Letter to Shareholders, 1st Quarter 2011/12

ONE STEP AHEAD.

voestalpine Group Key Figures

In millions of euros[1]	**Q 1 2010/11** 04/01–06/30/2010	**Q 1 2011/12** 04/01–06/30/2011	Change in %
Revenue	2,556.1	3,051.5	19.4
EBITDA	350.9	462.9	31.9
EBITDA margin	13.7%	15.2%	
EBIT	203.3	317.6	56.2
EBIT margin	8.0%	10.4%	
Profit before tax	156.5	271.8	73.7
Profit for the period[2]	121.1	209.6	73.1
Earnings per share (euros)	0.60	1.13	83.3
Investments	80.0	117.0	46.3
Depreciation	147.6	145.3	–1.6
Capital employed	7,990.0	8,245.6	3.2
Equity	4,435.9	4,878.3	10.0
Net financial debt	2,981.8	2,779.6	–6.8
Net financial debt in % of equity	67.2%	57.0%	
Employees (excl. temporary personnel and apprentices)	39,595	40,939	3.4

[1] In accordance with IFRS, all figures after purchase price allocation (ppa). Please refer to the Annual Report 2007/08 for more details.
[2] Before non-controlling interests and interest on hybrid capital.

Ladies and Gentlemen:

You may still recall—barely three years out, as the global financial crisis reached a nadir, when suddenly, analyses on global economic expectations emerged that put the spotlight on certain letters—especially the letters V, U, L, and W. In their prognostications, various economists dwelled on the "shape" of the economic development to come, with courses ranging from an optimistic V-shape to the bleak augury of long-term recession signified by an L-shape. The majority of the experts found common ground in the letters U and L. Nonetheless, in 2008 the proponents of the letter V, the optimists, had been proved right; back then, only a handful believed in the swift economic upturn of the last two years.

If, in the wake of the national debt crises in the USA and a few European states, recent discussions increasingly mention the double dip recession, in other words, the letter W, one should not overlook the vast difference between the causes of the crisis in 2008/2009 and those of today. In the past, highly speculative business transactions that bordered on or exceeded the bounds of rationality plagued the financial market, causing capital markets and banks—and ultimately, the real economy—to falter. The problems of today, however, are attributed to the structural weaknesses of mature national economies in Europe and North America. Over the past few decades, both the USA and nations such as the UK, Portugal, Greece, and Spain lived beyond the capability of their respective national economies and trusted in boundless growth, instead of building reserves during economic boom cycles and adapting their outdated economic and social structures to the challenges of the future and its even more rigorous international competitive environment.

The problems of today that resulted from this have—for the most part, at least—different roots than the collapse of 2008/2009; therefore, what we are experiencing at this time is not the resurrection of the former crisis in the form of a double dip recession, but a new and different crisis, with potentially greater challenges for everyone involved.

Until now, the real economy succeeded once again in remaining successful in this difficult general economic climate. Yet as a company operating in the global competitive environment, it would be wrong to consider ourselves safe and secure. But persistent, critical analysis of all available early economic indicators, enforced implementation of all cost-reduction and efficiency improvement programs, and consistent expansion of quality and innovation leadership should guarantee the voestalpine Group claim of being "one step ahead" even in the event that the prevailing conditions of the real economy become exacerbated.

Linz, August 17, 2011

The Management Board

Wolfgang Eder | Franz Hirschmanner | Franz Kainersdorfer

Robert Ottel | Franz Rotter | Wolfgang Spreitzer

Highlights[1, 2]

- Stable **economic trend** in the voestalpine Group's **most important markets,** viewed both regionally and with regard to individual industries.

- Continuing **satisfactory level of demand from the export-oriented economies** in Western, Central, and Northern Europe; **slight recovery in Eastern Europe. No** economic **recovery in Southern Europe,** exacerbated by the problems surrounding debt in the public sector.

- **Economic recovery** in the **USA is suffering increasingly** from the problem of public-sector debt, falling consumer spending and investment expenditure, and a high unemployment rate.

- **Excellent level of demand** from the **most important customer segments,** in particular, the automobile and commercial vehicle industries, mechanical engineering, the energy industry as well as railway infrastructure and the aviation industry.

- Outstanding capacity utilization; **crude steel production** still at a record high with **2 million tons.**

- **Increase** of **revenue by 19.4%** from EUR 2,556.1 million in the first quarter of 2010/11 **to EUR 3,051.5 million** in the first three months of 2011/12.

- Profit from operations before depreciation **(EBITDA)** in the first quarter of 2011/12 **up** by almost **one third** from EUR 350.9 million **to EUR 462.9 million.**

- **EBIT up** compared to the previous year **by more than 50%** from EUR 203.3 million **to EUR 317.6 million.**

- **At 10.4%, two-digit EBIT margin** in the first quarter of 2011/12 (same quarter in the previous year: 8.0%), **EBITDA margin increases** from 13.7% **to 15.2%.**

- Both **profit before tax** (from EUR 156.5 million **to EUR 271.8 million)** and **profit for the period**[3] (from EUR 121.1 million **to EUR 209.6 million) go up** by about **75%.**

- **Revenue, profit before tax,** and **profit for the period climb again** despite very good immediately **preceding quarter.**

- **At EUR 1.13, earnings per share significantly higher than the previous year's figure** (EUR 0.60).

- **Another reduction** of the **gearing ratio** from 57.8% as of March 31, 2011, **to 57.0%** as of June 30, 2011, despite advance production for operational reasons, increased raw materials costs, and commensurate build-up of working capital.

- **Increase** of **core staff** (excluding temporary personnel and apprentices) **due to good order situation** from 40,700 employees as of March 31, 2011, **to 40,939** as of June 30, 2011.

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa).
[2] To the extent that no other time period is explicitly referred to, all comparative figures refer to the first quarter of the 2010/11 business year.
[3] Before non-controlling interests and interest on hybrid capital.

Interim Management Report

Market environment

During the course of the business year 2011/12 thus far, the economic trend in the customer industries and sales regions that are most important for the voestalpine Group have continued to be positive, with an underlying tendency that has remained largely unchanged. The global recovery that is still being driven primarily by the emerging countries has resulted in a commensurate uptrend in Western, Central, and Northern Europe. While the first signals of a recovery in individual customer segments in Eastern Europe are becoming apparent, they are confronted by an economic environment in Southern Europe and in the westernmost part of the continent that continues to be difficult, with additional challenges being posed by budget problems.
While the upswing in the USA gained some momentum in the beginning of the year, since the early part of summer, this trend has begun to wane due to the problem of public-sector debt that still has not been solved and is the subject of sharp political debate, falling public and consumer spending, and an unemployment rate that continues to be high.

The positive overall economic environment led to continuing high demand in all of the significant customer industries in the second calendar quarter of 2011. The solid growth of demand that was already noticeable in the past business year has continued unabated in the automobile, bus, and commercial vehicle sectors, the mechanical engineering and consumer goods industries, and the energy sector; in the railway infrastructure sector (with the sole exception of the standard rails segment), the stable environment has also persisted. The market environment in the aerospace industry has also continued to improve, while the demand situation in the construction and construction supply industries is still subdued.

Business performance of the voestalpine-Group[1]

In the first quarter of 2011/12, the voestalpine Group was able to achieve very significant growth in revenue and operating result compared to the same period of the previous year due to the continuous positive economic circumstances and the increasing savings effects resulting from the efficiency improvement and cost optimization programs that are being implemented. Even compared to the immediately preceding quarter (fourth quarter of 2010/11), revenue, profit for the period, and profit before tax saw another increase. Due to preparations for extensive shutdowns to perform expansion and modernization work in the Steel Division in the second quarter of the business year, the operating results were slightly lower than the immediately preceding quarter.

The Group's revenue went up in the first quarter of 2011/12 compared to the same period of the previous business year by EUR 495.4 million (+19.4%) from EUR 2,556.1 million to EUR 3,051.5 million. With an increase of EUR 182.1 million (+21.3%) from EUR 856.2 million to EUR 1,038.3 million, the Steel Division reported the largest gain in absolute figures due primarily to price increases. Viewed in relative terms, growth in the individual divisions was very similar and consistent: Special Steel Division +22.3%, going from EUR 613.8 million to EUR 750.7 million, Automotive +20.8%, increasing from EUR 242.6 million to EUR 293.1 million, and Profilform +20.5%, rising from EUR 273.5 million to EUR 329.6 million. Revenue growth was slightly lower only in the Railway Systems Division because its revenue had previously remained relatively stable due to its strong resistance to crisis so that it grew only by 12.7%, going from EUR 667.9 million to EUR 752.8 million.

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa).

The positive development of demand experienced in the past quarters stabilized at a high level during the first three months of the business year 2011/12. This is very apparent in the comparison of the first quarter of 2011/12 with the immediately preceding quarter (fourth quarter of 2010/11). Against this benchmark, the voestalpine Group was again able to slightly increase its overall revenue by 1.1% from EUR 3,017.1 million to EUR 3,051.5 million. However, one must bear in mind that, as a result of preparations for the extensive shutdowns to perform expansion and modernization work in the Steel Division in the second quarter of the business year (renovation of the hot rolling mill, commissioning of continuous casting facility 7), delivery volumes during the first quarter of 2011/12 had to be reduced by more than 10%; this was the only way to ensure that there would be a sufficient inventory of pre-material on hand for the shutdown period during the second quarter of 2011/12.

The development of the operating results reflects the improved economic environment compared to the same period of the previous year even more clearly than the revenue figures. In comparison to the first quarter of 2010/11, a revenue gain of 19.4% resulted in an increase of 31.9% in the earnings before interest, taxes, depreciation and amortization (EBITDA), which went up from EUR 350.9 million to EUR 462.9 million and a rise in the EBITDA margin from 13.7% to 15.2%. The Special Steel Division saw the largest gain in EBITDA, both in absolute and relative figures, of EUR 43.5 million, going from EUR 77.1 million to EUR 120.6 million, an increase by more than 50% compared to the previous year. The EBITDA figures in the Railway Systems Division (+32.6% from EUR 91.0 million to EUR 120.7 million) and the Profilform Division (+30.9% from EUR 39.1 million to EUR 51.2 million) also experienced a significant boost. Due to the already high level of EBITDA in the same period of the previous year and the aforementioned smaller delivery volumes, the increase in the Steel Division (+16.3% from EUR 134.1 million to EUR 155.9 million) was lower in comparison. The increases in the Automotive Division are at a similar level, with EBITDA surpassing the previous year's reference figure by +17.8% (going from EUR 26.4 million to EUR 31.1 million).

In comparison to the immediately preceding quarter (fourth quarter of 2010/11), EBITDA of the voestalpine Group went down by 7.2% from EUR 498.6 million to EUR 462.9 million, which was primarily due to the previously described special measures in the Steel Division. Due to the aforementioned lower delivery volume in the Steel Division, its EBITDA in the first quarter of 2011/12 of EUR 155.9 million was 13.3% or EUR 24.0 million below the figure of the immediately preceding quarter (EUR 179.9 million). In the Special Steel Division, valuation based one-off effects in the fourth quarter of 2010/11 resulted in a very high comparative EBITDA figure (EUR 140.2 million) so that here, too, despite the division's stable situation with regard to volumes and prices, EBITDA in the first quarter of 2011/12 at EUR 120.6 million was below that of the immediately preceding quarter by 14.0% or EUR 19.6 million. With its EBITDA of EUR 120.7 million, the Railway Systems Division was almost able to match its operating result in the immediately preceding quarter (EUR 130.6 million) as its result was positively affected by the non-recurring effect of the reversal of a provision in the amount of EUR 8.0 million, which was recognized as income in the income statement. Due to price increases during the first quarter of 2011/12, EBITDA of the Profilform Division improved by 16.1% or EUR 7.1 million, going from EUR 44.1 million to EUR 51.2 million. In the Automotive Division, seasonal effects in non-automotive activities, revaluation effects during the fourth quarter of 2011/12 as well as temporary negative effects with regard to passing on price increases for pre-materials to customers resulted in EBITDA in the first quarter of 2011/12 that was lower by 17.9% or EUR 6.8 million compared to the previous quarter, going from EUR 37.9 million to EUR 31.1 million.

With an EBIT of EUR 317.6 million, in the first three months of the 2011/12, the voestalpine

Group was able to boost its operating result compared to the previous year's figure (EUR 203.3 million) by 56.2%, pushing its EBIT margin up from 8.0% to 10.4%. Compared to the immediately preceding quarter (EUR 326.6 million), EBIT fell slightly in the first quarter of 2011/12 by 2.8% due to the reasons previously set forth in the presentation of the EBITDA figure.

Due to an operating result that was up significantly in the first quarter of 2011/12 compared to the same period of the previous year, profit before tax (EBT) rose by EUR 115.3 million (+73.7%) from EUR 156.5 million to EUR 271.8 million. Taking the tax rate of 22.9% in account, profit for the period (net income)[1] came to EUR 209.6 million (after EUR 121.1 million in the previous year). Profit before tax and profit for the period are also higher than the comparative figures of the immediately preceding quarter (EUR 266.1 million and EUR 194.3 million, respectively).

For the first three months of 2011/12, earnings per share (EPS) were EUR 1.13 per share (previous year: EUR 0.60).
Equity went up in the first three months of 2011/12 compared to March 31, 2010, by 4.0% from EUR 4,691.1 million to EUR 4,878.3 million. The increase is due to the markedly positive profit for the period of EUR 209.6 million. Due to a temporary build-up of working capital as a result of seasonal and operational demands, net financial debt went down slightly by 2.5% compared to March 31, 2011, going from EUR 2,713.1 million to EUR 2,779.6 million. Thus, as of the end of the first quarter of 2011/12, the voestalpine Group's gearing ratio (net financial debt as a percentage of equity) was 57.0%, putting it below the March 31, 2011 figure (57.8%).

The voestalpine Group was able to increase its crude steel production in the first quarter of 2011/12 compared to the same figure in the previous year by 1.5% from 1.96 million tons to 1.99 million tons. Of this figure, 1.36 million tons (+0.0%) were attributable to the Steel Division, 410,000 tons (+5.1%) to the Railway Systems Division, and 230,000 tons (+9.5%) to the Special Steel Division.

The table below provides an overview of the quarter-to-quarter development of key financial figures in the business year 2010/11 as well as in the first quarter of 2011/12:

Quarter-to-quarter business performance of the voestalpine Group

In millions of euros[2]	Q1 2010/11 04/01–06/30/2010	Q2 2010/11 07/01–09/302010	Q3 2010/11 10/01–12/31/2010	Q4 2010/11 01/01–03/31/2011	Q1 2011/12 04/01–06/30/2011
Revenue	2,556.1	2,635.7	2,744.8	3,017.1	3,051.5
EBITDA	350.9	359.6	396.5	498.6	462.9
EBITDA margin	13.7%	13.6%	14.4%	16.5%	15.2%
EBIT	203.3	210.9	244.0	326.6	317.6
EBIT margin	8.0%	8.0%	8.9%	10.8%	10.4%
Profit before tax	156.5	161.0	197.4	266.1	271.8
Profit for the period[1]	121.1	128.6	150.6	194.3	209.6
Employees (excl. temporary personnel and apprentices)	39,595	39,862	40,078	40,700	40,939

[1] Before non-controlling interests and interest on hybrid capital.
[2] In accordance with IFRS, all figures after application of the purchase price allocation (ppa).

Steel Division[1]

In millions of euros	Q1 2010/11 04/01–06/30/2010	Q1 2011/12 04/01–06/30/2011	Change in %
Revenue	856.2	1,038.3	21.3
EBITDA	134.1	155.9	16.3
EBITDA margin	15.7%	15.0%	
EBIT	80.7	101.3	25.5
EBIT margin	9.4%	9.8%	
Employees (excl. temporary personnel and apprentices)	9,497	9,544	0.5

[1] Since April 2011, the two Group companies voestalpine Rohstoffbeschaffungs GmbH and Importkohle Gesellschaft m.b.H are being shown under the business segment "Other" of voestalpine AG (previously Steel Division) as their function with regard to procurement goes significantly beyond the Steel Division. In the present interim consolidated financial statements, these two companies are no longer being allocated to the Steel Division for the first time The previous year's comparative values were adjusted accordingly.

Market environment and business development

Recovery of demand for steel continued in Europe during the first quarter of 2011/12 so that crude steel production increased accordingly. While it rose globally during this period by 2.4%, growth in the EU-27 was almost double that at 4.6% (going from 45.6 million to 47.7 million tons). Thus, capacity utilization in the European steel industry was at about 85% of the pre-crisis figure (of about 56 million tons). However, during the months of March through June 2011, the inventories of the European steel manufacturers and processors showed a slight upward trend compared to the immediately preceding quarter. Particularly in Southern Europe, somewhat higher imports, primarily from Russia, the Ukraine, Turkey, and China, in addition to the tense economic situation also resulted in price drops in short-term commodity trading.

As had been the case in previous quarters, the Steel Division was still able to utilize its capacity fully during the first quarter of the business year 2011/12. During this period, the level of incoming orders, especially in the automobile (including commercial vehicle manufacturing), energy, and mechanical engineering segments, continued to be favorable. The tubes and sections segments continued to show stable demand and a satisfactory level of incoming orders, while the order patterns in the white goods and electrical industries were on the cautious side due to the existing economic uncertainty and financial constraints on the part of customers (especially in Eastern Europe). In the pre-processing and distribution segments, demand from steel service centers from outside the voestalpine Group showed a substantial north-south divide that corresponds to the general economic situation. With the exception of mechanical and electrical (M&E) services and storage technology, the construction industry segment continued to demonstrate a subdued trend during the first quarter of 2011/12.

Development of the key figures

In the first quarter of 2011/12, the Steel Division reported a marked increase in its revenue and operating result compared to the same period of the previous business year. Revenues rose by 21.3% from EUR 856.2 million to EUR 1,038.3 million with the increase in the price level over the previous year more than compensating the lower volume of shipped products, which was the result of shutdowns for scheduled updating and expansion. This fact, together with the positive effect on earnings caused by the comprehensive cost and efficiency optimization programs, resulted in a significant rise in EBITDA (by 16.3% from EUR 134.1 million to EUR 155.9 million) and EBIT (by 25.5% from EUR 80.7 million to EUR 101.3 million) in the first quarter of 2011/12. This corresponds to an EBIT margin for this period of 9.8% (previous year: 9.4%) and an EBITDA margin of 15.0% (previous year: 15.7%), respectively.

As of June 30, 2011, the Steel Division had 9,544 employees (excluding temporary personnel and apprentices), increasing its workforce compared to the previous year (9,497) by 0.5% or 47 employees.

Special Steel Division

In millions of euros	Q1 2010/11 04/01–06/30/2010	Q1 2011/12 04/01–06/30/2011	Change in %
Revenue	613.8	750.7	22.3
EBITDA	77.1	120.6	56.4
EBITDA margin	12.6%	16.1%	
EBIT	36.6	82.7	126.0
EBIT margin	6.0%	11.0%	
Employees (excl. temporary personnel and apprentices)	11,097	11,443	3.1

Market environment and business development

In the Special Steel Division, the positive development of demand during the past several quarters continued in the first three months of the business year 2011/12. However, the overheating that had been occurring in some market segments, driven in part by a push toward filling up inventories along the entire value chain, has now been replaced by a satisfactory level of demand that is "real."

Viewed regionally, while business performance during the past quarters has been driven primarily by growth momentum in the emerging markets, such as China, India, and Brazil, in the last three months, there has been an additional and broadly-based uptick in demand. This applies to both North America and to Western and Northern Europe, in particular to Germany; the economic trend in Eastern Europe, but even more so in Southern Europe, continues to be weaker.

The overall favorable economic environment has been enabling full capacity utilization in the production companies of the Special Steel Division. This development is being driven primarily by consistently high levels of demand for tool steel, high-speed steel, special engineering steel, valve steel, and special steels. The main customers continue to be the automobile, energy (oil and gas exploration), electronics, and mechanical engineering sectors; furthermore, demand in the energy equipment and aerospace sectors has also picked up.

After a difficult previous year, the special forgings segment has been able to gain significant momentum. Particularly noteworthy in this regard is the considerably higher level of incoming orders from the commercial vehicle and aviation industries, as well as the beginning recovery in the energy sector that is being driven primarily by greater demand for gas turbines.

Development of the key figures

Of all the divisions, the Special Steel Division achieved the highest growth in revenue and operating result compared to the previous year. This gratifying development is the result of both greater delivery volumes and price increases on one hand, and on the other, the effects of savings due to the cost optimization programs that had been implemented in all divisions. In detail, revenue went up by 22.3% from EUR 613.8 million to EUR 750.7 million. The improvement of the operating result compared to the previous year was even more significant: EBITDA rose by 56.4% from EUR 77.1 million to EUR 120.6 million, while EBIT surged by 126.0% from EUR 36.6 million to EUR 82.7 million. As a result, the EBITDA margin for the first quarter of 2011/12 went up from 12.6% to 16.1%, and the EBIT margin increased from 6.0% to 11.0%. In the first three months of the business year 2011/12, EBIT was still adversely affected by the effects of the ppa at EUR 9.3 million. Therefore, prior to application of the ppa, the operating result is EUR 92.0 million, with an EBIT margin of 12.3%.

As of the end of the first quarter of 2011/12, the Special Steel Division had 11,443 employees (excluding temporary personnel and apprentices). Compared to June 30, 2010 (11,097), this corresponds to an increase in core staff (due to the improvement of the economic climate) by 3.1% or 346 employees.

Railway Systems Division

In millions of euros	Q1 2010/11 04/01–06/30/2010	Q1 2011/12 04/01–06/30/2011	Change in %
Revenue	667.9	752.8	12.7
EBITDA	91.0	120.7	32.6
EBITDA margin	13.6%	16.0%	
EBIT	63.0	92.2	46.3
EBIT margin	9.4%	12.2%	
Employees (excl. temporary personnel and apprentices)	9,743	10,197	4.7

Market environment and business development

With the exception of the standard rails segment, business performance in the Railway Systems Division remains favorable. Viewed from today's vantage point, continuing strong demand for premium rails will enable full utilization of production capacity at the Donawitz site for the rest of the business year 2011/12. Utilization at the Duisburg plant, however, has been considerably below capacity for quite some time due to intense competition and low prices for standard grades.
The turnout technology segment continues to experience a stable environment in the European core markets and sustained high demand in the so-called "raw materials countries" Australia, Brazil, and South Africa as well as in the US, where this sector has been booming since early 2011. Due to the tense budget situation and the difficult political environment, no significant economic recovery is in sight in Southern Europe and North Africa.
The market and the economic environment in the wire, seamless tube, and welding consumables (welding technology) segments have been quite favorable, with an excellent order situation in practically all of the most important segments and regions. As a result, the utilization of production capacity has been very high.

Development of the key figures

In the first quarter of 2011/12, the Railway Systems Division has further improved its figures compared to the first three months of the previous year. Revenue increased by 12.7% from EUR 667.9 million to EUR 752.8 million. Due to the excellent earnings trend, particularly in the premium rails, wire, and welding consumables segments, the effects of the consistently implemented cost optimization programs as well as continuing optimization of working capital, the increase in the operating results is even more striking. In the first three months of the business year 2011/12, EBITDA climbed by 32.6% from EUR 91.0 million to EUR 120.7 million, while EBIT rose compared to the previous year by 46.3% from EUR 63.0 million to EUR 92.2 million. These figures resulted in an EBITDA margin of 16.0% (previous year: 13.6%) and an EBIT margin of 12.2% (previous year: 9.4%).

As of June 30, 2011, the Railway Systems Division had 10,197 employees (excluding temporary personnel and apprentices); this is an increase of 4.7% or 454 employees compared to the same date in the previous year (9,743 employees). This growth is largely the result of the economic environment that continues to improve as well as the acquisitions during the last business year.

Profilform Division

In millions of euros	Q1 2010/11 04/01–06/30/2010	Q1 2011/12 04/01–06/30/2011	Change in %
Revenue	273.5	329.6	20.5
EBITDA	39.1	51.2	30.9
EBITDA margin	14.3%	15.5%	
EBIT	28.4	41.1	44.7
EBIT margin	10.4%	12.5%	
Employees (excl. temporary personnel and apprentices)	4,032	4,232	5.0

Market environment and business development

The dynamic and robust economic trend of the past business year continued during the first quarter of 2011/12.

Detailing the units individually, business performance in the tube and sections sector was marked by significant increases in demand from all customer segments, with the exception of the construction and construction supply industries. The commercial vehicle, bus, solar energy, and agricultural machinery sectors profited particularly strongly from the continuing worldwide economic recovery. But even apart from the traditional customer segments, new projects, for example in the automobile and aviation industries, that offer interesting long-term prospects were initiated. Against this backdrop and with a continuing increase in the volume of new products, the division's production capacity achieved an outstanding utilization rate.

The precision strip business area was again a key driver of sales and operating result in the first quarter of 2011/12. Demand remained stable at an excellent level in all of the product groups; additional demand by customers could not be fully satisfied due to a shortage of capacity and pre-materials.

In the storage technology sector, the currently lively project market in Europe and the USA resulted in a significantly more dynamic situation with regard to requests for quotes and orders than in previous periods. Additionally, projects intended to improve both operating result and efficiency were initiated and/or are already being implemented.

Viewed regionally, business performance in the Profilform Division was marked by a continuing market recovery in Europe and the USA. The performance of the German economy was particularly gratifying as it brought with it an uptick in demand at the division's other European sites. While the mood on the Brazilian market was positive and Great Britain has been showing early signs of recovery in the past several months, the market development in Russia continues to demonstrate lower than average growth.

Development of the key figures

As a result of the business performance described above, the Profilform Division recorded a marked increase in revenue and an even more significant rise in operating result in the first three months of the current business year. Compared to the previous year, revenue showed a gain of 20.5% from EUR 273.5 million to EUR 329.6 million. Compared to the first quarter of 2010/11, EBITDA rose by 30.9%, from EUR 39.1 million to EUR 51.2 million, and EBIT even increased by 44.7%, from EUR 28.4 million to EUR 41.1 million. These figures resulted in an EBITDA margin of 15.5% (previous year: 14.3%) and an EBIT margin of 12.5% (previous year: 10.4%).

As of June 30, 2011, the Profilform Division had 4,232 employees (excluding temporary personnel and apprentices), thus increasing its core staff compared to the previous year (4,032 employees) by 5.0% or 200 employees.

Automotive Division

In millions of euros	Q1 2010/11 04/01–06/30/2010	Q1 2011/12 04/01–06/30/2011	Change in %
Revenue	242.6	293.1	20.8
EBITDA	26.4	31.1	17.8
EBITDA margin	10.9%	10.6%	
EBIT	12.8	18.5	44.5
EBIT margin	5.3%	6.3%	
Employees (excl. temporary personnel and apprentices)	4,555	4,863	6.8

Market environment and business development

Fueled by persistent high demand from the BRIC countries and a continuing recovery in North America, the global automotive market continued its positive performance in the first quarter of 2011/12.

In Europe, the decline in demand after the discontinuation of government incentive programs was less significant overall than originally feared, however, the largest sales market of the Automotive Division is still showing a level of new car sales that is stagnant at best. Compared to the same period of the previous year, there are positive signals from Southern and Eastern Europe with regard automobile sales, with Turkey leading the field with a very marked increase of 26%.

Considerably more positive than the sales numbers in Europe, the development of European automobile production, which is even more important for the Automotive Division, has been about 7% higher during the 2011 calendar year thus far than the previous year's figure, mainly due to the strong export performance of the premium segment, which has such crucial importance for the voestalpine Group.

Most recently, commercial vehicle production showed a strong recovery trend, especially in the segment of heavy trucks, which had been particularly affected by the economic crisis.

Development of the key figures

As a result of the high level of demand from the automobile industry as well as the very satisfactory development of demand in the divisional non-automotive activities, most prominently the energy sector, the Automotive Division was able to substantially improve its previous year's sales and operating results.

Revenue rose compared to the first quarter of the previous business year by 20.8% from EUR 242.6 million to EUR 293.1 million. EBITDA increased by 17.8% from EUR 26.4 million to EUR 31.1 million, with the EBITDA margin for the first quarter of 2011/12 amounting to 10.6% compared to 10.9% in the previous year. EBIT rose by 44.5% from EUR 12.8 million to EUR 18.5 million, which corresponds to an increase in the EBIT margin from 5.3% to 6.3%. This marked increase in the operating results also reflects the reorganization, optimization, and efficiency improvement programs, which have been consistently implemented during the past several years and which have been recently accelerated.

As of the end of the first quarter of 2011/12, the Automotive Division had 4,863 employees (excluding temporary personnel and apprentices); compared to the previous year (4,555 employees), this corresponds to a gain of 6.8% (308 employees).

Antitrust proceedings relative to railway superstructure material

After initiation of antitrust proceedings by the German Federal Cartel Office in connection with the suspicion of conduct in violation of antitrust law relative to the railway superstructure market, a total of six executives in the Railway Systems Division were discharged. Currently, the associated circumstances are being clarified in full cooperation with the appropriate authorities. Furthermore, as a consequence of these proceedings, the Railway Systems Division was comprehensively reorganized both with regard to its organization and its leadership.

Business transactions with associated companies or parties

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

Investments

During the first quarter of 2011/12, the investments of the voestalpine Group amounted to EUR 117.0 million. Compared to last year's figure (EUR 80.0 million) that was still low due to the effects of the crisis, this represents a rise in investment expenditure by 46.3% or EUR 37.0 million. Although those projects that aim to extend our leadership role, both in technology and quality, were consistently pursued, investment expenditure is still significantly lower than the level of depreciation (EUR 145.3 million).

The details of the investment activities of the individual divisions during the first quarter of 2011/12 are as follows:

The Steel Division's investment expenditure doubled compared to the previous year, going from EUR 27.8 million to EUR 55.3 million, so that about half of the Group's investments were attributed to this division. The focus was the realization of still outstanding projects under the investment program "L6" within the scope of which the updating of the hot rolling mill was completed in August 2011 and the new continuous casting facility 7 was commissioned in September 2011. The completion of the new gasometer for BOF gas and of the pusher-type furnace in the heavy plate production is scheduled for 2012. Additionally, capacity is currently being expanded in the foundry, in pre-processing, and in the Steel Service Center (construction of a site in Romania).

Due to the fact that capacity expansions in the forging sector were completed in the business year 2010/11, investment expenditures were halved in the Special Steel Division in the first quarter of 2011/12 compared to the same period in 2010/11, going from EUR 23.6 million to EUR 12.4 million. The focus in the current business year is on eliminating capacity bottlenecks and in ensuring shorter throughput times in production, particularly targeting systems in the area of powder-metallurgical steels and electro-slag remelted (ESR) grades.

At EUR 21.2 million, the Railway Systems Division's investments in the first quarter of 2011/12 were about one third higher than the previous year's figure (EUR 16.4 million). As the division has now successfully completed its extensive investments and has put them into operation—a comprehensive report is contained in the Annual Report 2010/11—there are currently no major projects being implemented.

In the Profilform Division, the first phase of the major expansion project in the precision strip segment in Kematen/Austria (concentration and expansion of the rolling capacity) was successfully completed in the past business year. Currently, the rolling stands and belt sanders are being fine-tuned. As there have been capacity bottlenecks due to high demand, the second phase of the investment project (strip production, especially for tempered saw band) has already been begun. The total investments of the Profilform Division in the first quarter of 2011/12 were EUR 9.8 million; compared to the previous year (EUR 6.3 million), this corresponds to an increase of 55.6%.

In the first quarter of 2011/12, the Automotive Division recorded investments in the amount of EUR 16.3 million. This means that compared to the previous year (EUR 4.5 million), this division increased its investment expenditures most significantly of all the divisions. In addition to minor updates to machines for the manufacture of tube components, the division has now begun to produce stamped parts in Linz. For that purpose, two servo presses and the necessary appurtenant infrastructure were put into operation.

Acquisitions

In the first quarter of 2011/12, the Railway Systems Division made two small but strategically important acquisitions in the turnout technology sector.

voestalpine BWG purchased 71.0% of the German company Lasa Schienentechnik GmbH, thus expanding its service area. The company, which is headquartered in Bremen, has been a specialized service provider for the maintenance and welding of tram turnouts and rails throughout Europe for 30 years. The takeover of the majority stake in Lasa Schienentechnik GmbH entails annual revenue of EUR 4.0 million and 30 employees. The residual 29.0% of the company remain in the ownership of the managing partner.

Furthermore, all the fixed assets and know-how from the research and development department of the Dutch company Baas B.V. were acquired; this company specializes in the development and production of wheel diagnostic and axle recognition systems based on fiber optic technology. This acquisition further expands the technology range of the hytronics sector. voestalpine Hytronics GmbH is responsible for the activities of the voestalpine Group concerned with state-of-the-art electro-hydraulic setting and safety systems for turnouts as well as diagnostic systems for railways. The company expects demand to continue to grow in the long term for technologies that increase the reliability, availability, and safety of both rail infrastructure and rolling stock. Organizationally, Baas R&D has been integrated as a branch facility of the German company SST Signal & System Technik GmbH (a company of the VAE Group).

Employees

As of June 30, 2011, the voestalpine Group had 40,939 employees (excl. temporary employees and apprentices). This represents an increase compared to the previous year (39,595) of 3.4% or 1,344 employees.

As of the end of the first quarter of 2011/12, there were an additional 3,998 employees employed as temporary staff; this represents an increase of 27.2% or 854 employees compared to the previous year.

As of June 30, 2011, the voestalpine Group was training 1,301 apprentices worldwide, only 145 (or 10%) less than in the previous year (1,446).

Research and development

In the current business year 2011/12, the voestalpine Group is spending more than EUR 120 million for research and development, the highest amount ever in the history of the company.

The focus of research and development activities is on cross-divisional, long-term projects in the mobility and energy sectors, which are already the two largest customer segments of the voestalpine Group. In addition to further development of lightweight materials for the automobile and consumer goods industries, the focus is on technologically highly sophisticated applications in the energy sector, such as high-temperature materials, which enable significantly higher efficiency in power plant turbines and aircraft engines than was previously possible. Another focal point is innovation in the area of renewable energies; here, it is the long-term goal of the voestalpine Group to position itself in the top technology and quality segment.

In addition to continuing progress of the projects already presented in detail in the Annual Report 2010/11, in the current business year, the focus is on the customized further development of the lightweight construction project "FutureSteelVehicle." Within the scope of WorldAutoSteel, the automotive group of the World Steel Association, 17 international steel producers, among them voestalpine Stahl GmbH, have been participating in this collaborative project, which was begun in 2008 and which is now largely completed.
The objective of the project with a time horizon of 2020 was the joint development of a lightweight steel auto body manufactured using state-of-the-art steels and processing technologies against the backdrop of new drive concepts and CO_2 emissions regulations for automobile manufacturers as well as the corresponding effects on vehicle architecture, materials, and components.

The obtained result enables a number of significant improvements, primarily a weight reduction compared to traditional reference automotive bodies by about 35%, which in turn results in a decrease of CO_2 emissions over the entire life cycle by about 70%, immediate compliance with the crash safety standards that will not be actually applicable until 2020 as well as the comprehensive deployment of state-of-the-art high-strength and ultra high-strength steel grades. Furthermore, and as opposed to alternative materials, the reduction in weight and emissions is virtually cost-neutral.

The material steel has thus impressively proven its leading position in automotive engineering, especially against the backdrop of new challenges for future mobility, all the more so as it will be possible to utilize the knowledge and development gained within the scope of the "FutureSteelVehicle" project beyond the originally anticipated field of e-mobility.

Environment

The draft prepared by the European Commission in December 2010 of the allocation mechanism for CO_2 emission certificates that will apply for the period from 2013 to 2020 and will be based on benchmark figures set by the EU has now become legally effective after the resolution was adopted by the EU Council of Ministers and the European Parliament. As already presented in detail in the environment section of the Annual Report 2010/11, this regulation is being contested by the European steel association EUROFER and a number of its member companies. The relevant complaints that were brought before the European Court of Justice are primarily directed against the emissions requirements that cannot be achieved with the current state of the art.

Based on the European REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), the evaluation of all roughly 25,000 submitted registrations is currently being carried out by the European Chemicals Agency. The approval procedure to authorize substances will become significantly more important in the future; once a substance has been included in the approval procedure, in the long term, it must be replaced by a suitable alternative substitute, and until such time, the substance may be used only if it has a valid substance approval. This affects particularly hazardous substances, for example, carcinogenic substances. By introducing the approval procedure in phases, it must be examined on an ongoing basis which substances may be affected; at the same time, cooperation on the ongoing revision of the REACH regulation that is scheduled to run until 2012 is required.

The Industrial Emissions Directive (IED) 2010/75/EU became effective on January 6, 2011; it replaces the IPPC Guideline (Integrated Pollution Prevention and Control Directive). In addition to numerous further developments of the content, the main focus is on a Europe-wide standardization of the threshold values for industrial facilities and measures to be taken. In the future, they will be codified in the European Commission's best available techniques (BAT) conclusions with regard to the best available techniques in terms of environmental technology in the iron and steel industry, which in turn are derived from the so-called BREFs (best available technique reference documents), part of which are currently still being revised. Publication of the reference documents and their binding conclusions will presumably take place in 2011. Then they must be implemented Europe-wide within four years. In the voestalpine Group, the relevant plants and facilities will be reviewed with regard to any need for adjustments in order to be able to plan and realize the necessary measures and modifications to enable implementation of the requirements of the IED.

Probably the most significant—and also the most sensitive—topic in Europe with regard to the future of Europe's most energy intensive industries is the "Roadmap 2050" that was outlined by the European Commission. Concerning the position of the voestalpine Group in connection with the sustainable reconfiguration and ecologization of the economic system in Europe, we refer to the detailed presentation in the Annual Report 2011/12.

Outlook

Once again, the current development of the worldwide economy is anything but homogenous. The three basic segments that determine global economic sentiment, the real economy, the capital and financial markets, and the macroeconomic position of the major world economies, have developed very differently during the past twelve months. While the development of the real economy is largely solid, it is facing a highly volatile financial sector whose trend is being determined to a high degree by how quickly the major mature economies on both sides of the Atlantic, some of which have incurred a great deal of debt, are able to get their state finances in order. A stabilizing element of global economic development continues to be the Asian markets—primarily China—

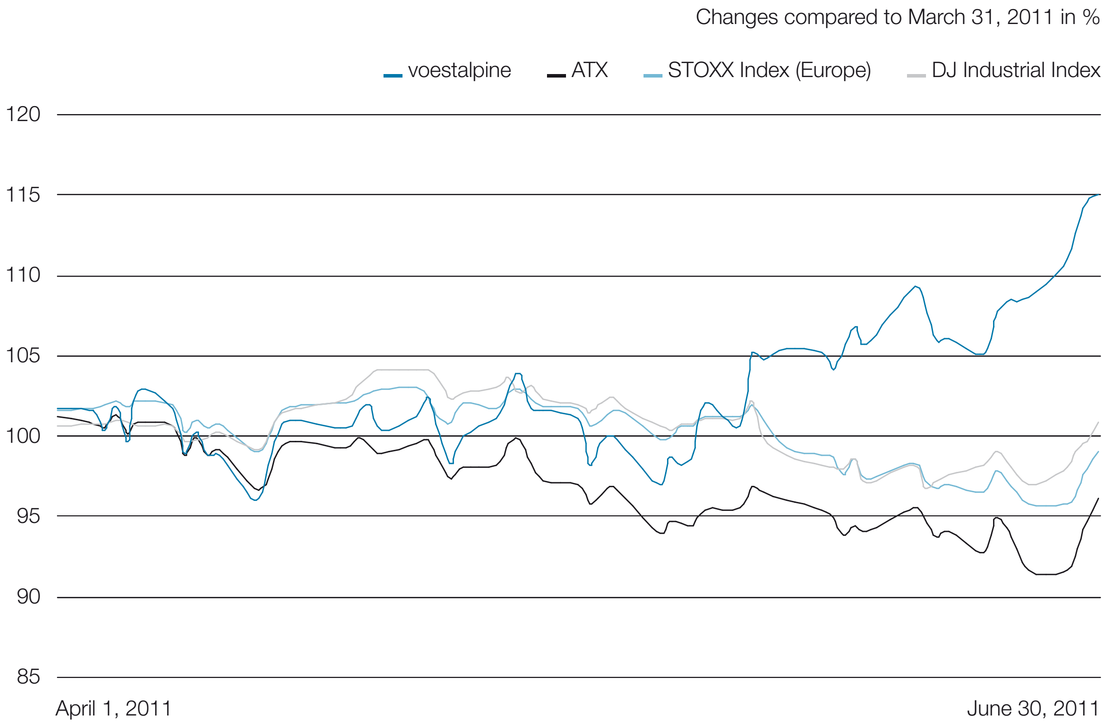
and parts of South America. Changes in this area are not anticipated in the short term, i.e., the years 2011 and 2012 will be characterized primarily by efforts to stabilize state finances in the USA and in the mature economies in Europe, combined with the endeavors of the emerging countries to prevent the problems from spilling over into their regions.

With the exception of Southern Europe and the westernmost part of the continent as well as parts of the USA and Japan (due to the earthquake and tsunami), viewed globally, the problems have not yet spread to the real economy. Changes in this regard are not expected for the voestalpine Group through the end of 2011. The indicators from the most important customer industries—the automobile and commercial vehicle industries, the energy industry, mechanical engineering, railway infrastructure, and aviation—have signaled a mostly stable development of demand for the coming months, apart from the customary seasonal effects during the summer quarter. Customer inventories are also not demonstrating any critical trends.

However, crude steel production in the Steel Division will again have to be reduced in the second quarter of 2011/12 by about 12% due to the last phase of expansion and extensive renovation of the hot rolling mill as well as the commissioning of the new continuous casting facility 7. Therefore, the operating result will be affected by non-recurring effects in this period. Against the backdrop of a continuing positive capacity utilization in all five divisions of the Group, however, it can be assumed that the business year 2011/12 will see another substantial increase in the operating result compared to the previous business year brought about by additional positive effects from the efficiency improvement and cost optimization programs that are being implemented. Nevertheless, a spreading of the aforementioned debt crisis and the nervousness of the financial markets to the real economy remains a significant risk factor.

Investor relations

voestalpine AG vs. the ATX and international indices



Price development of the voestalpine share

In the first two months of the business year 2011/12, the voestalpine share developed largely along the same lines as the ATX, Austria's leading share index, and the international benchmark indices STOXX Index (Europe) and Dow Jones Industrial Index. After the very satisfactory results of the business year 2010/11 were published, the voestalpine share attracted increased attention from investors, subsequently gaining value significantly despite the more nervous mood on the stock markets. With a rise of the share price from EUR 33.13 to EUR 38.07, the share increased in value by a total of 14.9% during the first quarter of 2011/12, thus doing substantially better than the indices.
Irrespective of the gratifying development of the voestalpine share in the first quarter of the

business year, a sustainable stabilization of the extremely volatile environment on the international capital markets is not anticipated in the short term. In addition to the uncertainty regarding the development of the global economy, which is especially marked by fears concerning a beginning overheating of the growth drivers China and Brazil, the main element of uncertainty for the stock market in the coming months is the continuing escalation of the public debt predicament both in the euro zone and in the USA.

Bonds

Hybrid bond (2007–2014)

The hybrid bond was issued in October 2007 with a volume of EUR 1,000 million in order to partially refinance the acquisition of BÖHLER-UDDEHOLM AG. After the turbulence on the financial markets in the period since the fall of 2008, the bond price went down by the end of the business year 2008/09 to 75 (% of the face value). Since April 2009, the price of the bond has recovered quite significantly, so that by January 2010, it was again trading over 100 (% of the face value) for the first time; as of the end of the first quarter of 2011/12, it had reached 103 (% of the face value).

Corporate bond 1 (2009–2013)

The corporate bond, which was issued at the height of the credit crisis in order to ensure liquidity (volume EUR 400 million, coupon rate 8.75%), has registered substantial price gains since being issued. Compared to the highest price of over 114 (% of the face value) in March 2010, toward the end of the first quarter 2011/12, however, the bond price had fallen slightly and was trading at just over 109 (% of the face value).

Corporate bond 2 (2011–2018)

In early February 2011, voestalpine AG successfully placed a seven-year bond issue on the capital market with a coupon rate of 4.75% and a volume of EUR 500 million. Interest in this bond was unusually high so that the order book attained a volume of more than EUR 700 million, much higher than the originally planned transaction of EUR 300 to 400 million. Trading of the bond began on February 3, 2011 in the regulated over-the-counter market of the Vienna Stock Exchange. While the bond price at the beginning of April was still just under the issue price, there were continuous gains leading up to the end of June. The closing price of the security on June 30, 2011 was at 103 (% of the face value).

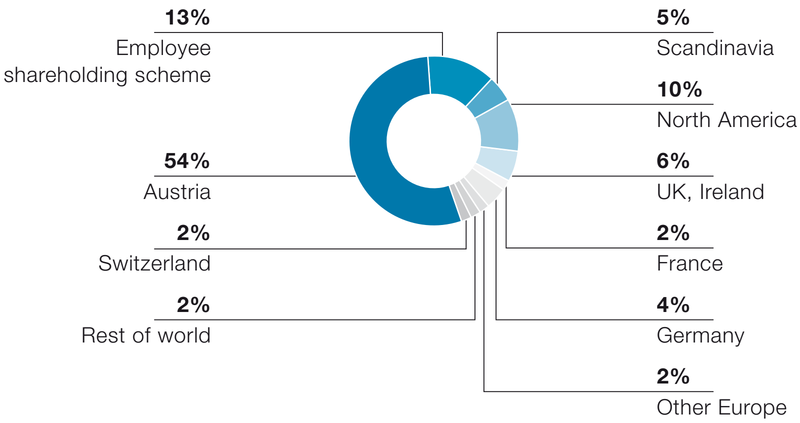
voestalpine AG is currently being analyzed by the following investment banks/institutions:

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

Shareholder structure

As of April 1, 2011, the (indicative) ownership structure according to regions is as follows:

Shareholder structure



The majority shareholders of voestalpine AG, who are subject to reporting requirements, remained unchanged; as of the end of the business year 2010/11, their holdings were as follows:

Largest individual shareholders	
Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG	> 15%
voestalpine Mitarbeiterbeteiligung Privatstiftung	13.0%
Oberbank AG	7.9%

Share Information

Share capital	EUR 307,132,044.75 divided into 169,049,163 no par value shares
	Shares in proprietary possession as of June 30, 2011: 427,332 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 2011 to June 2011	EUR 38.07
Share price low April 2011 to June 2011	EUR 31.77
Share price as of June 30, 2011	EUR 38.07
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, 2011*	EUR 6,418,589,997.02

* Based on total number of shares minus repurchased shares.

Business year 2010/11	
Earnings per share	EUR 3.04
Dividend per share	EUR 0.80
Book value per share	EUR 27.39

Financial calendar 2011/12	
Letter to shareholders for the second quarter of 2011/12	November 17, 2011
Letter to shareholders for the third quarter of 2011/12	February 15, 2012
Annual Report 2011/12	May 30, 2012
Annual General Meeting	July 4, 2012
Ex-dividend date	July 9, 2012
Dividend payment date	July 16, 2012

voestalpine AG

Financial data 06/30/2011

In accordance with International Financial Reporting Standards (IFRS)

Consolidated statement of financial position

Assets

	03/31/2011	06/30/2011
A. Non-current assets		
Property, plant and equipment	4,371.4	4,350.8
Goodwill	1,419.5	1,419.2
Other intangible assets	379.9	365.4
Investments in associates	142.8	138.8
Other financial assets	158.7	159.5
Deferred tax assets	383.2	373.5
	6,855.5	**6,807.2**
B. Current assets		
Inventories	2,824.1	3,132.8
Trade and other receivables	1,709.8	1,821.5
Other financial assets	453.6	409.4
Cash and cash equivalents	1,233.4	839.1
	6,220.9	**6,202.8**
Total assets	**13,076.4**	**13,010.0**

In millions of euros

Equity and liabilities

	03/31/2011	06/30/2011
A. Equity		
Share capital	307.1	307.1
Capital reserves	421.1	405.4
Hybrid capital	992.1	992.1
Retained earnings and other reserves	2,897.5	3,099.0
Equity attributable to equity holders of the parent	**4,617.8**	**4,803.6**
Non-controlling interests	73.3	74.7
	4,691.1	**4,878.3**
B. Non-current liabilities		
Pensions and other employee obligations	833.2	826.0
Provisions	83.3	81.3
Deferred tax liabilities	237.0	237.8
Financial liabilities	3,070.5	2,730.3
	4,224.0	**3,875.4**
C. Current liabilities		
Provisions	402.1	365.0
Tax liabilities	134.7	154.6
Financial liabilities	1,427.9	1,435.3
Trade and other payables	2,196.6	2,301.4
	4,161.3	**4,256.3**
Total equity and liabilities	**13,076.4**	**13,010.0**

In millions of euros

Consolidated statement of cash flows

	Q1 2010/11	Q1 2011/12
Operating activities		
Profit for the period	121.1	209.6
Adjustments	143.0	136.8
Changes in working capital	–58.5	–288.9
Cash flows from operating activities	**205.6**	**57.5**
Cash flows from investing activities	**–141.8**	**–114.8**
Cash flows from financing activities	**–397.5**	**–337.1**
Net decrease/increase in cash and cash equivalents	**–333.7**	**–394.4**
Cash and cash equivalents, beginning of period	1,028.6	1,233.4
Net exchange differences	10.9	0.1
Cash and cash equivalents, end of period	**705.8**	**839.1**

In millions of euros

Consolidated income statement

	04/01–06/30/2010	04/01–06/30/2011
Revenue	2,556.1	3,051.5
Cost of sales	–1,997.6	–2,363.1
Gross profit	**558.5**	**688.4**
Other operating income	111.5	81.7
Distribution costs	–233.3	–245.4
Administrative expenses	–141.9	–148.2
Other operating expenses	–91.5	–58.9
Profit from operations (EBIT)	**203.3**	**317.6**
Share of profit of associates	5.9	5.5
Finance income	15.7	23.3
Finance costs	–68.4	–74.6
Profit before tax (EBT)	**156.5**	**271.8**
Income tax expense	–35.4	–62.2
Profit for the period	**121.1**	**209.6**
Attributable to:		
Equity holders of the parent	100.7	189.9
Non-controlling interests	2.4	1.7
Share planned for hybrid capital owners	18.0	18.0
Diluted and basic earnings per share (euros)	**0.60**	**1.13**
Statement of comprehensive income:		
Profit for the period	**121.1**	**209.6**
Other comprehensive income		
Hedge accounting	4.3	–2.2
Deferred tax hedge accounting	–0.5	0.5
Currency translation	52.8	–2.0
Other comprehensive income for the period, net of income tax	**56.6**	**–3.7**
Total comprehensive income for the period	**177.7**	**205.9**
Attributable to:		
Equity holders of the parent	156.8	186.6
Non-controlling interests	2.9	1.3
Share planned for hybrid capital owners	18.0	18.0
Total comprehensive income for the period	**177.7**	**205.9**

In millions of euros

Consolidated statement of changes in equity

	Q1 2010/11			Q1 2011/12		
	Group	Non-controlling interests	Total	Group	Non-controlling interests	Total
Equity as of April 1	**4,189.6**	**72.8**	**4,262.4**	**4,617.8**	**73.3**	**4,691.1**
Total comprehensive income for the period	174.8	2.9	177.7	204.6	1.3	205.9
Dividends to shareholders	–	–5.1	–5.1	–	–6.5	–6.5
Own shares acquired/ disposed	1.1	–	1.1	1.4	–	1.4
Share-based payment	–	–	–	–15.8	–0.2	–16.0
Other changes	–1.4	1.2	–0.2	–4.4	6.8	2.4
Equity as of June 30	**4,364.1**	**71.8**	**4,435.9**	**4,803.6**	**74.7**	**4,878.3**

In millions of euros

Notes

These interim consolidated financial statements of voestalpine AG as of June 30, 2011 for the first quarter of the business year 2011/12 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 2010/11 with the following exception: the revised version of the IAS 24 (2009) Related Party Disclosures is 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, 2011, on which these interim consolidated financial statements are based.

Since April 1, 2011, the two subsidiaries voestalpine Rohstoffbeschaffungs GmbH and Importkohle Gesellschaft m.b.H are being managed and reported within the operating segment Other (previously Steel Division). In these interim consolidated financial statements, the two entities were therefore allocated to the operating segment Other. 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 quarter of the business year 2010/11 (reporting date: June 30, 2010).

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
As of April 1, 2011	**288**	**2**	**12**
Acquisitions			
Change in consolidation method			
Additions	3		
Disposals			
Reorganizations	–2		
Divestments or disposals	–1		
As of June 30, 2011	**288**	**2**	**12**
Of which foreign companies	229	0	5

Notes on the consolidated statement of financial position

The decrease in non-current assets mainly resulted from lower investment activity in the first quarter of the business year 2011/12. Depreciations amounting to EUR 145.3 million exceeded investments that amounted to EUR 117.0 million. Inventories have increased by EUR 308.7 million in comparison to March 31, 2011 due largely to increasing volumes. Effects (of consolidation) on the reporting date were the primary reason for the increase in receivables. Cash and cash equivalents declined by EUR 394.3 million due mainly to loan repayments.

As of June 30, 2011, voestalpine AG's share capital amounted to EUR 307,132,044.75 (169,049,163 shares). The Company held 427,332 of its own shares as of the reporting date. In the first quarter of the business year 2011/12, the Company sold 40,542 of its own shares.

Effective October 16, 2007, voestalpine AG issued a hybrid bond subordinated to all other creditors with a total issue volume of EUR 1 billion. The bond has an indefinite term and a 7.125% coupon rate. The Company may defer coupon payments if no dividends are being paid. 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 209.6 million has contributed to the increase in equity. For the business year 2010/11, a dividend per share of EUR 0.80 was decided upon at the Annual General Meeting on July 6, 2011; the dividend will be distributed in the second quarter of the business year 2011/12.

Non-current loans developed according to our redemption schedule and non-current financial liabilities therefore declined to EUR 2,730.3 million.

Notes on the consolidated income statement

Revenue for the period from April 1 to June 30, 2011 totaled EUR 3,051.5 million, exceeding the comparable figure for the preceding year (EUR 2,556.1 million) by 19.4%. In the first quarter of the business year 2011/12, profit from operations (EBIT) reached EUR 317.6 million compared to EUR 203.3 million for the first three months of the business year 2010/11. After consideration of the financial result and taxes, profit for the period amounted to EUR 209.6 million compared to EUR 121.1 million for the first quarter of the preceding year.

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

	04/01–06/30/2010	04/01–06/30/2011
Profit attributable to equity holders of the parent (in millions of euros)	100.7	189.9
Weighted average number of issued ordinary shares (millions)	168.4	168.6
Diluted and basic (undiluted) earnings per share (euros)	**0.60**	**1.13**

Operating segments

The following tables contain information on the operating segments of the voestalpine Group for the first quarter of the business year 2011/12 and business year 2010/11, respectively[1]:

1st quarter 2011/12

	Steel Division 04/01–06/30/2011	**Special Steel Division** 04/01–06/30/2011	**Railway Systems Division** 04/01–06/30/2011
Segment revenue	1,038.3	750.7	752.8
of which revenue with third parties	961.6	733.6	742.0
of which revenue with other segments	76.7	17.1	10.8
EBITDA	155.9	120.6	120.7
Profit from operations (EBIT)	101.3	82.7	92.2
EBIT margin	9.8%	11.0%	12.2%
Segment assets	3,785.7	4,111.4	2,511.8
Employees (excl. temporary personnel and apprentices)	9,544	11,443	10,197

1st quarter 2010/11

	Steel Division 04/01–06/30/2010	**Special Steel Division** 04/01–06/30/2010	**Railway Systems Division** 04/01–06/30/2010
Segment revenue	856.2	613.8	667.9
of which revenue with third parties	790.2	598.3	658.4
of which revenue with other segments	66.0	15.5	9.5
EBITDA	134.1	77.1	91.0
Profit from operations (EBIT)	80.7	36.6	63.0
EBIT margin	9.4%	6.0%	9.4%
Segment assets	3,491.5	3,992.3	2,403.1
Employees (excl. temporary personnel and apprentices)	9,497	11,097	9,743

[1] Since April 1, 2011, the two subsidiaries voestalpine Rohstoffbeschaffungs GmbH and Importkohle Gesellschaft m.b.H are being managed and reported within the operating segment Other (previously Steel Division). In these interim consolidated financial statements, the two entities were therefore allocated to the operating segment Other. The preceding year's comparative figures were adjusted accordingly.

	Profilform Division 04/01–06/30/2011	**Automotive Division** 04/01–06/30/2011	**Other** 04/01–06/30/2011	**Reconciliation** 04/01–06/30/2011	**Total Group** 04/01–06/30/2011
	329.6	293.1	446.7	–559.7	3,051.5
	320.7	292.4	1.2	0.0	3,051.5
	8.9	0.7	445.5	–559.7	0.0
	51.2	31.1	–17.8	1.2	462.9
	41.1	18.5	–19.3	1.1	317.6
	12.5%	6.3%			10.4%
	1,075.7	877.0	9,223.4	–8,575.0	13,010.0
	4,232	4,863	660	0	40,939

In millions of euros

	Profilform Division 04/01–06/30/2010	**Automotive Division** 04/01–06/30/2010	**Other** 04/01–06/30/2010	**Reconciliation** 04/01–06/30/2010	**Total Group** 04/01–06/30/2010
	273.5	242.6	314.7	–412.6	2,556.1
	266.1	242.0	1.1	0.0	2,556.1
	7.4	0.6	313.6	–412.6	0.0
	39.1	26.4	–12.0	–4.8	350.9
	28.4	12.8	–13.5	–4.7	203.3
	10.4%	5.3%			8.0%
	1,055.2	844.6	8,509.4	–7,744.0	12,552.1
	4,032	4,555	671	0	39,595

In millions of euros

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

EBITDA

	04/01–06/30/2010	04/01–06/30/2011
Net exchange differences incl. result from valuation of derivatives	–0.9	1.3
Value adjustments for receivables/debt waiver	–2.4	0.1
Consolidation	–1.7	–0.3
Other	0.2	0.1
EBITDA – Total reconciliation	**–4.8**	**1.2**

In millions of euros

EBIT

	04/01–06/30/2010	04/01–06/30/2011
Net exchange differences incl. result from valuation of derivatives	–0.9	1.3
Value adjustments for receivables/debt waiver	–2.4	0.1
Consolidation	–1.7	–0.3
Other	0.3	0.0
EBIT – Total reconciliation	**–4.7**	**1.1**

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 264.1 million to EUR 346.4 million. Taking the change in working capital into consideration (mainly the build-up of inventories), cash flows from operating activities amounted to EUR 57.5 million in comparison to the first quarter of the preceding year (EUR 205.6 million); this represents a decrease of 72.0%. After the deduction of EUR 114.8 million in cash flows from investing activities and taking into account cash flows from financing activities amounting to EUR –337.1 million (mainly loan repayments), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR –394.4 million.

Seasonality and cyclicality

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

Business transactions with associated companies or parties

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

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

Antitrust proceedings relative to railway superstructure material

In May 2011, searches were carried out by the German Federal Cartel Office (Bundeskartellamt) (see Annual Report 2010/11) on the business premises of voestalpine Klöckner Bahntechnik GmbH and TSTG Schienen Technik GmbH & Co KG. The reason for the searches was the suspicion of conduct in violation of antitrust law on the German rails market. Based on its leniency application, the Company is assuming that it will be granted immunity from any monetary fines.

On July 12, 2011, another search by the German Federal Cartel Office took place at voestalpine BWG GmbH & Co. KG in Butzbach, Germany.

More detailed information is not available at this time, nor is it possible to assess the consequences. With regard to possible obligations, we are invoking the safeguard clause according to which information about contingent liabilities is not provided if this could seriously and adversely impact the Company's interests.

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Senior editor and editorial staff: voestalpine AG, Corporate Communications
T. +43/50304/15-2090, F. +43/50304/55-8981, presse@voestalpine.com, www.voestalpine.com
Design and implementation: Living Office Kommunikationsberatung GmbH, St. Pölten

voestalpine AG
voestalpine Strasse 1
4020 Linz, Austria
T. +43/50304/15-0
F. +43/50304/55+Ext.
www.voestalpine.com

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