

A close-up, high-angle photograph of a person's face, focusing on the right eye which is a striking blue color. The person's hair is light-colored and pulled back. The background is a soft, out-of-focus white. The overall mood is professional and focused.

# Letter to Shareholders

1<sup>st</sup>–3<sup>rd</sup> Quarter 2007/08

## Key figures for the voestalpine Group<sup>1</sup>

In millions of euros	1 Q–3 Q 2006/07 <sup>2</sup> 04/01– 12/31/2006	1 Q–3 Q 2007/08 04/01– 12/31/2007	Change in %	1 Q–3 Q 2007/08 04/01– 12/31/2007 (pro-forma before ppa)
Revenue	5,114.6	7,530.2	47.2	7,530.2
EBITDA	963.3	1,360.1	41.2	1,452.5
EBITDA margin (in %)	18.8	18.1		19.3
EBIT	707.3	868.5	22.8	1,108.5
EBIT margin (in %)	13.8	11.5		14.7
Profit before tax	684.2	763.6	11.6	1,003.6
Profit from continued operations	515.9	607.7	17.8	779.9
Profit for the period (net income) <sup>3</sup>	524.4	611.9	16.7	784.1
Earnings per share from continuing operations (in euros)	3.23	3.70	14.6	4.81
Investments	484.7	3,605.5	643.9	
Depreciations and amortization	256.0	491.6	92.1	344.0
Equity	2,876.9	4,435.7	54.2	
Net financial debt	294.9	3,345.5	1,034.6	
Net financial debt in % of equity (gearing)	10.3	75.4		
Employees excl. apprentices	23,907	41,284	72.7	
Capital Employed	3,610.5	8,541.4	136.6	

<sup>1</sup> Notes on the consolidation of Special Steel Division (BÖHLER-UDDEHOLM Group): Simultaneous to the publication of the voestalpine Group's nine-month results for 2007/08 (April 1 to December 31, 2007), BÖHLER-UDDEHOLM AG, in which voestalpine AG has had a majority holding since Summer 2007, is publishing its report on the 2007 business year. As a result of adjusting the business year to match that of voestalpine AG, the report on the 2007/08 business year from BÖHLER-UDDEHOLM AG, which is published on June 5, 2008, will cover the 2007 calendar year and the first three months of 2008.

BÖHLER-UDDEHOLM AG's interim report was created on a standalone basis continuing the previous book values due to the company's existing quotation.

The BÖHLER-UDDEHOLM Group has been consolidated since July 1, 2007 as the Special Steel Division of voestalpine AG (for a period of 6 months in the Group balance sheet at hand). In the course of the initial consolidation, a purchase price allocation was performed according to the provisions of IFRS 3. This means that all assets and liabilities of BÖHLER-UDDEHOLM have been capitalized on the balance sheet of voestalpine AG at their fair value. An independent expert determined substantial revaluations, particularly for tangible fixed assets and inventories. Furthermore, intangible assets, such as brands, order books, customer relationships and technology, were capitalized in the course of the initial consolidation.

The change in inventories and increased depreciation on the above-mentioned assets substantially decreased the earnings reported for the Special Steel Division in the voestalpine AG consolidated financial statements for the period under review, compared to the standalone accounts of BÖHLER-UDDEHOLM AG. In contrast, a significantly smaller impact on earnings is expected in future years due to the successive lapse of the short-term effects with regard to inventories and orders. Free cash flow for the Special Steel Division is not changed by this accounting effect.

As a result of this purchase price allocation, the earnings figures for the Special Steel Division shown in this interim report for the voestalpine Group differ substantially from those published concurrently by the BÖHLER-UDDEHOLM Group. As the purchase price allocation distorts the picture regarding actual developments, the above table also includes pro forma data for the voestalpine Group excluding the PPA and its exclusively accounting effects.

<sup>2</sup> Retrospectively adjusted.

<sup>3</sup> Before minority interests and hybrid capital coupons.

## Ladies and Gentlemen!

The shockwaves from the US sub prime crisis and their possible consequences for the global economy, plus fears of recession, have led to the severest downward trend of international stock markets since 9/11. The Vienna Stock Exchange and the Austrian Traded Index—and with them the voestalpine share—were also unable to escape this negative trend. To what extent the panic—the result of psychological rather than true economic factors—will develop into a self-fulfilling prophecy and actually impair the long-term economic outlook is still difficult to assess. The fact remains that from the current perspective no recession or even a recessive development seems apparent. Demand—allowing for seasonal fluctuations—remains stable on a high level in all essential customer industries not only in Europe, but also in most other economic regions of the world. This means that stock markets and the real economy have grown further and further apart over the last few months. The result of this is an essential rift between fundamental value and market capitalization for many listed companies, which can only be explained by the aforementioned psychological effects. Although this development may often seem frustrating at first glance, the positive factor is that the chance of a lasting upward trend increases every day.

The greatest challenge with regard to long-term effects for Europe, however, is not the current market situation but rather the discussion on the future climate regime of the European Union. With regard to the best possible protection for the global climate, the voestalpine Group is arguing for an inter-industry approach across Europe. Company-specific advance performances, which have already been yielded, must be taken into account in any case, as the CO<sub>2</sub> saving potential depends heavily on the extent of these performances. The company with the lowest industry-specific emissions should be released from all climate fees, whereas manufacturers who pollute the environment more heavily should be penalized accordingly. In this way, a constantly self-optimizing, but simultaneously fair, i.e. competition-neutral, benchmark system could be developed. This system would need to be supplemented by suitable WTO import regulations for products, which come from regions with a less strict climate regime. In the sense of the "Bali Resolutions" of December 2007, this European model should be developed into a global model by 2020.

From a strategic perspective, the voestalpine Group's activities are currently focused on evaluating the erection of a further steel site on the Black Sea. As a result, more than ten sites in four countries are examined more closely. The objective is to have a complete picture, particularly with regard to the investment costs and profitability of such a project, by summer 2008.

Linz, February 25, 2008

The Management Board



W. Eder



F. Hirschmanner



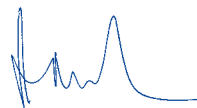
J. Mülner



R. Ottel



C. J. Raidl



W. Spreitzer

# Overview of business performance

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In the first three quarters of the 2007/08 financial year, the most relevant key figures of voestalpine Group have developed as follows (in comparison to the first nine months of the previous year):

- **Revenue** rose by 47.2% from EUR 5,114.6 million to EUR 7,530.2 million.
- **EBITDA** (profit from operations before depreciation) improved by 41.2% from EUR 963.3 million to EUR 1,360.1 million. Without consideration of the purchase price allocation (ppa)<sup>1</sup>, this results in an increase by 50.8% to EUR 1,452.5 million. The **EBITDA margin** declined slightly compared to the previous year due to the PPA from 18.8% to 18.1%; before ppa, however, it increased to 19.3%.
- **EBIT** (profit from operations) rose during the first three quarters by 22.8% from EUR 707.3 million to EUR 868.5 million. The decrease in the **EBIT margin** compared to the previous year from 13.8% to 11.5% results primarily from the application of the BÖHLER-UDDEHOLM purchase price allocation<sup>1</sup>. Without its consideration, however, the operating result in the first three quarters shows an increase by 56.7% to EUR 1,108.5 million, thus improving the EBIT margin to 14.7%.
- With EUR 763.6 million, **profit before tax** (EBT) rose by 11.6% as compared to the previous year's figure (EUR 684.2 million). Before ppa<sup>1</sup> the EBT comes to EUR 1,003.6 million, corresponding to an increase by 46.7%.
- In the first three quarters of the 2007/08 financial year, **profit for the period** (net income)<sup>2</sup> increased by 16.7% from EUR 524.4 million to EUR 611.9 million. The corresponding figure before ppa<sup>1</sup> is EUR 784.1 million (increase by 49.5%).
- The **earnings per share** (EPS) for the first nine months of the current financial year come to EUR 3.70 (respectively, EUR 4.81 before ppa<sup>1</sup>), thus going up as compared to the same period of the previous year by 14.6% (respectively, 48.9% before ppa).
- The **equity** of voestalpine Group rose by 54.2% from EUR 2,876.9 million to EUR 4,435.7 million. This increase is largely due to the hybrid bond issued in October 2007 to refinance the BÖHLER-UDDEHOLM acquisition, which had a volume of EUR 1 billion and took effect in the third quarter of the financial year in accordance with IAS 32 (equity capital characteristics of such bonds). As a result of the intermediate financing of this acquisition, the net financial debt increased in the first nine months of the current financial year from EUR 294.9 million to EUR 3,345.5 million. Accordingly, this results in a gearing ratio (net financial debt in percent of equity) of 75.4% (previous year: 10.3%).
- As of December 31, 2007, voestalpine Group had 41,284 **employees** (excluding apprentices). Compared to the end of the past year (23,907), this corresponds to an increase by 72.7% or 17,377 employees, which largely results from the acquisition of BÖHLER-UDDEHOLM Group.
- In the first nine months of the 2007/08 financial year, **crude steel production** of voestalpine Group rose to 5.39 million tons (previous year: 4.97 million tons), also due to the acquisition of BÖHLER-UDDEHOLM Group. Of the total output, 3.84 million tons were accounted for by the Linz location, 1.12 million tons by the Donawitz site, and for the first time included, 0.43 million tons by the Special Steel Division.

<sup>1</sup> See notes on the inside cover page.

<sup>2</sup> Before minority interests and hybrid capital coupons.

# Interim Management Report

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## Economic environment

The economic situation in the markets and customer industries most relevant to the voestalpine Group has largely remained stable at a high level during the 2007/08 financial year thus far.

The continuing high demand was primarily driven by the still substantial economic dynamics in Europe (particularly in Central and Eastern Europe). The positive development applies to all important customer segments of the Group, in particular the automotive industry, commercial vehicle production, railway construction, the energy industry, as well as civil and mechanical engineering. With the exception of the USA and Japan, the most important overseas economic regions also showed sustained above average growth.

However, also the risks have persisted unchanged, particularly the continuing raw materials price increase and the unfavorable exchange rate between the Euro and the US dollar, as well as other currencies. Additional risk elements that have emerged in the recent past are an increasing uncertainty resulting from possible economic effects of the US sub-prime crisis that has been going on since the summer of 2007 and, for the first time in a long while, increasing fears of inflation.

## Business performance of voestalpine Group

In the first three quarters of the 2007/08 financial year, the voestalpine Group has

continued its growth by again significantly increasing its revenue and earnings as compared to the same period of the previous year. As already mentioned before\*, the Special Steel Division (BÖHLER-UDDEHOLM Group) has been fully incorporated since the 2<sup>nd</sup> quarter of the financial year with regard to its sales revenue, whereas its result has only been included to a limited extent due to effects of the purchase price allocation (ppa). Therefore, it should be emphasized even more strongly that, even if the accounting effects of the ppa are taken into consideration, there was a clear improvement in the Group's earnings, resulting from profit increases in all other four divisions.

While the first half of the financial year showed a very gratifying development, the 3<sup>rd</sup> quarter was, however, characterized by a temporary slowdown. From the 2<sup>nd</sup> to the 3<sup>rd</sup> quarter, all divisions (with the exception of the Special Steel Division and—due to acquisitions—the Automotive Division) showed a slight decline in revenues, with the divisions Railway Systems and Steel also reported a lower result. This development is also mirrored in the comparison of the single quarters at the Group level.

In addition to temporarily lower prices in short-term supply contracts, this development is primarily the result of the traditionally slower construction activity during the winter period and scheduled shutdowns of core facilities in the divisions Steel and Railway Systems in the context of modernization and expansion measures. The thereby lost quantities and the replacement purchases from external suppliers respectively had an

\* See notes on the inside cover page.

adverse affect on the results of the two divisions, especially in the 3<sup>rd</sup> quarter. In the 4<sup>th</sup> quarter, however, a trend reversal above all in the Steel Division becomes apparent.

In the first three quarters of the 2007/08 financial year, revenue of voestalpine Group rose by 47% from EUR 5.1 billion to more than EUR 7.5 billion. Except for the acquisition of a majority stake in BÖHLER-UDDEHOLM Group, growth was strongest in the Automotive Division at 34% as a result of acquisitions, while the divisions Profilform (+20%), Steel (+8%) and Railway Systems (+7%) could increase their revenue largely due to organic growth.

The profit from operations before depreciation (EBITDA) came to EUR 1,360 million. This corresponds to an improvement compared to the previous year (EUR 963 million) by 41%, resulting from substantial increases in all five divisions. Without consideration of the ppa\* from the BÖHLER-UDDEHOLM acquisition, this represents an increase by 51% to EUR 1,453 million.

The profit from operations (EBIT) went up by 23% compared to the previous year from EUR 707 million to EUR 869 million. Due to the application of the ppa\*, only EUR 7 million of the Special Steel Division's EBIT (EUR 247 million on a standalone basis) is included. Without ppa the voestalpine Group would report an operating result in the first three quarters of the 2007/08 finan-

cial year of EUR 1,109 million and with +57% an even greater increase as compared to the previous year.

The rise in the Group's profit, which is a result of significant increases in the other four divisions, primarily mirrors the higher price level. Only the rise in the Automotive Division's EBIT (+35%) as compared to the previous year's period was largely the result of the initial consolidation of acquired companies.

The Steel Division boosted its profit by 34% and, after the first three quarters of the financial year, recorded an EBIT margin that has risen from 14% to almost 18%, thus making it the most profitable of all of the Group's divisions. With an increase of just under 18% and more than 3% respectively, the divisions Profilform and Railway Systems also exceeded their last year's earning figures.

With EUR 1,816 million the major part of the growth in revenue generated by acquisitions resulted from the initial consolidation of the BÖHLER-UDDEHOLM Group (Special Steel Division). In addition, the revenue and earnings of the voestalpine Group during the first three quarters also fully include the acquired companies Gutbrod Stanz- und Umformtechnik GmbH, Hügel GmbH & Co. KG, Dancke Group and Amstutz Levin & Cie. (all Automotive Division), as well as the switch manufacturers TENS Spolka z.o.o.

\* See notes on the inside cover page.

and Açotrilho Ltda which were acquired last year by the Railway Systems Division.

As a result of the significantly improved operating result, also the profit before tax (EBT), with an increase of just under 12% from EUR 684 million to almost EUR 764 million, and the profit for the period (net income), with a gain of 17% from EUR 524 million to EUR 612 million, were considerably higher than last year's figures. Without the effects of the ppa\*, EBT would come to EUR 1,004 million (up by 47% as compared to 2006/07), while net income would increase to EUR 784 million (or by nearly 50%).

The earnings per share (EPS) for the first three quarters of the 2007/08 financial year

amount to EUR 3.70 (pre-ppa\*: EUR 4.81) per share and are thus 15% (or 49% before ppa) higher than the previous year's figure (EUR 3.23).

As already became apparent after the first half year, voestalpine Group will post another record result in the 2007/08 financial year and, with the integration and consolidation of the BÖHLER-UDDEHOLM Group, and also attain a new dimension with regard to revenue. The following table provides an overview of the most relevant key figures of the voestalpine Group (as well as the figures for the respective divisions in the appropriate sections of the segment reporting) for the three individual quarters and cumulatively for the entire nine-month period of the 2007/08 financial year:

### voestalpine Group

In millions of euros	1 Q 2007/08 04/01– 06/30/2007	2 Q 2007/08 <sup>1</sup> 07/01– 09/30/2007	3 Q 2007/08 <sup>1</sup> 10/01– 12/31/2007	1 Q–3 Q 2006/07 <sup>2</sup> 04/01– 12/31/2006	1 Q–3 Q 2007/08 <sup>1</sup> 04/01– 12/31/2007	Change in %
Revenue	1,960.9	2,788.2	2,781.1	5,114.6	7,530.2	47.2
EBITDA	407.5	497.2	455.4	963.3	1,360.1	41.2
EBITDA margin (in %)	20.8	17.8	16.4	18.8	18.1	
EBIT	313.2	299.2	256.1	707.3	868.5	22.8
EBIT margin (in %)	16.0	10.7	9.2	13.8	11.5	
Employees excl. apprentices	25,752	41,018	41,284	23,907	41,284	72.7

<sup>1</sup> Including Special Steel Division (figures after ppa; see notes on the inside cover page).

<sup>2</sup> Retrospectively adjusted.

\* See notes on the inside cover page.

In detail, the five divisions of voestalpine Group have developed in the first three quarters of 2007/08 as follows:

### Steel Division

In millions of euros	<b>1 Q 2007/08</b> 04/01– 06/30/2007	<b>2 Q 2007/08</b> 07/01– 09/30/2007	<b>3 Q 2007/08</b> 10/01– 12/31/2007	<b>1 Q–3 Q 2006/07<sup>1</sup></b> 04/01– 12/31/2006	<b>1 Q–3 Q 2007/08</b> 04/01– 12/31/2007	<b>Change in %</b>
Revenue	964.7	949.7	949.0	2,662.2	2,863.3	7.6
EBITDA	235.8	234.5	192.2	514.3	662.4	28.8
EBITDA margin (in %)	24.4	24.7	20.3	19.3	23.1	
EBIT	186.8	182.5	139.5	379.0	508.8	34.2
EBIT margin (in %)	19.4	19.2	14.7	14.2	17.8	
Employees excl. apprentices	9,621	9,650	9,712	9,559	9,712	1.6

<sup>1</sup> Retrospectively adjusted.

Business performance of the **Steel Division** was characterized by a very good market environment in all significant product sectors. In addition to yet another improvement in earnings seen in the division's largest segment of quality flat steel products, the heavy plate sector in particular was able to profit from the continuing high demand in the energy industry.

Supported by the gratifying market development, last year's figures were substantially exceeded, with an 8% increase in sales revenue and an improvement in the earnings by more than a third.

The above average gain in EBIT results from a rise in average prices by about 10% compared to last year's level, a further improvement

of the product mix, and the accelerated implementation of cost optimization measures.

The decline in the result from 3<sup>rd</sup> against the 2<sup>nd</sup> quarter of the financial year was largely due to higher raw materials costs, a shortfall of quantities because of four-week shut-downs of the hot rolling mill and the heavy plate mill for investment reasons, as well as considerably higher personnel costs within the scope of the collective agreement wage increase in Austria that came into effect on November 1, 2007.

Despite the interruptions in the production process during the third quarter, supply quantities were nevertheless about 1% higher than in the first nine months of the previous year.



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

In millions of euros	1 Q-3 Q 2007/08 <sup>2</sup> pro-forma (pre ppa) 07/01-12/31/2007	1 Q-3 Q 2007/08 <sup>2</sup> (after ppa) 07/01-12/31/2007
Revenue	1,815.9	1,815.9
EBITDA	301.9	209.5
EBITDA margin (in %)	16.6	11.5
EBIT	246.9	6.9
EBIT margin (in %)	13.6	0.4
Employees excl. apprentices	15,217	15,217

<sup>1</sup> See notes on the inside cover page.

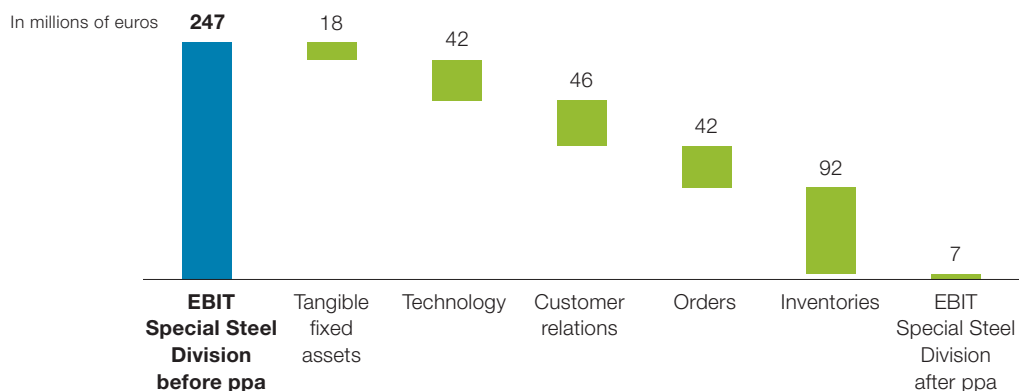
<sup>2</sup> Initial consolidation July 1, 2007; the reporting period therefore includes the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of voestalpine's financial year.

The **Special Steel Division** (BÖHLER-UDDEHOLM Group), which has been included in the consolidated financial statement of the voestalpine Group\* since July 2007, continued its unbroken growth with a significant increase in revenue and earnings, as well as in profitability. The good overall economic performance and the resulting robust demand stimulated growth in all four sectors of the company.

A moderate increase of the base prices and the overall market dynamics more than compensated for both the unfavorable exchange rate of the US dollar against the Euro, the

Brazilian real, and the Swedish krona and the decline in price for individual alloys, particularly for nickel.

Compared to previous year's period, incoming and outstanding orders reached new record levels, while simultaneously all production facilities were fully utilized and supply quantities increased significantly. Additionally, profitability was further improved by consistently implementing cost reducing measures and productivity increase in all four of the division's business units (High Performance Metals, Welding Consumables, Precision Strip and Special Forgings).

**Purchase Price Allocation\* as of December 31, 2007**

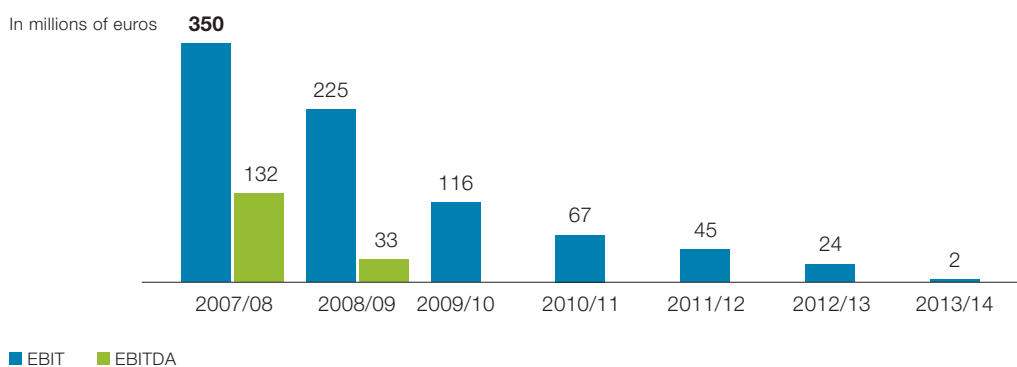
\* See notes on the inside cover page.

\* See notes on the inside cover page.

The change in inventories and increased depreciation on the assets capitalized in the course of the ppa\* decrease the result of the Special Steel Division reported in the consolidated financial statements of voestalpine AG for the period under review by EUR 240 million (on EBIT basis).

The following graphic shows the anticipated effect on the result in future financial years. Due to the discontinuation of short-term effects with regard to inventories and orders, a significantly smaller and over the course of some years declining impact on the result is expected.

### Anticipated effects of the PPA\* on EBIT and EBITDA in future financial years



### Railway Systems Division

In millions of euros	1 Q 2007/08 04/01- 06/30/2007	2 Q 2007/08 07/01- 09/30/2007	3 Q 2007/08 10/01- 12/31/2007	1 Q-3 Q 2006/07 04/01- 12/31/2006	1 Q-3 Q 2007/08 04/01- 12/31/2007	Change in %
Revenue	585.5	543.6	513.9	1,538.8	1,643.0	6.8
EBITDA	115.1	105.4	93.5	305.4	314.0	2.8
EBITDA margin (in %)	19.7	19.4	18.2	19.8	19.1	
EBIT	93.7	83.5	71.6	240.8	248.7	3.3
EBIT margin (in %)	16.0	15.4	13.9	15.6	15.1	
Employees excl. apprentices	7,656	7,751	7,775	7,332	7,775	6.0

\* See notes on the inside cover page.

The **Railway Systems Division** was again able to slightly increase revenue and profit as compared to last year's record figures. This is due to the very satisfactory business performance in the rails and turnout segment, as well as to yet another improvement in the wire rod segment. This compensated for both the decline in the seamless tube segment and the higher prematerial costs resulting from the major (planned) repair of one of the division's two blast furnaces in last summer.

Revenue and result of the sectors rail technology and switch technology recorded new all-time highs in the period under review. Further increases in raw material and prematerial costs could be passed on to the market due to sustained high demand.

However, the market environment of the seamless tube segment—starting from historical record figures—remained tense during the past nine months.

Additional capacities for standard products, which are being created by new, primarily Asian, suppliers entering the market, are exceeding by far the continued strong demand from the energy industry.

Together with the reduction of inventories in North America this leads to a considerable decline in prices, however based on a record price level.

Due to the consistent focus on special products, revenue and profit could nevertheless be kept at a still excellent level.

## Profilform Division

In millions of euros	1 Q 2007/08 04/01– 06/30/2007	2 Q 2007/08 07/01– 09/30/2007	3 Q 2007/08 10/01– 12/31/2007	1 Q–3 Q 2006/07 04/01– 12/31/2006	1 Q–3 Q 2007/08 04/01– 12/31/2007	Change in %
Revenue	280.6	273.6	268.2	685.1	822.4	20.0
EBITDA	44.6	46.1	46.6	119.6	137.3	14.8
EBITDA margin (in %)	15.9	16.9	17.4	17.5	16.7	
EBIT	38.1	39.3	40.0	99.8	117.5	17.7
EBIT margin (in %)	13.6	14.4	14.9	14.6	14.3	
Employees excl. apprentices	3,343	3,383	3,356	3,255	3,356	3.1

With a 20% increase in revenue and a similarly significant gain in the result by 18%, the **Profilform Division** also exceeded last year's figures substantially in the past three quarters. Due to its strong market position and customer-oriented international pres-

ence, it profited on one hand from the continuing excellent economic environment in the most important market regions and customer segments and, on the other hand, was able to compensate for higher prematerial costs by implementing price increases.

In the course of the current financial, demand was primarily driven by the agricultural and construction machinery manufacturers in Europe and North America, as well as by the European commercial vehicle industry. Due to the continuously brisk investment activities in the infrastructure sector and in the consumer goods industry, also

the demand for sophisticated storage technology systems remained worldwide at a high level.

In addition, demand for special and tailored sections in Central and Eastern Europe, as well as in Russia, was characterized by a sustained dynamic tendency.

### Automotive Division

In millions of euros	1 Q 2007/08 04/01– 06/30/2007	2 Q 2007/08 07/01– 09/30/2007	3 Q 2007/08 10/01– 12/31/2007	1 Q–3 Q 2006/07* 04/01– 12/31/2006	1 Q–3 Q 2007/08 04/01– 12/31/2007	Change in %
Revenue	259.9	244.2	257.0	567.4	761.1	34.1
EBITDA	28.4	27.7	28.0	60.5	84.0	38.8
EBITDA margin (in %)	10.9	11.3	10.9	10.7	11.0	
EBIT	12.3	12.1	13.3	27.9	37.8	35.5
EBIT margin (in %)	4.7	5.0	5.2	4.9	5.0	
Employees excl. apprentices	4,708	4,750	4,783	3,383	4,783	41.4

\* Retrospectively adjusted.

In addition to an increase by more than a third as compared to the first nine months of the previous year in both revenue and operating result—primarily due to acquisitions—the **Automotive Division** has recorded satisfactory growth so far in the 2007/08 financial year in the laser welded blanks, tubes and safety components.

Despite a further rise in prematerial prices and a sustained price pressure by automotive manufacturers, profitability could be slightly increased to an EBIT margin of 5.0% as com-

pared to the previous year's level (4.9%). The good economic environment for the automotive industry in Europe, in particular in Central and Eastern Europe, led to a high level of demand in all business sectors during the first nine months of the current financial year.

With regard to the divestments that have already been effected in the course of the financial year or that are scheduled until March 31, 2008, please refer to the "divestments" chapter in this Letter to Shareholders.

### Business relations with associated companies or persons

The circle of associated companies and persons remained largely unchanged as compared to the last annual financial statement.

### Investments

In the first nine months of the 2007/08 financial year, the expenses of the voestalpine Group on investments and acquisitions came to EUR 3,605.5 million. This increase to more than seven times the previous year's figure (EUR 484.7 million) largely results from the acquisition of the BÖHLER-UDDEHOLM Group, a significant portion, however, is also due to the accelerated expansion and modernization programs in all five divisions.

Of the overall investment volume, EUR 402 million (+30% compared to EUR 309 million last year) were accounted for by the Steel Division. Focal point for investments is the realization of the expansion program "L6—Phase 1", the successive project to the major investment program "Linz 2010". The central projects under this program with an overall expenditure volume of about EUR 1 billion (2007/08—2010/11) are the comprehensive expansion and modernization of the hot strip rolling mill, the construction of a new continuous casting plant, the expansion of heavy plate production, and an additional power plant block.

In the period from July 1 to December 31, 2007, the Special Steel Division recorded investments of EUR 132 million. The major part

thereof was accounted for by the realization of major projects at the Sumaré (Brazil) and Kapfenberg (Austria) locations. The largest project at the Kapfenberg location was the launch of the largest spindle press worldwide. At the Brazilian location, the focus was on the construction and successful startup of a new rolling mill that will enable not just a considerable increase in capacity but also environmental improvements (in particular, dust extraction for the steel plant and an improvement of the water quality).

At EUR 171 million, the Railway Systems Division recorded investments for the first three quarters that were 38% higher than in the first nine months of the previous year (EUR 124 million). The focus was on environmentally relevant projects, such as the continued optimization of raw materials deployment within the scope of the installation of a new blast furnace in Donawitz in the summer of 2007, ensuring complete autonomy in the supply of energy by building a new power plant block, and the realization of an extensive new cooling water concept.

Because of its comprehensive special investment program, the Profiform Division increased its expenditures during the first three quarters of 2007/08 as compared to the previous year by 52% from EUR 33 million to just over EUR 50 million. The largest projects were the construction of a new facility for specially formed pipes in Krems, which is already being fully utilized after its successful startup, and the expansion at the British production site in Birmingham.

The Automotive Division has more than quadrupled its investment activities (from EUR 16

million to EUR 68 million). In addition to this increase against the previous year that is largely a result of acquisitions (investments of the newly acquired companies), comprehensive modernization and expansion investments were made at a series of locations. For example, in the past months a total of six new presses started up operation at various companies within the division, enabling a considerable increase in capacity in the segment of sophisticated structural parts and components.

### Acquisitions

As already detailed in the previous Letters to Shareholders, the acquisition activity of voestalpine Group was affected by the takeover of BÖHLER-UDDEHOLM AG and its integration as the Group's Special Steel Division. Integration and synergy measures were established within the scope of 15 work groups, and in the course of the financial year the target figure for synergy potential was successively increased from EUR 65 million to about EUR 100 million. The integration process of the Special Steel Division will for the most part be completed by the end of the 2007/08 financial year.

Because of the rigorous demands placed on the Group by the takeover and integration of BÖHLER-UDDEHOLM, any other acquisition activity during the financial year thus far has been purposely reduced to a minimum. The only other major acquisition was made at the end of October 2007 by the Profilform Division, which acquired Meincol Distribuidora de Aço Ltda., a Brazilian company that specializes in the manufacture of

high-quality products for the tube and section segment, thus executing its market entry in South America. Meincol has a workforce of about 300 employees and achieves revenues of around EUR 110 million. For the Profilform Division, this acquisition is another important step toward global leadership in the special and tailored sections segment.

### Divestments

Within the scope of a comprehensive divisional portfolio adjustment, the current financial year is seeing a consistent streamlining and optimization of the activities in the Automotive Division. Those business sectors will be divested, whose retention does not appear strategically reasonable either due to insufficiently attractive market conditions or if they are unlikely to establish themselves among the top providers with regard to quality, innovation, and profitability.

Beginning with the 4<sup>th</sup> quarter of the current financial year, the divestment process began for the division's plastics sector; furthermore, it was decided to take the French company Amstutz Levin & Cie out of the division's portfolio. Therefore in accordance with IFRS, the companies affected will already be recorded as discontinued operations in the next consolidated financial statement of the voestalpine Group. Despite the divestments, the Automotive Division is anticipating a rise in revenues of about EUR 100 million resulting primarily from acquisitions and is also expecting a further significant improvement of the margin.

Additionally, within the scope of this portfolio adjustment, the North American press part manufacturer voestalpine Polynorm Inc. was sold to a British Group in October 2007.

## Employees

As of December 31, 2007, the voestalpine Group had 41,284 employees (excluding apprentices). This corresponds to an increase compared to the previous year (23,907) of 73% or 17,377 employees, largely resulting from the initial consolidation of the Special Steel Division.

With 21,979 employees, the majority of the workforce (53%) is employed at the approximately 300 international locations of the Group; 19,305 employees (47%) are working in Austrian companies.

As of December 31, 2007, the voestalpine Group was training 1,644 young people worldwide within the apprenticeship program, one third is trained outside of Austria.

## Environment

In January 2008 the EU commission published the climate protection plans for the period after the expiration of the Kyoto Protocol in 2012. They leave much space for interpretation, particularly with regard to the further procedure towards energy-intensive industrial sectors, so that intensive discussions with political decision makers at both the national and the European level are necessary. Concrete contents of the cli-

mate package up to the final adoption of resolutions will have to be specified by the European parliament in such a way that distortion of competition and unequal treatments are avoided and that the basic conditions provide security for long-term planning, at least on a European level. The goal must be the creation of a uniform industry-wide bench mark system in Europe, within the framework of which the award of CO<sub>2</sub>-free certificates is geared to the most pollution free companies in each case and outlays for climate protection are recognized.

A further important, current environmental topic is represented by the EU regulation for the registration, evaluation, authorization and restriction of chemicals (REACH), which came into force on June 1, 2007 and currently being coordinated and adapted company-wide. The regulation obliges manufacturers and importers to declare that materials, preparations and products which they use do not represent a substantial burden on the environment and health. The conversion of this regulation, in which suppliers and customers are also included, involves a very high organizational, bureaucratic and also financial expenditure for data collection and administration, carrying out studies and registration fees. By intensive co-operation with material-specific European industrial consortia and simultaneous establishment of its own REACH network within the group, voestalpine is endeavoring to keep this additional expenditure as low as possible.

In this connection it should be pointed out that voestalpine has already set up comprehensive measures in the past, in order to

reduce the use of problem chemicals in production and processing procedures or even to do without them altogether. Thus voestalpine Stahl GmbH has become the first company in this sector in the world to employ chromate-free coating technologies since 2006.

In the first nine months of the current financial year at a number of Austrian and international company locations relevant environmental investments were made (refer also to the chapter "Investments"). These are aimed, on the one hand, at additional improvements in energy and raw material efficiency and, on the other hand, at a further reduction of the emissions into air and water.

## Research and development

The Group's company research and development activities are focused on the one hand on process techniques (new production and processing methods with the goal of further improving quality and preserving resources) and, on the other hand, in material and product development. Alongside interdivisional company-wide projects for the optimization of steelmaking and processing steps, the priorities of the R&D activities of the individual companies are oriented to specific customized product innovations.

Thus the emphasis in the Steel Division lies particularly in the development of very high

strength steel and new surface coatings, which are both used, in particular, in products for the automobile and white goods industry and also in the energy sector. Beyond that, the central emphasis of development is on the further reduction of energy and raw material consumption as well as the reduction of process-related pollutant emissions.

The R&D activities of the Special Steel Division are at present focused on the development of new powder metallurgy tool steels, cored wires, e.g. for power station applications or the construction of chemical plants, as well as of demanding forgings from intermetallic alloys for the aerospace industry. In addition, development is constantly proceeding in the sphere of metallurgical process engineering and metal forming.

The Division Railway Systems is working on rail and switch technology towards the further development of their world-wide technology leadership. This is based on the development of high strength steel grades and new rolling procedures for special rails, as well as the further optimization of the switch technology in respect of their life cycle costs. Innovations in very high-strength materials and new rolling technologies form the central emphasis of R&D in the seamless tube and wire rod segments.

The long-term protection of the technologically leading position is also at the center of the research and development activities of the Profilform Division with the focus on roll



forms of very high-strength steel (e.g. for automobile bodies), new guide bar systems and fully automatic inspection systems for improved quality assurance.

The R&D activity of the Automotive Division is at present aligned in particular to components of press-hardened steel ("phs ultraform<sup>®</sup>" grades) and the development of safety-related parts from special pipes, e.g. for airbags. In these areas research and development is advancing ever more strongly company-wide with particular involvement of the divisions Steel and Profilform.

In an organizational respect, the successful integration of the high-grade steel division into the research group of the voestalpine Group took place during the course of the financial year.

As already reported in detail in the Shareholder's Letter on the 1<sup>st</sup> half year, voestalpine is comprehensively involved in the new Austrian research promotion program "COMET" (total volume: EUR 100 million in the next few years). The emphasis here is placed on the development of new materials (particularly for the automobile manufacture) and in the field of mechatronics.

## Outlook

As already indicated, so far neither the subprime problems nor the crisis and fears of

recession as an aftermath have led to any noticeable cooling of the economic situation in those regions of the economy which are important for voestalpine. Apart from seasonal fluctuations, inquiries and price situation in all important customer segments and markets continue to be largely stable at a continuously good level. This situation seems unlikely to change, according to all available indications, up to the 3<sup>rd</sup> calendar quarter of 2008.

In detail, the Steel Division could implement clear price increases for the newly negotiated annual and multi-annual contracts commencing in the 4<sup>th</sup> quarter of the financial year. The short period price weakening during the 2<sup>nd</sup> half of the financial year as a result of massive imports of goods to Europe and/or a super elevated stock will be more than compensated by very clear price increases starting from the 1<sup>st</sup> quarter of the financial year 2008/09. Likewise the import and stock situation in the meantime has completely normalized. Overall, price increases agreed upon for 2008 should compensate to a considerable degree for the rising raw material costs expected to become effective from April on.

For the Special Steel Division the picture looks similar. Demand and earnings in any event will remain at a stable high level up to the summer of 2008. In all other respects the recent incoming orders activity does not point to any tendency to recession. The strongly varying alloy costs and the rate of

exchange development traditionally represent a certain factor of uncertainty in this division.

In the Railway Systems Division, the rail, switch and wire business areas—apart from the present seasonal effects that are somewhat stronger in relation to the previous year—show consistently good demand and profit trends. The seamless tubes segment remains under pressure due to growing capacities, but should stabilize during the course of 2008 at a somewhat lower level.

The Profilform Division will again improve its results due to continuously high demand and, in relation to the previous year, a further increased proceeds level and should

also find a very solid market environment during 2008.

In the Automotive Division, despite a comparatively difficult industrial environment, a further improvement of its position is already showing up for the current financial year in respect of both turnover and profitability, as a consequence of the measures taken for portfolio optimization.

voestalpine Group will thus post a new record result for the financial year 2007/08—even taking into account the Purchase Price Allocation\* from the acquisition of BÖHLER-UDDEHOLM. For the 1<sup>st</sup> half of the 2008/09 financial year further stable economic basic conditions are indicated.

\* See notes on the inside cover page.

## Investor Relations

### Price performance of voestalpine share

As a result of the international market turbulence caused by the US sub-prime crisis, the four-year, unbroken upward trend of the voestalpine share came to an end in summer 2007. Despite unchanged good corporate data and the prospect of another record result, the share price was influenced by the severest global decline since 9/11.

After the share had achieved an all-time high of EUR 66.11 on July 12, 2007, its price at

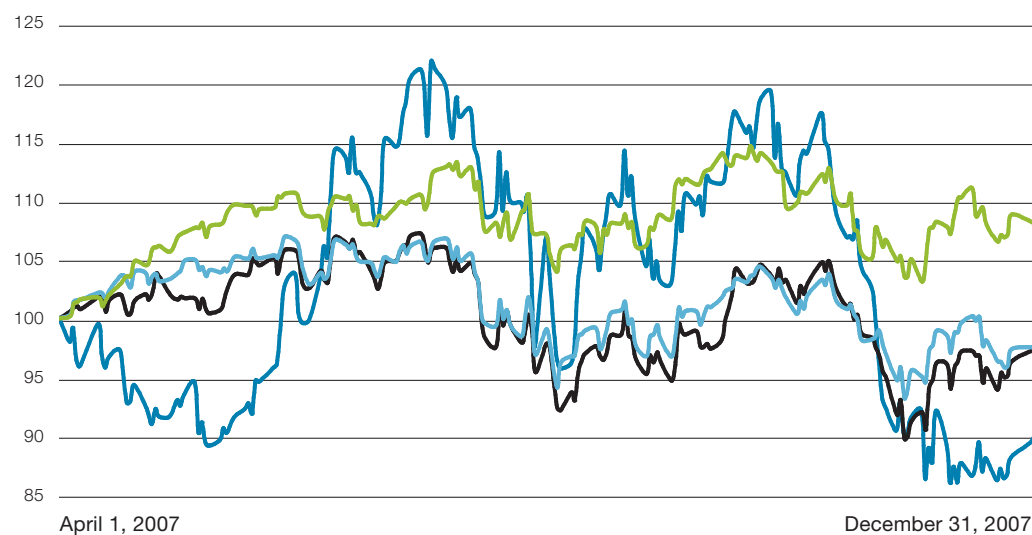
the end of the 3<sup>rd</sup> financial quarter fell to EUR 49.45 and only stabilized around the EUR 40 mark. For the first time in a long period the performance of the share was also below that of the Vienna Traded Index ATX and the most relevant international indices.

However, it should not be ignored, that the price of the voestalpine share is still seven times the issue price of October 1995 and five times the price at the time of full privatization (Autumn 2003), even following the unsatisfactory price development in the course of the current financial year.

### voestalpine AG vs. international indices

Changes in %

■ voestalpine ■ ATX ■ STOXX Index (Europe) ■ DJ Industrial Index



### Successful placement of the hybrid bond

In October 2007, voestalpine AG successfully placed a hybrid bond on the capital market, which had an issue volume of EUR 1 billion and attracted international attention. The issue price was 99.465%. The subordinate hybrid bond has a coupon rate of 7.125% for the first seven years and then a 3-month EURIBOR +5.05% (including a surcharge of 2.5%). The proceeds are used for the partial refinancing of the BÖHLER-UDDEHOLM AG takeover.

### Share repurchase program

Based on the authorization granted for this purpose by the shareholders' meeting of voestalpine AG on July 4, 2007, the Management Board decided on December 11, 2007 to continue the repurchase of its own shares in the company in 2008. Thus, the ongoing share repurchase program—originally intended to run from October 2006 to the end of 2007—has been extended.

The repurchase of its own shares is effected for any operation of the Group's employee share holding scheme and the stock options program as well as the convertible bonds issued by voestalpine AG on July 15, 2005. voestalpine AG reserves the right to use, or if necessary to collect, the repurchased shares for other purposes, as part of the further growth strategy of the voestalpine Group.

Please refer to the detailed description in the shareholders' letter for the first half year 2007/08 in connection with the convertible bonds issued in 2005. In total, 28.6% of the convertible bonds are still in circulation.

### Ownership structure

The shareholder structure as of June 2007 has already been presented in the last two shareholders' letters on the current financial year. The data will be updated in the coming weeks; the appropriate publication is effected as part of the financial report 2007/08.

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

■ BHF-BANK, Frankfurt ■ CA IB, Vienna ■ Cantor Fitzgerald, London ■ Credit Suisse, London ■ Deutsche Bank, Vienna/London ■ Erste Bank, Vienna ■ Exane BNP Paribas, Paris ■ Goldman Sachs, London ■ HSBC, London ■ JP Morgan, London ■ Morgan Stanley, London ■ Nord LB, Frankfurt ■ Raiffeisen Centrobank, Vienna ■ Sal. Oppenheim, Frankfurt ■ Steubing AG, Frankfurt ■ UBS, London

## Share information

Share capital	EUR 298,756,264.42 divided into 164.439.033 non-par shares
	Treasury stock as of December 31, 2007: 4,952,095 shares
Class of shares	Ordinary bearer shares
Securities identification number (WKN)	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

### Class of shares

Share price high April 2007 through December 2007	EUR 66.11
Share price low April 2007 through December 2007	EUR 46.70
Share price as of December 31, 2007	EUR 49.45
Market capitalization as of December 31, 2007*	EUR 7,886,629,084

\* Basis: total number of shares minus repurchased shares

### 2006/07 Fiscal Year

Earnings per share	EUR 4.77
Dividend per share	EUR 1.45
Carrying value per share	EUR 18.65

### 2008 Financial calendar

2007/08 Annual report	June 5, 2008
Annual shareholders' meeting	July 2, 2008
Ex dividend date	July 7, 2008
Dividend payment date	July 14, 2008
Letter to shareholders on results for the 1 <sup>st</sup> quarter 2008/09	August 27, 2008
Letter to shareholders on results for the 1 <sup>st</sup> half year 2008/09	November 20, 2008

### Investor Relations

Peter Fleischer, T. +43/50304/15-9949, F. +43/50304/55-5581  
 InvestorRelations@voestalpine.com, www.voestalpine.com

**voestalpine AG****Financial data 12/31/2007**

According to IFRS

**Consolidated balance sheet****Assets**

	03/31/2007*	12/31/2007
<b>A. Non-current assets</b>		
Property, plant and equipment	2,660.8	3,897.9
Goodwill	316.7	1,399.7
Other intangible assets	103.3	826.9
Investments in associates	86.0	93.7
Other financial assets	81.2	116.9
Deferred tax assets	118.0	409.0
	<b>3,366.0</b>	<b>6,744.1</b>
<b>B. Current assets</b>		
Inventories	1,421.7	2,986.1
Trade and other receivables	1,293.8	2,033.0
Other financial assets	389.9	252.7
Cash and cash equivalents	356.1	359.6
	<b>3,461.5</b>	<b>5,631.4</b>
<b>Total assets</b>	<b>6,827.5</b>	<b>12,375.5</b>

In millions of euros

**Equity and liabilities**

	03/31/2007*	12/31/2007
<b>A. Equity</b>		
Share capital	287.8	298.8
Capital reserves	398.9	3,096.2
Retained earnings and other reserves	2,142.3	635.3
<b>Equity attributable to equity holders of the parent</b>	<b>2,829.0</b>	<b>4,030.3</b>
Minority interest	53.3	405.4
	<b>2,882.3</b>	<b>4,435.7</b>
<b>B. Non-current liabilities</b>		
Pensions and other employee obligations	566.1	866.6
Provisions	21.0	65.4
Deferred tax liabilities	85.3	375.2
Financial liabilities	739.5	1,281.5
	<b>1,411.9</b>	<b>2,588.7</b>
<b>C. Current liabilities</b>		
Provisions	412.2	654.6
Financial liabilities	629.6	2,781.9
Trade and other payables	1,491.5	1,914.6
	<b>2,533.3</b>	<b>5,351.1</b>
<b>Total equity and liabilities</b>	<b>6,827.5</b>	<b>12,375.5</b>

\* Retrospectively adjusted.

In millions of euros

## Consolidated income statement

	04/01- 12/31/2006*	04/01- 12/31/2007	10/01- 12/31/2006*	10/01- 12/31/2007
Revenue	5,114.6	7,530.2	1,746.6	2,781.1
Cost of sales	-3,871.9	-5,723.7	-1,307.5	-2,151.7
<b>Gross profit</b>	<b>1,242.7</b>	<b>1,806.5</b>	<b>439.1</b>	<b>629.4</b>
Other operating income	151.2	226.7	74.4	104.4
Distribution costs	-341.1	-609.9	-123.9	-245.0
Administrative expenses	-225.8	-335.7	-84.4	-131.8
Other operating expenses	-119.7	-219.1	-44.4	-100.9
<b>Profit from operations (EBIT)</b>	<b>707.3</b>	<b>868.5</b>	<b>260.8</b>	<b>256.1</b>
Share of profit of associates	12.2	15.4	4.5	4.3
Finance income	46.2	55.3	20.6	23.7
Finance costs	-81.5	-175.6	-29.7	-76.4
<b>Profit before tax (EBT)</b>	<b>684.2</b>	<b>763.6</b>	<b>256.2</b>	<b>207.7</b>
Income tax expense	-168.3	-155.9	-63.1	-34.3
<b>Profit for the period from continuing operations</b>	<b>515.9</b>	<b>607.7</b>	<b>193.1</b>	<b>173.4</b>
Discontinued operations	8.5	4.2	2.5	4.2
<b>Profit for the period</b>	<b>524.4</b>	<b>611.9</b>	<b>195.6</b>	<b>177.6</b>
Attributable to:				
<b>Equity holders of the parent</b>	<b>518.4</b>	<b>592.5</b>	<b>193.7</b>	<b>161.3</b>
Minority interest	6.0	7.5	1.9	4.4
Share planned for hybrid capital owners	0.0	11.9	0.0	11.9
<b>Basic earnings per share (euros)</b>	<b>3.23</b>	<b>3.70</b>	-	-
<b>Diluted earnings per share (euros)</b>	<b>3.01</b>	<b>3.58</b>	-	-

\* Retrospectively adjusted.

In millions of euros



## Consolidated cash flow statement

	04/01 – 12/31/2006	04/01 – 12/31/2007
<b>Operating activities</b>		
Profit for the period	524.4	611.9
Adjustments	271.5	440.9
Changes in working capital	-61.8	-129.9
<b>Cash flows from operating activities</b>	<b>734.1</b>	<b>922.9</b>
<b>Cash flows from investing activities</b>	<b>-502.3</b>	<b>-3,538.0</b>
<b>Cash flows from financing activities</b>	<b>-206.8</b>	<b>2,611.1</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>25.0</b>	<b>-4.0</b>
Cash and cash equivalents, beginning of period	513.2	356.1
Net exchange differences	2.2	7.5
<b>Cash and cash equivalents, end of period</b>	<b>540.4</b>	<b>359.6</b>

In millions of euros

## Changes in equity

	04/01 – 12/31/2006	04/01 – 12/31/2007
<b>Equity at April 1*</b>	<b>2,547.3</b>	<b>2,882.3</b>
Profit for the period	524.4	611.9
Dividends	-127.1	-237.3
Hybrid bond net	0.0	992.1
Convertible bond		
Increase of capital	0.0	102.8
Own shares	0.0	34.7
Own share acquired/disposed	-57.9	-181.5
Purchase of Minority interest	0.0	-69.1
Addition of Minority interest Special Steel Division	0.0	344.2
Currency translation	-4.4	-26.3
Hedge accounting	-3.3	-9.9
Stock Options	4.0	8.8
Other changes	-6.1	-17.0
<b>Equity at December 31</b>	<b>2,876.9</b>	<b>4,435.7</b>

\* April 1, 2007 retrospectively adjusted.

In millions of euros

## Notes

The Group's interim consolidated financial statements of December 31, 2007 for the first three quarters of the 2007/08 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), in particular IAS 34—Interim Financial Reporting. The applicable accounting policies are unchanged with one exception from the annual consolidated financial statements for the 2006/07 financial year. The fair value of put options, which acknowledges minority partners, is listed as a liability for the first time. The Group statements of March 31, 2007 have been adjusted accordingly. Please refer to the Group consolidated financial statements of March 31, 2007 for other queries regarding the principles used, which form the basis for these interim accounts.

The interim consolidated financial statements are produced in millions of euros (functional currency of the parent company).

Unless otherwise stated, comparative information relates to the first three quarters of the 2006/07 financial year (effective date: December 31, 2006). The values from the 3<sup>rd</sup> quarter of the previous year were retrospectively adjusted for discontinued operations.

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

### Scope of consolidation/ acquisitions

A detailed report on the acquisition of the BÖHLER-UDDEHOLM Group was published in the last two quarterly reports. The first consolidation took place at the start of the 2<sup>nd</sup> quarter 2007/08 after acquisition of a majority holding. voestalpine AG's stake in BÖHLER-UDDEHOLM AG has increased since then through regular purchases.

After deciding to divest voestalpine Polynorm Inc., USA, this North American company of the Automotive division was listed as a discontinued operation in the last annual consolidated financial statements. With effect from November 1, 2007, the assets of voestalpine Polynorm Inc. were transferred as part of an Asset Deal to the British Caparo Group, which has also taken over the staff and management.

The Profilform division announced takeover of the majority in Meicol Distribudora de Aço Ltda on October 30, 2007. Acquisition of this Brazilian company has increased presence in the South American market. The first consolidation is effected at the start of the 4<sup>th</sup> quarter of the 2007/08 financial year.

Therefore, the scope of consolidation in the reporting period, essentially through the acquisition of the BÖHLER-UDDEHOLM Group, has developed as follows:

	Full consolidation	Proportionate consolidation	Equity method
<b>As of April 1, 2007</b>	<b>156</b>	<b>3</b>	<b>12</b>
Change to consolidation method			
Inflows	1		
Outflows			
Reincorporated	-5		
Outflows or sales	-1		
Inflows	163	2	2
<b>As of December 31, 2007</b>	<b>314</b>	<b>5</b>	<b>14</b>
Of which foreign companies	260	3	6

Acquisitions have the following effects on the Group consolidated financial statements:

	Recognized value	Fair value adjustments	Carrying amount
Non-current assets	2,242.2	1,180.0	1,062.2
Current assets	2,323.5	167.9	2,155.6
Non-current provisions and liabilities	-1,205.3	-322.0	-883.3
Current provisions and liabilities	-1,036.1	-0.4	-1,035.7
<b>Net identifiable assets and liabilities</b>	<b>2,324.3</b>	<b>1,025.5</b>	<b>1,298.8</b>
Charge to equity; negative minority interest	-242.5		
Goodwill/negative goodwill	1,085.6		
<b>Costs of acquisition</b>	<b>3,167.4</b>		
Cash and cash equivalents acquired	-118.5		
<b>Net cash outflow</b>	<b>3,048.9</b>		

In millions of euros

The acquired companies are included in the interim consolidated financial statements in accordance with IFRS 3 at the fair values of the acquired assets, liabilities and contingent liabilities determined as of the acquisition date, including depreciation and amortization as appropriate. The results of the purchase price allocations performed remain provisional in line with IFRS 3.

In the course of initial consolidations, a total amount of EUR 1,347.9 million was recognized for previously unrecognized gains (including the benefit from tax depreciation allowances on goodwill) and EUR 1,085.6 million for goodwill. Because of the fair value adjustments in the course of the initial consolidation, the earnings contribution of the Stainless Steel division was substantially impaired.

An increase in a majority stake is treated as a transaction between owners. On purchases of shares in BÖHLER-UDDEHOLM after the statutory extension period (ending September 6, 2007), any difference between cost and the proportionate carrying amount of the minority interest concerned is therefore recognized directly in equity.

### Notes on the balance sheet

By issuing 6,039,033 no-par bearer shares to holders of convertible bonds issued in July 2005, the share capital was increased by 3.81% on July 4, 2007 (conditional increase in capital). voestalpine AG's share capital on December 31, 2007 was EUR

298,756,264.42 (March 31, 2007: EUR 287,784,423.33) divided into 164,439,033 no-par shares. Convertible bonds with a nominal value of EUR 38.2 million were also serviced with repurchased shares in the Company. The company held 4,952,095 of its own individual shares on the effective date.

On October 16, 2007, voestalpine AG issued a bond that has an indefinite term and is subordinated, ranking behind all other debts. The issue size of this bond, which can also be suspended if dividends fall, is EUR 1 billion and it has a coupon rate of 7.125%. It offers a first call date after seven years, when voestalpine AG, but not the creditors, will have an opportunity to redeem the bond or to continue it at a higher but variable interest rate. This hybrid bond was identified as part of the equity capital in accordance with IAS 32.

The proceeds from the bond went some way towards refinancing the takeover of BÖHLER-UDDEHOLM. The short-term bank loans taken out for the purpose of financing were thus amortized to a certain extent.

### Notes on the income statement

The increase in total assets primarily relates to the first-time inclusion of BÖHLER-UDDEHOLM AG and its subsidiaries.

The July 1, 2007 was identified as the point of acquisition of BÖHLER-UDDEHOLM AG

in the sense of IFRS 3. Therefore, contributions to operating income for the new Special Steel Division are only included in the income of the interim statement at hand for the 2<sup>nd</sup> and 3<sup>rd</sup> financial quarters.

### Notes on the cash flow statement

The acquisition and first-time consolidation of BÖHLER-UDDEHOLM AG and all its subsidiaries results in a significant change in "cash flows from investing activities".

### Significant events since December 31, 2007

The 4<sup>th</sup> quarter of the current financial year saw the start of the divestment process for the plastics activities of the Polynorm Group.

A decision was also taken to remove the French company Amstutz Levin & Cie from the Automotive Division portfolio.

As a result, the affected companies will be listed as discontinued operations in accordance with IFRS 5 in the voestalpine Group's forthcoming annual accounts.

### Statement under section 87 (1) of the Austrian Stock Exchange Act

The Management Board of voestalpine AG hereby declares that, to the best of its knowledge, the quarterly financial report presents a true and fair view of the financial position and performance of the entity as possible, in accordance with International Financial Reporting Standards (IFRS) as currently adopted in the EU.

Linz, February 25, 2008

The Management Board



W. Eder



F. Hirschmanner



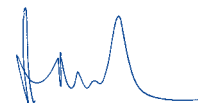
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T. +43/50304/15-2090, F. +43/50304/55-8981, [presse@voestalpine.com](mailto:presse@voestalpine.com), [www.voestalpine.com](http://www.voestalpine.com)

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**voestalpine AG**  
voestalpine-Strasse 1  
4020 Linz, Austria  
T. +43/50304/15-0  
F. +43/50304/55-0  
[www.voestalpine.com](http://www.voestalpine.com)

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