Report of the Management Board

Management Report 2010/11

This Management Report also constitutes the voestalpine Group Management Report as we make use of the provision of § 267 (4) of the Austrian Commercial Code (UGB) which permits the consolidation of these two reports.

Market environment

Global economic situation

The global economy was again driven primarily by Asia (especially China and India) and South America (particularly Brazil) in the business year 2010/11. In these regions, the economic crisis of 2008 and 2009 merely temporarily paused the economic growth that has been robust for years. The exports to these regions have again climbed rapidly, contributing to a recovery in most of Europe's economies, particularly Germany that arrived more quickly than expected. While the countries in Western, Central, and Northern Europe again reported sizeable growth rates, the economic situation in Southern Europe and the westernmost part of the continent continued to be strained. In contrast, 2010 saw the first signs of recovery in Eastern Europe. The economic uptrend in the USA also experienced some increased momentum in the course of the year, although it is being hampered by the continuing critical situation with regard to both public and private debt and high unemployment.

Development in the most important customer industries

The global economic recovery that began in the first half of the business year 2010/11 gained momentum in the course of the year. The significant improvement of the overall economic environment compared to the previous year led—albeit with varying intensity—to a pronounced increase in demand from practically all customer industries that are important for the voestalpine Group. It is particularly noteworthy that the sustained upswing in the automobile industry, which is being driven primarily by an export boom to the Far East, is benefiting the Group's largest customer segment that accounts for one third of the Group's revenue. In addition to the outstanding level of demand for premium class cars—especially considering the earlier dramatic losses during the crisis—the markedly positive development of the commercial vehicle sector, which has by and large also recovered in Europe, is also notable. The mechanical engineering sector has also found its way back to its former strong position and, similarly to the automobile industry, has profited mainly from the strong export performance of Germany and some other European countries. This also applies largely to the consumer goods industry, which, however, had already shown itself to be relatively resistant to crises. In recent months, the development of the global railway infrastructure sector has been largely stable at a high level, although the regional differences have been considerable depending on the degree of latitude in public-sector budgets.

The market environment in the aviation industry has also improved distinctly compared to the pre-

vious year. In contrast, demand from the construction and construction supply industry—more or less a niche segment in the voestalpine Group—has continued to be restrained.
The worldwide escalating discussion surrounding nuclear power and the increasing demand in the sector of fossil energy sources due to economic growth resulted in very strong investment momentum in the impacted industry segments; for voestalpine, the sectors of oil and gas exploration and extraction and thermal energy generation are of particular importance. Demand also rose in the sector of renewable energies; here, however, the situation differs greatly from country to country and has become significantly less attractive in some areas due to public policy on subsidies and still unsolved infrastructure issues (for example, with regard to expansion of the grid and energy storage technologies).

Development of the steel industry

As had already been the case in recent years, the development of the steel industry in 2010/11 reflected the overall economic climate—in general, a high level of economic momentum globally, however, at the same time, significant differences between individual regions with regard to speed and extent of the recovery.
In the first half of the 2010 calendar year, worldwide crude steel production not only reached the pre-crisis level but reported a new monthly record of 125 million tons in May 2010. After a slight decline over the summer, which, however, was due less to the economic situation than to the fact that customer inventories were leveling off to a realistic level of demand, the upward trend continued, resulting in a new production record of just under 130 million tons in March 2011.

The European steel market (EU 27) reported a similar trend; here, however, despite significant increases compared to the immediately preceding periods, production figures (of just over 45 million tons in the first calendar quarter of 2011) were still distinctly below their pre-crisis level of roughly 56 million tons. This corresponds to a capacity utilization of about 80%.
In the business year 2010/11, the inventories of the European steel manufacturers and processors remained largely at a normal level. In the past business year, the voestalpine Group fully utilized its steel manufacturing capacity, apart from individual scheduled facility shutdowns for maintenance and repair.

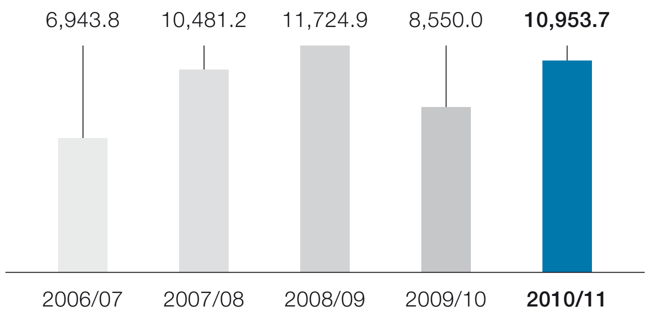
Business performance of the voestalpine Group[1, 2]

In the business year 2010/11, the voestalpine Group not only increased revenue and operating result significantly compared to the previous year,

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa).
[2] As of April 1, 2010, the new organizational structure of the voestalpine Group came into effect. The business segments *Precision Strip* and *Welding Consumables,* which had previously been part of the Special Steel Division, were reassigned to the Profilform Division and the Railway Systems Division, respectively. In order to enable a better means of comparison, the divisional figures for the relevant quarter of the previous year was adjusted accordingly; the Group's figures remained unchanged.

Revenue of the voestalpine Group

In millions of euros



but in the fourth quarter of 2010/11, the result of the immediately preceding quarter was exceeded for the seventh consecutive time. This gratifying development was driven by the economic momentum that grew throughout the year and to the almost 100% utilization of the Group's production capacity; it was additionally facilitated by the effects of the efficiency improvement and cost optimization programs that are in place Group-wide.

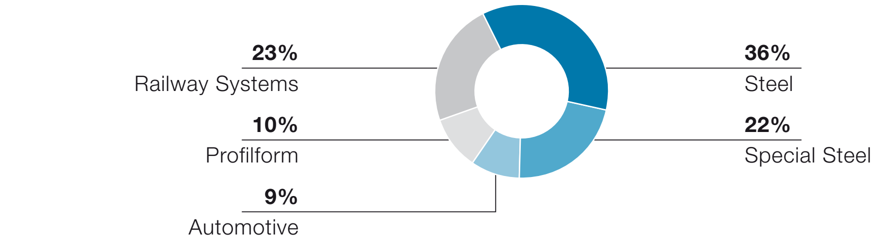
Second highest revenue in the company's history

Compared to the same period of the past business year, the voestalpine Group's revenue increased in the business year 2010/11 by EUR 2,403.7 million or 28.1% going up from EUR 8,550.0 million to EUR 10,953.7 million, the second highest figure in the company's history after 2008/09 (EUR 11,724.9 million). With growth of EUR 1,076.3 million (+34.7%) from EUR 3,098.7 million to EUR 4,175.0 million, the Steel Division reported the highest increase in absolute figures and the second highest increase in relative figures due to both higher volumes and higher prices. The highest relative boost in revenue, with a plus of 38.8%, was reported by the Special Steel Division, which went from EUR 1,895.4 million to EUR 2,631.3 million; however, this division was also impacted most severely by the economic downturn in the previous year. In both steel divisions, the revenue gain is the result of a broadly based rise in demand from almost all important customer industries. Higher supply requirements, primarily from the solar energy, the bus and commercial vehicle industry, and the agricultural machinery sector resulted in an increase of revenue in the Profilform Division of 30.8% from EUR 871.3 million to EUR 1,139.3 million. Continuing high demand from the emerging countries, especially for vehicles from the premium segment, and an even greater pick-up in demand for commercial vehicles resulted in revenue for the Automotive Division of EUR 1,040.1 million in the business year 2010/11, which was 24.5% higher than the comparative figure in the previous year (EUR 835.4 million). Thus, the division exceeded the revenue benchmark of EUR 1 billion for the first time since its establishment in 2001. Due to its strong resistance to crisis, the Railway Systems Division's revenue level had remained comparatively stable in the previous year, so that, viewed relatively, its growth of 18.6% from EUR 2,295.8 million to EUR 2,723.3 million was the lowest of all the divisions.

In evaluating the current economic performance, the comparison with the immediately preceding

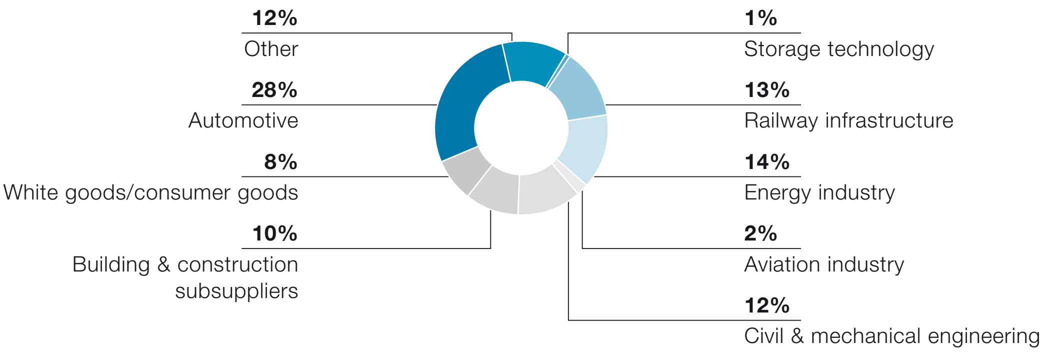
Revenue by divisions

As percentage of total divisional revenue
Business year 2010/11



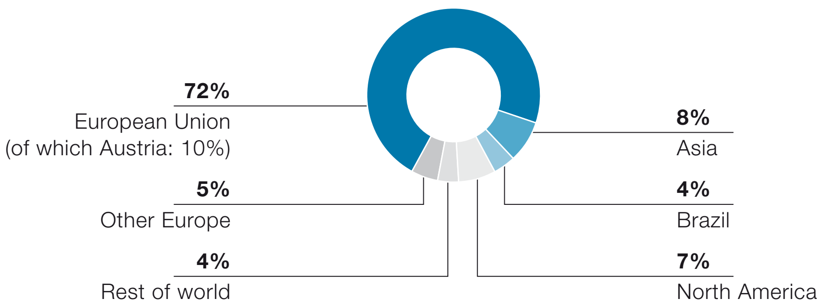
Revenue by industries

As percentage of Group revenue
Business year 2010/11



Revenue by regions

As percentage of Group revenue
Business year 2010/11



quarter has particularly significant informative value, and, here, the pattern continues to be gratifying. Driven by the positive performance of all the divisions, the voestalpine Group has shown a continuous increase of its revenue since the third quarter of 2009/10; most recently, in the fourth quarter of 2010/11, revenue went up yet again by 9.9% compared to the immediately preceding quarter, going from EUR 2,744.8 million to EUR 3,017.1 million.
Despite the fact that the Group's production capacity is being fully utilized, in the business year 2011/12, there will be an opportunity for additional growth not only with regard to prices, but also to volumes, since the Steel Division will be increasing its capacity in the fall of 2011 along the entire value chain by about 10%, and the Special Steel Division should also be able to increase volumes to a certain degree by eliminating bottlenecks.

EBITDA increased by 60%

The improved economic climate is reflected even more distinctly in the individual reporting categories than in the level of revenue, as the impact of the lower break-even point, which was reduced during the economic crisis, and of the successful results of the still ongoing optimization programs is felt particularly strongly here. In comparison to the business year 2009/10, a revenue gain of 28.1% resulted in an increase of 59.9% in the earnings before interest, taxes, depreciation and amortization (EBITDA), which went up from EUR 1,004.3 million to EUR 1,605.6 million and a rise in the EBITDA margin from 11.7% to 14.7%. With a jump by EUR 294.5 million or 314.6 % from EUR 93.6 million to EUR 388.1 million, the Special Steel Division saw the largest gain in EBITDA, both in absolute and relative terms, more than quadrupling the previous year's figure. The EBITDA figures in the Profilform (+92.2% from EUR 83.0 million to EUR 159.5 million), Automotive (+64.1% from EUR 73.8 million to EUR 121.1 million), and Steel (+40.6% from EUR 423.3 million to EUR 595.1 million) Divisions also experienced a significant boost. Because, in contrast to the other divisions, last year's figures had already been very high in the Railway Systems Division due to its strong and stable performance, the increase is "only" 14.9%; nevertheless, this represents another substantial improvement of the division's EBITDA from EUR 367.7 million to EUR 422.4 million.
In comparison to the immediately preceding quarter (third quarter of 2010/11), Group EBITDA climbed by 25.8% from EUR 396.5 million to EUR 498.6 million.

Profit from operations (EBIT) almost tripled

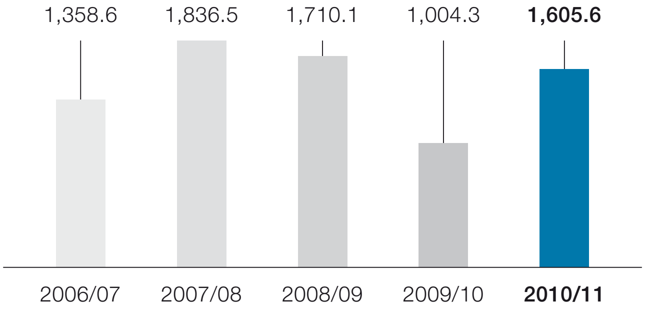
With an operating result (EBIT) of EUR 984.8 million in the business year 2010/11, the voestalpine Group improved its operating result compared to the previous year (EUR 352.0 million) by the impressive percentage of 179.8%, with an improvement of the EBIT margin from 4.1% to 9.0%. The practically complete utilization of the Group's entire production capacity, together with its strategy of consistently focusing on leadership in terms of products, quality, and technology, once again generated an operating result that is significantly ahead of voestalpine's European competition.
Compared to the immediately preceding quarter, EBIT in the fourth quarter of 2010/11 rose even more significantly than EBITDA, namely by 33.9% from EUR 244.0 million to EUR 326.6 million (for the divisional EBIT development, please refer to the reports on the individual divisions).

Profit before tax, profit for the period, and earnings per share all surpass the previous year's figures several times over

Due to an operating result that was up strongly compared to the previous year, profit before tax (EBT) in the business year 2010/11 more than quadrupled, going from EUR 183.3 million to

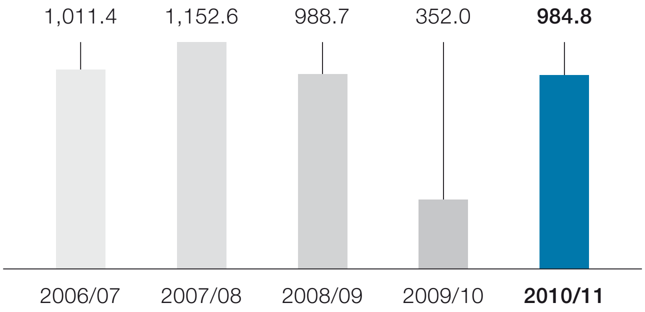
EBITDA – Profit from operations before depreciation

In millions of euros



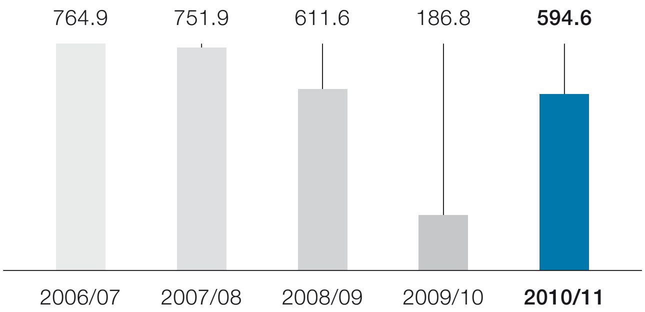
EBIT – Profit from operations

In millions of euros



Profit for the period

In millions of euros



EUR 781.0 million. Taking the tax rate of 23.9% into account, profit for the period (net income)[1] came to EUR 594.6 million and is thus 218.3% higher than the previous year's figure (EUR 186.8 million).
Based on this figure, the earnings per share (EPS) for the business year 2010/11 are EUR 3.04 (previous year: EUR 0.65).

Proposed dividend: EUR 0.80 per share

Subject to the consent of the Annual General Shareholders' Meeting of voestalpine AG which will take place on July 6, 2011, a dividend of EUR 0.80 per share will be distributed to the company's shareholders for the business year 2010/11. Compared to the previous year (EUR 0.50 per share), this represents an increase of EUR 0.30 per share or 60.0%. Based on the earnings per share (EPS) of EUR 3.04, the distribution ratio is 26.3% (previous year: 77.7%). Taking the average share price during the business year 2010/11 of EUR 28.77 into consideration, the dividend yield is 2.78% (previous year: 2.23%).

Gearing continues to fall

Compared to March 31, 2010, equity rose in the business year 2010/11 by 10.1% from EUR 4,262.4 million to EUR 4,691.1 million. The increase in equity due to the profit for the period of EUR 594.6 million and positive currency translation and hedging effects were accompanied by impairment effects generated by the dividend distribution to shareholders and owners of hybrid capital totaling EUR 155.5 million.

Due to the very good result and the investment expenditure that was considerably lower than depreciation, net financial debt dropped compared to March 31, 2010 by 10.7% from EUR 3,037.3 million to EUR 2,713.1 million despite the build-up of working capital resulting from price-related issues and dividend payments. Thus, as of the end of the business year 2010/11, the voestalpine Group's gearing ratio (net financial debt as a percentage of equity) dropped to 57.8% compared to 71.3% as of March 31, 2010.

Free cash flow at about half a billion euros

Although profit for the period rose considerably in the business year 2010/11 from EUR 186.8 million to EUR 594.6 million, cash flow from operating activities fell by 40.4% from EUR 1,606.1 million to EUR 957.6 million due to the fact that the amount of liquidity tied up in working capital went up. However, due to very consistent and meticulous working capital management, working capital rose by a disproportionately small percentage vis-à-vis revenue in the business year 2010/11. As a result of the Group's restrictive investment policy that was retained in the past year, at EUR –466.9 million, cash flow from investing activities (without taking financial investments into account) continued to be low and even remained below the previous year's level (EUR –586.9 million) so that ultimately, free cash flow came to EUR 490.7 million (2009/10: EUR 1,019.2 million). Taking changes in financial investments into account, cash flow from investing activities fell substantially from EUR –914.5 million to EUR –366.7 million. Due to a smaller dividend payout that went down from EUR –539.6 million to EUR –390.5 million, cash flow from financing activities decreased. Against this backdrop, cash and cash equivalents rose in the business year 2010/11 by another EUR 204.8 million (including net exchange differences), going from EUR 1,028.6 million to EUR 1,233.4 million.

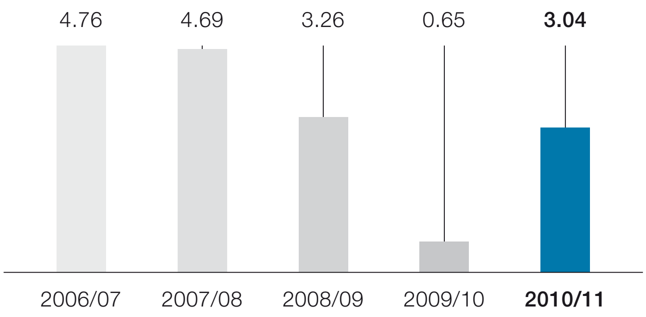
At 7.72 million tons, crude steel production at an all-time high

The economic environment, which improved significantly during the business year 2010/11, is also reflected in a substantial increase in crude steel production across the Group. The total production volume in the business year 2010/11 of 7.72 million tons was not only 27.2% higher than

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

EPS – Earnings per share

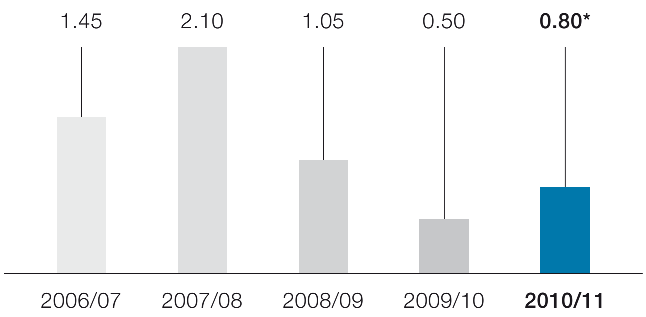
In euros



Dividend per share

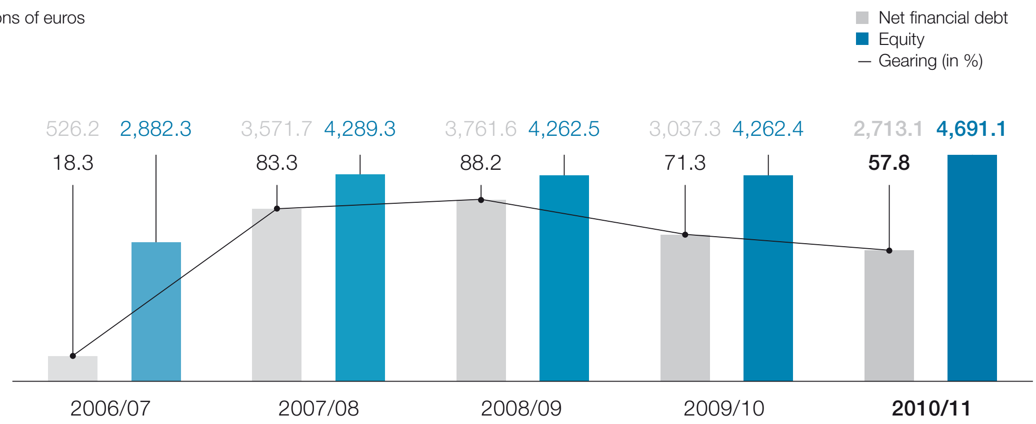
In euros

* As proposed to the Annual General Shareholders' Meeting.



Net financial debt – Equity – Gearing ratio

In millions of euros



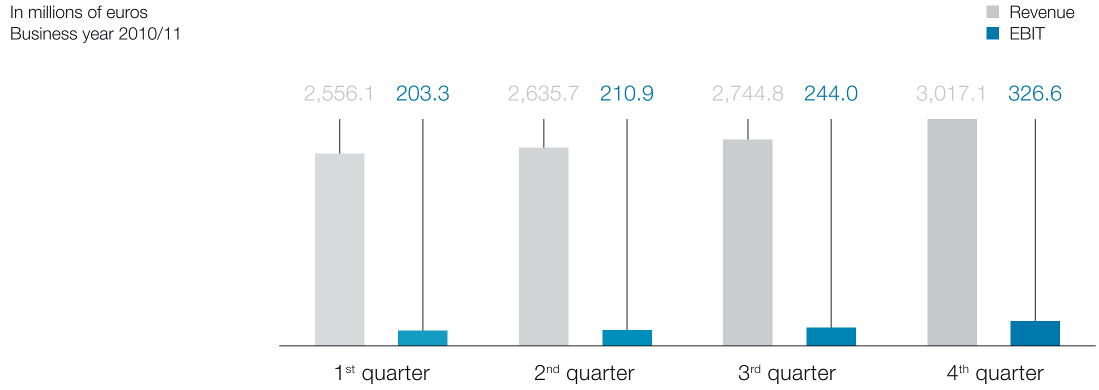
the comparative figure of the previous year (6.07 million tons) but represented a new production record for the voestalpine Group. With a production volume of 5.46 million tons, the Steel Division reported an increase of 25.2% and the Railway Systems Division recorded an output of 1.42 million tons, a gain of 18.3%; the strong growth in demand is reflected most clearly in the production figures of the Special Steel Division, which improved its output from 510,000 tons to 841,000 tons, a surge of 64.9%.

The table below provides an overview of the development of key financial figures over the four quarters of the business year 2010/11:

Quarterly development of the voestalpine Group

In millions of euros	1st quarter 2010/11	2nd quarter 2010/11	3rd quarter 2010/11	4th quarter 2010/11	BY 2010/11
Revenue	2,556.1	2,635.7	2,744.8	3,017.1	10,953.7
EBITDA	350.9	359.6	396.5	498.6	1,605.6
EBITDA margin	13.7%	13.6%	14.4%	16.5%	14.7%
EBIT	203.3	210.9	244.0	326.6	984.8
EBIT margin	8.0%	8.0%	8.9%	10.8%	9.0%
Profit before tax (EBT)	156.5	161.0	197.4	266.1	781.0
Profit for the period	121.1	128.6	150.6	194.3	594.6
Employees (excl. temporary personnel and apprentices)	39,595	39,862	40,078	40,700	40,700

Quarterly development of the voestalpine Group



Important events after the reporting date

We refer to the information in the notes to the consolidated financial statements under Item 29.

Investments

The *investments* of the voestalpine Group in the business year 2010/11 came to EUR 422.7 million. Of the total investments, EUR 412.3 million were attributable to tangible fixed assets, EUR 8.1 million to intangible assets, and EUR 2.3 million to equity holdings. Compared to the previous year (EUR 542.5 million), investment expenditures were down by another EUR 119.8 million or 22.1% as a result of the Group's restrictive investment policy as a reaction to the global economic and financial crisis. As a result of eliminating, resizing, and postponing projects or extending completion deadlines, in the business year 2010/11, the Group's investments were substantially lower than depreciation (EUR 620.8 million). However, it should be emphasized that those investment projects focused on the expansion of the Group's leadership role in both technology and quality are still being vigorously pursued.

At EUR 152.6 million 36.1% of the Group's investments were accounted for by the *Steel Division;* compared to the previous year (EUR 240.8 million), this corresponds to another reduction by 36.6%. The focus was the realization of the still outstanding projects under the "L6" investment program; in the business year 2010/11, construction of a new melting pot gas holder (commissioning: spring 2012) and construction of a new continuous casting facility (commissioning: fall 2011) continued within the scope of this program. Thus, beginning with the business year 2012/13, the steel site Linz will have an annual production capacity of 6 million tons (previously 5.5 millions tons). Additionally, in the summer of 2010, construction of a new Steel Service Center (SSC) began in Romania, which will have state-of-the-art slitting and cut-to-length facilities and which will be put into operation in the fourth calendar quarter of 2011.

The *Special Steel Division* reported investments of EUR 87.9 million in 2010/11, 40.9% below last year's figure (EUR 148.8 million). Attention was focused on investment projects to expand capacity in the forging sector; they were completed just in time to coincide with the most recent economic recovery. New, state-of-the-art forging presses were put into operation at the sites in Wetzlar (Germany) and Hagfors (Sweden), and at the production site in Kapfenberg, Austria, a new axial forging machine was started up. After the completion of these expansion projects, these sites now have sufficient capacity to be able to handle the (structural) increase in demand in the open die forging segment. Other projects during the past business year primarily involved investment in rationalization, modernization, and maintenance of facilities.

The *Railway Systems Division* reported investments of EUR 96.1 million in the business year 2010/11, representing an increase of 23.0% over the previous year (EUR 78.1 million). The largest individual projects involved the scheduled major repair of one of the two blast furnaces at the Donawitz site during the period from July to October 2010, as well as the commissioning of a second vacuum pump at the same site, which enables a significant increase in the secondary metallurgical capacity of up to 100,000 tons per year.

In the business year 2010/11, the *Profilform Division* reported an investment volume of EUR 52.3 million, which was higher than the previous year's figure (2009/10: EUR 47.6 million) by 9.9%. The investment in a sawing and rolling center for the precision strip segment in Kematen, Lower Austria, was completed in the current business year and successfully commissioned. Due to the extremely positive market development and a sustainable and reliable level of demand, also the second part of the investment project (strip production, especially for tempered saw bands) with a preliminary budget of EUR 45 million has already been tackled.

In the business year 2010/11, the focus in the *Automotive Division* was primarily on smaller investments that were associated with existing orders or were necessary for operational reasons. Due to the very low level of expenditure in the previous year (EUR 22.5 million), the division reported an increase of 24.4% to EUR 28.0 million.

Acquisitions and divestments

The Railway Systems Division entered into two joint ventures during the business year 2010/11 which are of significant strategic importance with regard to long-term growth perspectives and are intended to expand the global market and technology leadership of voestalpine Group in the turnout manufacturing sector by giving it a focused presence in very dynamic market regions outside of Europe.

The activities that were reported in detail in the previous letters to shareholders for the business year 2010/11 pertain to the establishment of a turnout manufacturing joint venture in Turkey in the first quarter of 2010/11 (a joint venture with the Turkish State Railways and the steel manufacturer Kardemir under voestalpine management) and, in the third quarter, establishment of the first foothold in Saudi Arabia. The company that was established together with a well-regarded local partner from the railway technology sector under the technical management of voestalpine will develop the Saudi Arabian market and subsequently, numerous suburban and metro projects throughout the entire Gulf region. Production launch is planned for the calendar year 2011.
After completion of the run-up phase, revenue of the joint venture in Turkey should be about EUR 30 million, while that of the Saudi Arabian joint venture should be at around EUR 10 to 15 million.

Otherwise, there were no other acquisitions or significant divestments in the business year 2010/11.

Employees

As of March 31, 2011, the voestalpine Group had *40,700 employees* worldwide (core staff, not including apprentices and temporary personnel). Compared to the previous year's figure (39,406 employees), this corresponds to a gain of 3.3% or 1,294 employees. The number of temporary personnel Group-wide increased in the business year 2010/11 by 36.7% (from 2,951 to 4,036).

21,760 (core) employees (53.5%) are working at locations outside of Austria, while 18,940 employees (46.5%) are working at Austrian companies. As of the end of the business year 2010/11, the voestalpine Group was also training 1,330 *apprentices* (with 66.2% or 880 young people being trained at Austrian locations and 33.8% or 450 apprentices being trained at international Group sites). Compared to the previous year, the number of apprentices being trained has declined by 9.6%.

Crisis management in the HR sector

As of March 31, 2011, the total workforce (core and temporary personnel) was still 2,446 employees or 5.2% below the figure as of the end of September 2008 (47,182 employees) directly prior to the global economic crisis, however, the trend differs from division to division. For example, the total workforce in the Railway Systems and Automotive Divisions is already at the pre-crisis level.
The difference in the number of employees to the fall of 2008 results from the fact that additionally required personnel capacity in production is largely covered not by regular employees but—where this is possible and feasible—by temporary personnel in order to ensure as much flexibility as possible considering the anticipated trend toward substantial fluctuations in demand, in other words, to enable the company to react quickly and appropriately to crises in the future, while at the same time retaining a stable level of core staff.
Furthermore, the difference in the number of employees to the pre-crisis level is also grounded in the significant improvement of Group productivity as a result of the broad-based optimization processes during the past two years. For example, the Steel Division's total workforce (core employees and temporary personnel) was still markedly smaller than in September 2008, despite a capacity utilization of 100% in the business year 2010/11, which was due in large part to efficiency improvements within the scope of "Future," the division's reorganization project.

The other measures taken in the HR sector to deal with the economic crisis (such as, reduced working hours, using up compensatory time and vacation accruals, educational leave, early retirement models, part-time work for employees nearing retirement age, and other measures) have for the most part already been gradually eliminated or are set to expire shortly—of course always taking the individual environment into consideration.
Currently, only 26 employees are still working reduced hours and the number of employees taking educational leave was reduced in the past business year by 96% to only 26 employees. Com-

pared to the previous year, the number of participants in the classic work foundation model ("Steel Foundation") has already gone down by about one third to 379 persons from the voestalpine Group, and it is anticipated that in the business year 2012/13 it will return to its pre-crisis level. The placement rate of the work foundation in the past business year was at 84%, i.e., 4 out of 5 employees who were moved to the Steel Foundation during the crisis found a new job by improving their qualifications or going through retraining.

Employee shareholding scheme

The voestalpine AG employee shareholding scheme, which has existed for ten years, has now been expanded to 34 Group companies in Austria, Germany, Great Britain, and the Netherlands. In the current business year 2011/12, the gradual inclusion of additional companies in Poland and Belgium is planned.

As of the end of the business year 2010/11, 21,400 employees of voestalpine AG are participating in this scheme through the voestalpine Mitarbeiterbeteiligung Privatstiftung and hold about 20.5 million shares. With a holding of 12.15% of the share capital, employees are the second largest core shareholder of voestalpine AG.
About 1.5 million private shares owned by current and former employees (this corresponds to 0.89% of the voting shares) are also managed by the voestalpine Mitarbeiterbeteiligung Privatstiftung.
Thus, currently 13.04% of voestalpine AG's share capital is owned by its employees.

Professional development of employees and executives

In the past business year, extensive measures with regard to the *development of employees and executives* continued to be rapidly implemented within the voestalpine Group, and, at the same time, the international focus of individual programs was significantly intensified.

Development of executives

Due to the strong global growth of the voestalpine Group in recent years, the requirements for future executives have been substantially broadened so that the Group's management development program was completely overhauled and refocused with regard to content and quality. The program, which has been renamed *"value:program,"* is taking the requirements that go hand-in-hand with the Group's internationalization into greater consideration both with regard to training content and programmatic concepts and is also aiming to connect training content with company objectives more closely. In the business year 2010/11, more than 130 executives and potential executives from more than 20 countries participated in this training.

The structures and content of the *high mobility pool,* which was established twelve years ago, have also been comprehensively revised. It provides high potentials with a few years of professional experience with the opportunity to get to know the voestalpine Group by way of concrete projects within the individual divisions and sectors. This training concept goes far beyond a traditional trainee program, and it allows the participants who go through this training to qualify for concrete leadership and project tasks due to the experience and the broad-based knowledge of the organization they have acquired. In the past business year, candidates were recruited Europe-wide for the first time.

Employee survey

The employee survey that is carried out in three-year intervals also emphasized how strongly the voestalpine Group's internationalization has increased. This survey was conducted in the past business year among 35,000 employees, which corresponds to more than 85% of the Group's total workforce, in 116 companies, twelve countries, and nine languages. There was a 64% response rate, and concrete measures will be derived from the results and implemented in the interval to the next survey; improved communication between management and employees, as well as the continued enhancement of management competency will be top priorities. Overall, the survey again made clear just how strongly employees identify—by international standards as well—with "their" voestalpine.

Raw materials

Development on the raw materials markets

The spring of 2010 marked a watershed point on the global raw materials markets. As of April 1, concurrently with the beginning of the voestalpine business year 2010/11, the leading iron ore and coking coal suppliers unilaterally departed—from the legal perspective with a thought-provoking unity—from the annual pricing system, which had been successfully in place over many decades, in favor of quarterly price agreements. Therefore, the spot market prices in the previous period will now be the basis for determination of the contractual quarterly prices—in particular for iron ore. The launch of the new price mechanism was associated with the attainment of historical record prices for those raw materials most crucial for the steel industry. In April 2010, just for iron ore alone, the price went up by 70%, with increased demand due to the revitalized economy given as formal justification for the price hike. The situation was additionally exacerbated by individual national export restrictions (for example, from India). Since the fall of 2010, prices for iron ore have stabilized to a certain degree, albeit at the high level they had reached.

In addition to supply-side measures by mining operators, the situation on the raw materials markets in recent months was significantly impacted by environmental disasters in important mining regions. For example, in the early part of the 2011 calendar year, flooding in the northeastern part of Australia resulted in a deterioration of the supply situation for coking coal, followed subsequently by the highest price level ever.

In contrast to the situation for ore and coal, the development of price and supply for scrap and alloys in the course of 2010/11 was largely uneventful.

Raw materials strategy in the voestalpine Group

Despite the extremely challenging situation with regard to iron ore and coal, the timely supply needed for the voestalpine Group's steel production facilities was never in the slightest danger of being impaired as voestalpine has long consistently pursued a different strategy than most of its competitors, who for the most part use only one or two raw materials partners. The key point of the voestalpine strategy is a consistent diversification of sourcing options in all raw materials categories, which will be expanded even more in the future to avoid any vendor dependencies. Derivative instruments will be increasingly used to mitigate exposure to greater price volatility due to quarterly pricing in the raw materials sector.

Research and development

At EUR 109.0 million, the voestalpine Group maintained its *expenditures for research and development* in the business year 2010/11 at the previous year's very high level (EUR 108.8 million). Due to ongoing improvements in efficiency, including in the area of R&D organization, actual expenditures were slightly lower than the available *R&D budget* of EUR 110.8 million although all of the planned projects were implemented throughout.
The *budget* approved for the current period of 2011/12 provides for an additional increase of technology and innovation funding by 10%, thus bringing it to a record high of more than EUR 120 million. The budget in all five Group divisions will reflect this increase, with the Special Steel Division showing the most substantial growth at about 25%.

The *research ratio* of the voestalpine Group (share of R&D expenses of total sales) at the end of the business year 2010/11 was 1.0% (previous year: 1.27%), the *R&D coefficient* (funds measured by economic value added) is 2.55% (previous year: 3.42%).

Focal points of ongoing R&D activities

The focus of research and development activities is on cross-divisional, long-term projects in the mobility and energy sectors, which already represent the two largest customer segments of the voestalpine Group.

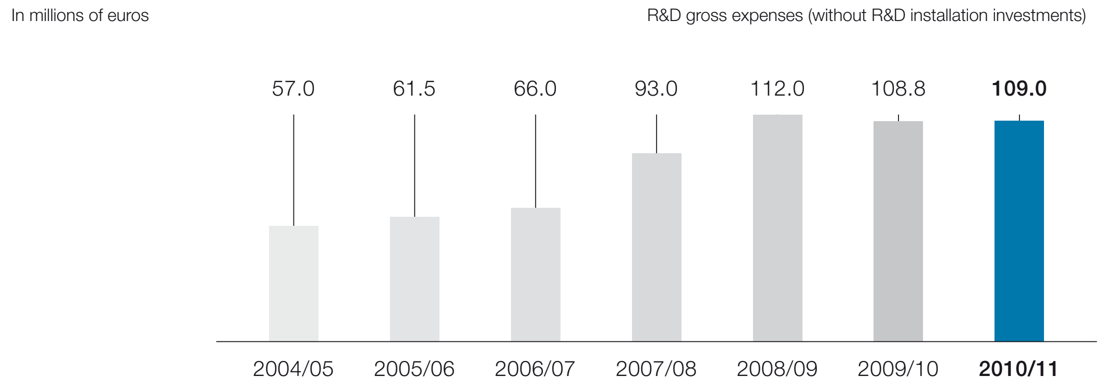
In addition to further development of lightweight materials for the automobile and consumer goods industries, the focus is on technologically highly sophisticated applications in the energy sector, such as high-temperature materials, which enable significantly higher efficiency in power plant turbines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

Viewed Group-wide, the R&D segment is aiming for an optimum combination of material, tools, and processing. For example, in the past business year, voestalpine Stahl GmbH was awarded the innovation prize of a leading automotive journal for a *steel and aluminum hybrid blank* for the automobile industry, which it developed jointly with an industrial partner. The particular innovation in the combination of these two very different materials is that, after the assembling process, the hybrid blank can be formed into components. Currently, concrete applications are being defined jointly with customers from the automobile industry.

The focus in the sectors of *rail and turnout technology* is in the long-term expansion of the Group's global technology leadership as well as in the continuing sustainable optimization of the life-cycle costs of innovative complete solutions. For example, the past business year saw a pilot run using a specially developed switch drive system that integrates all the required functions, such as switching and monitoring, which took place on a new high-speed line in Korea with speeds of up to 370 km/h.

With the launch of the *Steel Innovation Center* at the Group's Linz site, voestalpine took another step toward a long-term expansion of the Group's leadership role in both technology and quality. The opening of the new laboratory center was in September 2010.

Research expenses for the voestalpine Group



It is focused on the development of new surface technologies for high-quality steel coil, including underlying analytics, and it does not represent merely an isolated research center but is directly associated with the "Steel Development Center" (focus: material development) and the "Steel Processing Center" (simulation and optimization of processing steps, such as, welding, pressing, and forming), which were established at the Linz site some time ago.

In the areas of recycling and zero-waste production, a research project is currently being realized jointly with the University of Mining and Metallurgy in Leoben within the scope of the Austrian federal government's competency center program. The centerpiece of the project is a reactor that reclaims metal from metallurgical filter dust. The facility's purpose is to make the process ready for industrial implementation.

Currently, the voestalpine Group is collaborating with more than 80 *research and development partners* all over the world that include both university research institutions and institutions closely associated with universities. The current deepening and expansion of such collaborations is therefore an important focus of our long-term innovation strategy. For example, the recent R&D collaboration in the area of surface and nanotechnology within the scope of the new cooperative project "SteelCoatingDesign" with the Johannes Kepler University was expanded. The main focus is on the development of innovative coatings.

As far as international R&D partnerships are concerned, it deserves special mention that voestalpine will be collaborating with the Advanced Steel Processing and Products Research Center at the highly regarded Colorado School of Mines, USA, as one of their corporate sponsors. Numerous projects relative to the further development of high- and ultra high-tensile steel, which are particularly relevant for the voestalpine Group, are currently being undertaken at this institution.

Environment

Development of environmental expenditures

The voestalpine Group's direct *environmental expenditures* in the business year 2010/11 came to roughly EUR 20 million[1]. The steep reduction compared to the previous year's figure (EUR 48 million) reflects the Group's generally sharply diminished investments during and in the wake of the economic crisis. In addition, the latest eco-specific major investments were largely completed in the past business year at the two particularly environmentally sensitive metallurgical plants in Linz and Donawitz. The *ongoing expenditures for operation and maintenance* of environmentally relevant facilities[1], however, remained stable at a very high level at EUR 194 million (compared to EUR 193 million in the previous year). Thus, in the business year 2010/11, the voestalpine Group spent around EUR 214 million for measures directly associated with environmental issues.

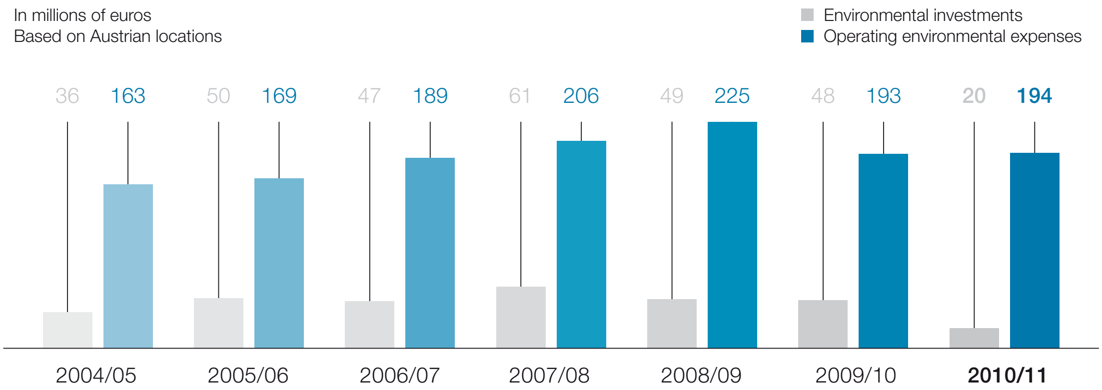
Focus of environmental measures

In 2010/11, a number of other projects in the sectors of energy and raw materials efficiency, air and water emissions as well as waste reduction and recycling were realized across the Group. Additionally to the measures that were presented in detail in previous letters of shareholders with regard to the past business year, the following individual projects can serve to illustrate the Group's efforts in this regard:

At the Linz site *(Steel Division),* new processing technologies in the blast furnace segment as substitutes for heavy oil (hand-in-hand with a significant reduction of sulfur emissions) as well as technologies to further sustainably reduce CO_2 emissions by putting a natural gas injection facility into operation were developed and have already been successfully implemented in the production process. Other environmental projects in the Steel Division—all at the Linz location—pertained to the improvement of process water management and a reduction of NO_x emissions as well as continued minimization of dust emissions (foundry).

In the *Special Steel Division,* at the site in Kapfenberg, Austria, new measures were taken that achieved a substantial reduction or, in some case prevention, of discharge of heavy metal emissions in wastewater. The division launched a completely new water treatment system at its Brazilian location in Villares. This enables production wastewater to be optimally recycled. Furthermore,

Environmental expenditures[1]



in the special forgings segment in Wetzlar, Germany, measures were taken to reduce dust pollution by way of improved heat dissipation.

The *Railway Systems Division* has already distinguished itself in recent years by developing exemplary concepts for the optimization of the energy supply and the energy cycle. For example, at the turnout production site in Zeltweg, Austria, all thermal energy requirements are met by way of the district heating network that is fueled by biomass. By switching entirely to renewable energies, annual CO_2 emissions are lowered by about 1,400 tons. Furthermore, by putting an hydroelectric power plant into operation at the same site, all electrical power requirements can be met in-house during the summer months.
Additionally, it should be underscored that comprehensive efforts are taking place at several of the division's sites to expand occupational health and safety and energy efficiency as well as to lower noise and dust emissions.

[1] Basis: Austrian locations, as it is here that the greatest portion of the Group's environmentally sensitive emissions accrue.

It deserves special mention that in the past business year the *Automotive Division* launched a new technology for the generation of compressed air for compressor installations at one of its Austrian production sites, which minimizes cooling water emissions and, at the same time, enables savings of natural gas and electricity. Measures to reduce production-generated noise are another key focus of attention in the division.

A number of Austrian and international Group companies again received numerous awards in the business year 2010/11 for their outstanding standards in the areas of the environment and occupational safety. This time, the focus of the honored projects and measures was in the sectors of energy (generation, efficiency, and energy cycle) and occupational safety. A particularly important award was the "European Good Practice Award in Safety and Health at Work," which VAE Eisenbahnsysteme GmbH, Zeltweg, received in April 2011 for the second time for its outstanding performance with regard to occupational safety and health.

Environmental agenda

The *benchmark system* to succeed the Kyoto Protocol recommended by the European steel association EUROFER and its member companies was, for the most part, rejected by the European Commission. This decision was made although the comprehensive collection of data ordered by the European Commission regarding all plants and facilities of the European steel industry that will be affected by CO_2 certificate trading from 2013 on, upon which the recommendation was based, was verified and confirmed as plausible by an independent authority.

As, in the meantime, the separate draft of the allocation mechanism, which was prepared by the Commission in December 2010 and stipulated its own benchmark figures, has passed both the EU Council of Ministers and the European Parliament, it is on the verge of taking legal effect. The European steel companies within EUROFER, however, have decided to contest the benchmark system recommended by the EU because some of the threshold values cannot be achieved with today's technical possibilities. From the current perspective, the result of this proceeding is largely up in the air.

Currently, the future course for a new economic structure of the EU that was recommended by the Commission in the "*Roadmap 2050*" is being discussed by top European decision-makers. The recommendations include CO_2-free electricity generation, massive innovations in the transport sector, acceleration of construction of low energy buildings, and changes in the manufacturing industry to reduce CO_2 and increase energy efficiency. Apart from the fact that the objective of these ambitions is basically a welcome one, from the perspective of the voestalpine Group, the Roadmap seems, for the most part, to be lacking a holistic approach across all of the impacted value chains. With regard to the steel industry, almost no attention is paid to the fact that in recent years a significant part of European manufacturers have already reached the limits of what is doable in terms of environmental technology (and in terms of finances).

It is in particular the focus on production-generated CO_2 emissions as the main management and control instrument for the industrial transformation that the Roadmap is aiming for that disregards the overall importance of the steel industry in the value chain on one hand and on the other, the concrete importance of steel as a material. From today's vantage point, neither the product and process innovations required in the transition phase nor future technologies, which are as CO_2-neutral as possible, in the sectors of energy and mobility can be implemented without the significant use of steel (e.g., in the transportation and energy infrastructure sectors, for efficient energy systems, or in the sectors of transport and logistics). This includes not only the supply of materials of the required quality and in the needed quantity, but also their supply at prices that enable downstream processing companies to create sufficiently high added value to make it even possible to finance the desired transformation.

The steel industry should therefore be an integral component of the entire process chain, not just with regard to its CO_2 output but also with respect to its potential to achieve the very objective that the EU Commission is aiming for by using its comprehensive problem-solving competence, and be included appropriately in long-term deliberations.

Risk management

The voestalpine AG risk management system has been in place since the business year 2000/01. It takes the form of general operating procedures for the entire Group and is updated and expanded on a regular basis.
Risk management, as understood and applied within the voestalpine Group, serves both to secure the long-term existence of the Company and to increase its value and is thus a key factor in the success of the Company.

With the the Austrian Company Law Amendment Act *(Unternehmensrechtsänderungsgesetzes)* enacted in 2008, the importance of the internal control system (ICS) and its monitoring, as well as the risk management system as a whole, has continued to grow.
Both risk management and the ICS are integral components of the existing management systems with the voestalpine Group. The Internal Audit department is an independent internal company unit, which monitors both operating and business processes and the ICS and has full discretion when reporting and assessing audit results.

A systematic risk management process is an integral component of the Company's business processes, enabling risks to be quickly identified and the appropriate measures taken to avert them. Risk management covers both strategic and operational levels and is therefore a significant element in the Company's enduring success.

Strategic risk management serves to evaluate and safeguard strategic planning for the future. Strategies are examined to ensure conformity with systems of objectives in order to guarantee growth in value through the optimum allocation of resources.

Operational risk management is based on a revolving procedure run at least once a year. The identified risks are evaluated according to an evaluation matrix, which judges potential loss and probability of occurrence. Essentially, it is the operational, environmental, technological, and IT risks that are documented, and this process is supported by a special web-based IT system.

Measures taken in the following key areas of risk include:

- **Raw materials availability**

Securing the long-term availability of the required volume and quality of raw materials and energy is a particular challenge, especially for an industrial enterprise. For several years, the voestalpine Group has followed a diversified procurement strategy designed to reflect increased risks. Close and long-term relationships with suppliers on the one hand, and the expansion of the supplier portfolio and increased self-sufficiency on the other, are the core elements which, in view of current volatility in the raw materials markets, are becoming increasingly important *(this is examined in greater detail in the section on "Raw materials" in this Annual Report)*.

- **Guidelines on hedging raw materials price risk**

In order to evaluate the risks arising from the volatility in raw materials prices, the voestalpine

Group has a risk management tool for calculating cash flow at risk. Under consideration of the ability to pass on price changes, the size of the evaluated risk, and the individual peculiarities of each raw material, prices are secured by agreeing on supply contracts with fixed-price agreements or via derivative financial contracts. An internal guideline regulates the procedure within the Group.

CO_2 issues

Risks related to CO_2 are covered in the "Environment" section in this Annual Report.

Failure of IT systems

Servicing of business and production processes, which are largely based on complex information technologies, is carried out by a specialist IT company (the voestalpine group-IT GmbH) which is 100% owned by voestalpine AG.
Due to the importance of IT security, and in order to further minimize potential IT security risks, minimum security standards for data processing were drawn up in the past and adherence to these standards is audited annually. Penetration tests are also carried out periodically to further reduce the risk of unauthorized access to IT systems and applications.

Failure of production facilities

In order to minimize the risk of breakdowns at critical facilities, we have undertaken comprehensive, targeted investment in the technical optimization of sensitive units. Continual, preventative servicing, risk-oriented storage of spare parts, and employee training are further measures.

Knowledge management

In order to sustainably secure knowledge, and especially to guarantee against the loss of know-how, available knowledge is documented on an ongoing basis while new findings from key projects as well as lessons learned as the result of unplanned events are processed and incorporated accordingly.

Risks in the financial sector

With respect to policy-making responsibility, the setting of strategy, and the definition of targets, financial risk management is centrally organized. The existing body of regulation includes targets, principles, tasks, and competencies, both for the Group Treasury and for the financial sector of each Group company. The strategy aims to reduce fluctuations in cash flow and income. Market risks are largely secured through the use of derivative financial instruments.

Financing risks are secured through the measures detailed below:

Liquidity risk

Liquidity risks generally consist of a company being potentially unable to raise the funds necessary to clear liabilities incurred in combination with financial instruments. Existing liquidity reserves enable the company to meet its obligations within the prescribed period. The primary instrument for controlling liquidity risk is a precise financial plan drawn up quarterly on a revolving basis. The requirements on financing and bank credit lines are determined from the consolidated results by the central Group Treasury.

Credit risk
Credit risk refers to financial losses that may occur through non-fulfillment of contractual obligations by business partners. The credit risk of the underlying transactions is minimized as far as possible through credit insurance and bankable securities (guarantees, letters of credit). Based above all on our experiences during crises, the risk of default for our own remaining risk is judged to be minimal. A high percentage of delivery transactions are covered by credit insurance. Bankable security is also provided, such as guarantees and letters of credit. As of March 31, 2011, 75% of trade receivables were covered by credit insurance.

Currency risk
The Group implements an initial hedge centrally by means of derivative hedging instruments with the Group Treasury. voestalpine AG hedges for the budgeted foreign currency payment flows (net) for the next twelve months. Longer-term hedging is only carried out for contracted projects, with hedging ratios of between 50% and 100%.

Interest rate risk
Interest rate risk assessment is centrally organized in voestalpine AG for the entire Group. Essentially, a distinction is made between cash flow risk (the risk that interest expenses or interest income will undergo a detrimental change) for variable-interest financial instruments and present value for fixed-interest financial instruments. The strategy is to reduce interest rate volatility through the use of the portfolio effect and interest hedges. As of March 31, 2011, the balance of variable-interest liabilities amounted to EUR 640 million.

Price risk
The voestalpine AG also assesses price risk, using the value at risk concept to quantify interest and currency risk. The maximum potential for loss within the next business day and within a year can be ascertained with a 95% degree of probability. This takes into account the correlations between the individual currencies. The present value basis point method is also applied in the interest management process.

Economic and financial crisis
Based on the knowledge gained as a result of the global economic and financial crisis of 2008 and 2009 and its effect on the voestalpine Group, during the past business year, additional, primarily corporate, measures were taken to minimize risk, and these measures will continue to be followed consistently in the coming years.

These measures are targeted in particular at
- Minimizing the negative effects that a recessionary economic trend would have on the Company by means of relevant planning precautions (scenario planning)
- Maintaining high levels of production quality with simultaneous efficiency enhancements and ongoing cost optimization
- Having available sufficient financial liquidity even should financial markets become tight, and

- Securing the know-how within the Group with a view to continuing the long-term expansion of our leadership in quality and technology even more efficiently than previously

Tangible measures have been developed and implemented in order to minimize or eliminate risks identified within the Group in the past. They aim at reducing the extent of potential loss and/or minimizing the likelihood of these risks occurring.

In conclusion, from today's standpoint the risks faced by the voestalpine Group are limited and manageable and do not endanger the survival of the Group.

Report on the key features of internal control and risk management systems with respect to accounting procedures

In accordance with the Austrian Commercial Code (UGB) § 243a (2) as amended by the Austrian Company Law Amendment Act of 2008 (URÄG 2008), companies whose shares are traded on the regulated markets must describe in their management reports the key features of their internal control and risk management system with respect to accounting procedures.
It is the responsibility of the Management Board to establish a suitable internal control and risk management system for accounting procedures pursuant to § 82 of the Austrian Stock Corporation Act (AktG). For that purpose, the Management Board has passed guidelines which are binding for the whole Group.

In line with the decentralized structure of the voestalpine Group, the local management of each Group company is obliged to establish and design an internal control and risk management system for accounting procedures which meets the demands of that individual company and ensures adherence to existing Group-wide guidelines and regulations.

The entire procedure, from procurement to settlement, is subject to strict Group guidelines which are designed to avoid the risks associated with the business processes. These Group guidelines set out measures and regulations for avoiding risk. They include, for example, the separation of functions, signatory systems, and the authority to sign for settlements which is exclusively collective and limited to only a few persons ("four eyes" principle).

In this context, control measures for IT security constitute a cornerstone of the internal control system. The separation of sensitive activities is supported through the restrictive issuing of IT authorizations. Accounting at each Group company is basically effected using SAP software. The operational capability of this accounting system is also guaranteed by automatic IT controls, amongst others, in the system.

In preparing the consolidated financial statements, the data for fully consolidated or proportionately consolidated entities is transferred to the unified Group consolidation and reporting system.
The unified Group accounting policies for recording, booking and balancing commercial transactions are regulated by the voestalpine consolidated financial statements handbook and are binding for all Group companies concerned. Automatic controls built into the reporting and consolidation system, together with numerous manual controls, are implemented in order to avoid material misstatements. These controls extend from management reviews of income and expenses for each period through to the specific reconciliation of accounts.

The form in which the Group reports its accounting processes is summarized in the voestalpine controlling handbook.
The accounting and controlling departments at each Group company submit monthly reports with Key Performance Indicators (KPIs) to their own managing directors and management board members, and, after authorization, to Corporate Accounting & Reporting. Here these reports are summarized, consolidated and reported to the Group Management Board. Quarterly reports include additional information such as detailed target-performance comparisons and are dealt with in a similar manner. Quarterly reports are submitted to the supervisory or advisory board of each Group company and a consolidated report is submitted to the Supervisory Board of voestalpine AG.

As with operative risks, accounting procedures are also subject to risk management. Potential accounting risks are regularly surveyed and avoidance measures implemented. The focus is placed on those risks which are regarded as fundamental to the activities of that company. Compliance with the internal control system and its quality is monitored on an ongoing basis in the form of audits at Group company level. The Internal Audit department works closely with the responsible management board members and managing directors. The Internal Audit department reports directly to the CEO and submits reports periodically to the Management Board of voestalpine AG, and subsequently to the Audit Committee of the Supervisory Board.

The control systems of each company division are also subject to control by the auditor as part of the annual financial statements where these controls are relevant to the preparation of the Group's consolidated financial statements and to the fair presentation of the Group's financial statements.

Disclosures in accordance with § 243a of the Austrian Commercial Code (UGB)

As of March 31, 2011, the share capital of voestalpine AG amounts to EUR 307,132,044.75 and is divided into 169,049,163 no-par value bearer shares. There are no restrictions on voting rights (1 share = 1 vote). voestalpine AG is unaware of any agreements among its shareholders or between its shareholders and third parties that restrict voting rights or the transfer of shares.

Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG, Linz, holds more than 15%, the voestalpine Mitarbeiterbeteiligung Privatstiftung, Linz, more than 10%, and Oberbank AG, Linz, more than 5% of the company's share capital.

The Management Board of voestalpine Mitarbeiterbeteiligung Privatstiftung exercises the voting rights of shares that are held in trust by voestalpine Mitarbeiterbeteiligung Privatstiftung for the employees of the Group companies of voestalpine AG participating in the employee shareholding scheme. However, the way in which the voting rights are exercised requires the approval of the Advisory Board of the voestalpine Mitarbeiterbeteiligung Privatstiftung. The Advisory Board decides on the approval with a simple majority. The Advisory Board is constituted on a basis of parity, with six members representing employees and six members representing the employer. The Chairman of the Advisory Board, who must be appointed by the employee representatives, has the deciding vote in the event of a tie.

With regard to the Management Board's powers that are not derived directly from applicable statutes, such as the purchase of the Company's own shares, authorized or contingent capital, reference is made to item 16 (Equity) of the notes to the consolidated financial statements 2010/11.

The hybrid bond issued in October 2007, the bonds issued in the business year 2008/09 (initial volume EUR 333 million in fixed-interest securities 2008-2011 as well as volume EUR 400 million in fixed-interest securities 2009-2013), the bond issued in the reporting period (EUR 500 million fixed-interest securities 2011-2018) as well as other long-term financing agreements with an initial volume of EUR 2.1 billion, which the Company executed in the business year 2008/09 with national and international banks, contain so-called change-of-control clauses. With the exception of the hybrid bond, according to the terms of these financing agreements, the bondholders or the lending banks have the right to demand redemption of their bonds if control of the Company changes. Under the terms and conditions of the hybrid bond issue, the fixed interest rate of 7.125% (interest rate during the fixed-interest period) or the margin of 5.05% (interest rate during the variable interest period) goes up by 5% 61 days after a change in control occurs. voestalpine AG has the right to call and redeem the bonds no later than 60 days after a change in control. According to the terms and conditions of the aforementioned bonds and financing agreements, control by voestalpine AG changes when a controlling interest within the meaning of the Austrian Takeover Act *(Übernahmegesetz)* is acquired by another party.
In addition to these bonds and financing agreements, a contractually guaranteed liquidity reserve of EUR 120 million also contains a change-of-control clause.

The Company has no compensation agreements with the members of the Management Board, Supervisory Board, or employees in the event of a public tender offer.

Outlook

In 2010, the global economic landscape was characterized by a stable upward trend, primarily in the major Asian economies and in parts of South America. During the course of the year, most of the European countries and North America began to experience an economic recovery that accelerated increasingly and whose momentum is continuing in the first half of 2011.

Industry worldwide has recovered surprisingly quickly from the effects of the 2008 and 2009 crisis and is in the process of reestablishing a continuity between the present and the solid economic performance prior to the crisis. Nevertheless, there are considerable risks and uncertainties associated with the current economic environment that represent a potential threat to a truly sustainable economic recovery—from the problem of public-sector debt in various European countries, but particularly in the USA, to persisting weakness in the financial markets and in the banking sector and possible overheating in individual sectors (raw materials, real estate) or regions. All in all, however, from the perspective of industry in the late spring of 2011, the positive aspects outweigh the risks emanating from the economic environment. All the more so as the euro—despite critical voices—has proven itself as the European common currency, particularly in the challenging periods of the most recent past, and inflation risk appears set to remain manageable for the time being.

Against this backdrop, a continuation of the favorable trend in the most important economic regions across the world seems likely in the second half of 2011, although Japan will be laboring under the consequences of the dramatic events of March 11 of this year for some time to come. Similarly to Brazil and individual countries in South and Central America, China, India, and the entire East Asian region should be able to continue their above average growth.

The future economic situation in North America will largely depend on how quickly the USA can get its huge national debt and its unemployment rate, which continues to be stubbornly high, under control.

For Europe, one can assume that the solid growth of demand in core Europe and Scandinavia will not change in the course of the year and that in Central and Eastern Europe (including Russia) the recently noticeable upward trend will continue. In contrast, it can be expected that the south and westernmost part of the continent will not experience a significant economic upswing in 2011 due to the persistent problem of public-sector debt in the countries of these regions.

Looking at the individual industries, the overall scenario for 2011 is quite optimistic. In particular, the automobile and commercial vehicle industries, the mechanical engineering sector, and the consumer goods industry as well as the entire energy sector (both conventional and alternative) give reason to expect that demand will be at a high level. Most recently, demand in the aviation industry has been trending upward as well. Some segments of the construction and construction supply industries still have considerable pent-up demand.

This overall satisfactory economic background leads us to expect that all divisions of voestalpine AG will be utilizing their capacity fully at a price level that will be stable or better for the greater part of the new business year. Additionally, the continuing implementation of the efficiency improvement and cost optimization programs that were initiated in 2009 will contribute to an improvement in the Group's earnings. Despite some planning uncertainties due to short-term fluctuations of raw materials prices, another significant improvement of the Group's operating profit should be possible in 2011/12.