Letter to Shareholders 1st Quarter 2009/10

voestalpine
ONE STEP AHEAD.

voestalpine Group Key Figures

In millions of euros[1]	Q 1 2008/09 04/01–06/30/2008	Q 1 2009/10 04/01–06/30/2009	Change in %
Revenue	3,255.0	2,073.6	–36.3
EBITDA	542.6	134.9	–75.1
EBITDA margin	16.7%	6.5%	
EBIT	357.7	–24.0	–106.7
EBIT margin	11.0%	–1.2%	
Profit before tax	302.8	–67.7	–122.4
Profit for the period from continuing operations	241.2	–46.3	–119.2
Profit for the period[2]	240.3	–48.2	–120.1
Earnings per share (euros)	1.35	–0.40	–129.6
Investments	202.2	140.2	–30.7
Depreciation	184.9	159.0	–14.0
Capital Employed	8,946.5	8,661.6	–3.2
Equity	4,637.4	4,229.9	–8.8
Net financial debt	3,571.0	3,810.0	6.7
Net financial debt in % of equity	77.0%	90.1%	
Employees excl. apprentices	42,088	40,120	–4.7

[1] According to IFRS all figures after purchase price allocation (ppa). Please refer to the Annual Report 2007/08 for more details.
[2] Before minority interests and interest on hybrid capital.

Ladies and Gentlemen,

Despite the fact that this was the most difficult quarter in decades for European industry, voestalpine AG just barely missed being able to report a positive operating result. But it was not quite enough, as the negative effects of the purchase price allocation (ppa) of just above EUR 30 million resulting from the purchase two years ago of the BÖHLER-UDDEHOLM Group caused the voestalpine Group's EBIT for the first three months of the 2009/10 business year to tumble from plus EUR 5.1 million to minus EUR 24 million. Even though the ppa is only relevant as a purely accounting effect, it is nevertheless a mandatory part of our "official" figures, pushing them into the red for the first time in many years. By the way, the ppa, which is a prudent and cautionary measure intended to secure the Group's future in the long term, has the advantage that even in the current economic environment, no impairment losses were applicable.

Regardless of how one interprets the result in detail, the figures for the 1st quarter make the following clear: As already expressed unequivocally in the Letter from the Management Board that was part of the Annual Report 2008/09, we see the crisis as an opportunity rather than a threat and have therefore confronted it quickly and comprehensively with concrete measures and actions. Since the beginning of the recession a good nine months ago, investment expenditures were cut by almost EUR 500 million or almost 50%, working capital was streamlined by EUR 550 million or about 20% in the last six months alone, and personnel capacity reduced by 16% by means of a package of measures.

Despite the extremely challenging environment, the Group's gearing ratio at 90.1% is lower than the figure at the end of both the 2nd and 3rd quarters of the previous year. The current gearing ratio is only slightly above that of the end of the 2008/09 business year (88.2%).

In order to achieve the targets that have been redefined as a result of the crisis, it is imperative to make them understandable for every single employee. Goals must be communicated, understood, supported, and lived through, even when they are often associated with painful cutbacks for the individual. Only when the employees fully and completely identify with their company in difficult times can we achieve the responsiveness that characterizes "crisis winners" (in the positive sense of the word).

The fact that the voestalpine Group is no longer a "classic" steel corporation is—more than ever before—a plus in this difficult environment. It has a value chain that is oriented toward the end customer and is much longer than the competition's. For many years, the Group has been focused consistently on its leadership role in both technology and quality in the most sophisticated product segments. And especially in a crisis, this means "one step ahead" as far as earnings are concerned as well.

And what does the future look like? The alphabet soup that the economists have invented to describe the recession—whether it's shaped like an L, V, W, or U—is taking on somewhat ridiculous dimensions and is nothing but an obvious expression of bafflement. In this industry, knowledge seems to be mutating more and more toward faith and hope—something that, as we know, is not of much help to enterprises. The answer to all this uncertainty can only be to be prepared for every scenario and to boost responsiveness and flexibility even further in order to have the right answer for any development that we may encounter in the next months.

Linz, August 20, 2009

The Management Board

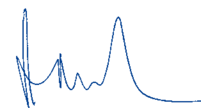
W. Eder

F. Hirschmanner

J. Mülner

R. Ottel

C. J. Raidl


W. Spreitzer

Highlights[1,2]

- The economic environment of **the 2009/10 business year** has been **the most difficult one in decades.** The economic circumstances during the 1st quarter have been extremely challenging with **a significant decline in sales revenue and operating result.**

- **Sales revenue down by 36.3%** from EUR 3,255 million **to EUR 2,073.6 million** due to dramatic decline in sales volume and price level.

- **EBITDA down by 75.1%** from EUR 542.6 million **to EUR 134.9 million; Railway Systems Division most resistant to the crisis,** but **all** other **divisions also reporting positive EBITDA.**

- **EBIT negative at EUR –24 million** after EUR 357.7 million in the previous year Long-term, consistent **focus** on sophisticated products that are **less price sensitive,** as well as **rapid** and **comprehensive capacity adjustments** and **cost reductions keep operational losses to a reasonable level,** particularly **compared to the competition.**

- **EBITDA and EBIT margin fall to 6.5%** (previous year: 16.7%) resp. **–1.2%** (previous year: 11.0%).

- **Profit before tax fell** from EUR 302.8 million **to EUR –67,7 million** and **profit for the period** (net income) from EUR 240.3 million **to EUR –48,2 million.**

- **Earnings per share** for the first three months of 2009/10 **negative at EUR –0.4** (previous year: EUR 1.35 per share)[3].

- **Investments significantly lower than depreciation** for the first time in years.

- Due to consistent investment and working capital management, **gearing ratio almost unchanged at 90.1% compared to March 31, 2009** (88.2%) despite negative result.

- **Number of employees down by 4.7% from 42,088 to 40,120 employees** compared to September 30, 2008; **reduction** of **4,078 employees;** as of June 30, 2009, **11,294 employees on reduced working hours.**

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa). For explanatory remarks on the ppa, please refer to the inside cover page of the Annual Report 2007/08.
[2] To the extent that no other time period is explicitly referred to, all comparative figures refer to the 1st quarter of the 2008/09 business year.
[3] Basis of the calculation is the profit for the period; in the letter to shareholders for the 1st quarter of the 2008/09 business year, the basis for calculation was the profit for the period from continuing operations at EUR 1.36 per share.

Interim Management Report

Market environment

The economic trend during the first three months of the 2009/10 business year showed broadly based continuing weak demand in almost all of the voestalpine Group's major markets and across almost all industries. For example, during the 2009 calendar year thus far, automobile production throughout Europe has been about 30% below last year's figure. The commercial vehicle industry, machinery manufacturing, plant construction, as well as the construction and construction supply industries, all important customer segments, experienced an even greater drop in demand.

Even the "traditional" energy sector, which had been able to insulate itself from the negative economic trend into the spring of this year, has weakened significantly due to the lower oil price. On the other hand, demand has improved in the alternative energy sector (wind and solar energy). The slump in the aviation and the household appliance sector has also been comparatively less severe than in the other industries. The only segment that has been less affected by the overall negative economic trend has been the railway infrastructure sector, which has profited primarily from the largely stable level of demand in Europe.

Contemplated geographically, with the exception of China where there was some economic recovery due to increasing domestic demand, during the last quarter there was no reversal of the worldwide economic trend.

It should be noted, however, that the last quarter showed a slowing in the momentum of the economic downturn. In individual industries, the first signs of stabilization are visible. Against this backdrop, the short-term steel prices indicate that they may bottom out in the course of the summer, the consequence of massive cuts in production.

Business performance of voestalpine Group[1]

Due to the continuing difficult economic environment during the first three months of the 2009/10 business year, the voestalpine Group incurred a very significant decline in revenue and operating result.

During the 1st quarter of 2009/10, the Group's sales revenue fell by EUR 1,181.4 million EUR (–36.3%) from EUR 3,255 million to EUR 2,073.6 million. In absolute figures, the greatest decline was recorded by the Special Steel Division, where sales revenue fell by EUR 446.3 million (–43.9%) from EUR 1,017.1 million to EUR 570.8 million. Viewed relatively, the Profilform Division was most severely affected, as its sales revenue dropped by almost 50% from EUR 341.2 million to EUR 173.6 million

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa).
For explanatory remarks on the ppa, please refer to the inside cover page of the Annual Report 2007/08.

due to a particularly low sales level in the construction and commercial vehicle industries. The Steel Division was able to ward off the effects of weak demand and continually dropping prices in the flat steel segment only in part, resulting in sales revenue in the 1st quarter of 2009/10 of EUR 760.1 million, 35.3% lower than the comparable figure in the previous year (EUR 1,174.7 million). The plunge in sales revenue in the Automotive Division by about one third from EUR 259.2 million to EUR 175.4 million mirrors the situation in automobile manufacturing throughout Europe: The premium manufacturers, who are the primary customers of the Automotive Division, were able to profit from the government-backed incentive programs to stimulate automobile sales only to a limited extent. The Railway Systems Division has proven to be the one most resistant to the crisis due to the stable performance in the rail and turnout technology segments; its decline in sales revenue of 23.6% from EUR 630.7 million to EUR 481.6 million was reasonably manageable. It was largely the result of weak demand in the two smaller segments of wire and seamless tubes.

Just how dramatic the economic trend is was demonstrated by the earnings before interest, taxes, depreciation and amortization (EBITDA) even more clearly than by the sales revenue figures. The decline in sales revenue of 36.3% results in EBITDA that is lower by 75.1% compared to the same quarter in the previous year, falling from EUR 542.6 million to EUR 134.9 million. With a fall-off of "only" 27.8% from EUR 112.8 million to EUR 81.4 million, the Railway Systems Division proved its stability in economically difficult times in this regard as well. In contrast, EBITDA in the Profilform Division was affected most severely by the downward trend, plummeting by 90.1% from EUR 57.3 million to EUR 5.7 million. In the Special Steel Division, EBITDA plunged by 90% from EUR 122.2 million to EUR 12.2 million In the Steel Division, it shrank by 85.9% from EUR 240.8 million to EUR 34 million, while the Automotive Division, which held up relatively well in terms of results in an extremely difficult market environment, saw a decline of 55.6% from EUR 30.4 million to EUR 13.5 million. Despite the very critical market situation, all the divisions reported positive EBITDA so that in the 1st quarter of 2009/10, the Group generated an EBITDA margin of 6.5% (the comparable period of the previous year: 16.7%)

In addition to the severely reduced volumes and earnings, the need to record write-

downs on raw materials as well as alloys also had an adverse effect on the operating result (EBIT). As a result, compared to a gain of EUR 357.7 million in the 1st quarter of the previous year, the voestalpine Group is showing a manageable but negative quarterly result of EUR 24 million for the first three months of 2009/10. This corresponds to a negative EBIT margin of 1.2%. Long-term, consistent focus on sophisticated and therefore less price sensitive products, as well as direct and comprehensive capacity adjustments and cost reductions in all the divisions made it possible to keep the negative result within reasonable limits, particularly compared to the competition.

Due to the operating losses and the financing costs over the previous year, the profit before tax (EBT) fell from EUR 302.8 million to EUR –67.7 million. The profit for the period (net income)[1] comes to EUR –48.2 million (compared to EUR 240.3 million in the pervious year).

For the first three months of 2009/10, earnings per share (EPS) were EUR –0.4 per share (previous year: EUR 1.35).[2]

Equity fell marginally during the 1st quarter of 2009/10 compared to March 31, 2009 by 0.8% from EUR 4,262.5 million to EUR 4,229.9 million. Due to the fact that for the first time in five years, the investment expenditure was lower than depreciation and working capital declined compared to March 31, 2009, net financial debt went up only slightly by 1.3% from EUR 3,761.6 million to EUR 3,810 million. As of the end of the 1st quarter of 2009/10, the voestalpine Group recorded a gearing ratio (net financial debt in percent of equity) of 90.1%. Despite the continuing difficult economic circumstances, it is only slightly higher than the gearing ratio as of March 31, 2009 (88.2%); once again, this proves the self-financing capability of the company, even in the midst of a crisis.

The Group's crude steel production in the 1st quarter of 2009/10 was 1.27 million tons, 37.4% below the previous year's corresponding figure (2.03 million tons). However, the EU-wide decline of about 44% puts the dramatic scope of this setback into perspective. At 62.5%, only the Special Steel Division reduced its production of crude steel more than the EU average (from 240,000 tons to 90,000 tons). At 920,000 tons, the Steel Division reported a 33.3% reduction in production, and the Railway Systems Division a reduction in output of 36.6%, to 260,000 tons.

[1] Before minority interests and interest on hybrid capital.
[2] Basis of the calculation is the profit for the period; in the letter to shareholders for the 1st quarter of the 2008/09 business year, the basis for calculation was the profit for the period from continuing operations at EUR 1.36 per share.

Broken down individually, the performance of the Group's five divisions in the 1st quarter of 2009/10 was as follows:

Steel Division

In millions of euros	Q 1 2008/09 04/01–06/30/2008	Q 1 2009/10 04/01–06/30/2009	Change in %
Revenue	1,174.7	760.1	–35.3
EBITDA	240.8	34.0	–85.9
EBITDA margin	20.5%	4.5%	
EBIT	188.7	–17.3	–109.2
EBIT margin	16.1%	–2.3%	
Employees (without apprentices)	9,889	9,839	–0.5

The business performance of the *Steel Division* in the 1st quarter of 2009/10 was characterized by extremely weak demand and earnings that again declined compared to the immediately preceding quarter. The end of falling prices on the spot market in the first weeks of the current quarter and low inventory levels, however, indicate for the first time since the fall of 2008 that short-term steel prices may have bottomed out.

Within the division, the heavy plate segment, which had been relatively stable thus far, could no longer hold out against the negative trend, joining the high quality flat steel (strip products), the Steel Service Center, and the pre-processing segments, which have been most affected by decreasing demand. Capacity in the 1st quarter of 2009/10 was fully utilized only in the foundry products segment, due to the high order level.

Toward to end of the past quarter, the first positive effects of the lower coal and ore prices were felt. However, the full effect of the new agreements executed during the current quarter will be able to only partly compensate the lower prices being paid by customers with quarterly and semi-annual contracts since the beginning of the business year.

In the first three months of the 2009/10 business year, continuing weak demand and prices in the short-term sector that are still falling led to a decline in revenue compared to the 1st quarter of the previous year by 35.3%, from EUR 1,174.7 million to EUR 760.1 million. The effect on results, which was caused by lower production volume, (even) higher raw materials costs, and declining earnings, was even more striking. EBITDA fell by 85.9% in comparison to the 1st quarter of the previous year from EUR 240.8 million to EUR 34 million, and EBIT declined from EUR 188.7 million to EUR –17.3 million. The EBITDA and EBIT margins decreased from 20.5% to 4.5% and from 16.1% to –2.3%, respectively. Compared to our competitors, however, we were able to keep the negative results within reasonable limits, primarily due to our consistent focus on sophisticated products, which are less price sensitive than products sold at spot market prices, direct and comprehensive capacity adjustments, accelerated cost savings measures, as well as a sales offensive.

Special Steel Division[1]

In millions of euros	Q 1 2008/09 04/01–06/30/2008	Q 1 2009/10 04/01–06/30/2009	Change in %
Revenue	1,017.1	570.8	–43.9
EBITDA	122.2	12.2	–90.0
EBITDA margin	12.0%	2.1%	
EBIT	33.8	–47.6	–240.8
EBIT margin	3.3%	–8.3%	
Employees (without apprentices)	15,451	14,250	–7.8

Demand for special steel products continued its steep decline during the 1st quarter of 2009/10 in almost all of the division's relevant customer industries and markets; those most affected were the commercial vehicle industry, machinery manufacturing, and the construction industry. The only exceptions were the aviation industry, where the decline in orders was "only" moderate, and the energy technology segment, where overall business volume was (still) stable. Examined from a regional perspective, a certain stabilization of business activities was detected only in China during the 1st quarter of 2009/10, which was largely due to increasing domestic demand. Despite significantly reduced sales volumes because of weak demand and reduction of inventory levels by customers, the base prices were maintained at a mostly stable level. Due to the decline in alloy prices, however, the alloy price surcharges had to be revised downward, resulting overall in a considerable adverse effect on earnings.

As a consequence, the revenue of the *Special Steel Division* in the 1st quarter of 2009/10 fell by 43.9% from EUR 1,017.1 million to EUR 570.8 million. EBITDA came to EUR 12.2 million, a plunge by more than 90% compared to the same period of the previous year (EUR 122.2 million).

EBIT also shrank vis-à-vis the previous year's comparative figure (EUR 33.8 million EUR) by EUR 81.4 million to EUR –47.6 million. Therefore, the EBITDA margin in the 1st quarter of 2009/10 was 2.1%, with the EBIT margin at –8.3%.

As a response to the crisis, a comprehensive package of measures was initiated and is now being implemented throughout the division. This affects, in particular, an adjustment of capacity in the form of shorter working hours, the reduction of both core staff and leased employees, as well as rigorous cost reductions in production, sales, and administration.

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa). For explanatory remarks on the ppa, please refer to the inside cover page of the Annual Report 2007/08.

Railway Systems Division

In millions of euros	Q 1 2008/09 04/01–06/30/2008	Q 1 2009/10 04/01–06/30/2009	Change in %
Revenue	630.7	481.6	–23.6
EBITDA	112.8	81.4	–27.8
EBITDA margin	17.9%	16.9%	
EBIT	90.7	56.5	–37.7
EBIT margin	14.4%	11.7%	
Employees (without apprentices)	8,023	8,035	0.1

Business performance in the *Railway Systems Division* during the 1st quarter of 2009/10 was markedly better than in the Group's other four divisions, due primarily to the market situation in the railway infrastructure sector, which remained largely stable, especially in Europe. Looking at the underlying details, however, falling prices for steel also resulted in a decline in prices for new tenders in the rail segment and triggered increasing downward price pressure in the switches segment. Even the significantly lower costs for raw materials during the 1st quarter of 2009/10 were able to only partly compensate this fall in prices. The market situation in the seamless tube segment continues to be critical; the wire segment, however, seems ready to start picking up, now that inventory levels in the segment's most important industries have normalized. Capacity utilization of the steel plant of the Railway Systems Division was only at about 65% during the 1st quarter of 2009/10, due primarily to the substantial decline in orders for wire and seamless tubes.

Despite the fact that the economic environment was challenging in the relevant market segments, this Division was able to keep the sales revenue and operating result at a high level, even in comparison to the record figures of the previous year.

Especially in comparison to the other divisions, the drop in sales revenue compared to the 1st quarter of 2008/09 of EUR 630.7 million to EUR 481.6 million, respectively, by 23.6% was steep but still reasonably manageable. EBITDA amounted to EUR 81.4 million, which corresponds to a 27.8 % decrease compared to the same period of the previous year (EUR 112.8 million). At EUR 56.5 million, EBIT was 37.7% lower than the figure for the previous year (EUR 90.7 million), however, compared to the other divisions, it was nevertheless the best result by far within the Group. Its EBITDA margin of 16.9% (previous year: 17.9%) and its EBIT margin 11.7% (previous year: 14.4%) make it clear just how crisis-resistant the Railway Systems Division is.

Profilform Division

In millions of euros	Q 1 2008/09 04/01–06/30/2008	Q 1 2009/10 04/01–06/30/2009	Change in %
Revenue	341.2	173.6	–49.1
EBITDA	57.3	5.7	–90.1
EBITDA margin	16.8%	3.3%	
EBIT	49.4	–2.3	–104.7
EBIT margin	14.5%	–1.3%	
Employees (without apprentices)	3,839	3,319	–13.5

The market environment, which has been extremely difficult since the fall of 2008, continued unabated in the early part of the 2009/10 business year. Business activity in all customer industries of the *Profilform Division* has been trending down significantly, with commensurately reduced utilization of production capacity. The erosion in the construction and construction supply industries and in the commercial vehicle sector has been especially dramatic.

The continuing low level of sales with concurrent severe downward pressure on prices made it necessary to continue the measures aimed toward adjusting production capacity in the division's companies, and in some cases to even accelerate them further. In addition to reductions in both core staff and temporary personnel, models for shorter working hours have been agreed upon, although their implementation varies widely due to the different legal parameters in the various countries. We would like to emphasize that, in contrast to the massive decline in demand in the tube/section segment, the utilization of capacity in the storage technology segment was steady in the 1st quarter of 2009/10 despite a lengthier order placement process; the US market, however, performed below expectations in this segment.

Due to the continuing weak demand in almost all major customer industries and the extremely low price level, sales revenue and operating result in the 1st quarter of 2009/10 were far below the comparable figures of the previous year. With a plunge in sales revenue of almost 50% from EUR 341.2 million to EUR 173.6 million, the Profilform Division reported the greatest decline of all the divisions. Nevertheless, as a result of quickly deployed countermeasures, the division recorded positive EBITDA of EUR 5.7 million (compared to EUR 57.3 million in the first three months of the 2008/09 business year), due primarily to consistent capacity adjustments. Due to extreme capacity underutilization, EBIT is slightly negative at EUR –2.3 million (previous year: EUR 49.4 million). This reduces the EBITDA margin compared to the previous year by 16.8% to 3.3%; the EBIT margin fell from 14.5% to –1.3%.

Automotive Division

In millions of euros	Q 1 2008/09 04/01–06/30/2008	Q 1 2009/10 04/01–06/30/2009	Change in %
Revenue	259.2	175.4	–32.3
EBITDA	30.4	13.5	–55.6
EBITDA margin	11.7%	7.7%	
EBIT	17.6	0.2	–98.9
EBIT margin	6.8%	0.1%	
Employees (without apprentices)	4,244	4,015	–5.4

Despite the attempts in some countries to stimulate automobile sales by way of government-backed incentive programs, no across-the-board stabilization of demand was noticeable for the *Automotive Division* during the 1st quarter of 2009/10, but only a slowing of the downward trend. While the "scrapping premium" resulted in a rise in new car registrations in Germany, automobile production in Europe overall during the 2009 calendar year thus far was still about 30% under that of the previous year. An additional factor is that it was especially the sub-compact and compact car segment—and here relatively speaking, the importers of Asian brands most of all—that benefited from this program. The premium manufacturers—the Division's main customer segment—profited only marginally from the various new car subsidy programs. Against this backdrop, the order call-offs were correspondingly sluggish in all business segments.

Therefore, the measures initiated during the past business year to adapt cost structures to the radically changed situation with regard to capacity utilization and revenue generation were systematically continued during the first three months of the 2009/10 business year.

The Division's revenue and operating results mirror this extremely difficult market environment, with revenue declining in the 1st quarter of 2009/10 compared to the same period of the previous year by 32.3% from EUR 259.2 million to EUR 175.4 million. These two figures no longer include the plastics operations or the French company Amstutz Levin & Cie., which was reported under "Discontinued operations" as of the end of the 2008/09 business year in the Group's Consolidated Financial Statement. voestalpine Euroweld S.r.l., Turin, which was sold at the end of the last business year to the previous minority owner Stola S.p.A., is also no longer part of the Automotive portfolio (for more information, see the section "Acquisitions and divestments").

EBITDA of the Automotive Division has fallen compared to the previous year by 55.6% from EUR 30.4 million to EUR 13.5 million, with the EBITDA margin slipping from 11.7% to 7.7%. Despite the extremely difficult market environment, the Division was able to report a mildly positive operating result for the 1st quarter of 2009/10 (EBIT) in the amount of EUR 0.2 million (previous year: EUR 17.6 million). The resulting EBIT margin is 0.1% (1st quarter of 2008/09: 6.8%)

Business transactions with associated companiesor parties

The range of associated companies and parties under Sec. 95 Para. 5 Line 12 of the Stock Corporation Act (AktG) remained largely unchanged compared to the last annual financial statement.

Investments

The investment expenditures of the voestalpine Group came to EUR 140.2 million during the 1st quarter of 2009/10. The substantial decline of 30.7% compared to the previous year (EUR 202.2 million) is due primarily to the fact that several major projects have been completed and investment policies have been modified as a result of the economic slump.

As previously indicated in the letter to shareholders as of December 31, 2008, all five divisions have critically reexamined both their ongoing and planned investments against the backdrop of the changed economic circumstances. As a result, some projects have been cancelled, rescaled, or delayed, or their deadline for completion extended. All the divisions have made significant contributions toward a reduction in investment expenditure so that, for the first time in five years, the voestalpine Group's investment expenditures have been lower than depreciation.

Despite this very restrictive investment policy, it must be stressed that we will continue to consistently pursue those projects which aim to extend our leadership role, both in technology and quality.

The details of the investment activities of the individual divisions during the 1st quarter of 2009/10 are presented below:

At EUR 74.6 million (–18.3% compared to EUR 91.3 million in the previous year), around 53% of all Group investments during the 1st quarter of 2008/09 were accounted for by the *Steel Division*. The focus was on the implementation of the "L6 – Phase 1" project. As in the previous quarters, this currently involves the expansion of the Group's own power plant, which was begun prior to the economic downturn, as well as the comprehensive renovation of the wide strip mill. In addition, one of the two small blast furnaces is currently undergoing a major overhaul. Further modernizations to the steel mill and the heavy plate production have been postponed as a consequence of the difficult economic conditions.

The investment expenditure of the *Special Steel Division* in the 1st quarter of 2009/10 was EUR 33.9 million; the previous year's comparative figure was 36.8% (EUR 53.6 million) higher. It was primarily the extension of the completion deadline for the expansion and modernization projects in the open die forging segment at the Kapfenberg (Austria), Hagfors (Sweden), and Wetzlar (Germany) locations to the 2011/12 business year that led to the significantly lower investment expenditure. Construction of the first phase of the new cold rolling center near the existing Böhlerwerk site in Ybbstal (Austria) is currently ongoing; a gradual start-up of operations is planned from mid-2010 onwards. The decision on the realization of the second stage (construction of a new strip steel production facility) depends on how the overall economic situation develops.

At EUR 15.9 million, the *Railway Systems Division* recorded investment expenditures for the 1st quarter of 2009/10 that were 54.4% (EUR 34.9 million) lower than those of the first three months of the previous year. This drastic reduction was due primarily to the completion of two major projects—the new

power plant unit that will increase the amount of self-generated electricity and the sustainable water supply plan that will ensure steel production in the long-term at the Austrian location of Donawitz—but also the modified investment policies which are the result of the economic crisis.

The investment expenditures of the *Profilform Division* also declined markedly during the 1st quarter of 2009/10, decreasing by 34.5% from EUR 11.6 million to EUR 7.6 million. The main reason was that the accelerated realization of investments, related to expansion of capacity during the 1st quarter of the previous year, was severely curtailed due to the plunge in demand which has resulted from the current economic situation.

Due to the economic environment, the same applies to the *Automotive Division* whose investment volume of EUR 6.4 million in the 1st quarter of 2009/10 was 56.2% lower than the comparative figure in the previous year (EUR 14.6 million). The focus of investment activities was the starting of operations at the last of a total of six new presses for high-quality structural parts and components; this item has been previously reported.

Acquisitions and Divestments

Although negotiations with interested parties are ongoing, it has not yet been possible to divest those companies, which are slated for disposal within the scope of streamlining the Automotive Division's portfolio. The focus of current activities in these companies is therefore on implementing comprehensive cost optimization and restructuring measures that will enable efficient and effective management in order to increase their chances of finding a buyer. The closure of the location in St. Helens, UK, which was initiated within the scope of the restructuring of the plastics segment of the voestalpine Polynorm Group, is on schedule.

The sale of 92% of the shares of voestalpine Euroweld S.r.l., which is headquartered in Rivalta, Turin, and which produces laser-welded blanks for the Italian automobile industry, has been successfully completed. The buyer is the previous minority owner, Stola S.p.A. The conclusion of the negotiations, which were conducted at the end of the previous business year, was reported on in the Annual Report for the 2008/09 business year; the closing was on June 30, 2009. The contracting parties agreed to keep the purchase price confidential. Therefore, this company is no longer part of the voestalpine AG Group and its affiliated companies retroactively as of April 1, 2009.

Employees

The voestalpine Group had 40,120 core employees as of June 30, 2009 (not including apprentices). This represents a decline compared to the previous year (42,088) of 4.7% or 1,968 employees. In comparison to the all-time high number of employees at the height of the economic uptrend in September 2008 (42,325), the current level equals a reduction by 5.2%. Concurrently with this staff reduction, flexible working time account models have been consistently implemented, a broadly-based reduction of

working hours has been instituted, educational leave has been stepped up, and compensatory time credit and unused vacation days significantly reduced.

In addition to the reduction of permanent staff, 1,873 leased employees were cut back Group-wide during the same period so that the total number of employees has been decreased since September 30, 2008 by 4,078 employees or 8.8%. Furthermore, since June 30, 2009, 11,294 employees are on reduced working hours, and an additional 5,103 employees are scheduled for reduced working hours. All of the measures undertaken have resulted in personnel deployment that has been reduced by 16% since September 30, 2008, a painful but unavoidable necessity in order to adjust production capacity and the number of employees to the difficult economic circumstances.

Despite the global economic crisis, the voestalpine Group continues to adhere to its apprenticeship program, both with regard to quantity and quality, in order to secure the future of the company; as of June 30, 2009, 1,463 apprentices were being trained worldwide (of which about 30% were being trained at locations abroad). This represents an increase of 6.2% compared to the previous year (1,377).

Environment

The *climate protection plans* of the EU Commission for the period following expiration of the Kyoto Protocol in 2012 were published in January 2008.

The next stage, the publication of the EU's Climate and Energy package on June 5, 2009, set the future direction for an ambitious reduction in CO_2 emissions throughout the European Union to 2020 and beyond. Contingent on the results of the World Climate Conference in late 2009, it holds out the prospect to the steel industry of free allocation of emission certificates for up to a total of 100% based on strict benchmarks.

The benchmark system recommended by voestalpine AG jointly with the European steel association EUROFER and its member companies is currently being negotiated with the European Commission. The basis for this benchmark system is a comprehensive collection of data regarding all plants and facilities of the European steel industry that will be affected by CO_2 certificate trading from 2013 on.

Regarding the current trading period (2008–2012), by purchasing CO_2 certificates, the voestalpine Group has already largely covered the under-allocation resulting from the existing production planning through to 2012 so that there will be no significant financial burdens in the next few years associated with this issue.

On June 1, 2007, the EU chemicals regulation *REACH* became effective; its effects have already been described in detail in recent annual reports.The preregistration of chemical substances required pursuant to REACH was completed on schedule by December 1, 2008 in the voestalpine Group; 28 Group companies carried out about 1,000 preregistrations with the European Chem-

icals Agency, which is headquartered in Helsinki. A coordinated Group-wide cooperation model is being developed to prepare for the final step of registration, which is still outstanding.

Currently, the EU *IPPC Guidelines* (Integrated Prevention Pollution and Control Directive), which were adopted in 1996, are being revised. A particular focus of these centrally set emissions regulations is a Europe-wide standardization of threshold values for industrial facilities, which will also be codified in the European Commission's Best Available Techniques (BAT) Reference Documents. These threshold values may be changed in the future with the European Commission's approval only in justified exceptional cases and due to special local circumstances.

The ambitious goals of the *EU's Water Framework Directive* are currently being, or have already been, passed into law in the individual EU member states. It is currently being evaluated if or which measures need to be taken by companies in the voestalpine Group in order to comply with these requirements.

Research and Development

The voestalpine Group is one of the core members of the EU-wide research project ULCOS (Ultra Low CO_2 Steelmaking), which is working toward a sustained reduction of CO_2 emissions in the production of steel. After evaluation of various possible processes within the scope of the first phase, the second stage of this project has now been launched, which is focusing on the most promising technologies. Together with other European steel manufacturers, the voestalpine Group has signed a Memorandum of Understanding in this regard on the joint development of new blast furnace technologies.

In addition to technology and process development, a series of product and materials innovations was the focus of R&D activities during the past months. In the energy sector, a project involving the largest steam turbine casing ever cast, which weighs 101 tons and is made of high-alloy steel, deserves particular mention; this project presented major technological challenges both in the development process, for which several universities provided technical support, and in the manufacturing process. voestalpine engineers were involved in the development of another project—the strongest hot leveling machine worldwide, which was successfully put into operation in the heavy plate production; this machine enables vastly improved product characteristics, especially in plates for offshore applications.

A strategically important development project for the automobile industry, which has been on the high-priority track in the past few years, has now been realized and

is being used by a customer for the first time. In the BMW plant in Dingolfing (Germany) a press-hardening facility has been put into operation; it uses a new process that was developed at voestalpine Polynorm GmbH, a company belonging to the Automotive Division. Compared to untreated plates, the components made of press-hardened steel are three to four times stronger, while at the same time reducing the weight of the auto body by about 5%.

Outlook

Since the end of the 1st quarter of the current business year, the volume of demand and prices have begun to stabilize at a low level in some of the major industries for the voestalpine Group. This is the result of the fact that, for the first time since the fall of last year, inventories are at a normal or slightly below-normal level, there have been no significant imports to Europe (not only in the steel sector), and demand in individual industries (automobile and automotive supply industries, machinery manufacturing industry, household appliance industry) has picked up slightly, although it is questionable just how sustainable this uptick is. In any case, it must be taken into consideration that realistically such stabilization tendencies will not become evident in terms of numbers before the fall of 2009 because many companies have instituted extensive plant shutdowns.

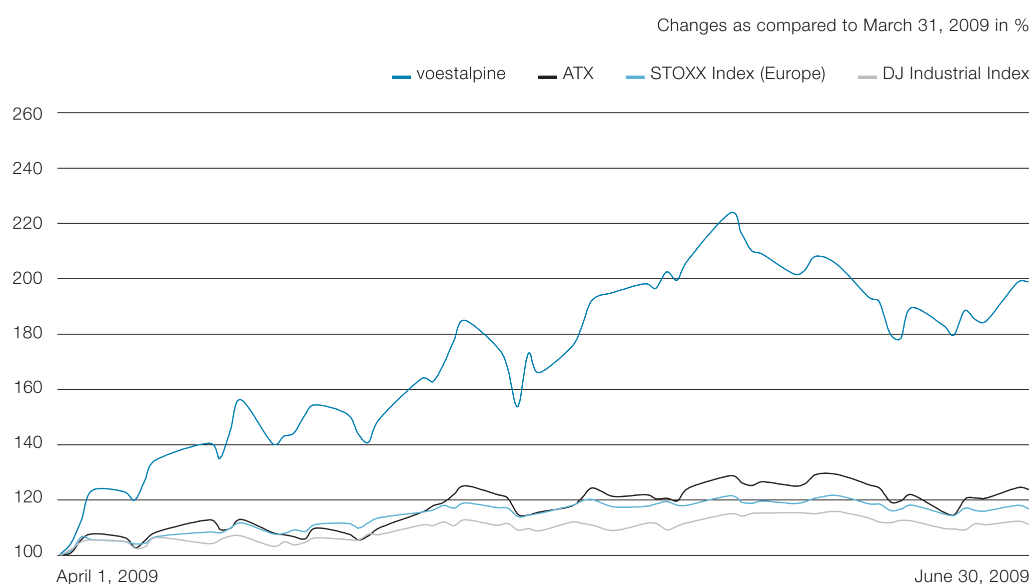
The situation in the sector of (conventional) energy production is substantially weaker than in the first half of the 2009 calendar year, as the power needs have shrunk due to the crisis and oil and gas consumption, which is still comparatively low, will continue to result in a massive decline in demand at least until the end of 2009. The development in the sector of alternative energy (wind and solar energy) and in the aerospace industry should be largely stable at an average level. The good performance in the railway infrastructure sector also seems solid, although the standard segment and rail and switches segments worldwide are experiencing increased pressure from the competition.

Based on this economic outlook for the next few months, the 2nd quarter of the 2009/10 business year should not be less favorable than the first three months despite extensive shutdowns in all customer industries during the summer months. The lower raw materials prices and the extensive cost reduction measures within the scope of Group-wide crisis management will contribute to an improvement in the Group's earnings.

Against this backdrop, the short-term goal is a slight improvement of the operating result compared to the previous quarter so that the target goal for the current 2nd quarter is a break-even result Group-wide on an EBIT basis. For the 2009/10 year overall, we continue to anticipate a positive operating result.

Investor Relations

Price development of voestalpine share



Price development of the voestalpine share

After the dramatic downward plunge of the share price toward the end of the 2008/09 business year due to the economic crisis, the early part of the 1st quarter of the current business year saw a impressive trend reversal. This upswing reached its peak on June 6, 2009 at EUR 22.00, showing a price rebound of 123% in comparison to the closing price of EUR 9.85 on March 31, 2009. Subsequently, the share price hovered around the EUR 20 mark, closing on June 30, 2009 at EUR 19.55, which corresponds to an increase of 98% in the 1st quarter of 2009/10.

Transfer of voestalpine AG's own shares

During the 1st quarter of 2009/10, voestalpine AG did not purchase or transfer any of its own shares so that its holding of just over 900,000 shares is unchanged as compared to the end of the preceding quarter.

Bonds

Convertible bond (2005–2010)

Within the scope of the convertible bonds issued by voestalpine AG in July 2005, no bond holders exercised their right to convert the bonds to voestalpine shares during the 1st quarter of 2009/10. This means that as of June 30, 2009 the status is unchanged, and 8.6% of the convertible bonds are still outstanding.

Hybrid bond (2007–2014)

The hybrid bond issued by voestalpine AG in October 2007 was able to significantly recover from its downward trend toward the end of the 2008/09 business year, gaining 11% in the first three months of this

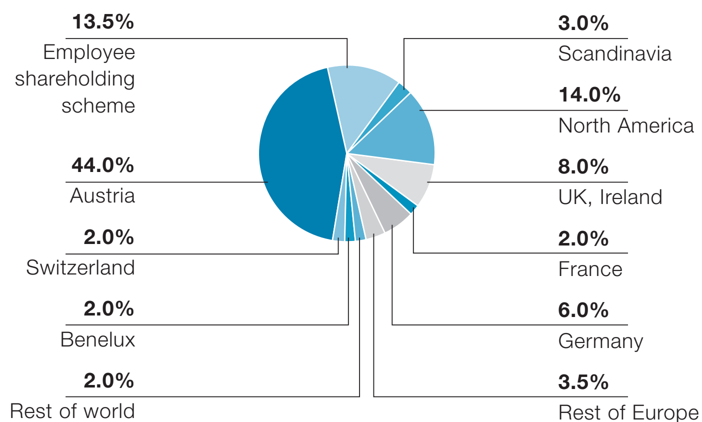
business year and rising to 85.46 (% of the face value).

Corporate bond (2009–2013)
The corporate bond, which voestalpine AG placed on the market successfully in March 2009 despite the extremely difficult market environment, continued to perform positively during the 1st quarter of 2009/10. In addition to the price appreciation as of the end of March 2009 to 104 (% of the face value), an additional gain of 2.2 percentage points was achieved. As of June 30, 2009, the corporate bond had risen to 106.20 (% of the face value).

Ownership structure

Presented geographically, the approximate distribution of ownership of voestalpine AG is as follows:

Shareholder structure



Largest individual shareholders	
Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG	> 15%
voestalpine Mitarbeiterbeteiligung Privatstiftung	13.5%
Oberbank AG	> 5%

Share information

Share capital	EUR 305,042,462.76 divided into 167,899,032 no par value shares
	Treasury stock as of June 30, 2009: 895,326 shares
Class of shares	Ordinary bearer shares
Securities identification number (WKN):	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

Prices (as of end of day)

Share price high April 2009 to June 2009	EUR 22.00
Share price low April 2009 to June 2009	EUR 10.23
Share price as of June 30, 2009	EUR 19.55
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, 2009*	EUR 3,264,922,452.3

* Based on total number of shares less treasury shares.

Business year 2008/09

Earnings per share	EUR 3.41
Dividend per share	EUR 1.05
Book value per share	EUR 25.06

Financial calendar 2009/10

Letter to shareholders for the 1st half of 2009/10	November 19, 2009
Letter to shareholders for the 3rd quarter of 2009/10	February 25, 2010
Annual Report 2009/10	June 1, 2010
Annual General Meeting	July 7, 2010
Ex-dividend date	July 12, 2010
Dividend payment date	July 19, 2010

The following investment banks/institutes currently prepare analysis reports on voestalpine AG:

■ Berenberg, Hamburg ■ 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 ■ Morgan Stanley, London
■ Nord LB, Hanover ■ Raiffeisen Centrobank, Vienna ■ Sal. Oppenheim, Frankfurt
■ Steubing AG, Frankfurt ■ UBS, London ■ UniCredit, Vienna

voestalpine AG

Financial data 06/30/2009

According to International Financial Reporting Standards (IFRS)

Consolidated balance sheet

Assets

	03/31/2009	06/30/2009
A. Non-current assets		
Property, plant and equipment	4,378.3	4,414.0
Goodwill	1,420.9	1,420.3
Other intangible assets	596.7	562.0
Investments in associates	129.1	111.6
Other financial assets	141.5	143.9
Deferred tax assets	409.0	417.0
	7,075.5	**7,068.8**
B. Current assets		
Inventories	2,909.7	2,495.7
Trade and other receivables	1,785.5	1,612.9
Other financial assets	218.0	326.4
Cash and cash equivalents	857.8	290.0
	5,771.0	**4,725.0**
Total assets	**12,846.5**	**11,793.8**

In millions of euros

Equity and liabilities

	03/31/2009	06/30/2009
A. Equity		
Share capital	305.0	305.0
Capital reserves	402.1	402.3
Hybrid capital	992.1	992.1
Retained earnings and other reserves	2,486.7	2,454.3
Equity attributable to equity holders of the parent	**4,185.9**	**4,153.7**
Minority interest	76.6	76.2
	4,262.5	**4,229.9**
B. Non-current liabilities		
Pensions and other employee obligations	854.6	847.2
Provisions	58.2	62.5
Deferred tax liabilities	312.1	294.9
Financial liabilities	3,500.5	3,157.6
	4,725.4	**4,362.2**
C. Current liabilities		
Provisions	396.7	355.9
Tax liabilities	117.5	62.8
Financial liabilities	1,445.0	1,376.6
Trade and other payables	1,899.4	1,406.4
	3,858.6	**3,201.7**
Total equity and liabilities	**12,846.5**	**11,793.8**

In millions of euros

Consolidated income statement

	04/01–06/30/2008	04/01–06/30/2009
Revenue	3,255.0	2,073.6
Cost of sales	–2,476.0	–1,764.6
Gross profit	**779.0**	**309.0**
Other operating income	78.9	84.4
Distribution costs	–265.6	–213.6
Administrative expenses	–143.1	–118.7
Other operating expenses	–91.5	–85.1
Profit from operations (EBIT)	**357.7**	**–24.0**
Share of profit of associates	6.7	2.0
Finance income	19.6	40.7
Finance costs	–81.2	–86.4
Profit before tax (EBT)	**302.8**	**–67.7**
Income tax expense	–61.6	21.4
Profit for the period from continuing operations	**241.2**	**–46.3**
Discontinued operations	–0.9	–1.9
Profit for the period	**240.3**	**–48.2**
Attributable to:		
Equity holders of the parent	217.3	–67.3
Minority interest	5.0	1.1
Share planned for hybrid capital owners	18.0	18.0
Basic earnings per share (euros)	**1.35**	**–0.40**
Diluted earnings per share (euros)	**1.33**	**–0.40**

In millions of euros

Consolidated cash flow statement

	04/01–06/30/2008	04/01–06/30/2009
Operating activities		
Profit for the period	240.3	–48.2
Adjustments	177.7	136.6
Changes in working capital	–293.3	51.7
Cash flows from operating activities	**124.7**	**140.1**
Cash flows from investing activities	**–172.7**	**–283.1**
Cash flows from financing activities	**453.3**	**–430.4**
Net decrease/increase in cash and cash equivalents	**405.3**	**–573.4**
Cash and cash equivalents, beginning of period	331.9	857.7
Net exchange differences	–6.5	5.7
Cash and cash equivalents, end of period	**730.7**	**290.0**

In millions of euros

Statement of comprehensive income

	04/01–06/30/2008	04/01–06/30/2009
Profit for the period	**240.3**	**–48.2**
Other comprehensive income		
Hedge Accounting	11.4	–8.7
Translation reserves	32.2	35.6
Subtotal	**43.6**	**26.9**
Total comprehensive income	**283.9**	**–21.3**

Changes in equity

	04/01–06/30/2008	04/01–06/30/2009
Equity at April 1st	**4,289.3**	**4,262.5**
Total comprehensive income	283.9	–21.3
Dividends	–2.2	–3.6
Own share acquired/disposed	73.0	0.0
Purchase of Minority interest	–7.2	0.0
Stock Options	3.0	0.0
Other changes	–2.4	–7.7
Equity at June 30th	**4,637.4**	**4,229.9**

In millions of euros

Notes

These interim consolidated financial statements of voestalpine AG as of June 30, 2009 for the 1st quarter of the 2009/10 business year were prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS 34 – Interim Financial Reporting. The accounting policies are unchanged from the annual consolidated financial statements for the 2008/09 business year. Further information on the principles of preparation is provided in the consolidated financial statements as of March 31, 2009, on which these interim consolidated financial statements are based.

The interim consolidated financial statements are presented in millions of euros (the functional currency of the parent company). In the totaling of rounded amounts and percentages, calculation differences may occur as the result of using automatic calculation programs.

Unless otherwise stated, comparative information relates to the 1st quarter of the 2008/09 business year (balance sheet date: June 30, 2008).

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

Scope of consolidation/ acquisitions

At the end of business year 2008/09, a majority stake in Rene Prinsen Spoorwegmaterialen B.V., which had been previously at-equity consolidated, was acquired. This company was fully consolidated as of April 1, 2009.

In the 1st quarter of the 2009/10 business year, voestalpine Euroweld S.r.l. was sold to the previous minority owner Stola S.p.A. and was therefore withdrawn from the scope of consolidation.

Thus, the changes made in the scope of consolidation during the reporting period were as follows:

	Full consolidation	Proportionate consolidation	Equity method
As of April 1, 2009	**320**	**2**	**15**
Acquisitions			
Change in consolidation method			
Additions	2		
Disposals			–1
Reorganizations	–1		
Divestments or disposals	–1		
As of June 30, 2009	**320**	**2**	**14**
Of which foreign companies	261	0	5

Notes on the balance sheet

In the 1st quarter of the 2009/10 business year, investment amounted to EUR 140.2 million and depreciations amounted to EUR 159.0 million. This led to a slight decrease of non-current assets. As a result of price and quantity, inventories have decreased by EUR 414.0 million in comparison to the March 31, 2009.

As of June 30, 2009, voestalpine AG's share capital amounted to EUR 305,042,462.76 (167,899,032 shares). The company held 895,326 of its own shares on the balance sheet date. In the 1st quarter of the 2009/10 business year, no own shares were purchased or sold.

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 portion of equity under IAS 32.

Equity amounts to EUR 4,229.9 million at the end of the reporting period. A dividend per share of EUR 1.05 was decided at the Annual General Meeting on July 1, 2009 (for the business year 2008/09), which will be distributed in the 2nd quarter of the business year 2009/10.

Trade payables have decreased from EUR 850,0 million to EUR 713,0 million.

Notes on the income statement

Revenues for the period from April 1 to June 30, 2009 totaled EUR 2,073.6 million and the comparable figure for the preceding year (EUR 3,255.0 million) declined by 36.3%. Earnings before interest and tax (EBIT) reached EUR –24.0 million for the 1st quarter, in comparison to the 1st quarter of the preceding year of EUR 357.7 million. After consideration of financial result and taxes, profit for the period amounts to EUR –48.2 million compared to EUR 240.3 million for the 1st quarter of the preceding year.

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

	04/01–06/30/2008	04/01–06/30/2009
Profit attributable to equity holders of the parent	217.3	–67.3
Profit from continuing operations attributable to equity holders of the parent	218.2	–65.4
Weighted average number of issued ordinary shares (millions)	160.6	167.0
Basic (undiluted) earnings per share (euros)	**1.35**	**–0.40**
Basic (undiluted) earnings per share of continuing operations (euros)	**1.36**	**–0.39**

Diluted earnings per share are depicted as follows:

	04/01–06/30/2008	04/01–06/30/2009
Diluted earnings per share (euros)	**1.33**	**–0.40**
Diluted earnings per share of continuing operations (euros)	**1.33**	**–0.39**

Notes on the cash flow statement

The change in the economic situation led to a 78.9% decrease in cash flow before capital changes from EUR 418.0 million to EUR 88.4 million. The significant decline in working capital resulted in cash flows from operating activities of EUR 140.1 million; in comparison to the 1st quarter of the preceding year (EUR 124.7 million), this represents a growth of 12.3%. After the deduction of EUR 283.1 million in cash flows from investing activities and taking into account the cash flows from financing activities amounting to EUR –430.4 million (mainly loan repayments), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR –573.4 million.

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