revenue—compared to the immediately preceding quarter (second quarter 2010/11)—of 4.1% from EUR 2,635.7 million to EUR 2,744.8 million resulted in a considerably higher rise in EBITDA, namely by 10.3% from EUR 359.6 million to EUR 396.5 million.

With an operating result (EBIT) of EUR 658.2 million in the first three quarters of 2010/11, the voestalpine Group almost quadrupled its operating result compared to the previous year's figure

(EUR 175.1 million), pushing its EBIT margin up from 2.8% to 8.3%. Compared to the immediately preceding quarter, EBIT in the third quarter of 2010/11 rose even more significantly than EBITDA, namely by 15.7% from EUR 210.9 million to EUR 244.0 million.

The practically full utilization of the Group's entire production capacity, together with its strategy of consistently focusing on leadership in terms of products, quality, and technology, once again resulted in an operating result that leads among voestalpine's European peers.

Due to an operating result that was up strongly compared to the previous year, profit before tax (EBT) soared more than tenfold in the first three quarters of 2010/11 from EUR 47.5 million to EUR 514.9 million. Taking the tax rate of 22.3% in account, profit for the period (net income)<sup>3</sup> came to EUR 400.3 million (after EUR 51.6 million in the previous year).

For the first nine months of 2010/11, earnings per share (EPS) were EUR 2.02 (previous year: EUR -0.05).

Equity went up in the first three quarters of 2010/11 compared to March 31, 2010 by 6.8% from EUR 4,262.4 million to EUR 4,553.4 million. The increase in equity due to the positive profit for the period of EUR 400.3 million and currency translation effects of EUR 45.1 million were accompanied by impairment effects generated by the dividend distribution to shareholders and owners of hybrid capital in the amount of EUR 155.6 million.

Due to the good result and the investment expenditure that was considerably below depreciation, the net financial debt dropped compared to March 31, 2010 by 2.0% from EUR 3,037.3 million

<sup>1</sup> In accordance with IFRS, all figures after application of the purchase price allocation (ppa).

<sup>2</sup> As of April 1, 2010, the new organizational structure of the voestalpine Group came into effect. The business segments *Precision Strip* and *Welding Consumables*, which had previously been part of the Special Steel Division, were reassigned to the Profilform Division and the Railway Systems Division, respectively. In order to enable a better means of comparison, the divisional figures of the previous year were adjusted accordingly; the Group's figures remained unchanged.

<sup>3</sup> Before non-controlling interests and interest on hybrid capital.

to EUR 2,977.4 million, despite the seasonal and capacity-related build-up of working capital, dividend payments, and the shift of pension obligations. Thus, as of the end of the third quarter of 2010/11, the voestalpine Group reports a gearing ratio (net financial debt in % of equity) of 65.4%, which is substantially lower than the March 31, 2010 figure (71.3%) and slightly under the figure as of September 30, 2010 (65.8%).

The economic environment, which improved significantly during the business year 2010/11, is also reflected in a substantial rise in the Group's

crude steel production. During the first three quarters of 2010/11, the total volume was 5.71 million tons, in other words, 28.6% above the comparative figure in the previous year (4.44 million tons). At 4.07 million tons, the Steel Division reported production growth of 24.9% and at 1.03 million tons, the Railway Systems Division saw an increase in output of 20.9%. The Special Steel Division experienced the greatest growth in demand, resulting in production volume that surged from 343,000 tons to 614,000 tons, an increase of 79%.

#### Comparison of the quarterly and nine-month figures of the voestalpine Group

	Q 1		Q 2		Q 3		Q 1 – Q 3		Change in %
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	
	04/01 – 06/30/2009	04/01 – 06/30/2010	07/01 – 09/30/2009	07/01 – 09/30/2010	10/01 – 12/31/2009	10/01 – 12/31/2010	04/01 – 12/31/2009	04/01 – 12/31/2010	
Revenue	2,093.2	2,556.1	2,088.6	2,635.7	2,106.5	2,744.8	6,288.3	7,936.6	26.2
EBITDA	134.2	350.9	232.6	359.6	297.1	396.5	663.9	1,107.0	66.7
EBITDA margin	6.4%	13.7%	11.1%	13.6%	14.1%	14.4%	10.6%	13.9%	
EBIT	-26.3	203.3	69.0	210.9	132.4	244.0	175.1	658.2	275.9
EBIT margin	-1.3%	8.0%	3.3%	8.0%	6.3%	8.9%	2.8%	8.3%	
Employees (excl. temporary personnel and apprentices)	40,801	39,595	39,919	39,862	39,404	40,078	39,404	40,078	1.7



**Steel Division**

In millions of euros

	<b>Q 1–Q 3</b>					
	<b>Q 1 2010/11</b> 04/01– 06/30/2010	<b>Q 2 2010/11</b> 07/01– 09/30/2010	<b>Q 3 2010/11</b> 10/01– 12/31/2010	<b>2009/10</b> 04/01– 12/31/2009	<b>2010/11</b> 04/01– 12/31/2010	Change in %
Revenue	922.2	1,014.2	1,038.1	2,291.5	2,974.5	29.8
EBITDA	134.6	139.4	142.6	289.5	416.6	43.9
EBITDA margin	14.6%	13.7%	13.7%	12.6%	14.0%	
EBIT	81.1	84.8	85.8	128.1	251.7	96.5
EBIT margin	8.8%	8.4%	8.3%	5.6%	8.5%	
Employees (excl. temporary personnel and apprentices)	9,516	9,488	9,473	9,530	9,473	–0.6

**Market environment  
and business development**

As was the case in the first half of the business year, the quality flat steel business segment utilized 100% of its capacity in the third quarter of 2010/11 as well, thus setting itself clearly apart from the industry average in Europe. Even the generally declining price trend in short-term transactions that was evident in Europe until late fall of 2010 did not have any noticeable effects on the division's operating result and margins. In the third quarter of 2010/11, Europe-wide inventories remained at the rather low level of the immediately preceding quarter and, all things considered, the import situation was favorable. Due to the higher volatility on the raw materials market caused by the departure from the previously used annual pricing system, long-term delivery contracts contain appropriate clauses enabling variable prices in the short-term.

In the heavy plate segment, the recovery that had begun in the spring of 2010 continued, as it was fueled by the sustained positive development in major customer industries, such as energy, construction, and mechanical engineering, with more incoming orders and rising prices in the high-quality segment. Foundry activities saw a strong

increase in demand, primarily from the thermal energy sector, resulting in a significant improvement of the level of orders and full utilization of production capacity. The market environment in the light castings segment, whose volume is rather small, also improved increasingly. The Steel Service Center and pre-processing segments overall were characterized by stable demand at a favorable price level.

**Development of key figures**

This overall very satisfactory performance is reflected in the growth of the Steel Division's revenue and operating results compared to the first nine months of the previous year. The revenue grew by 29.8% from EUR 2,291.5 million to EUR 2,974.5 million, but it was topped by an even more significant increase in the operating results: while EBITDA climbed by 43.9% from EUR 289.5 million to EUR 416.6 million, EBIT almost doubled, going from EUR 128.1 million to EUR 251.7 million. As a result the EBITDA margin went up from 12.6% to 14.0% and the EBIT margin rose from 5.6% to 8.5%.

A direct comparison of the third quarter of the business year 2010/11 with the immediately preceding quarter (July to September 2010) shows

a very stable development. Compared to the immediately preceding quarter, the Steel Division's revenue in the third quarter was up by 2.4% from EUR 1,014.2 million to EUR 1,038.1 million. Earnings rose commensurately, with EBITDA increasing by 2.3% from EUR 139.4 million to EUR 142.6 million), while EBIT saw a slightly smaller gain by 1.2% from EUR 84.8 million to EUR 85.8 million. The high stability of the Steel Division's profit margins compared to average levels in the (European) industry is noteworthy: while the competition overall experienced declining profitability during the third quarter of the business

year 2010/11 (fourth calendar quarter 2010), the Steel Division reported an EBITDA margin for this period that remained constant at a high level (13.7%) compared to the immediately preceding quarter, with the EBIT margin remaining practically unchanged at 8.4%.

As of December 31, 2010, the Steel Division had 9,473 employees (excluding temporary personnel and apprentices). This corresponds to a slight decrease by 0.6% compared to the headcount on the same reference date of the previous year (9,530).

### Special Steel Division<sup>1</sup>

	Q1 – Q3					
	Q 1 2010/11 04/01– 06/30/2010	Q 2 2010/11 07/01– 09/30/2010	Q 3 2010/11 10/01– 12/31/2010	2009/10 04/01– 12/31/2009	2010/11 04/01– 12/31/2010	Change in %
Revenue	613.8	623.1	658.2	1,369.9	1,895.1	38.3
EBITDA	77.1	78.3	92.5	41.3	247.9	500.2
EBITDA margin	12.6%	12.6%	14.1%	3.0%	13.1%	
EBIT	36.6	38.5	51.2	-111.0	126.3	213.8
EBIT margin	6.0%	6.2%	7.8%	-8.1%	6.7%	
Employees (excl. temporary personnel and apprentices)	11,097	11,135	11,207	11,011	11,207	1.8

<sup>1</sup> As of April 1, 2010, the new organizational structure of the Special Steel Division came into effect. Since then, the division has been focusing on the two core business segments of *High Performance Metals* and *Special Forgings*. In order to enable a better means of comparison, the comparative values of the previous year were adjusted accordingly. The business segments *Precision Strip* and *Welding Consumables* became part of the *Profilform* and *Railway Systems* Divisions, respectively, as of April 1, 2010.

### Market environment and business development

The first half of the business year 2010/11 saw a significant uptrend in the business performance of the Special Steel Division, and this development continued in the third quarter. The number of incoming orders continued to increase in the fall of 2010, resulting in almost full utilization

of all of the division's production capacity. This favorable development was driven primarily by higher demand from the automotive, electronics, and consumer goods sectors as well as the oil and gas sectors. In the aerospace and energy generation segments, development was still subdued, although there was a slight pick-up noticeable during the third quarter of 2010/11.

During the business year thus far, the High Performance Metals business segment has profited especially from the dynamic momentum in the automobile industry; numerous model changes fueled the demand for tool steel and high-speed steel and stabilized sales in these segments at a positive level. This business segment saw substantially more demand than in the previous year from the oil and gas exploration, consumer goods, electronics, and mechanical engineering sectors, which was no longer limited to a few core areas, but—with the exception of only cautious improvement in the aviation industry and in energy equipment—was noticeable across the board.

While the early part of the current business year was still difficult for the Special Forgings segment, most recently, it experienced a trend reversal in its most important customer segments, resulting in considerably more incoming orders than in the previous year. Especially the European commercial vehicle industry, which is experiencing a recovery, noticeably fueled the demand for forged components. The development in the energy generation sector, however, remained restrained in the third quarter of the business year; an upswing is anticipated for 2011.

Viewed regionally, growth continued to be driven by markets in Asia (China, India) and South America (Brazil) and by economic momentum in Northern and Central Europe, which is being sustained primarily by Germany.

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

Compared to the very difficult market environment in the previous year, the business year 2010/11 has been far more gratifying for the Special Steel Division thus far, both regarding sales and operating result. In the first nine months of the current business year, increasing sales volumes and the almost complete utilization of production capacity resulted in revenue growth of 38.3%, i.e. a rise from EUR 1,369.9 million to EUR 1,895.1 million. Due to these factors, together

with the effects of systematically implemented cost optimization measures, the division was able to achieve a significant increase in earnings: EBITDA increased six-fold from EUR 41.3 million to EUR 247.9 million and, in the first three quarters of 2010/11, EBIT turned around, going from EUR –111.0 million in the previous year to the distinctly positive result of EUR 126.3 million. Thus, for the first nine months of the business year 2010/11, the Special Steel Division reported a significantly improved margin profile compared to the same period of the previous business year, with the EBITDA margin increasing from 3.0% to 13.1% and the EBIT margin rising from –8.1% to 6.7%. In the first three quarters of 2010/11, EBIT was adversely impacted by the effects of the purchase price allocation (ppa) of EUR 41.8 million and, before ppa, it amounts to EUR 168.1 million, with the EBIT margin before ppa corresponding to 8.9%.

The quarterly performance during the course of the business year reflects the ongoing improvement of the Special Steel Division's economic environment. In a direct comparison of the third quarter with the second quarter of 2010/11, the division reported revenue growth of 5.6% from EUR 623.1 million to EUR 658.2 million, with a concurrent substantial improvement of the operating result. EBITDA rose by 18.1% from EUR 78.3 million to EUR 92.5 million, and EBIT even showed an increase of one third from EUR 38.5 million to EUR 51.2 million. The ratio to revenue in the third quarter of 2010/11 resulted in an EBITDA margin of 14.1% (second quarter: 12.6%) and an EBIT margin of 7.8% (previous quarter: 6.2%), respectively.

As of December 31, 2010, the Special Steel Division had 11,207 employees (excluding temporary personnel and apprentices). This corresponds to an increase of 1.8% due to the improved economic situation compared to December 31, 2009 (11,011 employees).

**Railway Systems Division<sup>1</sup>**

	Q 1 – Q 3					
	Q 1 2010/11 04/01– 06/30/2010	Q 2 2010/11 07/01– 09/30/2010	Q 3 2010/11 10/01– 12/31/2010	2009/10 04/01– 12/31/2009	2010/11 04/01– 12/31/2010	Change in %
Revenue	667.9	668.4	695.6	1,710.5	2,031.9	18.8
EBITDA	91.0	93.6	107.2	266.9	291.8	9.3
EBITDA margin	13.6%	14.0%	15.4%	15.6%	14.4%	
EBIT	63.0	66.2	78.2	172.1	207.4	20.5
EBIT margin	9.4%	9.9%	11.2%	10.1%	10.2%	
Employees (excl. temporary personnel and apprentices)	9,743	9,833	9,948	9,689	9,948	2.7

<sup>1</sup> As of April 1, 2010, the *Welding Consumables* segment moved from the Special Steel Division and became part of the Railway Systems Division. In order to enable a better means of comparison, the comparative values of the previous year were adjusted accordingly.

### Market environment and business development

In the turnout technology segment, the first three quarters of 2010/11 were characterized overall by a stable business performance; notable impacts were the sustained high momentum in Asia and the economic recovery in the USA and in Eastern Europe, although at the same time, there was strong economic pressure in Spain. Toward the end of 2010, the rail segment seemed to have bottomed out price-wise, although this segment continues to experience aggressive competition, particularly on the German railway market. The order situation in all market segments continues to be very good in the wire segment, in tandem with the very positive situation with regard to utilization of production capacity.

Demand in the seamless tube segment also continued at a high level during the third quarter of 2010/11, enabling a resumption of its four-shift operation starting in the fall of 2010. After the completion of the major repair of the blast furnace in the fall of 2010, the division's steel segment was able to resume full operation with two blast furnaces; due to the very good level of demand from all customer sectors, all of the production capacity is being fully utilized. The situation of the welding consumables business segment, which was newly assigned as of April 1, 2010, was positively impacted by the continuing recovery of the market environment in Europe and sustained dynamic growth in Asia and South America.

### Development of key figures

Due to the favorable economic environment in the individual business segments, the Railway Systems Division was able to significantly exceed both its revenue and operating results of the previous year during the first three quarters of 2010/11. It should be highlighted in this context that this division was least affected of all the divisions by the crisis of the past two years and that, therefore, the starting point for this year's positive development was already at quite a high level. In the first nine months of the business year 2010/11, the Railway Systems Division reported revenue of EUR 2,031.9 million; compared to the previous year (EUR 1,710.5 million), this corresponds to a gain of 18.8%. As far as the operating result is concerned, margin declines in the rails segment (price pressure resulting from massive price increases for raw materials, concurrently with aggressive competition) were more than compensated by the very good situation in the wire, seamless tube, and welding technology segments. An increase in EBITDA compared to the previous year of 9.3% from EUR 266.9 million to EUR 291.8 million was accompanied by an even more substantial rise in EBIT by 20.5% from EUR 172.1 million to EUR 207.4 million). Against the backdrop of the considerable growth in revenue, the first three quarters of 2010/11 saw a decline of the EBITDA margin from 15.6% to 14.4%, while the EBIT margin rose slightly from 10.1% to 10.2%. Thus, in the first nine months of the current business year, the Railway Systems Division

reported the highest EBITDA and EBIT margins of all five divisions of the voestalpine Group.

In the direct comparison with the immediately preceding quarter as well, the division was able to boost its revenue in the third quarter of 2010/11 by 4.1% from EUR 668.4 million to EUR 695.6 million. This gain was due primarily to higher sales volumes and prices in the turnout technology segment, but also to increases in revenue in the wire and seamless tube segments. The increase in EBITDA by 14.5% compared to the second quarter (from EUR 93.6 million to EUR 107.2 million) was outperformed by the improvement

in EBIT, which went up by 18.1% (from EUR 66.2 million to EUR 78.2 million). Comparing the quarter to the immediately preceding one, it is noteworthy that the EBITDA margin increased again from 14.0% to 15.4% and the EBIT margin from 9.9% to 11.2%.

As of December 31, 2010, the Railway Systems Division had 9,948 employees (excluding temporary personnel and apprentices). Compared to the end of 2009 (9,689 employees), this corresponds to an increase in the number of employees of 2.7%, which is attributable to the improved economy.

### Profilform Division<sup>1</sup>

In millions of euros

				Q1–Q3		Change in %
	Q 1 2010/11 04/01– 06/30/2010	Q 2 2010/11 07/01– 09/30/2010	Q 3 2010/11 10/01– 12/31/2010	2009/10 04/01– 12/31/2009	2010/11 04/01– 12/31/2010	
Revenue	273.5	283.0	275.4	633.5	831.9	31.3
EBITDA	39.1	39.5	36.8	46.9	115.4	146.1
EBITDA margin	14.3%	14.0%	13.4%	7.4%	13.9%	
EBIT	28.4	28.9	26.3	13.5	83.6	519.3
EBIT margin	10.4%	10.2%	9.6%	2.1%	10.0%	
Employees (excl. temporary personnel and apprentices)	4,032	4,113	4,144	4,015	4,144	3.2

<sup>1</sup> As of April 2010, the *Precision Strip* segment moved from the Special Steel Division and became part of the Profilform Division. In order to enable a better means of comparison, the comparative values of the previous year were adjusted accordingly.

### Market environment and business development

The stable and positive performance of the Profilform Division during the business year thus far continued in the third quarter. The first nine months of the business year 2010/11 were characterized by robust demand from all the major customer industries. Detailing the segments individually, it was the tubes and sections segment that profited especially from rising demand from the commercial vehicle manufacturing sector, which was driven by continuing strong growth momentum from China, India, and Brazil on one hand, and by a substantial market recovery in Europe on the other. The development in the agricultural machinery segment was similarly favor-

able, while the boom in the solar energy sector weakened noticeably, primarily due to the early onset of winter in Europe and the resulting postponement of numerous projects as a result of the weather. The construction and construction supply industries have finally begun to show slight signs of a recovery during the past months.

Throughout the course of the business year 2010/11 thus far, the market environment of the new precision strip segment maintained robust growth, demonstrating demand and volume levels that were significantly above pre-crisis figures. Bottlenecks experienced by suppliers of pre-materials resulted in considerably longer delivery

times so that, currently, short-notice orders can be fulfilled only very selectively.

The recovery trend in the storage technology segment that had been slow so far has recently gained some momentum, easing the situation somewhat both with regard to the number of queries about new projects and pricing. It is noteworthy that increasing signs of growth in the USA are reflected in a satisfactory trend with regard to incoming orders.

Viewed regionally, the strongest sources of demand during this nine-month period have been Asia, particularly China, Europe, and the USA. Despite the recovery that is slowly taking shape in Russia, sales volumes here—particularly in the construction and construction supply industries, which are so important for the Profilform Division—continue to lag below expectations. In Brazil, the price situation is not yet satisfactory; nevertheless, the economic environment in this area continues to be positive, although the hefty price increases for pre-materials are causing uncertainty among Brazilian customers.

Overall, utilization of capacity in the individual divisional companies has been favorable in the first three quarters and even outstanding in the precision strip segment.

#### Development of key figures

Compared to the very difficult previous year due to the economic crisis, the Profilform Division was able to substantially improve all of its key figures during the first three quarters of the business year

2010/11. At EUR 831.9 million, revenue was almost one third higher than that of the previous year (EUR 633.5 million). The development of the operating result is even more significant, with EBITDA going up by 146.1% from EUR 46.9 million to EUR 115.4 million in the first three quarters of the current business year and EBIT increasing six-fold from EUR 13.5 million to EUR 83.6 million. As a result, the EBITDA margin rose from 7.4% to 13.9%, and the EBIT margin climbed from 2.1% to 10.0%.

The direct comparison of the third quarter of 2010/11 with the immediately preceding quarter reflects the decline in sales volumes toward the end of the 2010 calendar year. This shrinking demand, primarily from customer industries that depend on the construction industry, was within the usual seasonal range, however, in the course of the quarter, it led to declining sales and earnings. While revenue in the third quarter was down by 2.7% (from EUR 283.0 million to EUR 275.4 million), only slightly below the figure of the previous quarter, EBITDA (drop of 6.8% from EUR 39.5 million to EUR 36.8 million) and EBIT (–9.0% from EUR 28.9 million to EUR 26.3 million) showed more noticeable declines when comparing the two quarters. Nevertheless, the EBITDA margin for the third quarter of 2010/11 was still 13.4% (second quarter: 14.0%) and the EBIT margin was 9.6% (compared to 10.2%).

As of December 31, 2010, the Profilform Division had 4,144 employees (excluding temporary personnel and apprentices). This represents an increase compared to the previous year's figure (4,015 employees) of 3.2%.

#### Automotive Division

	In millions of euros			Q 1 – Q 3		Change in %
	Q 1 2010/11 04/01– 06/30/2010	Q 2 2010/11 07/01– 09/30/2010	Q 3 2010/11 10/01– 12/31/2010	2009/10 04/01– 12/31/2009	2010/11 04/01– 12/31/2010	
Revenue	242.6	234.1	265.8	601.6	742.5	23.4
EBITDA	26.4	26.6	30.2	46.0	83.2	80.9
EBITDA margin	10.9%	11.4%	11.4%	7.7%	11.2%	
EBIT	12.8	12.1	16.6	4.5	41.5	822.2
EBIT margin	5.3%	5.2%	6.2%	0.7%	5.6%	
Employees (excl. temporary personnel and apprentices)	4,555	4,638	4,658	4,520	4,658	3.1

### **Market environment and business development**

Fueled by continuing high demand from the BRIC countries and a significantly improved situation in the United States, the global automotive market recovered during the 2010 calendar year considerably more quickly than originally anticipated. However, after the discontinuation of various national incentive programs, Europe, the Automotive Division's most important market, was not able to keep up with this positive development. While sales worldwide went up by a total of 20% to about 72 million cars sold, at about 18 million, new registrations in Europe in 2010 merely reached the previous year's level. This means that in a global comparison, in 2010, the automobile market in Europe exhibited the weakest trend in new car sales.

However, the production figures—especially those of the premium manufacturers, the division's basic customers—that are more relevant to business performance showed a much more positive picture due to the strong exports of Western European brands. With just over 17 million manufactured vehicles, European automobile production in 2010 was about 13% higher than that of the previous year, although it still remained about 12% below the pre-crisis level.

### **Development of key figures**

The division's gratifying key figures compared to the previous year reflect the extent of the marked production increase that is almost as steep as the dramatic downturn that the automobile industry had experienced in the fall of 2008; some manufacturers in the premium segment have even attained levels that are substantially higher than those prior to the crisis. The improved utilization of divisional production capacity, the

associated effects of scale, and the implemented efficiency improvement programs resulted in a significant improvement of revenue and operating result. For example, revenue in the first three quarters of 2010/11 rose by 23.4% from EUR 601.6 million to EUR 742.5 million, the highest nine-month figure since the division was established in 2001. This development exerted a disproportionately large effect on the operating results. EBITDA soared compared to the previous year by 80.9% from EUR 46.0 million to EUR 83.2 million, resulting in an EBITDA margin that went up from 7.7% to 11.2%. In the first three quarters of 2010/11, EBIT increased nine-fold from EUR 4.5 million to EUR 41.5 million, equaling an EBIT margin of 5.6% compared to 0.7% in the previous year.

The quarterly performance during the course of the business year shows a distinctly positive trend, as does the comparison with the previous year's figures, which, however, have limited informative value as they were distorted by the crisis. During the third quarter of 2010/11, revenue increased compared to the immediately preceding quarter by 13.5% from EUR 234.1 million to EUR 265.8 million. EBITDA rose by the same percentage, namely from EUR 26.6 million to EUR 30.2 million, while EBIT jumped by 37.2% compared to the immediately preceding quarter, going from EUR 12.1 million to EUR 16.6 million. The EBITDA margin for the third quarter 2010/11 was 11.4%, remaining unchanged vis-à-vis the second quarter; the EBIT margin increased during this reporting period from 5.2% to 6.2%. As of December 31, 2010, the Automotive Division had 4,658 employees (excluding temporary personnel and apprentices). This corresponds to an increase of 3.1% compared to the previous year (4,520 employees) due to higher capacity utilization.

## Business transactions with associated companies or parties

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

## Investments

In the first three quarters of the business year 2010/11, the investments of the voestalpine Group amounted to EUR 276.1 million. Compared to the figure for the previous year (EUR 381.3 million), which was already significantly reduced due to the economic crisis, this corresponds to another decline by EUR 105.2 million or 27.6%. This means that the Group's investment expenditures continue to be substantially lower than the level of depreciation (EUR 448.9 million). It should be stressed that despite the substantial roll-back of investment activity during the last two business years, all the projects that focus on continued expansion of the Group's leadership role in both technology and quality have been pursued consistently and as planned.

Investment activity during the first nine months of the business year 2010/11 across the individual divisions was as follows:

At EUR 113.3 million (–42.2% compared to EUR 196.0 million in the previous year), 41.0% of all Group investments were accounted for by the Steel Division. The focus was on the realization of the last projects under the "L6" investment program, within the scope of which a new melting pot gas holder and another continuous casting facility were erected. Furthermore, a Steel Service Center (SSC) in Romania, which will have state-of-the-art slitting and cut-to-length facilities, and a production line for components for steel pre-processing are currently being implemented on schedule.

In the Special Steel Division, all of the major investment projects relative to capacity expansion in the forging sector were completed in the first half of 2010/11 so that the sites in Wetzlar (Germany), Hagfors (Sweden), and Kapfenberg (Austria) now have sufficient capacity to handle demand in this sector that has increased due to the economic recovery. The focus during the third quarter of 2010/11 was primarily on updating and maintenance projects. The division's investment expenditures during the first three quarters of 2010/11 therefore declined; they fell compared to the same period in the previous year by 45.4% from EUR 97.4 million to EUR 53.2 million.

At EUR 54.9 million, the investment expenditures of the Railway Systems Division in the first nine months of 2010/11 were slightly higher than the same period of the previous year (EUR 45.2 million). The major repair of one of the two blast furnaces at the Donawitz location, which was successfully completed in the fall of 2010, was the largest single investment recently undertaken.

In the Profilform Division, investment volume during the first three quarters of 2010/11 was considerably higher than the comparable figure in the previous year. However, this increase in expenditures by 53.4% from EUR 23.8 million to EUR 36.5 million is attributable in its entirety to the precision strip segment (previously part of the Special Steel Division), which was newly assigned to the division as of the beginning of the business year 2010/11 and in particular to its extensive investment projects involved the concentration and expansion of the rolling capacity for thin strips at the new site in Kematen, Lower Austria.

For the first three quarters of 2010/11, the Automotive Division reported primarily smaller investments that were associated with existing orders or were necessary for operational reasons; the



total expenditure came to EUR 14.8 million. Thus, the division reduced its expenditures by another 11.9% compared to the previous year's already very low figure (EUR 16.8 million).

## Acquisitions

During the course of the business year 2010/11 thus far, there were two acquisitions in the turnout technology segment of the Railway Systems Division that were strategically significant with respect to an expansion in long-term growth markets. In addition to the turnout manufacturing joint venture in Turkey under voestalpine management, which was described in detail in the last two letters to shareholders, the third quarter of 2010/11 saw the first step toward establishing a turnout technology base in Saudi Arabia.

VAE GmbH, global market and technology leader in this segment, signed an agreement to establish a joint venture with Sarab Al Modon, a member of the Al Mobty Group and a company specializing in railway materials. For the time being, the company will supply the Saudi Arabian market, with expansion throughout the Gulf region at a later stage, supplying state-of-the-art turnout technology for both mass transit and intercity rail systems.

From mid-2011 on, production of turnouts in accordance with international standards will begin at the newly erected site in Riyadh, with voestalpine providing technical management of the projects.

## Employees

As of December 31, 2010, the voestalpine Group had a core staff of 40,078 employees (excluding temporary personnel and apprentices). This corresponds to an increase of 674 employees or 1.7% compared to December 31, 2009 (39,404).

As of the end of the third quarter of 2010/11, there were an additional 3,237 temporary staff members;

this represents an increase of 46.7% or 1,031 employees compared to the previous year. While 4,228 employees Group-wide were still on reduced working hours as of December 31, 2009, this measure has now been practically phased out. As of the end of the third quarter of 2010/11, there were only 73 employees in the entire Group still on reduced working hours. Compared to the previous year, 4,155 employees resumed regular working hours.

As of December 31, 2010, the voestalpine Group was training 1,648 apprentices worldwide, only 76 less than in the previous year (1,724).

## Research and Development

In October 2010, the "Synergy Platform," a Group-wide researcher conference, was held for the fourth time, focusing on coordination, networking within the R&D sector, and a Group-wide exchange of knowledge. The event, which took place this time at the headquarters of the Railway Systems Division in Donawitz in Styria, dealt with current trends and long-term potential in materials development.

It was specifically this segment that saw some major successes in the past several months. voestalpine Stahl GmbH, together with its collaboration partner, Fronius, was awarded the innovation prize of a leading Austrian automotive journal for the development of a "hybrid blank"—a revolutionary blend of steel and aluminum. Concrete discussions with automobile manufacturers with regard to possible applications for this product innovation are already taking place.

Furthermore, the long-term development process of a new concept for axle components for commercial vehicles has now resulted in a large, long-term order by a major European commercial vehicle manufacturer. The forming method in the lightweight construction field developed by

voestalpine Anarbeitung GmbH under the brand name "alphas-forming®" guarantees the highest possible degree of safety while providing optimized functionality of the components.

Polynorm van Niftrik, a Dutch company belonging to the Automotive Division, received the "Innovation Award for Automotive Parts & Components 2010" from the International Society for Plastics Technology for its development of a plastic trunk well with integrated additional functions. This product, which was developed in collaboration with an automobile manufacturer, is the first trunk well ever to be produced using an injection molding process, and it features significant technological product improvements.

For other current focal points of our research, please refer to the recent quarterly reports.

## Environment

The benchmark system proposed by the European steel association EUROFER and its member companies, which was intended to succeed the Kyoto Protocol, was, for the most part, rejected by the European Commission. This decision was made despite the comprehensive collection of data regarding all plants and facilities of the European steel industry that will be affected by CO<sub>2</sub> certificate trading from 2013 on and the verification of this data by an independent authority that the European Commission had required.

The draft guidelines for an allocation mechanism, which were prepared by the European Commission in response, were, however, fundamentally accepted in December 2010 and can be rejected by the EU Council (Council of Ministers) or by the European Parliament before the end of March 2011 solely on the basis of substantiated violations of EU law. The current draft guidelines will result

in significant additional costs from 2013 on for the European steel industry and thus for the voestalpine Group as well.

The preregistration of chemical substances required pursuant to the REACH regulation (registration, evaluation, authorization, and restriction of chemicals) was completed on schedule by December 1, 2008 in the voestalpine Group; 28 Group companies carried out about 1,000 preregistrations with the European Chemicals Agency, which is headquartered in Helsinki. Subsequently, the registration of a total of 23 substances (for example, iron, sinter, slags, scale) was completed for seven affected Group companies on time by December 1, 2010. voestalpine was ultimately able to avoid additional registrations primarily by cooperating with suppliers and due to the agreement of the steel industry on a uniformly applied classification of metal semi-finished products that also had the support of the national (Austrian) REACH authority, the Ministry of Agriculture, Forestry, Environment and Water Management. However, it will still be necessary to agree on a common standpoint of all the authorities in the EU member states on a pan-European level.

The IPPC Guideline (Integrated Pollution Prevention and Control Directive) was revised and took effect on January 6, 2011 with the new version of Directive 2010/75/EU on Industrial Emissions. In addition to numerous new developments relative to content, the focus is on a Europe-wide standardization of threshold values and measures for industrial facilities; staggered transition periods of up to four and a half years were agreed upon. IPPC-relevant plants and facilities of the voestalpine Group will be reviewed in a timely manner in the course of the coming years with regard to any need for adjustments and any required measures will be initiated on schedule.

## Outlook

The upward trend in the global economic landscape that stabilized increasingly in the course of 2010 is continuing in early 2011. It is still being fueled primarily by the major Asian economies and by parts of South America, particularly Brazil. While in the USA some of the most recent indicators point to an increasing economic upswing, at the same time, the uncertainties associated with the soaring national debt and a stubbornly high unemployment rate are growing considerably.

In Europe, the fundamental trend that was evident during the second half of 2010 is maintaining its course; this means continuing strong economic development in Central and Northern Europe, positive economic signals, albeit still at a low level, from Eastern Europe, and economies that continue to be under pressure in most of Southern Europe and in the westernmost part of the continent.

Apart from a few exceptions, the situation in the industries that are most important for voestalpine is a positive one. All in all, the situation of the automobile and commercial vehicle industry, mechanical engineering, the consumer goods industry as well as most of the energy sector and the railway infrastructure sector, which is crucial for the voestalpine Group, continues to be favorable globally. In contrast to the last two years, the aerospace supply industry is picking up markedly. The only major industry sector that is not yet on the road to recovery is the construction and construction supply industry, which is still suffering from the restraint being practiced in public capital spending in many countries due to cost-cutting measures.

Against this backdrop of a largely favorable market situation in 2011 in the most important economic regions worldwide, a continuing up-

trend in demand in most product segments is anticipated. However, in addition to political uncertainties in some regions, the predominant risks remain

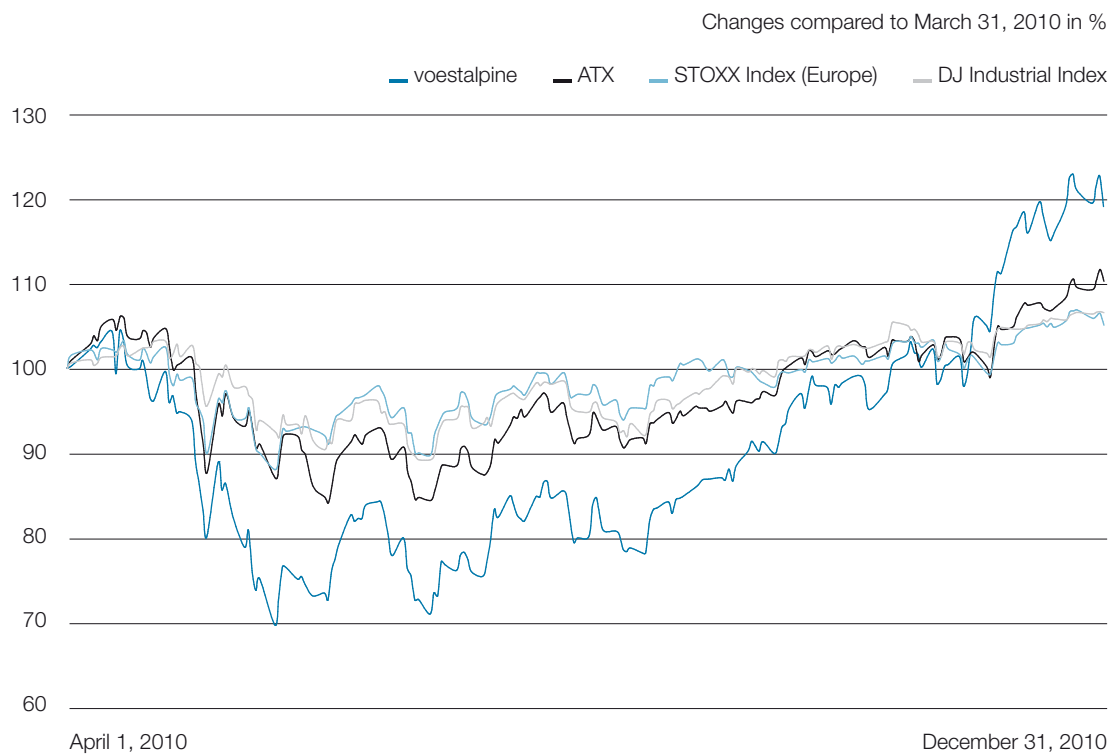
- The problem of public-sector debt that is still unsolved in a number of countries that are vital for the global economy
- A banking system that is not only still unstable, but that is also being adversely affected by the Basel 3 accords
- The development of the foreign exchange rates that is difficult to predict

With regard to raw materials, for the first time in quite a while, a moderation of the uptrend of the prices for ore and coal is being anticipated for this year.

For the voestalpine Group, the current economic environment means that both the fully utilized capacity levels and prices are stable, at least until the summer of 2011. Taking into consideration that the Group's operating results in the third quarter were significantly higher than originally estimated, the predictions for the business year 2010/11 overall are even more positive than expected and anticipate EBIT of about EUR 850 million, despite the customary seasonal effects in the fourth quarter (first calendar quarter of 2011).

# Investor Relations

## voestalpine AG vs. the ATX and international indices



### Price development of the voestalpine share

Despite the very turbulent and challenging situation on the stock exchanges worldwide, in the first nine months of the business year 2010/11, the voestalpine share showed a rise from EUR 30.00 to EUR 35.65, corresponding to an increase in value of about 19%.

After a decline of roughly 30% during the first quarter, due primarily to the anxiety on the capital

markets regarding state finances in the EU and doubts about the sustainability of the economic recovery, and a lengthy period of lateral movement over the summer, by the fall of 2010, the share price had largely recouped its losses.

Ongoing gains in the operating result of the voestalpine Group, improved early economic indicators and, last but not least, the resulting favorable reviews by analysts led to a substantial price appreciation toward the end of the 2010 calendar year, so that overall performance of the share over

the course of the first three quarters of the business year was very positive.

While the performance of the most important benchmark indices had still been slightly ahead of the voestalpine share at the end of September, by the end of the third quarter, the voestalpine share had outperformed them by a significant margin.

## Bonds

### Hybrid bond (2007–2014)

The hybrid bond issued by voestalpine AG in October 2007 has recovered well from the turmoil on the world stock exchanges that resulted in upheaval on the international financial markets (2008/09) and has gone up from its low in February 2009 of 75 (% of the face value) to 104 (% of the face value) as of the end of the third quarter of 2010/11.

### Corporate bond 1 (2009–2013)

Since being issued in March 2009 at the height of the credit crisis in order to ensure liquidity, the corporate bond (volume EUR 400 million, coupon rate 8.75%) has registered substantial price gains; as of December 31, it had risen to 111 (% of the face value).

### Corporate bond 2 (2011–2018)

At the beginning of the fourth quarter of the current business year, voestalpine AG successfully launched a seven-year bond issue on the capital market with a coupon rate of 4.75% and a volume of EUR 500 million. Interest in the bond was higher than average so that the order book attracted high-quality accounts and attained a volume of more than EUR 700 million. Proceeds from

the issue were used for general financing purposes. Trading of the bond began on February 3, 2011 in the regulated over-the-counter market of the Vienna Stock Exchange.

## Shareholder structure

In the business year 2010/11 thus far, the shareholder structure of voestalpine AG has not undergone any substantial changes so that we refer to the detailed presentation of the shareholder structure in the Annual Report 2009/10.

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

- Bank of America/Merrill Lynch, London
- Berenberg, London
- BHF-BANK, Frankfurt
- Cheuvreux, Vienna/Paris
- Citigroup, London
- Credit Suisse, London
- Deutsche Bank, Frankfurt/London
- Erste Bank, Vienna
- Exane BNP Paribas, Paris
- Goldman Sachs, London
- HSBC, London
- JP Morgan, London
- Macquarie, Frankfurt
- Morgan Stanley, London
- Nomura, London
- Raiffeisen Centrobank, Vienna
- Steubing AG, Frankfurt
- UBS, London
- UniCredit, Munich

## Share Information

Share capital	EUR 307,132,044.75 divided into 169,049,163 no-par value shares
	Shares in proprietary possession as of December 31, 2010: 467,874 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 2010 to December 2010	EUR 36.80
Share price low April 2010 to December 2010	EUR 20.87
Share price as of December 31, 2010	EUR 35.65
Initial offering price (IPO) October 1995	EUR 5.18
All-time high price (July 12, 2007)	EUR 66.11
Market capitalization as of December 31, 2010*	EUR 6,009,922,952.85

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

### Business year 2009/10

Earnings per share	EUR 0.65
Dividend per share	EUR 0.50
Book value per share	EUR 24.88

### Financial calendar 2010/11

Letter to shareholders for the fourth quarter and annual financial statement 2010/11	May 31, 2011
Annual General Meeting	July 6, 2011
Ex-dividend date	July 11, 2011
Dividend payment date	July 18, 2011
Letter to shareholders for the first quarter of 2011/12	August 18, 2011
Letter to shareholders for the second quarter of 2011/12	November 17, 2011



**voestalpine AG****Financial data 12/31/2010**

In accordance with International Financial Reporting Standards (IFRS)

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

	03/31/2010	12/31/2010
<b>A. Non-current assets</b>		
Property, plant and equipment	4,484.0	4,398.3
Goodwill	1,420.4	1,420.8
Other intangible assets	462.4	403.3
Investments in associates	126.5	141.5
Other financial assets	167.2	162.5
Deferred tax assets	411.7	386.1
	<b>7,072.2</b>	<b>6,912.5</b>
<b>B. Current assets</b>		
Inventories	2,198.4	2,831.9
Trade and other receivables	1,458.1	1,578.5
Other financial assets	536.8	403.2
Cash and cash equivalents	1,028.6	605.3
	<b>5,221.9</b>	<b>5,418.9</b>
<b>Total assets</b>	<b>12,294.1</b>	<b>12,331.4</b>

In millions of euros



## Equity and liabilities

	03/31/2010	12/31/2010
<b>A. Equity</b>		
Share capital	307.1	307.1
Capital reserves	417.5	407.8
Hybrid capital	992.1	992.1
Retained earnings and other reserves	2,472.9	2,769.6
<b>Equity attributable to equity holders of the parent</b>	<b>4,189.6</b>	<b>4,476.6</b>
Non-controlling interests	72.8	76.8
	<b>4,262.4</b>	<b>4,553.4</b>
<b>B. Non-current liabilities</b>		
Pensions and other employee obligations	853.0	805.9
Provisions	57.5	54.1
Deferred tax liabilities	246.0	245.3
Financial liabilities	3,268.3	2,708.3
	<b>4,424.8</b>	<b>3,813.6</b>
<b>C. Current liabilities</b>		
Provisions	382.0	424.5
Tax liabilities	51.0	88.6
Financial liabilities	1,448.0	1,399.2
Trade and other payables	1,725.9	2,052.1
	<b>3,606.9</b>	<b>3,964.4</b>
<b>Total equity and liabilities</b>	<b>12,294.1</b>	<b>12,331.4</b>

In millions of euros

## Consolidated statement of cash flows

	04/01–12/31/2009	04/01–12/31/2010
<b>Operating activities</b>		
Profit for the period	51.6	400.3
Adjustments	404.4	399.9
Changes in working capital	738.9	–235.1
<b>Cash flows from operating activities</b>	<b>1,194.9</b>	<b>565.1</b>
<b>Cash flows from investing activities</b>	<b>–477.9</b>	<b>–204.2</b>
<b>Cash flows from financing activities</b>	<b>–841.3</b>	<b>–796.7</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>–124.3</b>	<b>–435.8</b>
Cash and cash equivalents, beginning of period	857.7	1,028.6
Net exchange differences	9.1	12.5
<b>Cash and cash equivalents, end of period</b>	<b>742.5</b>	<b>605.3</b>

In millions of euros

## Consolidated income statement

	04/01– 12/31/2009	04/01– 12/31/2010	10/01– 12/31/2009	10/01– 12/31/2010
Revenue	6,288.3	7,936.6	2,106.5	2,744.8
Cost of sales	-5,128.5	-6,200.5	-1,655.2	-2,136.3
<b>Gross profit</b>	<b>1,159.8</b>	<b>1,736.1</b>	<b>451.3</b>	<b>608.5</b>
Other operating income	281.5	235.2	101.4	68.9
Distribution costs	-644.0	-708.2	-216.5	-240.3
Administrative expenses	-378.4	-403.0	-132.4	-137.9
Other operating expenses	-243.8	-201.9	-71.4	-55.2
<b>Profit from operations (EBIT)</b>	<b>175.1</b>	<b>658.2</b>	<b>132.4</b>	<b>244.0</b>
Share of profit of associates	10.6	25.0	4.0	9.0
Finance income	76.4	40.9	18.5	12.2
Finance costs	-214.6	-209.2	-65.1	-67.7
<b>Profit before tax (EBT)</b>	<b>47.5</b>	<b>514.9</b>	<b>89.8</b>	<b>197.5</b>
Income tax expense	4.1	-114.6	-18.4	-46.9
<b>Profit for the period</b>	<b>51.6</b>	<b>400.3</b>	<b>71.4</b>	<b>150.6</b>
Attributable to:				
Equity holders of the parent	-8.2	340.3	50.6	131.2
Non-controlling interests	5.8	6.0	2.8	1.4
Share planned for hybrid capital owners	54.0	54.0	18.0	18.0
<b>Basic earnings per share (euros)</b>	<b>-0.05</b>	<b>2.02</b>	<b>0.30</b>	<b>0.78</b>
<b>Diluted earnings per share (euros)</b>	<b>-0.05</b>	<b>2.02</b>	<b>0.30</b>	<b>0.78</b>
<b>Statement of comprehensive income:</b>				
<b>Profit for the period</b>	<b>51.6</b>	<b>400.3</b>	<b>71.4</b>	<b>150.6</b>
<b>Other comprehensive income</b>				
Hedge accounting	-19.8	1.5	0.6	13.8
Deferred tax hedge accounting	4.9	0.1	0.5	-3.5
Currency translation	46.2	45.1	18.6	26.9
<b>Other comprehensive income for the period, net of income tax</b>	<b>31.3</b>	<b>46.7</b>	<b>19.7</b>	<b>37.2</b>
<b>Total comprehensive income for the period</b>	<b>82.9</b>	<b>447.0</b>	<b>91.1</b>	<b>187.8</b>
Attributable to:				
Equity holders of the parent	21.3	386.4	69.6	167.8
Minority interest	7.6	6.6	3.5	2.0
Share planned for hybrid capital owners	54.0	54.0	18.0	18.0
<b>Total comprehensive income for the period</b>	<b>82.9</b>	<b>447.0</b>	<b>91.1</b>	<b>187.8</b>

In millions of euros

## Consolidated statement of changes in equity

	Q 1 – Q 3 2009/10			Q 1 – Q 3 2010/11		
	Group	Non-controlling interests	Total	Group	Non-controlling interests	Total
<b>Equity as of April 1<sup>st</sup></b>	<b>4,185.9</b>	<b>76.6</b>	<b>4,262.5</b>	<b>4,189.6</b>	<b>72.8</b>	<b>4,262.4</b>
Total comprehensive income for the period	75.3	7.6	82.9	440.4	6.6	447.0
Dividends to shareholders	-175.5	-8.0	-183.5	-84.3	-6.4	-90.7
Capital increase	4.0	-	4.0	-	-	-
Own shares acquired/ disposed	4.1	-	4.1	5.2	-	5.2
Purchase of non-controlling interests	-	-	-	-	2.4	2.4
Dividends to hybrid capital owners	-71.3	-	-71.3	-71.3	-	-71.3
Other changes	-2.3	-4.8	-7.1	-3.1	1.5	-1.6
<b>Equity as of December 31<sup>st</sup></b>	<b>4,020.2</b>	<b>71.4</b>	<b>4,091.6</b>	<b>4,476.5</b>	<b>76.9</b>	<b>4,553.4</b>

In millions of euros

## Notes

These interim consolidated financial statements of voestalpine AG as of December 31, 2010 for the first three quarters of the business year 2010/11 were prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies are unchanged from the annual consolidated financial statements for the business year 2009/10 with the following exceptions: amendments to IAS 27 (2008) Consolidated and Separate Financial Statements as well IFRS 3 (2008) Business Combinations are being applied for the first time. The amendments do 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, 2010, on which these interim consolidated financial statements are based.

Since the requirements for the application of IFRS 5 were no longer being met as of March 31, 2010, the entities classified as discontinued operations in the preceding year are again classified as continuing operations in these interim consolidated financial statements. The preceding year's comparative figures were adjusted accordingly.

Since April 1, 2010, the cash-generating units Precision Strip and Welding Consumables are being managed and reported within the Profilform Division and the Railway Systems Division (previously Special Steel Division). In these interim consolidated financial statements, the two cash-generating units were therefore allocated to the operating segments Profilform Division (Precision Strip) and Railway Systems Division (Welding Consumables). The preceding year's comparative figures were adjusted accordingly.

The interim consolidated financial statements are presented in millions of euros (the functional currency of the parent company). The use of automated calculation systems may result in rounding differences.

Unless otherwise stated, comparative information relates to the first three quarters of the business year 2009/10 (reporting date: December 31, 2009).

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, 2010</b>	<b>296</b>	<b>2</b>	<b>13</b>
Acquisitions			
Change in consolidation method			
Additions	4		
Disposals			-1
Reorganizations	-9		
Divestments or disposals	-1		
<b>As of December 31, 2010</b>	<b>290</b>	<b>2</b>	<b>12</b>
Of which foreign companies	233	0	5

### Notes on the consolidated statement of financial position

In the first three quarters of the business year 2010/11, depreciations amounting to EUR 448.9 million exceeded investments that amounted to EUR 276.1 million. This led to a decrease in non-current assets despite currency effects. Inventories have increased by EUR 633.5 million in comparison to March 31, 2010 due to increasing prices and volumes. The increased revenue was the primary reason why receivables were higher. Cash and cash equivalents declined by EUR 423.3 million due mainly to loan repayments.

As of December 31, 2010, voestalpine AG's share capital amounted to EUR 307,132,044.75 (169,049,163 shares). The Company held 467,874 of its own shares as of the reporting date. In the first three quarters of the business year 2010/11, the Company sold 190,411 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 1,000,000,000. The bond has an indefinite term and a 7.125% coupon rate. The Company may defer coupon payments if no dividends are paid. The first call option is after seven years, at which time voestalpine AG (but not the bond holders) may either call the bond at par or extend it at a higher, but variable, coupon rate. This hybrid bond is recognized as a component of equity under IAS 32.

Profit for the period amounting to EUR 400.3 million has contributed to the increase of equity. For the business year 2009/10, a dividend per share of EUR 0.50 was decided upon at the Annual General Meeting on July 7, 2010. Therefore, voestalpine AG distributed dividends amounting to EUR 84.3 million to its shareholders during the current business year. Interest for hybrid capital amounting to EUR 71.3 million was also distributed and recognized in the form of a dividend.

Non-current loans developed according to our redemption schedule and non-current financial

liabilities therefore declined to EUR 2,708.3 million. The rise in purchasing volume was the primary reason for the increase of trade payables.

### Notes on the consolidated income statement

Revenue for the period from April 1 to December 31, 2010 totaled EUR 7,936.6 million, exceeding the comparable figure for the preceding year (EUR 6,288.3 million) by 26.2%. Profit from operations (EBIT) reached EUR 658.2 million for the same period compared to EUR 175.1 million for the first nine months of the business year 2009/10. EBIT equaled EUR 244.0 million for the third quarter of 2010/11, compared to EUR 132.4 million for the third quarter of 2009/10. After

consideration of the financial result and taxes, profit for the period amounted to EUR 400.3 million compared to EUR 51.6 million for the first three quarters of the preceding year.

In June 2010, the European Commission imposed a fine amounting to EUR 22.0 million on voestalpine Austria Draht GmbH (Railway Systems Division) due to a violation of EU antitrust law. According to the Commission's decision, voestalpine AG as the Group's ultimate parent company is jointly and severally liable for this fine. voestalpine AG and voestalpine Austria Draht GmbH took legal action against the decision before the European General Court. However, as a precautionary measure, a provision amounting to EUR 8.0 million was created in the first quarter, which remains unchanged.

Basic (undiluted) earnings per share are calculated as follows:

	04/01–12/31/2009	04/01–12/31/2010
Profit attributable to equity holders of the parent (in millions of euros)	-8.2	340.3
Weighted average number of issued ordinary shares (millions)	167.2	168.5
<b>Basic (undiluted) earnings per share (euros)</b>	<b>-0.05</b>	<b>2.02</b>

Diluted earnings per share are depicted as follows:

	04/01–12/31/2009	04/01–12/31/2010
<b>Diluted earnings per share (euros)</b>	<b>-0.05</b>	<b>2.02</b>

## Operating segments

The following tables contain information on the operating segments of the voestalpine Group for the first three quarters of the business year 2010/11 and business year 2009/10, respectively:

### 1<sup>st</sup>–3<sup>rd</sup> quarter 2010/11

	<b>Steel Division</b> 04/01–12/31/2010	<b>Special Steel Division</b> 04/01–12/31/2010	<b>Railway Systems Division</b> 04/01–12/31/2010
Segment revenue	2,974.5	1,895.1	2,031.9
of which revenue with third parties	2,528.7	1,849.0	2,005.6
of which revenue with other segments	445.8	46.1	26.3
EBITDA	416.6	247.9	291.8
Profit from operations (EBIT)	251.7	126.3	207.4
EBIT margin	8.5%	6.7%	10.2%
Segment assets	3,728.9	4,022.1	2,345.9
Employees (excl. temporary personnel and apprentices)	9,473	11,207	9,948

### 1<sup>st</sup>–3<sup>rd</sup> quarter 2009/10

	<b>Steel Division</b> 04/01–12/31/2009	<b>Special Steel Division</b> 04/01–12/31/2009	<b>Railway Systems Division</b> 04/01–12/31/2009
Segment revenue	2,291.5	1,369.9	1,710.5
of which revenue with third parties	2,036.4	1,349.1	1,688.4
of which revenue with other segments	255.1	20.8	22.1
EBITDA	289.5	41.3	266.9
Profit from operations (EBIT)	128.1	–111.0	172.1
EBIT margin	5.6%	–8.1%	10.1%
Segment assets	3,363.6	3,791.5	2,245.8
Employees (excl. temporary personnel and apprentices)	9,530	11,011	9,689



<b>Profiform Division</b> 04/01–12/31/2010	<b>Automotive Division</b> 04/01–12/31/2010	<b>Other</b> 04/01–12/31/2010	<b>Reconciliation</b> 04/01–12/31/2010	<b>Total Group</b> 04/01–12/31/2010
831.9	742.5	67.5	-606.8	7,936.6
810.4	740.7	2.2	0.0	7,936.6
21.5	1.8	65.3	-606.8	0.0
115.4	83.2	-42.9	-5.0	1,107.0
83.6	41.5	-47.3	-5.0	658.2
10.0%	5.6%			8.3%
1,046.6	886.3	7,814.9	-7,513.3	12,331.4
4,144	4,658	648	0	40,078

In millions of euros

<b>Profiform Division</b> 04/01–12/31/2009	<b>Automotive Division</b> 04/01–12/31/2009	<b>Other</b> 04/01–12/31/2009	<b>Reconciliation</b> 04/01–12/31/2009	<b>Total Group</b> 04/01–12/31/2009
633.5	601.6	64.9	-383.6	6,288.3
610.7	599.9	3.8	0.0	6,288.3
22.8	1.7	61.1	-383.6	0.0
46.9	46.0	-65.8	39.1	663.9
13.5	4.5	-71.0	38.9	175.1
2.1%	0.7%			2.8%
1,012.2	842.7	8,442.8	-8,070.3	11,628.3
4,015	4,520	639	0	39,404

In millions of euros

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

#### EBITDA

	04/01 – 12/31/2009	04/01 – 12/31/2010
Net exchange differences incl. result from valuation of derivatives	20.1	0.9
Value adjustments for receivables/debt waiver	14.9	-0.4
Consolidation	3.9	-5.4
Other	0.2	-0.1
<b>EBITDA – Total reconciliation</b>	<b>39.1</b>	<b>-5.0</b>

In millions of euros

#### EBIT

	04/01 – 12/31/2009	04/01 – 12/31/2010
Net exchange differences incl. result from valuation of derivatives	20.1	0.9
Value adjustments for receivables/debt waiver	14.9	-0.4
Consolidation	3.9	-5.4
Other	0.0	-0.1
<b>EBIT – Total reconciliation</b>	<b>38.9</b>	<b>-5.0</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

The improved operating result led to an increase in cash flow before capital changes from EUR 456.0 million to EUR 800.2 million. Taking the change in working capital into consideration, cash flows from operating activities amounted to EUR 565.1 million in comparison to the first three quarters of the preceding year (EUR 1,194.9 million); this represents a decrease of 52.7%. The cash flows from investing activities amounting to EUR –204.2 million, including income from the change in financial assets (mainly from the disposal of securities) amounting to EUR 128.3 million. Therefore, cash flows from investing activities without this effect amount to EUR –332.5 million. After the deduction of cash flows from investing activities and taking into account cash flows from financing activities amounting to EUR –796.7 million (mainly loan repayments and dividends), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR –435.8 million.

## 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 nine months of the current business year.

## Events after the reporting period

At the end of January 2011, voestalpine AG issued a corporate bond with a total issue volume of EUR 500 million, intended to be used for general financing purposes. The bond has a term of seven years and a 4.75% coupon rate.

### Imprint

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