Letter to Shareholders, 1st Half of 2010/11

voestalpine
ONE STEP AHEAD.

voestalpine Group Key Figures

Q 1 2010/11 vs. Q 2 2010/11

In millions of euros[1]	**Q 1 2010/11** 04/01–06/30/2010	**Q 2 2010/11** 07/01–09/30/2010	Change in %
Revenue	2,556.1	2,635.7	3.1
EBITDA	350.9	359.6	2.5
EBITDA margin	13.7%	13.6%	
EBIT	203.3	210.9	3.7
EBIT margin	8.0%	8.0%	
Profit before tax	156.5	160.9	2.8
Profit for the period[2]	121.1	128.6	6.2
Earnings per share (euros)	0.60	0.64	6.7
Investments	80.0	89.2	11.5
Depreciation	147.6	148.7	0.7
Capital employed	7,990.0	7,841.7	–1.9
Equity	4,435.9	4,370.0	–1.5
Net financial debt	2,981.8	2,873.5	–3.6
Net financial debt in % of equity	67.2%	65.8%	
Employees (excl. temporary personnel and apprentices)	39,595	39,862	0.7

H 1 2009/10 vs. H 1 2010/11

In millions of euros[1]	**H 1 2009/10** 04/01–09/30/2009	**H 1 2010/11** 04/01–09/30/2010	Change in %
Revenue	4,181.8	5,191.8	24.2
EBITDA	366.8	710.5	93.7
EBITDA margin	8.8%	13.7%	
EBIT	42.7	414.2	870.0
EBIT margin	1.0%	8.0%	
Profit before tax	–42.3	317.4	
Profit for the period[2]	–19.8	249.7	
Earnings per share (euros)	–0.35	1.24	
Investments	276.1	169.2	–38.7
Depreciation	324.0	296.3	–8.5
Capital employed	8,192.3	7,841.7	–4.3
Equity	4,001.7	4,370.0	9.2
Net financial debt	3,601.8	2,873.5	–20.2
Net financial debt in % of equity	90.0%	65.8%	
Employees (excl. temporary personnel and apprentices)	39,919	39,862	–0.1

[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.

Ladies and Gentlemen:

Limits on exports for particularly competitive economies, inconceivable infusions of cash for countries that are already indebted beyond all measure, controlling competitiveness using foreign exchange rates and protectionism with chauvinistic "buy national" slogans—these are just some examples for the mindset that is largely determining the attitude of the major political players in setting the course for the global economy. The right economic policy, a responsible economic policy looks very different.

As a company, as the Management Board that quarter after quarter must answer for its actions to the shareholders—and rightly so—lately, we have been asking ourselves more and more frequently whom do those who are responsible for international policies answer to. Global economic policy evades the instruments and criteria of democratic structures (including the well-functioning ones), which are always largely limited to national territories, but which are not appropriate for the challenges of worldwide economic requirements. The attempt by the European Union to develop a joint, continental economic policy beyond national boundaries and all the difficulties associated with this attempt speaks volumes. Nevertheless, encouraged by the initial recent successes—for example, the rules for budgetary policy and debt management—one can only wish that global institutions will move in a similar direction within the foreseeable future. Only when, at the end of the day, G5, G7, G8, G20, and other summit meetings are more than simple media events, only when political glamour is replaced by commitment, will the word "responsibility" again become meaningful in the context of global economic policy.

Turning now from the world stage to the small world of the voestalpine Group: Compared to the same period last year, the first half of the business year 2010/11 saw an almost tenfold increase of the operating result and a corresponding improvement in the other reporting categories. With full utilization of production capacity in almost all sectors and a corresponding development of revenue, as well as a stable employment situation, the Group's development has normalized. As dramatically as the broadly-based economic reversal began two years ago in the fall of 2008, so swiftly and unexpectedly did the recovery start in the summer of 2009. But anyone who is using the economic situation of the first half of 2008, in other words the period of economic euphoria, as a yardstick will have to wait for quite some time for an all-clear signal. And that is a good thing, because then, the next economic slump would be inevitable. For the near future, we should be satisfied with growth that is not quite so dynamic. A more modest but sustainable recovery is far more preferable than a repetition of 2008. And against this backdrop, it seems particularly desirable if the current momentum of growth in some Western European countries would not speed up in 2011. By the way, the development of voestalpine in the last two years has shown that even in a time of volatility and subdued demand, one can generate stable profits, as long as one works consistently on oneself.

In any case, in 2011 we will continue to do our homework. This means, in particular, completion of the structural modernization in the Steel and Special Steel divisions, accelerated orientation of the Group toward products and markets for the coming decades, and realization of the major part of our cost-cutting and efficiency improvement programs with the objective of achieving an optimization of EUR 600 million by 2012.

Linz, November 17, 2010

The Management Board

Wolfgang Eder	Franz Hirschmanner	Josef Mülner
Robert Ottel	Claus J. Raidl	Wolfgang Spreitzer

Highlights[1, 2]

- Economic recovery enables significant increase in revenue and operating result both at the Group level and in all five divisions.
- Profit from operations (EBIT) up almost tenfold.
- The strong export performance of the Western, Central, and Northern European countries, as well as increasing domestic demand are driving the economic recovery in this region.
- The emerging countries are the drivers of the global economic uptrend; unemployment, public debt, and low investment and consumption levels are still delaying the recovery both in the USA and in Southern and Eastern Europe.
- Full utilization of the crude steel production capacity in the Steel and Railway Systems divisions in contrast to the overall trend in Europe that has been down since the summer of 2010.
- The Special Steel, Profilform, and Automotive divisions are also operating at almost full capacity at 90–95%.
- Due to significant growth in sales volumes, the voestalpine Group has increased its revenue in the first half of 2010/11 by 24.2% from EUR 4,181.8 million to EUR 5,191.8 million.
- EBITDA up compared to the previous year by 93.7% from EUR 366.8 million to EUR 710.5 million.
- Profit from operations (EBIT) has improved by about EUR 370 million from EUR 42.7 million to EUR 414.2 million; significant effects have resulted from efficiency improvement programs that are currently being implemented across the entire Group and from the practically full utilization of production and processing capacities.
- Steep increase of the EBITDA and EBIT margins to 13.7% (previous year: 8.8%) and 8.0% (previous year: 1.0%), respectively.
- Profit before tax turned around from EUR –42.3 million to EUR 317.4 million and profit for the period (net income) from EUR –19.8 million to EUR 249.7 million.
- Earnings per share again strongly positive at EUR 1.24 (previous year: EUR –0.35 per share).
- Despite the dividend payment and servicing of the hybrid capital, additional reduction of the gearing ratio compared to March 31, 2010 from 71.3% to 65.8% due to the clearly positive operating result and investments that were significantly lower than depreciation.
- Number of employees (core employees and temporary staff, not including apprentices) rose by 2.5% from 42,387 to 43,446; as of September 30, 2010 only 82 employees are still working reduced hours.

[1] In accordance with IFRS, all figures after application of the purchase price allocation (ppa).
[2] To the extent that no other time period is explicitly referred to, all comparative figures refer to the first half of the business year 2009/10.

Interim Management Report

Market environment

After its low at the turn of the 2008/09 year, by March 2010—only 22 months after its peak in the summer of 2008—steel production worldwide had already virtually reached the pre-crisis level and even exceeded it in May 2010. However, global steel production has again been declining slightly since May 2010.

In Europe (EU-27), production volume fell in the third calendar quarter of 2010 compared to the immediately preceding quarter by about 15% to 40 million tons. In addition to seasonal effects (especially vacation shutdowns), it was primarily the cautious purchasing policies (in expectation of lower prices) prevalent in the retail market that caused this drop. Mirroring the trend toward lower volumes, the prices in short-term business transactions also trended downward. Due to the roll-back in production, inventory during the second quarter of 2010/11 nevertheless remained at the comparatively low level of the immediately preceding quarter, and the import situation did not yet demonstrate any critical trends.

The (moderate) slowdown in steel production should not be seen as an indicator of sustained weakness of the global economy; this development is rather primarily the result of certain inventory effects in individual regions (completion of restocking to normal inventory levels) and the end of government incentive programs (for example, the subsidy programs for new cars). Thus, it merely reflects a leveling off to a realistic level of demand that in part fluctuates according to season.

Seen overall, the economic situation in the customer industries and sales regions relevant to the voestalpine Group has been very positive and has improved significantly during the first half of 2010/11 compared to the low levels of the previous year.

In the automobile industry—the Group's largest customer segment, representing about one third of the total revenue—there was a substantial economic recovery, which is being driven predominantly by higher exports in the premium segment after the "scrapping premium" that was relevant primarily for the sub-compact and compact car segments has been discontinued.

Compared to the dramatic losses in the previous year, the commercial vehicle industry, including agricultural machinery, has been experiencing an increasing recovery trend during the business year 2010/11 thus far. The pick-up in demand was broadly based—both in the European core markets and especially in the BRIC countries, Brazil, Russia, India, and China, which already accounts for more than half of the global commercial vehicle production.

The development of the construction and construction supply industries improved slightly, although it still remained below what had been the "normal level" in the past.

Business volume in the energy sector showed sustained positive growth in both the segment of renewable energies (wind energy, photovoltaics, solar thermal power) and in oil and natural gas exploration, while demand in energy generation (power plant components) was still somewhat more subdued.

Viewed regionally, the disparity between continuing high momentum in Asia (in particular, in India and China) and South America (primarily in Brazil) and the still volatile situation in North America continued.
The economic environment in Europe was inconsistent, with the Western, Northern, and Central European regions showing significantly higher demand, which was driven by German exports, while the Southern and Eastern European markets did not exhibit any substantial recovery despite an initial uptrend in individual industries (for example, railway infrastructure).

Business performance of the voestalpine Group[1, 2]

In the first six months of the business year 2010/11, the voestalpine Group was not only able to achieve very significant growth in revenue and profit compared to the previous year due to the improved economic environment and the higher savings effects of the efficiency improvement and cost optimization programs that are being implemented, but it also again exceeded revenue and results during the second quarter of 2010/11 compared to the immediately preceding quarter for the fifth consecutive time.

The Group's revenue went up in the first half of 2010/11 compared to the same period of the previous business year by EUR 1,010.0 million (+24.2%) from EUR 4,181.8 million to EUR 5,191.8 million. With an increase of EUR 423.0 million (+28.0%) from EUR 1,513.4 million to EUR 1,936.4 million, the Steel Division reported the largest gain in absolute figures due to a very substantial rise in supply volumes. Viewed relatively, the growth in the Special Steel Division (+35.8% from EUR 911.1 million to EUR 1,236.9 million) and the Profilform Division (+33.2% from EUR 417.7 million to EUR 556.5 million) was even more substantial. These two divisions, however, were also the ones most strongly affected by the economic downturn in the previous year and therefore had commensurately low comparative figures. High demand from the emerging countries for vehicles from the premium segment and the satisfactory development of demand for commercial vehicles resulted in revenue for the Automotive Division of EUR 476.7 million in the first half of 2010/11, which was 22.7% higher than the comparative figure in the previous year (EUR 388.5 million). Due to its strong resistance to crisis, the Railway Systems Division's revenue level had remained stable in the previous year, so that, viewed relatively, its growth of 15.2% from EUR 1,159.5 million to EUR 1,336.3 million was the lowest of all the divisions. In particular, the favorable trend in the wire, seamless tube, welding consumables, and steel production segments in the first half of the current business year was able to more than compensate for the (expected) decline in prices for standard rails.

In assessing the economic performance of the past months, the comparison with the immediately preceding quarter continues to have particularly significant informative value. As a result of the very positive development in all of the Group's divisions, the voestalpine Group was able to again increase its revenue in the second quarter of 2010/11; compared to the first quarter of 2010/11, revenue went up by 3.1% from EUR 2,556.1 million to EUR 2,635.7 million. The growth momentum is, however, slowing down slightly, due primarily to the gratifying circumstance that the Group's production capacity is again being almost fully utilized.

The improved economic situation, the break-even point that has been lowered in the course of the crisis, and the success in implementing the efficiency improvement programs are reflected by the profit from operations before depreciation and amortization (EBITDA) even more strongly than by the level of revenue. In comparison to the first half of 2009/10, the rise in revenue of 24.2% results in EBITDA that went up by 93.7% from EUR 366.8 million to EUR 710.5 million, representing a Group margin in the first half of 2010/11 of 13.7% (previous year: 8.8%). With a gain of EUR 139.5 million from EUR 134.5 million to EUR 274.0 million (in absolute figures), the Steel Division was able to more than double its EBITDA. As was the case with regard to revenue, viewed in relative terms, it was the Special Steel Division (+626.2% from EUR 21.4 million to EUR 155.4 million) and the Profilform Division (+258.9% from EUR 21.9 million to EUR 78.6 million) that boosted EBITDA most markedly. But the Automotive Division as well was able to raise its EBITDA by 113.7% from EUR 24.8 million to EUR 53.0 million, thus more than doubling it in comparison to the previous year. Despite an already very high comparative figure in the previous year, the Railway Systems Division achieved yet another increase in EBITDA by 3.0% from EUR 179.2 million to EUR 184.6 million.

On the Group level the continuing rise in raw materials costs during the second quarter of 2010/11 could be passed on to the customers so that in comparison with the immediately preceding quarter (first quarter of 2010/11) the increase in revenue of 3.1% from EUR 2,556.1 million to EUR 2,635.7 million also resulted in a similarly high gain in EBITDA of 2.5% from EUR 350.9 million to EUR 359.6 million.

In comparison to an EBIT of EUR 42.7 million in the first six months of the previous year, in the first half of 2010/11, the Group recorded an operating result of EUR 414.2 million, an almost tenfold increase. Especially the Group's almost 100% production capacity utilization resulted in a very satisfactory operating result that ranks highly in comparison with the competition and represents an increase of the EBIT margin from 1.0% to 8.0%. All the divisions recorded a clearly positive EBIT, thus contributing to this very favorable development compared to the previous year.

In comparison to the immediately preceding quarter (first quarter of 2010/11), EBIT went up in the second quarter of 2010/11 similarly to revenue and EBITDA, increasing by 3.7% from EUR 203.3 million to EUR 210.9 million.

Due to an operating result that was up strongly in the first half of 2010/11 compared to the same period of the previous year, rising from EUR –42.3 million to EUR 317.4 million, the profit before tax (EBT) turned around. The profit for the period (net income)[3] came to EUR 249.7 million (compared to EUR –19.8 million in the previous year).

For the first six months of 2010/11, earnings per share (EPS) were EUR 1.24 (previous year: EUR –0.35).

Equity went up in the first half of 2010/11 compared to March 31, 2010 by 2.5% from EUR 4,262.4 million to EUR 4,370.0 million. While the

[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* (Profilform Division) and *Welding Consumables* (Railway Systems Division), which had previously been part of the Special Steel Division, were reassigned to other Group divisions. In order to enable a better means of comparison, the divisional figures for the relevant quarters of the previous year were adjusted accordingly; the Group's figures remained unchanged.
[3] Before non-controlling interests and interest on hybrid capital.

clearly positive profit for the period of EUR 249.7 million increased equity, the dividend payments to shareholders and owners of hybrid capital had an adverse effect in the amount of EUR 149.5 million.

Due to the excellent operating result and the investment expenditure that was considerably lower than depreciation, the net financial debt went down compared to March 31, 2010 by 5.4% from EUR 3,037.3 million to EUR 2,873.5 million. Thus, as of the end of the second quarter of 2010/11, the voestalpine Group's gearing ratio (net financial debt as a percentage of equity) was 65.8%. Thus, despite payment of a dividend, it was reduced within a period of just six months by another 5.5 percentage points compared to the gearing ratio as of March 31, 2010 (71.3%).

The economic environment, which improved significantly compared to last year, is also reflected in a substantial rise in crude steel production across the Group. During the first half of 2010/11, the total volume was 3.75 million tons, in other words, 37.4% above the comparative figure in the previous year (2.73 million tons). At 2.70 million tons, the Steel Division reported 36.4% growth in production, and at 641,000 tons, the Railway Systems Division saw an increase in output of 17.6%. The Special Steel Division more than doubled its production from 206,000 tons to 407,000 tons.

Comparison of the quarterly and six-month figures of the voestalpine Group

In millions of euros	Q 1		Q 2		H 1		
	2009/10 04/01–06/30/2009	**2010/11** 04/01–06/30/2010	**2009/10** 07/01–09/30/2009	**2010/11** 07/01–09/30/2010	**2009/10** 04/01–09/30/2009	**2010/11** 04/01–09/30/2010	Change in %
Revenue	2,093.2	2,556.1	2,088.6	2,635.7	4,181.8	5,191.8	24.2
EBITDA	134.2	350.9	232.6	359.6	366.8	710.5	93.7
EBITDA margin	6.4%	13.7%	11.1%	13.6%	8.8%	13.7%	
EBIT	–26.3	203.3	69.0	210.9	42.7	414.2	870.0
EBIT margin	–1.3%	8.0%	3.3%	8.0%	1.0%	8.0%	
Employees (excl. temporary personnel and apprentices)	40,801	39,595	39,919	39,862	39,919	39,862	–0.1

Steel Division

In millions of euros	Q 1		Q 2		H 1		
	2009/10 04/01–06/30/2009	2010/11 04/01–06/30/2010	2009/10 07/01–09/30/2009	2010/11 07/01–09/30/2010	2009/10 04/01–09/30/2009	2010/11 04/01–09/30/2010	Change in %
Revenue	760.1	922.2	753.3	1,014.2	1,513.4	1,936.4	28.0
EBITDA	34.0	134.6	100.5	139.4	134.5	274.0	103.7
EBITDA margin	4.5%	14.6%	13.3%	13.7%	8.9%	14.2%	
EBIT	–17.3	81.1	46.5	84.8	29.2	165.9	468.2
EBIT margin	–2.3%	8.8%	6.2%	8.4%	1.9%	8.6%	
Employees (excl. temporary personnel and apprentices)	9,839	9,516	9,618	9,488	9,618	9,488	–1.4

As opposed to European steel industry production, which has been declining since the summer of 2010—a development that was described in the section "Market environment"—the quality flat steel business segment, which generates about 75% of the revenue of the Steel Division, was able to fully utilize its production capacity in the second quarter of 2010/11.
As the price increases for raw materials relative to quarterly contracts were already passed on to the market during the first quarter of 2010/11, it was also possible to pass on price increases to customers with semi-annual, annual, and longer-term contracts starting in the second quarter. Generally, all newly executed contracts, which do not have provisions a priori stipulating price increases at short notice, contain clauses enabling variable prices in the event of major changes in the prices for the most important raw materials.
In the heavy plate segment, the recovery that began in the spring of 2010 as a result of positive developments in crucial customer industries, such as energy, mechanical engineering, and yellow goods, continued in the following months. Incoming orders, which have remained stable at a high level, and rising price levels are ensuring that this segment will fully utilize its production capacity at least until the end of the business year 2010/11.
The foundry activities have shown increasing demand, particularly from the energy sector. Only the situation in the light castings segment, whose volume is relatively small, has posed considerable challenges. In the first half of 2010/11, the market development in the Steel Service Center and preprocessing segments continued to be stable at a high level.

The very positive development during the first six months of the current business year has resulted in a significant increase in revenue and operating result compared to the same period of the previous year. Revenue rose by 28.0% from EUR 1,513.4 million to EUR 1,936.4 million. The improvement in the operating result was even more substantial. EBITDA doubled from EUR 134.5 million to EUR 274.0 million, with EBIT rising fivefold from EUR 29.2 million in the previous year to a profit from operations of EUR 165.9 million. EBITDA and EBIT margins thus improved very considerably from 8.9% to 14.2% and from 1.9% to 8.6% respectively.

In a direct comparison to the first quarter, the price increases for raw materials during the second quarter of 2010/11 resulted in a revenue gain of 10.0% from EUR 922.2 million to EUR 1,014.2 million. Consistent cost management and the fact that the higher raw materials costs were passed on to the market quickly brought an additional increase in the operating result. EBITDA rose by 3.6% from EUR 134.6 million to EUR 139.4 million, with EBIT increasing by 4.6% from EUR 81.1 million to EUR 84.8 million. Despite the further gains in the operating result, the increases in raw materials costs had a dilutive effect on the EBITDA and EBIT margins (from 14.6% to 13.7% and from 8.8% to 8.4% respectively).

As of September 30, 2010, the Steel Division had 9,488 employees. This represents a decline of 1.4% compared to the reporting date in the previous year (9,618).

Special Steel Division[1]

In millions of euros	Q 1		Q 2		H 1		
	2009/10 04/01–06/30/2009	2010/11 04/01–06/30/2010	2009/10 07/01–09/30/2009	2010/11 07/01–09/30/2010	2009/10 04/01–09/30/2009	2010/11 04/01–09/30/2010	Change in %
Revenue	466.8	613.8	444.3	623.1	911.1	1,236.9	35.8
EBITDA	4.7	77.1	16.7	78.3	21.4	155.4	626.2
EBITDA margin	1.0%	12.6%	3.7%	12.6%	2.3%	12.6%	
EBIT	–45.9	36.6	–33.8	38.5	–79.7	75.1	
EBIT margin	–9.8%	6.0%	–7.6%	6.2%	–8.7%	6.1%	
Employees (excl. temporary personnel and apprentices)	11,471	11,097	11,129	11,135	11,129	11,135	0.1

The upward trend in the Special Steel Division that was already noticeable in the early part of the business year 2010/11 has gained even more momentum. The level of incoming orders continued to be high even during the summer months, which are traditionally slow. As a result, the divisional production capacity was nearly fully utilized throughout the entire first half of 2010/11. The division was also able to draw on new production capacity that had been created within the scope of extensive investment projects that had already been initiated during the past several years and were completed in time to handle the increasing demand.
Within the individual product segments of the division, the tool steel, high-speed steel, and valve steel segments and to some extent the special engineering steel segment as well showed the most growth, primarily driven by higher demand from the automotive, consumer goods, and mechanical engineering industries. Additionally, the upturn in the electronics and consumer goods industries was responsible for increased demand for powder-metallurgical steels, while the favorable level of demand for special steels was largely the result of the boom experienced in the oilfield equipment sector. Demand for special products for energy generation and the aviation industry is below expectations for the time being.

With a revenue gain of 35.8% from EUR 911.1 million to EUR 1,236.9 million, the Special Steel Division experienced the highest growth of all the Group divisions in the first half of 2010/11 compared to the same period of the previous year. The sharply increased sales volumes, which resulted in a substantially improved production capacity utilization, resulted in EBITDA that soared from EUR 21.4 million in the preceding year to EUR 155.4 million. This corresponds to an EBITDA margin of 12.6% (previous year: 2.3%). The favorable level of demand and comprehensive cost optimization measures enabled the division to substantially improve its EBIT: after a loss of EUR 79.7 million in the comparable period of the previous year, in the first half of 2010/11, the division generated a distinctly positive operating result at EUR 75.1 million. The EBIT margin was therefore at 6.1% (previous year: –8.7%). With regard to EBIT, it should be noted that it still reflects the effects of the purchase price allocation (ppa) in the amount of EUR 27.8 million resulting from the BÖHLER-UDDEHOLM acquisition by voestalpine AG.

The direct comparison of the second quarter of 2010/11 with the immediately preceding quarter shows a stable upward trend in the Special Steel Division as well. Although traditionally the second quarter tends to be slow due to seasonal effects, revenue went up by 1.5% from EUR 613.8 million to EUR 623.1 million, with EBITDA and EBIT also increasing by 1.6% from EUR 77.1 million to EUR 78.3 million and by 5.2% from EUR 36.6 million to EUR 38.5 million, respectively. As a result the EBITDA margin remained constant at 12.6%, while the EBIT margin rose slightly from 6.0% to 6.2%.
As of September 30, 2010, the Special Steel Division had 11,135 employees. Compared to the previous year (11,129), the workforce remained practically unchanged.

[1] As of April 1, 2010, the new organizational structure of the Special Steel Division came into effect. Since then, the division has been focusing on the two core business segments of *High Performance Metals* and *Special Forgings*. In order to enable a better means of comparison, the relevant quarters of the previous years were adjusted accordingly. The business segments *Precision Strip* and *Welding Consumables* have belonged to the Profilform and Railway Systems Divisions, respectively, since April 1, 2010.

Railway Systems Division[1]

In millions of euros	Q 1		Q 2		H 1		
	2009/10 04/01–06/30/2009	2010/11 04/01–06/30/2010	2009/10 07/01–09/30/2009	2010/11 07/01–09/30/2010	2009/10 04/01–09/30/2009	2010/11 04/01–09/30/2010	Change in %
Revenue	574.9	667.9	584.6	668.4	1,159.5	1,336.3	15.2
EBITDA	87.4	91.0	91.8	93.6	179.2	184.6	3.0
EBITDA margin	15.2%	13.6%	15.7%	14.0%	15.5%	13.8%	
EBIT	56.6	63.0	58.2	66.2	114.8	129.2	12.5
EBIT margin	9.9%	9.4%	10.0%	9.9%	9.9%	9.7%	
Employees (excl. temporary personnel and apprentices)	9,886	9,743	9,879	9,833	9,879	9,833	–0.5

After the recent significant downward trend in prices (especially for standard qualities) during the last several quarters, the rail technology business segment appears to now have bottomed out; in the business year 2010/11 thus far, however, the market conditions were characterized by aggressive competition based on quantity and greater pressure on profit resulting from massive increases in raw materials costs. In contrast, the business situation has continued to be stable in the turnout technology business segment, which was bolstered by a slight recovery in the USA and the first signs of an uptrend in Eastern Europe. Rising prices for steel pre-materials, however, are also causing increased pressure on the results of the turnout segment.
The excellent order situation from virtually all customer industries has characterized the market environment of the wire business segment.
The business year 2010/11 has also been very gratifying thus far for the seamless tube segment, which was able to resume its four-shift operation and returned to full capacity utilization in September 2010 due to continuing high demand, and for steel production, including the blast furnace in Donawitz that was put back into operation in October after a scheduled major repair, which will also be fully utilized at least until the end of the business year. The situation of the welding technology business segment, which was newly added as of April 1, 2010, is similarly positive, showing growing demand and a stable high level of results.

During the first half of 2010/11, the excellent development of the wire, seamless tube, welding technology, and steel segments was able to largely compensate the substantially reduced margins in the rail segment. After EUR 1,159.9 million in the previous year, revenue rose to EUR 1,336.3 million, an increase of 15.2%. EBITDA and EBIT went up by 3.0% from EUR 179.2 million to EUR 184.6 million and by 12.5% from EUR 114.8 million to EUR 129.2 million, respectively. As a result, the division generated an EBITDA margin of 13.8% (previous year: 15.5%) and an EBIT margin of 9.7% (previous year: 9.9%) for the first half of 2010/11. The slightly lower margins are a result of the dilutive effect of higher costs for raw materials.

In comparison to the immediately preceding quarter, revenue in the second quarter of 2010/11 remained almost unchanged at EUR 668.4 million (first quarter of 2010/11: EUR 667.9 million). On the other hand, EBITDA and EBIT went up by 2.9% from EUR 91.0 million to EUR 93.6 million and by 5.1% from EUR 63.0 million to EUR 66.2 million, respectively. Compared to the immediately preceding quarter, the EBITDA margin went up from 13.6% to 14.0%, while the EBIT margin increased from 9.4% to 9.9%.
As of September 30, 2010, the Railway Systems Division had 9,832 employees. Compared to the same reference date of the previous year (9,878), this figure corresponds to a decline in the workforce by 46 employees or 0.5%.

[1] As of April 1, 2010, the *Welding Consumables* segment moved from the Special Steel Division and became part of the Railway Systems Division. In order to enable a better means of comparison, the relevant quarters of the previous years were adjusted accordingly.

Profilform Division[1]

In millions of euros	Q 1		Q 2		H 1		
	2009/10 04/01–06/30/2009	2010/11 04/01–06/30/2010	2009/10 07/01–09/30/2009	2010/11 07/01–09/30/2010	2009/10 04/01–09/30/2009	2010/11 04/01–09/30/2010	Change in %
Revenue	206.1	273.5	211.6	283.0	417.7	556.5	33.2
EBITDA	7.1	39.1	14.8	39.5	21.9	78.6	258.9
EBITDA margin	3.4%	14.3%	7.0%	14.0%	5.2%	14.1%	
EBIT	–4.1	28.4	3.7	28.9	–0.4	57.3	
EBIT margin	–2.0%	10.4%	1.7%	10.2%	–0.1%	10.3%	
Employees (excl. temporary personnel and apprentices)	4,247	4,032	4,058	4,113	4,058	4,113	1.4

The economic environment of the Profilform Division, which has been developing positively since the early part of the business year 2010/11, stabilized at a favorable level in the course of the second quarter; this is largely the result of a continuing stable development of demand from practically all major customer industries.
The tubes and sections segment profited from the continuing momentum in the solar energy industry on one hand and on the other from a significantly rising demand from the commercial vehicle industry and from the manufacturers of agricultural machinery. The development of the construction and construction supply industries improved slightly, although it remained below expectations.
In some product groups, the sharply growing demand in the Precision Strip segment could be satisfied only to a limited extent or with delayed delivery times due to bottlenecks in the supply of pre-materials.
In the storage technology segment, however, both requests for quotes and orders were subdued during the second quarter of 2010/11. Starting in September 2010, however, an initial recovery trend has been noticeable, in particular with regard to automated storage systems.
As a result of continuing robust demand during the first half of the business year, the utilization of capacity in the division's individual companies was good overall, with the Precision Strip segment even experiencing an extraordinarily high level of capacity utilization.

In comparison to the previous year, the first half of 2010/11 saw a considerable increase in sales volumes, which in turn resulted in improved capacity utilization. This resulted in the second highest—after the Special Steel Division—divisional rise in revenue of 33.2% from EUR 417.7 million to EUR 556.6 million, as well as in a quite substantial improvement of EBITDA from EUR 21.9 million to EUR 78.6 million. After reporting negative EBIT of EUR –0.4 million in the same period of the previous year due to massive underutilization of production capacity, the Profilform Division was again able to achieve a highly positive EBIT of EUR 57.3 million in the first half of 2010/11 due to the improved level of demand and the lower break-even point. As a result, the division generated an EBITDA margin of 14.1% (previous year: 5.2%) and an EBIT margin of 10.3% (previous year: –0.1%) for the first half of 2010/11.

In comparison to the directly preceding quarter, revenue rose during the second quarter of 2010/11 by 3.5% from EUR 273.5 million to EUR 283.0 million, with EBITDA increasing by 1.0% from EUR 39.1 million to EUR 39.5 million and EBIT up by 1.8% from EUR 28.4 million to EUR 28.9 million. The EBITDA margin was therefore at 14.0% in the second quarter of 2010/11 and the EBIT margin was at 10.2%.

As of September 30, 2010, the Profilform Division had 4,113 employees. Compared to the previous year (4,058), this figure corresponds to an increase in the workforce by 55 employees or 1.4%.

[1] As of April 1, 2010, the *Precision Strip* segment moved from the Special Steel Division and became part of the Profilform Division. In order to enable a better means of comparison, the relevant quarters of the previous years were adjusted accordingly.

Automotive Division

In millions of euros	Q 1		Q 2		H 1		
	2009/10 04/01–06/30/2009	2010/11 04/01–06/30/2010	2009/10 07/01–09/30/2009	2010/11 07/01–09/30/2010	2009/10 04/01–09/30/2009	2010/11 04/01–09/30/2010	Change in %
Revenue	195.1	242.6	193.4	234.1	388.5	476.7	22.7
EBITDA	12.7	26.4	12.1	26.6	24.8	53.0	113.7
EBITDA margin	6.5%	10.9%	6.3%	11.4%	6.4%	11.1%	
EBIT	–2.1	12.8	–0.5	12.1	–2.6	24.9	
EBIT margin	–1.1%	5.3%	–0.3%	5.2%	–0.7%	5.2%	
Employees (excl. temporary personnel and apprentices)	4,696	4,555	4,591	4,638	4,591	4,638	1.0

In the wake of the crisis, the European automobile market—the Automotive Division's most important sales region—has shown a cautious but nevertheless stable development. During the period from January to September 2010, automobile production in this region has increased by 14% compared to the first nine months of the 2009 calendar year; however, it was still 15% lower than the pre-crisis level. However, it is important to emphasize that the premium segment, which has crucial importance for the voestalpine Group, has already reached its high pre-crisis level of production due to sharply rising exports, especially in the emerging markets.
The commercial vehicle segment showed a considerable increase in demand, resulting in a very encouraging growth of production, although the figures for Europe continue to be substantially lower than those prior to the crisis.

Due to the significantly improved situation relative to demand and utilization of production capacity during the first half of 2010/11 compared to the same period of the previous year, the revenue of the Automotive Division rose by 22.7% from EUR 388.5 million to EUR 476.7 million. Furthermore, the division was able to more than double EBITDA from EUR 24.8 million to EUR 53.0 million and to report solidly positive EBIT in the amount of EUR 24.9 million (previous year: EUR –2.6 million). These figures resulted in an EBITDA margin of 11.1% (previous year: 6.4%) and an EBIT margin of 5.2% (previous year: –0.7%).

In comparison to the four other divisions, revenue in the Automotive Division fell compared to the immediately preceding quarter (EUR 242.6 million) by 3.5% to EUR 234.1 million, due primarily to seasonal effects (vacation shutdowns at customers' plants).
In the second quarter of 2010/11, at EUR 26.6 million, EBITDA was slightly higher than the previous quarter (EUR 26.4 million), while at EUR 12.1 million, EBIT was slightly lower than the preceding quarter's figure of EUR 12.8 million. In the second quarter of 2010/11, the EBITDA and EBIT margins were at 11.4% and 5.2%, respectively.

As of September 30, 2010, the Automotive Division had 4,638 employees. This corresponds to an increase of 47 employees or 1.0% compared to the previous year (4,591).

Business transactions with associated companies or parties

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

Investments

The investments of the voestalpine Group in the first six months of the business year 2010/11 came to EUR 169.2 million. Compared to the investments in the first half of the previous business year, which had already been significantly reduced due to the crisis (EUR 276.1 million), this represents yet another decline of EUR 106.9 million or 38.7%. This means that the Group's investment expenditures continue to be substantially lower than the level of depreciation (EUR 296.3 million). Nevertheless, all projects that aim to extend the Group's leadership role, both in technology and quality, are pursued consistently.

The significantly lower investment volume in the Steel Division of EUR 64.0 million (previous year: EUR 149.8 million) is primarily a result of the fact that the implementation of the "L6" investment program at the Linz location is now in its latter stages. In the first half of 2010/11, a new natural gas injection facility for the large blast furnace in Linz was successfully launched. Other major projects during this period were modernization investments in the foundry and the heavy plate production, construction of a new crucible gas holder, and the full resumption of construction on the new continuous casting facility CC7, which has been rolled back during the crisis.

In the first half of 2010/11, the Special Steel Division has largely completed the projects relative to capacity expansion in the wrought iron and steelworks segment at the Wetzlar (Germany), Hagfors (Sweden), and Kapfenberg (Austria) locations, where new facilities have been successfully put into operation. The investments are therefore down to EUR 35.0 million (previous year: EUR 89.3 million) commensurately with the progress of the projects.

At EUR 30.7 million compared to EUR 30.5 million in the previous year, the investment activities of the Railway Systems Division have remained practically unchanged. The key project was the major repair of the blast furnace at the Donawitz location, which was completed on schedule between July and October 2010.

The Profilform Division was the only division that saw an increase in its investment expenditures in the first half of 2010/11 compared to the same period of the previous year by 65.7% from EUR 14.3 million to EUR 23.7 million. However, it must be taken into consideration that most of the investment activity was undertaken by the newly added Precision Strip segment (formerly part of the Special Steel Division) and involves the concentration and expansion of rolling capacity for thin strips at the new site in Kematen (Lower Austria).

Acquisitions and Divestments

In the first quarter of 2010/11, the voestalpine Group signed a joint venture agreement between the Group company VAE GmbH. the Turkish State Railways (TCDD), and the Turkish steel manufacturer Karabuk Demir Celik Sanayi ve Ticaret A.S. (Kardemir) to establish a facility for turnout production; this represents an important step toward long-term utilization of the growth potential of the Turkish railway market. The new production facility, whose opening is planned for the early

part of the 2011 calendar year, will manufacture both high-speed switches for new railway lines and switches for the modernization of existing ones. (For details, please refer to the Letter to Shareholders for the first quarter of 2010/11.)
No additional acquisitions or divestments have been made in the course of the business year 2010/11 thus far.

Employees

As of September 30, 2010, the voestalpine Group had 39,862 core employees (not including apprentices). Compared to the same reporting date of the preceding year (39,919 employees), this represents a slight decline of 57 employees.

3,584 employees were employed as temporary staff; compared to last year's figure, this represents an increase of 45.2% or 1,116 employees.
As of September 30, 2010, only 82 employees Group-wide were working reduced hours. Compared to March 31, 2010 (1,460), this corresponds to a decline by 94.4% or 1,378 employees; compared to September 30, 2009, this is a decrease by 98.3% or 4,769 employees.
As of the end of the second quarter 2010/11, the voestalpine Group was training 1,668 apprentices, in other words, almost as many as in the previous year (1,722).

Research and Development

In September 2010, the "Innovationscenter Stahl" ("Steel Innovation Center") was opened in Linz, the center of operations of the Steel Division. The laboratory center, which was built over a period of one and a half years and represents an investment of about EUR 13 million, is focused on the development of new surface technologies for high-quality steel strip, including basic analytics, and provides state-of-the-art work stations for 70 researchers and testing technicians.
The "Steel Innovation Center" is directly associated with the "Steel Development Center" (focus on material development) and the "Steel Processing Center" (simulation and optimization of processing steps, such as, welding, pressing, or forming), which were established in Linz already some time ago. With this intensive and unique combination of materials and processing competency in the research and development phase, the company is taking yet another important step toward developing a sustainable expansion of its technology and quality leadership in high-quality flat steel products.

In the area of application-oriented fundamental research, the research and development partnerships with about 80 universities, universities of applied sciences, and non-academic research institutions all over the world have central importance. In the current business year, the strategic collaboration between voestalpine Stahl GmbH and the Johannes Kepler University (both in Linz) in the area of surface and nanotechnology was expanded. The development of innovative coatings is the goal of the new project, "SteelCoatingDesign," which is slated to run for a period of two years.

Within the scope of the competency centers program of the Austrian federal government, a research project in the areas of recycling and zero-waste production is currently being realized with another important partner, the Leoben University of Mining and Metallurgy. In the meantime, the centerpiece of the project, a new kind of reactor that reclaims metallurgical filter dust such as zinc, has been successfully put into operation.

voestalpine's globally leading turnout technology is now being used for the first time on a high-speed track in South Korea, which is operated at up to 370 km/h. The integrated setting system Hydrostar®, which combines all of the functions required for a turnout—such as operation, locking, and monitoring—guarantees the greatest possible degree of safety and at the same time, optimized lifecycle costs for the railroad operator.

The fulfillment of ever higher quality requirements relative to the long products rail, wire, and seamless tubes is primarily determined by appropriately high-quality pre-materials. A further optimization of the continuous casting process—a special innovative process was developed in Donawitz, the main site of the Railway Systems Division, and will be utilized there broadly in the future—will enable a significant reduction of impurities in the casting product, as well as substantially improved material properties.

And last but not least, a new type of welding filler material for high-strength and ultra high-strength applications was presented in October 2010. The unique feature of this laser-sealed technology is that its special properties prevent moisture, which can lead to formation of cracks in welding seams, from entering the material.

Environment

The focus of the environmental agenda during the first half of 2010/11 continued to be the topics that have priority for the European steel industry—the CO_2/post-Kyoto regime, implementation of the EU Regulation REACH (registration, evaluation, authorization, and restriction of chemicals), and revision of the IPPC Directive (Integrated Pollution Prevention and Control Directive) aimed at standardizing emission threshold values for industrial facilities in all EU member states. Regarding a detailed presentation of these topics, please refer to the Annual Report 2009/10 and the Letter to Shareholders for the first quarter of 2010/11.

In the past several months, the voestalpine Group has again taken a number of measures to continue to improve the already very high standards in the areas of energy and raw materials efficiency, reduction of air and water emissions, and waste reduction and recycling.
For example, in the Steel Division, a facility at the Linz site to process condensate was reconditioned, so that the recycling of process water is improved. As of June 2010, a new reporting system was implemented for wastewater measurement technology at the largest individual location of the voestalpine Group, which will make it possible to monitor drainage parameters more efficiently.
During the course of the business year 2010/11 thus far, the environmental activities of the Special Steel Division were mainly focused on the launch of a new wastewater treatment plant at the Villares, Brazil site, as well as optimizing the recycling of its wastewater.

Major environmentally relevant investment projects in the Railway Systems Division were currently related to additional optimization measures in the energy resources segment and a continued reduction of air emissions. By putting appropriate facilities into place, the Automotive Division significantly reduced cooling water emissions, while other optimization measures involved realizing a savings of natural gas.

In the first half of 2010/11, the voestalpine Group again received numerous awards for its outstanding achievements in the areas of the environment and safety. For example, voestalpine Stahl GmbH, Linz, received the "klima:aktiv mobil project partner" award from the Federal Ministry for Land and Forest Management, Environmental and Water Management. The object of this project is a reduction of CO_2 emissions by achieving a sustained reduction of diesel consumption.

Outlook

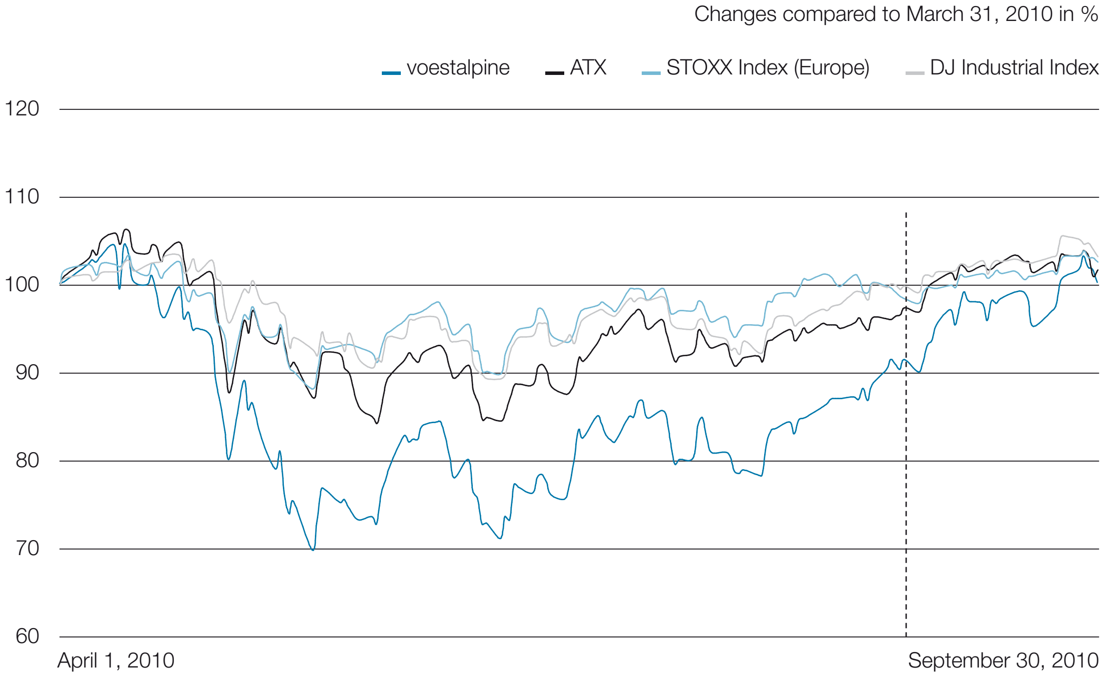
The global macroeconomic situation continues to present an extremely differentiated picture, both with regard to the economic regions and the trend-setting industry sectors.
While the positive underlying tendency in the major Asian economies—most recently in Japan as well for the first time in quite a while—and in Brazil continues, the situation in the USA is still being viewed skeptically, particularly against the backdrop of unemployment numbers that are still high, excessive public debt, and low capital spending and consumption levels.
In Europe, the positive situation in most of the countries north of the Alps—driven primarily by Germany—is offset by persistent weakness in Western and Southern Europe, although there are positive economic signs emerging from Central and Eastern Europe.

The situation of the major industry sectors is largely positive. From today's vantage point, the automobile industry is on its way back to production figures that will reach pre-crisis levels in the foreseeable future. The same applies to the mechanical engineering sector, the commercial vehicle industry, and the consumer goods industry, as well as to the oil and natural gas exploration segment. Demand continues to rise in the significant alternative energy segments, however, the conventional energy sector has not yet reached full production capacity utilization. While the aerospace supply segment is showing signs of a substantial market recovery for the next year compared to 2010, the construction and construction supply industries are expected to maintain a subdued economic trend due to the fact that public capital spending in many countries is still restrained because of cost-cutting measures.

Against this quite favorable economic backdrop, the prospects for the voestalpine Group in the second half of 2010/11 are stable, with largely full utilization of production capacity. This applies primarily to the Railway Systems, Special Steel, Profilform, and Automotive divisions. In the Steel Division, which, however, now represents only a third of the Group's revenue and operating result, the quarterly pricing model for some of the raw materials adds an element of uncertainty with regard to results during the fourth quarter. Nevertheless, from today's perspective, a doubling of last year's profit from operations (EBIT) of EUR 352 million for the business year 2010/11 appears to be assured.

Investor Relations

voestalpine AG vs. the ATX and international indices



Price development of voestalpine share

After the macroeconomic turbulences in the spring of 2010 (public debt situation, exchange rate development), the capital markets have recently calmed down somewhat. The problems surrounding debt in some European countries and fears of a new recession in the USA have receded for the time being at least.

During the period from April to September 2010 (and since then as well), the voestalpine share was able to reassert itself very well compared to the shares of other European industries; especially in the last several months, the voestalpine share performed significantly better than the shares of the competition. This positive performance is due on one hand to the fundamentals, which have greatly improved compared to the previous year—for example, production capacity

utilization that is significantly higher than the average achieved by the competition—and on the other hand, it is a result of the fact that the Group has strategically positioned itself with a clear focus on the top quality and technology segments.
In comparison to the benchmark indices, which are broader as far as the industries included are concerned, the voestalpine share has—appropriately for the development of a cyclical stock—underperformed in the first two quarters of the business year 2010/11. However, it was able to again compensate for this underperformance in the further course of the business year.

Bonds

Hybrid bond (2007–2014)

The hybrid bond issued by voestalpine AG in October 2007 recovered well after the upheaval on the international credit markets in 2008 and 2009 and rose from its low in February 2009 at 75 (% of the face value) to 102 (% of the face value) as of the end of the first half of 2010/11. In the past several weeks, the bond was able to continue its positive trend and register additional price gains.

Corporate bond (2009–2013)

The corporate bond, which voestalpine AG placed on the market at the height of the credit crisis, has registered substantial price gains since it was issued; on September 30, 2010, it had a price of 111 (% of the face value). Since then, the price has shown little momentum and has been very stable.

Shareholder structure

In the business year 2010/11 thus far, the shareholder structure of voestalpine AG has not undergone any substantial changes so that we refer to the detailed presentation of the shareholder structure in the Annual Report 2009/10.

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

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

Share Information

Share capital	EUR 307,132,044.75 divided into 169,049,163 no-par value shares
	Shares in proprietary possession as of September 30, 2010: 472,791 shares
Class of shares	Ordinary bearer shares
Stock identification number	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

Prices (as of end of day)	
Share price high April 2010 to September 2010 (April 14, 2010)	EUR 31.25
Share price low April 2010 to September 2010 (May 25, 2010)	EUR 20.87
Share price as of September 30, 2010	EUR 27.02
Initial offering price (IPO) October 1995	EUR 5.18
All-time high price (July 12, 2007)	EUR 66.11
Market capitalization as of September 30, 2010*	EUR 4,554,933,571.44

* Based on total number of shares less treasury shares.

Business year 2009/10	
Earnings per share	EUR 0.65
Dividend per share	EUR 0.50
Book value per share	EUR 24.88

Financial calendar 2010/11	
Letter to shareholders for the third quarter of 2010/11	February 18, 2011
Letter to shareholders for the fourth quarter and Annual Report 2010/11	May 31, 2011
Annual General Meeting	July 6, 2011
Ex-dividend date	July 11, 2011
Dividend payment date	July 18, 2011

voestalpine AG

Financial data 09/30/2010

According to International Financial Reporting Standards (IFRS)

Consolidated balance sheet

Assets

	03/31/2010	09/30/2010
A. Non-current assets		
Property, plant and equipment	4,484.0	4,401.4
Goodwill	1,420.4	1,420.1
Other intangible assets	462.4	424.7
Investments in associates	126.5	134.1
Other financial assets	167.2	164.0
Deferred tax assets	411.7	398.5
	7,072.2	**6,942.8**
B. Current assets		
Inventories	2,198.4	2,681.7
Trade and other receivables	1,458.1	1,610.0
Other financial assets	536.8	543.1
Cash and cash equivalents	1,028.6	761.5
	5,221.9	**5,596.3**
Total assets	**12,294.1**	**12,539.1**

In millions of euros

Equity and liabilities

	03/31/2010	09/30/2010
A. Equity		
Share capital	307.1	307.1
Capital reserves	417.5	412.9
Hybrid capital	992.1	992.1
Retained earnings and other reserves	2,472.9	2,583.6
Equity attributable to equity holders of the parent	**4,189.6**	**4,295.7**
Non-controlling interests	72.8	74.3
	4,262.4	**4,370.0**
B. Non-current liabilities		
Pensions and other employee obligations	853.0	857.2
Provisions	57.5	55.0
Deferred tax liabilities	246.0	246.4
Financial liabilities	3,268.3	2,911.5
	4,424.8	**4,070.1**
C. Current liabilities		
Provisions	382.0	383.1
Tax liabilities	51.0	67.6
Financial liabilities	1,448.0	1,394.3
Trade and other payables	1,725.9	2,254.0
	3,606.9	**4,099.0**
Total equity and liabilities	**12,294.1**	**12,539.1**

In millions of euros

Consolidated statement of cash flows

	04/01–09/30/2009	04/01–09/30/2010
Operating activities		
Profit for the period	–19.8	249.7
Adjustments	243.9	304.8
Changes in working capital	487.9	–80.4
Cash flows from operating activities	**712.0**	**474.1**
Cash flows from investing activities	**–341.3**	**–221.3**
Cash flows from financing activities	**–667.2**	**–525.0**
Net decrease/increase in cash and cash equivalents	**–296.5**	**–272.2**
Cash and cash equivalents, beginning of period	857.7	1,028.6
Net exchange differences	6.0	5.1
Cash and cash equivalents, end of period	**567.2**	**761.5**

In millions of euros

Consolidated income statement

	04/01–09/30/2009	04/01–09/30/2010	07/01–09/30/2009	07/01–09/30/2010
Revenue	4,181.8	5,191.8	2,088.6	2,635.7
Cost of sales	–3,473.3	–4,064.2	–1,690.4	–2,066.6
Gross profit	**708.5**	**1,127.6**	**398.2**	**569.1**
Other operating income	180.1	166.3	94.4	54.8
Distribution costs	–427.5	–467.9	–212.6	–234.6
Administrative expenses	–246.0	–265.1	–123.9	–123.2
Other operating expenses	–172.4	–146.7	–87.1	–55.2
Profit from operations (EBIT)	**42.7**	**414.2**	**69.0**	**210.9**
Share of profit of associates	6.6	16.0	4.6	10.1
Finance income	57.9	28.7	17.2	13.0
Finance costs	–149.5	–141.5	–63.0	–73.1
Profit before tax (EBT)	**–42.3**	**317.4**	**27.8**	**160.9**
Income tax expense	22.5	–67.7	0.6	–32.3
Profit for the period	**–19.8**	**249.7**	**28.4**	**128.6**
Attributable to:				
Equity holders of the parent	–58.8	209.1	8.5	108.4
Non-controlling interests	3.0	4.6	1.9	2.2
Share planned for hybrid capital owners	36.0	36.0	18.0	18.0
Basic earnings per share (euros)	**–0.35**	**1.24**	**0.05**	**0.64**
Diluted earnings per share (euros)	**–0.35**	**1.24**	**0.05**	**0.64**
Statement of comprehensive income:				
Profit for the period	**–19.8**	**249.7**	**28.4**	**128.6**
Other comprehensive income				
Hedge accounting	–20.4	–12.3	–8.8	–16.6
Deferred tax hedge accounting	4.4	3.6	1.5	4.1
Currency translation	27.6	18.2	–8.0	–34.6
Other comprehensive income for the period, net of income tax	**11.6**	**9.5**	**–15.3**	**–47.1**
Total comprehensive income for the period	**–8.2**	**259.2**	**13.1**	**81.5**
Attributable to:				
Equity holders of the parent	–48.3	218.6	–6.2	**61.8**
Minority interest	4.1	4.6	1,3	**1.7**
Share planned for hybrid capital owners	36.0	36.0	18.0	**18.0**
Total comprehensive income for the period	**–8.2**	**259.2**	**13.1**	**81.5**

In millions of euros

Consolidated statement of changes in equity

	H 1 2009/10			H 1 2010/11		
	Group	Non-controlling interests	Total	Group	Non-controlling interests	Total
Equity as of April 1st	**4,185.9**	**76.6**	**4,262.5**	**4,189.6**	**72.8**	**4,262.4**
Total comprehensive income for the period	–12.3	4.1	–8.2	254.6	4.6	259.2
Dividends to shareholders	–175.9	–7.3	–183.2	–84.3	–6.4	–90.7
Own shares acquired/ disposed	4.1	–	4.1	5.0	–	5.0
Purchase of non-controlling interests	–	–	–	–	1.6	1.6
Dividends to hybrid capital owners	–65.2	–	–65.2	–65.2	–	–65.2
Other changes	–8.9	0.6	–8.3	–4.0	1.7	–2.3
Equity as of September 30th	**3,927.7**	**74.0**	**4,001.7**	**4,295.7**	**74.3**	**4,370.0**

In millions of euros

Notes

These interim consolidated financial statements of voestalpine AG as of September 30, 2010 for the first half of the business year 2010/11 were prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies are unchanged from the annual consolidated financial statements for the business year 2009/10 with the following exceptions: amendments to IAS 27 (2008) Consolidated and Separate Financial Statements as well IFRS 3 (2008) Business Combinations are being applied for the first time. The amendments do not have a significant impact on the interim consolidated financial statements. Further information on the principles of preparation is provided in the consolidated financial statements as of March 31, 2010, on which these interim consolidated financial statements are based.

Since the requirements for the application of IFRS 5 were no longer met as of March 31, 2010, the entities classified as discontinued operations in the preceding year are again classified as continuing operations in these interim consolidated financial statements. Comparative figures of the preceding year were adjusted accordingly.

Since April 1, 2010, the cash-generating units Precision Strip and Welding Consumables are being managed and reported within the Profilform Division and the Railway Systems Division (previously Special Steel Division). In these interim consolidated financial statements, the two cash-generating units were therefore allocated to the operating segments Profilform Division (Precision Strip) and Railway Systems Division (Welding Consumables). Comparative figures of the preceding year were adjusted accordingly.

The interim consolidated financial statements are presented in millions of euros (the functional currency of the parent company). The use of automated calculation systems may result in rounding differences.

Unless otherwise stated, comparative information relates to the first half of the business year 2009/10 (reporting date: September 30, 2009).

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

Scope of consolidated financial statements/acqusitions

The changes made in the scope of consolidated financial statements during the reporting period were as follows:

	Full consolidation	Proportionate consolidation	Equity method
As of April 1, 2010	**296**	**2**	**13**
Acquisitions			
Change in consolidation method			
Additions	3		
Disposals			–1
Reorganizations	–4		
Divestments or disposals	–1		
As of September 30, 2010	**294**	**2**	**12**
Of which foreign companies	238	0	5

Notes on the consolidated statement of financial position

In the first half of the business year 2010/11, depreciations amounting to EUR 296.3 million exceeded investments that amounted to EUR 169.2 million. This led to a decrease in non-current assets. Inventories have increased by EUR 483.3 million in comparison to March 31, 2010 due to increasing prices and volumes. The increased revenue was the primary reason why receivables were higher. Cash and cash equivalents declined by EUR 267.1 million due mainly to loan repayments.

As of September 30, 2010, voestalpine AG's share capital amounted to EUR 307,132,044.75 (169,049,163 shares). The Company held 472,791 of its own shares as of the reporting date. In the first half of the business year 2010/11, the Company sold 185,494 of its own shares.

Effective October 16, 2007, voestalpine AG issued a hybrid bond subordinated to all other creditors with a total issue volume of EUR 1,000,000,000. The bond has an indefinite term and a 7.125% coupon rate. The Company may defer coupon payments if no dividends are paid. The first call option is after seven years, at which time voestalpine AG (but not the bond holders) may either call the bond at par or extend it at a higher, but variable, coupon rate. This hybrid bond is recognized as a component of equity under IAS 32.

Profit for the period amounting to EUR 249.7 million has contributed to the increase of equity. For the business year 2009/10, a dividend per share of EUR 0.50 was decided upon at the Annual General Meeting on July 7, 2010. Therefore, voestalpine AG distributed dividends amounting to EUR 84.3 million to its shareholders during the current business year. Interest for hybrid capital amounting to EUR 65.2 million (distributed on October 31, 2010) was also deducted from equity in the form of a dividend.

Non-current loans developed according to our redemption schedule and non-current financial liabilities therefore declined to EUR 2,911.5 million. The rise in purchasing volume was the primary reason for the increase of trade payables.

Notes on the consolidated income statement

Revenue for the period from April 1 to September 30, 2010 totaled EUR 5,191.8 million, exceeding the comparable figure for the preceding year (EUR 4,181.8 million) by 24.2%. Profit from operations (EBIT) reached EUR 414.2 million for the same period compared to EUR 42.7 million for the first six months of the business year 2009/10. EBIT equaled EUR 210.9 million for the second quarter of 2010/11, compared to EUR 69.0 million for the second quarter of 2009/10. After consideration of the financial result and taxes, profit for the period amounts to EUR 249.7 million compared to EUR –19.8 million for the first half of the preceding year.

In June 2010, the European Commission imposed a fine amounting to EUR 22.0 million on voestalpine Austria Draht GmbH (Railway Systems Division) due to a violation of EU antitrust law. According to the decision of the Commission, voestalpine AG as the Group's ultimate parent company is jointly and severally liable for this fine. voestalpine AG and voestalpine Austria Draht GmbH took legal action against the decision before the European General Court. However, as a precautionary measure, a provision amounting to EUR 8.0 million was created in the first quarter, which remains unchanged.

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

	04/01/–09/30/2009	04/01/–09/30/2010
Profit attributable to equity holders of the parent (in millions of euros)	–58.8	209.1
Weighted average number of issued ordinary shares (millions)	167.1	168.5
Basic (undiluted) earnings per share (euros)	**–0.35**	**1.24**

Diluted earnings per share are depicted as follows:

	04/01/–09/30/2009	04/01/–09/30/2010
Diluted earnings per share (euros)	**–0.35**	**1.24**

Operating segments

The following tables contain information on the operating segments of the voestalpine Group for the first half of the business year 2010/11 and business year 2009/10, respectively:

1st half of 2010/11

	Steel Division 04/01–09/30/2010	**Special Steel Division** 04/01–09/30/2010	**Railway Systems Division** 04/01–09/30/2010
Segment revenue	1,936.4	1,236.9	1,336.3
of which revenue with third parties	1,648.1	1,206.5	1,318.0
of which revenue with other segments	288.3	30.4	18.3
EBITDA	274.0	155.4	184.6
Profit from operations (EBIT)	165.9	75.1	129.2
EBIT margin	8.6%	6.1%	9.7%
Segment assets	3,717.3	3,963.2	2,291.4
Employees (excl. temporary personnel and apprentices)	9,488	11,135	9,833

1st half of 2009/10

	Steel Division 04/01–09/30/2009	**Special Steel Division** 04/01–09/30/2009	**Railway Systems Division** 04/01–09/30/2009
Segment revenue	1,513.4	911.1	1,159.5
of which revenue with third parties	1,347.7	899.4	1,145.5
of which revenue with other segments	165.7	11.7	14.0
EBITDA	134.5	21.4	179.2
Profit from operations (EBIT)	29.2	–79.7	114.8
EBIT margin	1.9%	–8.7%	9.9%
Segment assets	3,420.9	3,895.1	2,333.8
Employees (excl. temporary personnel and apprentices)	9,618	11,129	9,879

	Profilform Division 04/01–09/30/2010	Automotive Division 04/01–09/30/2010	Other 04/01–09/30/2010	Reconciliation 04/01–09/30/2010	Total Group 04/01–09/30/2010
	556.5	476.7	43.9	–394.9	5,191.8
	542.5	475.5	1.2	0.0	5,191.8
	14.0	1.2	42.7	–394.9	0.0
	78.6	53.0	–26.9	–8.2	710.5
	57.3	24.9	–29.8	–8.4	414.2
	10.3%	5.2%			8.0%
	1,054.2	867.0	8,110.9	–7,464.9	12,539.1
	4,113	4,638	655	0	39,862

In millions of euros

	Profilform Division 04/01–09/30/2009	Automotive Division 04/01–09/30/2009	Other 04/01–09/30/2009	Reconciliation 04/01–09/30/2009	Total Group 04/01–09/30/2009
	417.7	388.5	42.9	–251.3	4,181.8
	399.8	387.4	2.0	0.0	4,181.8
	17.9	1.1	40.9	–251.3	0.0
	21.9	24.8	–53.0	38.0	366.8
	–0.4	–2.6	–56.5	37.9	42.7
	–0.1%	–0.7%			1.0%
	1,018.2	872.2	8,648.6	–8,505.9	11,682.9
	4,058	4,591	644	0	39,919

In millions of euros

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

EBITDA

	04/01–09/30/2009	04/01–09/30/2010
Net exchange differences incl. result from valuation of derivatives	19.2	0.1
Value adjustments for receivables/waiver of receivables	21.6	–1.7
Consolidation	0.4	–6.7
Other	–3.2	0.1
EBITDA – Total reconciliation	**38.0**	**–8.2**

In millions of euros

EBIT

	04/01–09/30/2009	04/01–09/30/2010
Net exchange differences incl. result from valuation of derivatives	19.2	0.1
Value adjustments for receivables/waiver of receivables	21.6	–1.7
Consolidation	0.4	–6.7
Other	–3.3	–0.1
EBIT – Total reconciliation	**37.9**	**–8.4**

In millions of euros

For the most part, all other key ratios contain solely the effects of consolidation.

Notes on the consolidated statement of cash flows

The improved operating result led to an increase in cash flow before capital changes from EUR 224.1 million to EUR 554.5 million. Taking the change in working capital into consideration, cash flows from operating activities amounted to EUR 474.1 million in comparison to the first half of the preceding year (EUR 712.0 million); this represents a decrease of 33.4%. After the deduction of EUR 221.3 million in cash flows from investing activities and taking into account the cash flows from financing activities amounting to EUR –525.0 million (mainly loan repayments and dividends), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR –272.2 million.

Seasonality and cyclicality

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

Business transactions with associated companies or parties

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

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

Events after the reporting period

No significant events after the reporting period have occurred.

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

The Management Board of voestalpine AG confirms to the best of its knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the business year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the business year and of the major related party transactions to be disclosed.

Linz, November 17, 2010

The Management Board

Wolfgang Eder
Chairman of the Management Board

Franz Hirschmanner
Member of the Management Board

Josef Mülner
Member of the Management Board

Robert Ottel
Member of the Management Board

Claus J. Raidl
Member of the Management Board

Wolfgang Spreitzer
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