Media information

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voestalpine increases sales and earnings significantly during the first quarter of 2010/11

- **Revenue rose by 22.1% to over EUR 2.5 billion**
- **EBITDA increased by 161.5% from EUR 134 million to EUR 351 million**
- **Operating result (EBIT) climbed by roughly EUR 230 million from EUR –26.3 million to EUR 203.3 million**
- **Business year outlook improved further– EBIT sharply higher than in the previous year (EUR 352 million)**

voestalpine Group Key Figures

In millions of euros[1]	**Q1 2009/10** 04/01– 06/30/2009	**Q1 2010/11** 04/01– 06/30/2010	**Change** in %
Revenue	2,093.2	2,556.1	22.1
EBITDA	134.2	350.9	161.5
EBITDA margin	6.4%	13.7%	
EBIT	–26.3	203.3	
EBIT margin	–1.3%	8.0%	
Profit for the period[2]	–48.2	121.1	
Earnings per share (euros)	–0.40	0.60	
Employees (excl. temporary personnel and apprentices)	40,801	39,595	–3.0

[1] According to 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.

The continuing economic recovery in the first quarter of 2010/11 enables voestalpine another revenue increase and a soaring improvement of the group's operating result. Due to a steep increase in sales volumes in all divisions, revenue went up by 22.1% from EUR 2,093.2 million to EUR 2,556.1 million. Owing to a further improved price level and to the ongoing efficiency improvement programs the operating result (EBIT) rose by about EUR 230 million from EUR –26.3 million to EUR 203.3 million;.
The gearing ratio was further reduced from 71.3% to 67.2% compared to March 31, 2010 (gearing ratio as of June 30, 2009: 90.1%).

voestalpine
ONE STEP AHEAD.

Dr. Wolfgang Eder, Chairman of the Management Board and CEO of voestalpine AG:
”Despite continuing doubts regarding a comprehensive global recovery, since early 2010, the industrial environment in most economic regions has been characterized by an unexpected momentum. From today’s perspective, we can assume that the operating result of the business year 2010/11 will substantially exceed that of the previous year, aided by the efficiency improvement programms currently being implemented.”

Market environment

The **economic trend** during the first three months of the 2010/11 business year showed a **continuing recovery** in demand in **almost all** of the voestalpine Group’s major **markets** and **across all industries**. For example, the European automobile industry reported growth of unit production figures that was well into double digits, driven primarily by demand from the Asian markets, with China at the forefront. In the important customer segments of energy. mechanical engineering, plant construction, the commercial vehicle industry, and the white goods segment, there was a marked rise in demand. Additionally, the **shift in the exchange rate euro/US dollar** resulted in a particular improvement of the global competitive position of suppliers from the euro zone. Only the construction industry was still weak, where investments fell during the financial crisis and now the effects of government cost-cutting programs are making themselves felt.

Overall, worldwide economic recovery continued during the first quarter of 2010/11, although its pace differed strongly from region to region. While the progress of **recovery in the EU** during the first calendar quarter was still **rather cautious**, the second quarter experienced a **strong boost** in demand from the export markets due in part to the **weaker euro vis-à-vis the US dollar**. The continuing robust economic momentum from the **emerging markets, in particular China, India, and Brazil,** played a **crucial role** in this development. While most of the EU countries north of the Alps profited from this trend due to their reliance on exports, a sustained recovery in Southern and Eastern Europe remains elusive. This trend is fueled by caution on the part of investors and consumers, which is due to uncertainty, as well as by rigorous national cost-cutting measures.

In the **USA**, the economic recovery increasingly **lost its momentum** during the second calendar quarter. The high unemployment figures and the resulting lower consumer spending are the primary obstacles, making a roll-back of government stimulus measures and thus a reduction of the high level of public debt unlikely in the foreseeable future.

Operating result rose for the fourth consecutive time[3,4]

Due to the improving economic circumstances and increasing cost savings resulting from the implementation of efficiency improvement and cost-cutting programs, the voestalpine Group achieved very significant growth in revenue and profit during the first three months of the business year 2010/11 not only in comparison to the same period of the previous year; it also recorded higher figures vis-à-vis the immediately preceding quarter for the fourth consecutive time.

The Group's **revenue** went up in the first quarter of 2010/11 compared to the first quarter of the past business year by EUR 462.9 million (+22.1%) from EUR 2.093.2 million to **EUR 2,556.1 million**.

Carried by the positive business performance of all the divisions, the voestalpine Group was able to boost its revenue—including vis-à-vis the immediately preceding quarter (Q4 2009/10)—by an additional 13.0% from EUR 2,261.7 million to EUR 2,556.1 million.

The improved economic situation, the profit threshold (break-even point) that has been lowered in the course of the crisis, and the success in implementing optimization programs are reflected in the profit from operations before depreciation and amortization (EBITDA) even more strongly than in the level of revenue. In comparison to the first quarter of 2009/10, the rise in revenue of 22.1% resulted in **EBITDA** that went from EUR 134.2 million to **EUR 350.9 million**, representing an increase of 161.5%; this means a Group margin in the first quarter of 2010/11 of **13.7%** (previous year: 6.4%).

The gain by EUR 100.6 million from EUR 34.0 million to EUR 134.6 million (in absolute figures) means that the Steel Division was able to improve EBITDA almost fourfold. Viewed in relative terms, the Special Steel and Profilform Divisions boosted EBITDA most markedly from EUR 4.7 million to EUR 77.1 million and from EUR 7.1 million to EUR 39.1 million, respectively. But the Automotive Division's EBITDA also more than doubled from EUR 12.7 million to EUR 26.4 million. Despite an already very high comparative EBITDA figure in the previous year and the noticeable drop in rail prices, the Railway Systems Division—carried by the very positive performance in the wire and seamless tube segments—again improved EBITDA by 4.1% from EUR 87.4 million to EUR 91.0 million.

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

[4] The business segments Precision Strip and and Welding Consumables, which had previously been part of the Special Steel Division, were reassigned to the Profilform Division and the Railway Systems Division, respectively. In order to enable a better means of comparison, the divisional figures for the relevant quarter of the previous year was adjusted accordingly; the Group's figures remained unchanged.

In a direct comparison to the fourth quarter of 2009/10, the increase in EBITDA of 3.1% (from EUR 340.4 million to EUR 350.9 million) is still lagging behind due to the fact that raw material prices went up as much as 100% as of April 1, 2010 and can only passed on to customers over time.

In comparison to a slightly negative **EBIT** of EUR –26.3 million in the first three months of the business year 2009/10, the Group recorded an operating result for the same period of 2010/11 that was **EUR 203.3 million** higher, a very satisfactory figure considering the still tense economic situation; this represents an **EBIT margin of 8.0%** (after –1.3% in the previous year). As all divisions posted clearly positive operating results, they all contributed to this gratifying development.

Compared to the immediately preceding quarter (fourth quarter of 2009/10), EBIT rose in the first quarter of 2010/11 by 15.0% from EUR 176.8 million to EUR 203.3 million; this represents a far more significant gain than EBITDA growth.

Due to an operating result that was up strongly in the first quarter of 2010/11 compared to the same period of the previous year, rising from EUR –70.1 million to EUR 156.5 million, the profit before tax (EBT) turned around. **The profit for the period (net income)**[5] came to **EUR 121.1 million** (compared to EUR –48.2 million in the previous year).

Equity went up in the first quarter of 2010/11 compared to March 31, 2010 by 4.1% from EUR 4,262.4 million to EUR 4,435.9 million. This increase is largely the result of the markedly positive profit for the period of EUR 121.1 million and foreign exchange rate effects of EUR 52.8 million. Compared to March 31, 2010, **net financial debt** declined by 1.8% from EUR 3,037.3 million to **EUR 2,981.8 million** due to the very good operating result and the investment expenditure that was substantially lower than depreciation. Thus, as of the end of the first quarter of 2010/11, the voestalpine Group's **gearing ratio** (net financial debt as a percentage of equity) was **67.2%**, which means that it was reduced within a period of just three months by another 4.1 percentage points compared to the gearing ratio as of March 31, 2010 (71.3%).

The Group's crude steel production in the first quarter of 2010/11 was 1.96 million tons, 54.3% higher than the previous year's corresponding figure (1.27 million tons). At 1.36 million tons, the Steel Division reported a 47.8% growth in production, and at 390,000 tons, the Railway Systems Division reported an increase in output of 50.0%. The Special Steel Division more than doubled its production from 90,000 tons to 210,000 tons.

[5] Before non-controlling interests and interest on hybrid capital.

Investments

The investments of the voestalpine Group in the first quarter of 2010/11 came to EUR 80.0 million. As compared to the already significantly reduced investments during the first three months of the previous business year (EUR 140.2 million) due to the economic crisis, this is an additional decrease of EUR 60.2 million or 42.9%. This means that the investment expenditures of all the divisions and of the Group as a whole continue to be substantially lower than the level of depreciation (EUR 147.6 million). Nevertheless, we are continuing to consistently pursue all projects that aim to extend our leadership role, both in technology and quality.

Railway Systems Division launches joint venture for turnout prodution in Turkey

In early May 2010, the VAE Group of the Railway Systems Division signed an agreement relative to the construction of a new turnout plant that will be built in Turkey within the scope of a joint venture between the Turkish State Railways (TCDD), the Turkish steel manufacturer Karabuk Demir Celik Sanayi ve Ticaret A.S. (Kardemir), and VAE. The new production facility in the province of Cankiri in Central Turkey will manufacture both high-speed switches for new railway lines and switches for the modernization of existing ones. The first expansion stage represents an investment volume of about EUR 10 million. At 51%, VAE holds the majority stake in the joint venture, Kardemir has 34%, and the Turkish State Railways have 15%.

Number of employees in the Group dropped by 3 percent

As of June 30, 2010, the voestalpine Group had **39,595 core employees** worldwide (not including apprentices and temporary staff). Compared to the first quarter of the past business year (40,801 employees), this corresponds to a reduction of 3.0% or 1,206 employees.

As of June 30, 2010, **reduced working hours** Group-wide were limited to **only 143 employees**—mostly in the Special Steel and Railway Systems Divisions. Compared to March 31, 2010 (1,460), this corresponds to a decline of 90% or 1,317 employees, while compared to June 30, 2009, this represents a reduction by 98.7% or 11,173 employees.

As of the end of the first quarter of 2010/11, the voestalpine Group was training **1,446 apprentices**—almost as many as in the previous year (1,466).

Current market development shows unexpected momentum despite difficult conditions

The expectations expressed at the presentation of the annual financial statements for 2009/10 three months ago for the business year 2010/11 have proven correct, both with regard to the macroeconomic development and industry-specific trends.

Critical developments in the USA
The **doubts regarding a comprehensive global recovery** have not declined since then, albeit the reasons have shifted somewhat. While at the beginning of the summer, Europe, with its public debt problems and with discussions regarding the stability of the euro on one hand, and China, with doubts about the sustainability of its growth rates on the other, were at the forefront of the critical discussion, today, the question that is increasingly being raised is in how far the USA will be able to fulfill the expectations for a sustained economic recovery. Even if economic consolidation in Europe and the concurrent largely stable growth in Asia continue, a secure upward trend in the USA is necessary to finally overcome the crisis of the past two and a half years.

Capacity utilization closing in on pre-crisis level; positive trend relative to operating results continues
While the global economic conditions are still giving rise to doubts regarding the sustainability of the recovery, since early 2010, **the industrial environment** in the major economic regions has been characterized by a **momentum that is unexpected** in its intensity. For the voestalpine Group, this means that the question of demand and capacity utilization in all five divisions is again gradually approaching the situation that was present in the fall of 2008 prior to the economic crisis. From today’s perspective, this means **full capacity utilization in the Steel and Railway Systems Divisions and a capacity utilization of about 90% in the Special Steel, Profilform, and Automotive Divisions for the second half of the 2010 calendar year**.

The development of the Group’s operating result is still somewhat different than prior to the crisis. This is due less to the direct impact of the crisis than to the comprehensive structural changes in the pricing of **coal and ore**—concretely the shift from **annual to quarterly prices—as well as a sudden, unanticipated doubling of the ore prices** in April and another significant increase as of June of this year. The **price adjustments** across the entire value chain right up to the end customer that this required are only possible with a certain **delay**, as the voestalpine Group’s business model is largely characterized by more long-term agreements and projects, albeit with appropriate adjustment clauses. These **price adjustments** will be **largely completed during the course of the second quarter of 2010/11**.

At the same time, the prices for ore and coal for the rest of 2010, measured against the summer months, will be trending down rather than up. Concurrently, considering the broadly based demand from all major customer industries with the exception of the construction industry (which is only of secondary importance for the voestalpine Group), the current seasonal weakening of prices on the spot market in most of the European countries should be reversed during the course of the rest of the year due to the economic climate. From the vantage point of the manufacturers, it is expected that the non-critical inventory situation and a continuing low European import quota will support this development. Against this backdrop—even taking into consideration the still significant uncertainties regarding the development of the economic situation during the last quarter of the business year—from today's perspective, we can assume that the **operating result** of the **business year 2010/11 will substantially exceed last year's EBIT** (EUR 352 million).

About the voestalpine Group

voestalpine is an industry leader in customized high-quality and high-tech steel products and solutions. The Group is represented worldwide by more than 360 production and sales companies in more than 60 countries throughout the world.
With its highest quality flat steel products, voestalpine is one of the leading European partners of the automobile, white goods, and energy industries. Furthermore, it is the market leader worldwide in turnout technology, tool steel, and special sections, as well as number one in Europe in the production of rails.

The Letter to Shareholders on the first quarter of the 2010/11 financial year is available in pdf format on our website www.voestalpine.com.

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