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Letter to Shareholders 1st Quarter 2008/09

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voestalpine Group Key Figures

In millions of euros	1 Q 2007/08[2] 04/01–06/30/2007	1 Q 2008/09 04/01–06/30/2008	Change in %	1 Q 2008/09 (pro-forma, pre ppa)[1]
Revenue	1,931.6	3,255.0	68.5	3,255.0
EBITDA	407.1	542.6	33.3	575.6
EBITDA margin (in %)	21.1	16.7		17.7
EBIT	314.3	357.7	13.8	448.0
EBIT margin (in %)	16.3	11.0		13.8
Profit before tax	303.0	302.8	–0.1	393.1
Profit for the period from continuing operations	242.9	241.2	–0.7	305.5
Profit for the period[3]	242.1	240.3	–0.7	304.6
Earnings per share from continuing operations (euros)	1.56	1.36	–12.8	1.72
Investments	2,291.3	202.2	–91.2	
Depreciation	92.8	184.9	99.2	127.7
Equity	3,127.9	4,637.4	48.3	
Net financial debt	2,716.7	3,571.0	31.4	
Net financial debt in % of equity (gearing ratio)	86.9	77.0		
Employees excl. apprentices	25,031	42,088	68.1	
Capital Employed	4,176.5	8,946.5	114.2	

[1] Explanatory remarks on the purchase price allocation (PPA): The BÖHLER-UDDEHOLM Group has been consolidated since July 1, 2007 as the Special Steel Division of voestalpine AG. In the course of the initial consolidation a purchase price allocation was performed in accordance with the provisions of IFRS 3 (in this regard, please refer to the explanatory remarks on the inside cover page of the 2007/08 Annual Report).

This is the reason why, in the present quarterly statement of the voestalpine Group, the recorded earnings of the Special Steel Division differ substantially from the concurrently published result of BÖHLER-UDDEHOLM AG. A significantly smaller impact on earnings is expected in future reporting periods, due to the gradual elimination of short-term effects. Free cash flow for the Special Steel Division will not be affected by the impact of the PPA, which is solely an accounting adjustment.

As the PPA distorts the picture regarding actual developments, the above key figures table also includes pro forma figures for the voestalpine Group excluding the PPA and effects that are shown solely for accounting purposes.

[2] Last year's figures were retrospectively adjusted.

[3] Before minority interests and hybrid capital interest.

Ladies and Gentlemen!

Anyone who has been following the reports in the international business media in recent months must have the impression that the world is on the brink of economic collapse. No doubt it is correct that individual economic regions are indeed facing recessive developments—not least because their financial markets lack a certain risk awareness. For the greater part of the global economy, however, rational examination results in a very different diagnosis, namely that after a number of years of unexpectedly dynamic growth, it's back to business as usual. After all, it would be presumptuous to expect that Western Europe, the region with the highest living standard in the world, would be capable of maintaining economic growth of 3% and more for years and years. Therefore, it does not reflect a true sense of reality and responsibility to depict a slowdown in economic growth to 1.5% to 2.5% annually—figures that are realistically sustainable in the long term—as a disaster scenario, something that is a common occurrence today and that is currently being conveyed especially powerfully by the reactions of the capital markets.

Just so that there are no misunderstandings—there are doubtless some greater challenges on the horizon for business and industry than was the case in the last few years, but there is no reason to fall into a depression. The return to normality should instead be viewed as an opportunity to critically revisit structures and cost position.

It is particularly at the cost end that the voestalpine Group never neglected the consistent implementation and enhancement of its streamlining and optimization programs during the past boom years. For the current financial year alone, the anticipated savings from these activities are EUR 180 million. An additional new cost optimization project in the purchasing sector should make it possible to realize savings of more than EUR 200 million in the 2008/09 financial year as compared to the previous year.

One year after the takeover of the BÖHLER-UDDEHOLM Group, one could ask to what extent the success of this acquisition might have covered up any weaknesses of the "old" voestalpine Group. Any such fears are unfounded, as a "stand-alone analysis" (comparison of the quarters without taking BÖHLER-UDDEHOLM into account) shows. Both EBITDA and EBIT of the "old" voestalpine Group are about 3% above the comparative figures of the previous year, which means that last year's record figures went up, even without taking BÖHLER-UDDEHOLM into consideration. And this is also the most convincing evidence that it was possible to more than compensate the enormous cost increases for raw materials through the cost optimization programs mentioned earlier and by appropriate pricing models on the market.

Linz, August 27, 2008

The Management Board

W. Eder | F. Hirschmanner | J. Mülner

R. Ottel | C. J. Raidl | W. Spreitzer

Overview of business performance[1,2]

During the past quarter, the voestalpine Group achieved **new record figures** relative to **revenues**, **profit**, and **employees**. As compared to the 1st quarter of the previous year, during the first three months of the 2008/09 financial year, the most important key figures changed as follows:

- **Revenue** rose by 68.5% from EUR 1,931.6 million to **EUR 3,255 million**.

- **EBITDA** (profit from operations before depreciation), which was **not affected** by the purchase price allocation (PPA) resulting from the acquisition of BÖHLER-UDDEHOLM improved by 41.4% from EUR 407.1 million to **EUR 575.6 million**; taking the PPA into account, this results in an increase by 33.3% to EUR 542.6 million. During the first quarter, the effects of the PPA of EUR 33 million on EBITDA were incurred for the last time. The **EBITDA margin** declined compared to the previous year from 21.1% to **17.7%**, reflecting the higher revenues that resulted from the increased raw materials costs being passed on to customers. The effects of the PPA resulted in an additional decline to 16.7%.

- **Without the PPA, EBIT** (profit from operations) rose during the first three months by 42.5% from EUR 314.3 million to **EUR 448.0 million**. The decline in the **EBIT margin** from 16.3% to **13.8%** was also largely the result of passing on the higher raw materials prices. Taking the PPA into account, the first quarter shows an increase in the operating result of 13.8% to EUR 357.7 million, thus resulting in an EBIT margin of 11.0%.

- In the first three months of the 2008/09 financial year, the **profit before tax (EBT)—without** taking the **PPA effects** into account—rose by 29.7% from EUR 303 million to **EUR 393.1 million**. The corresponding figure after PPA is EUR 302.8 million.

- At **EUR 304.6 million**, the **profit for the period** (net income)[3] was 25.8% above last year's figure (EUR 242.1 million); taking the PPA into account, net income is EUR 240.3 million.

[1] In this regard, please refer to the explanatory remarks on the purchase price allocation (PPA) on the inside cover page.
[2] Last year's figures were retrospectively adjusted.
[3] Before minority interests and hybrid capital interest.

- The **earnings per share** for the first quarter of the current financial year come to **EUR 1.72** (resp. EUR 1.36 after PPA), thus going up as compared to the 1st quarter 2007/08 by 10.3% (resp. dropping by 12.8% after PPA).

- As compared to the same quarter of the previous year, **equity** rose by 48.3% from EUR 3,127.9 million to **EUR 4,637.4 million**. This increase is predominantly due to the hybrid bond issued in October 2007 to refinance the BÖHLER-UDDEHOLM acquisition, which had a volume of EUR 1 billion and which took effect in the 3rd quarter of the financial year in accordance with IAS 32 (equity nature of such bonds). Concurrently, as a result of the purchase of additional shares of BÖHLER-UDDEHOLM AG, the net financial debt increased from EUR 2,716.7 million to EUR 3,571 million. Accordingly, this resulted in a **gearing ratio** (net financial debt in percent of equity) of **77%** as of the end of the 1st quarter of 2008/09. Thus it is just under 10 percentage points lower than last year's comparative figure (86.9%).

- As of June 30, 2008, the voestalpine Group had **42.088 employees** (excl. apprentices). Compared to last year's figure (25,031), this corresponds to an increase of 68.1% or 17,057 employees, due primarily to the acquisition of the BÖHLER-UDDEHOLM Group.

- **Crude steel production** of the voestalpine Group during the 1st quarter of 2008/09 was **2.03 million tons**. The increase of 17.3% over the previous year (1.73 million tons) was due largely to the inclusion of the Special Steel Division (240,000 tons). Additionally, however, both the Steel Division, with 1.38 million tons (plus 3.0%), and the Railway Systems Division, with 410,000 tons (plus 2.5%), recorded production figures that were above those of the previous year.

Interim Management Report

Economic environment

During the first three months of the 2008/09 financial year, the development of the economy in the key markets and customer industries of the voestalpine Group remained positive. Ongoing high demand from the key customer sectors, in particular the automotive industry, commercial vehicle production, the railway sector, the energy industry, as well as the steel and machine construction sector, continued unabated during the 1st quarter. Viewed geographically, the trend was fostered by the economy in Germany, the Benelux countries, and Northern Europe, which continues to be intact; however, the primary engine was stable growth in Central and Eastern Europe. The marked economic downturn in the Western and Southern EU member states (Great Britain, France, Spain, Italy) has affected the voestalpine Group only in individual cases thus far. Among the key overseas markets, the economy in the USA and Japan is considerably weaker than it was last year, while in Brazil, the economic recovery has experienced another uptrend.

The disadvantages of the weakness of the dollar vis-à-vis the euro relative to direct exports by Group companies to the U.S. is—seen Group-wide—offset by advantages resulting from purchases of raw materials invoiced in U.S. dollars. Nevertheless, the continuing rise of raw materials costs, in addition to worries about a global weakening of the economy and an increased risk of inflation, currently represent the major risk factors for the upcoming quarters.

Business Development of the voestalpine Group[1, 2]

During the first three months, the voestalpine Group continued its growth as compared to the 1st quarter of the previous year, with revenues, profit, and employee numbers soaring to new heights.

In the 1st quarter of the 2008/09 financial year, the revenues of the Group went up by EUR 1,323.4 million (+ 68.5%) from EUR 1,931.6 million to EUR 3,255 million. The revenue increase of EUR 1,017.1 million is the result of the consolidation of the Special Steel Division, which occurred on July 1, 2007. But all the other divisions also recorded higher revenues as compared to the previous year. As a result of continuing growth in both revenues and quantities, the Steel Division recorded the most significant increase in sales revenues at 21.8%, which climbed to EUR 1,174.7 million, closely followed by a plus of 21.6% in the Profilform Division, whose revenues rose from EUR 280.6 million to EUR 341.2 million. Roughly EUR 40 million of this amount is derived from acquisitions carried out within the scope of expanding business activities in

North and South America. The Automotive Division increased its revenues in comparison to the 1st quarter of the previous year by 12.4% to EUR 259.2 million due to a very high level of incoming orders during the past financial year. The fact that the higher raw materials prices were passed on to customers was the primary reason why revenues in the Railway Systems Division increased by 7.7% to EUR 630.7 million.

At EUR 575.6 million, the undistorted profit from operations before depreciation (EBITDA) reached an all-time high. This corresponds to a gain compared to the previous year (EUR 407.1 million) of 41.4%, with the Railway Systems Division's EBITDA remaining at last year's level and increases in all other divisions. Even when taking the BÖHLER-UDDEHOLM AG PPA effects into account, the increase in EBITDA is 33.3% to EUR 542.6 million. The purchase price allocation of EUR 33 million in the 1st quarter affected EBITDA for the last time.

The undistorted profit from operations (EBIT) went up by 42.5% compared to the previous year, increasing from EUR 314.3 million to EUR 448.0 million. After PPA, the increase is only 13.8% to EUR 357.7 million, as this reduces the Special Steel Division EBIT to EUR 33.8 million as compared to EUR 124.1 million on a stand-alone basis. Nevertheless, the new record figures achieved by the Steel, Special Steel, Profilform, and Automotive Divisions made the improvement of the profit from operations possible. The Railway Systems Division almost matched its record quarterly result of the previous year.

The decline of the EBITDA and EBIT margins before PPA from 21.1% to 17.7% resp. from 16.3% to 13.8% is largely the consequence of passing the increased raw materials costs on to the market, resulting in higher revenues. When taking the (solely accounting) effects of the PPA into consideration, the EBTIDA and EBIT margins decline from 21.1% to 16.7% resp. from 16.3% to 11.0%.

The undistorted profit before tax (EBT) recorded a strong gain as a consequence of the operating result that rose steeply by 29.7% from EUR 303 million to EUR 393.1 million. Even after PPA, EBT was at the previous year's level, at EUR 302.8 million. The profit after tax (net income)[3] also went up by 25.8% from EUR 242.1 million to EUR 304.6 million before PPA. After PPA, it remained almost unchanged at EUR 240.3 million.

For the first three months, the undistorted earnings per share (EPS) were EUR 1.72 (after PPA: EUR 1.36 per share) and are thus 10.3% higher (resp. 12.8% lower after PPA) than the first three months of the previous year (EUR 1.56).

[1] In this regard, please refer to the explanatory remarks on the purchase price allocation (PPA) on the inside cover page.
[2] Last year's figures were retrospectively adjusted.
[3] Before minority interests and hybrid capital interest.

Seen individually, the 1st quarter of 2008/09 in the five divisions of the voestalpine Group can be presented as follows:

Steel Division

In millions of euros	1 Q 2007/08 04/01–06/30/2007	1 Q 2008/09 04/01–06/30/2008	Change in %
Revenue	964.7	1,174.7	21.8
EBITDA	235.8	240.8	2.1
EBITDA margin (in %)	24.4	20.5	
EBIT	186.8	188.7	1.0
EBIT margin (in %)	19.4	16.1	
Employees excl. apprentices	9,621	9,889	2.8

The business development of the *Steel Division* was characterized by a stable and high level of demand from all customer industries, while inventory and imports remained low. During the 1st quarter of the financial year, the division experienced a continuing positive trend, not only in its largest segment of quality flat steel products, but in all other segments—heavy plate, foundry, the Steel Service Center, and customer-specific pre-processing—as well.

The raw materials costs, which rose considerably as of April 1, were largely passed on to the market, although it was not possible to complete this process in the 1st quarter because of long-term supply contracts. The corresponding price increases will be largely implemented during the 2nd quarter for long-term contracts as well.

During the first three months of the 2008/09 financial year, the Steel Division again outperformed its sales and operating results compared to the first three months of the previous year, which had been its best single quarter by far since its establishment. With an increase by 21.8% from EUR 964.7 million to EUR 1,174.7 million, the revenue reached a record level as did EBITDA and EBIT that increased by 2.1% from EUR 235.8 million to EUR 240.8 million resp. by 1% from EUR 186.8 million to EUR 188.7 million compared to the previous year's already excellent comparative quarter. Because revenue rose as a result of price adjustments to compensate higher raw materials costs, the EBITDA and EBIT margins dropped from 24.4% to 20.5% resp. from 19.4% to 16.1%.

Special Steel Division[1]

In millions of euros	1 Q 2007/08[2] 04/01–06/30/2007	1 Q 2008/09 04/01–06/30/2008 (pro-forma, pre PPA)	Change in %	1 Q 2008/09 04/01–06/30/2008 (after PPA)
Revenue	926.0	1,017.1	9.8	1,017.1
EBITDA	147.4	155.2	5.3	122.2
EBITDA margin (in %)	15.9	15.3		12.0
EBIT	119.1	124.1	4.2	33.8
EBIT margin (in %)	12.9	12.2		3.3
Employees excl. apprentices	14,772	15,451	4.6	15,451

[1] In this regard, please refer to the explanatory remarks on the purchase price allocation (PPA) on the inside cover page.
[2] The first quarter of 2007/08 (04/01–06/30/2007) of the Special Steel Division is shown for purely informational purposes in order to better compare business development; these figures correspond to the BÖHLER-UDDEHOLM AG figures published at the time, however, they were never a component of the voestalpine Group Consolidated Financial Statement, as initial consolidation occurred on July 1, 2007.

Business development in the BÖHLER-UDDEHOLM Group, which has been consolidated since the 2nd quarter of the 2007/08 financial year as the *Special Steel Division*, showed stable and high demand during the 1st quarter of 2008/09, as well as record figures in sales revenues and earnings. Demand in the energy production sector continued to be dynamic, but all other key customer industries (machine construction, offshore projects, petrochemistry, automotive and aircraft construction industry) also demonstrated sustained and solid demand.

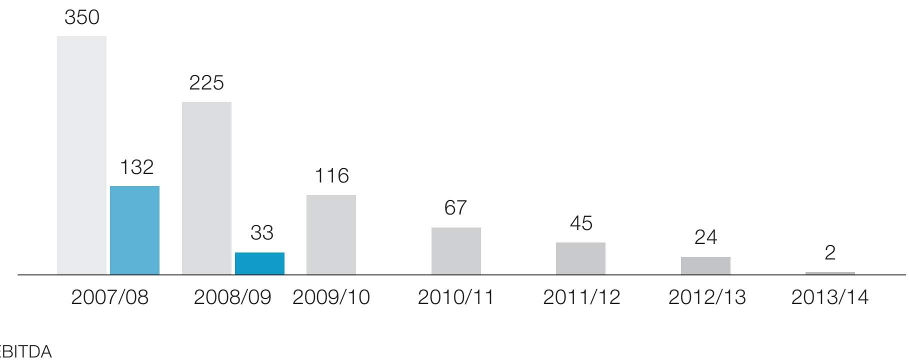
The continuing gratifying market development was, however, offset by yet another increase in costs for energy, special scrap metal, and some alloy metals. The unfavorable exchange rates relative to the U.S. dollar, the Brazilian real, and the Swedish krona have produced adverse effects for quite some time (although the most recent gains made by the U.S. dollar may indicate a trend reversal).

Despite the burdens caused by costs and exchange rate parity, the Special Steel Division achieved new growth in sales revenues and earnings during the 1st quarter of the 2008/09 financial year compared to the previous year's high figures (on a stand-alone basis), thus demonstrating its profitability. In the first quarter of 2008/09, the revenue recorded was EUR 1,017.1 million, 9.8% above last year's figure of EUR 926.0 million. Before PPA, EBITDA was EUR 155.2 million, an improvement of 5.3% vis-à-vis the 1st quarter of the previous year (EUR 147.4 million). After taking the (purely accounting) effects of the PPA into consideration, EBITDA is EUR 122.2 million. The purchase price allocation of EUR 33 million in the 1st quarter affected EBITDA for the last time. At EUR 124.1 million before PPA, EBIT of the Special Steel Division was 4.2% above the previous year's figure of EUR 119.1 million; after PPA, it is EUR 33.8 million. Depreciation of the assets recognized during PPA has resulted in a reduction of the operating result of the Special Steel Division by about EUR 90 million in the present quarterly statement. Before PPA, the EBITDA margin is 15.3% and 12.0% after PPA; the figures for the EBIT margin are 12.2% before PPA and 3.3% after PPA respectively.

The following graphic presents the effect of the PPA on the profit of individual financial years (whereby the future figures provided are anticipated ones). Because of the reversal of the short-term effects in the sector of inventories and outstanding orders, only EBIT will experience a distinctly degressive effect on earnings starting in the 2009/10 financial year.

EBIT and EBITDA effects of the PPA

In millions of euros



Railway Systems Division

In millions of euros	1 Q 2007/08 04/01–06/30/2007	1 Q 2008/09 04/01–06/30/2008	Change in %
Revenue	585.5	630.7	7.7
EBITDA	115.1	112.8	−2.0
EBITDA margin (in %)	19.7	17.9	
EBIT	93.7	90.7	−3.2
EBIT margin (in %)	16.0	14.4	
Employees excl. apprentices	7,656	8,023	4.8

During the 1st quarter, business development in the *Railway Systems Division* was marked by an excellent market environment, especially in the rail and wire segments and in semi-finished steel products (billets, blooms). Against this backdrop, the division for the most part matched the all-time high achieved in the 1st quarter of the previous year.

Another increase in the revenue by 7.7% from EUR 585.5 million to EUR 630.7 million compared to the 1st quarter of the previous year reflects the increases in raw materials costs that were predominantly passed on to the market. In the track and switch sectors, as well as for seamless tubes, however, there will be a time delay before these costs can be passed on market.

Although the increases in raw materials costs could not be fully priced in, at EUR 112.8 million, EBITDA almost reached the previous year's record figures of EUR 115.1 million. The negligible decline by 2.0% demonstrates the high degree of efficiency of the continuous improvement process ("CIP") that has been successfully deployed for years. EBIT also showed only a minimal drop of 3.2% from EUR 93.7 million to EUR 90.7 million. The EBITDA and EBIT margins fell slightly from 19.7% to 17.9% resp. from 16.0% to 14.4%.

Profilform Division

In millions of euros	1 Q 2007/08 04/01– 06/30/2007	1 Q 2008/09 04/01– 06/30/2008	Change in %
Revenue	280.6	341.2	21.6
EBITDA	44.6	57.3	28.5
EBITDA margin (in %)	15.9	16.8	
EBIT	38.1	49.4	29.7
EBIT margin (in %)	13.6	14.5	
Employees excl. apprentices	3,343	3,839	14.8

In the *Profilform Division*, the favorable economic and market situation during the previous financial year continued unabated during the 1st quarter of 2008/09. Demand from all customer segments of the division remained at a stable, high level throughout Continental Europe, including Central and Eastern Europe. The industries that were the key drivers were agricultural and construction machinery manufacturing—not only, both in Europe but also in North America—as well as the commercial vehicle industry in Europe.

Demand picked up sharply in the solar energy sector (particularly in Southern Europe), as well as in the building, infrastructure, storage technology, and logistics industries (primarily in Eastern Europe and Russia). In Brazil, Meincol Distribuidora de Aços S.A., the subsidiary acquired in the previous financial year, profited from a continuing positive economic environment. The development of the building industry in Great Britain, however, took an unfavorable turn as it dealt with the consequences of an economic slump.

As a result of the continuing favorable market situation, the Profilform Division recorded yet another considerable improvement in revenues and earnings in the 1st quarter of 2008/09 as compared to the previous year. Revenues rose by 21.6% from EUR 280.6 million to EUR 341.2 million (in comparison to the 1st quarter of the previous year, these figures include additional revenues of about EUR 40 million that are attributable to acquisitions, resulting from the consolidation of the acquired companies in the USA and Brazil in the course of the past year). Even more significant was the increase in EBITDA and EBIT, with a gain of 28.5% from EUR 44.6 million to EUR 57.3 million resp. by 29.7% from EUR 38.1 million to EUR 49.4 million. The EBITDA and EBIT margins improved accordingly compared to the previous year from 15.9% to 16.8% and from 13.6% to 14.5% respectively. A key reason was the fact that the higher prices of pre-materials, which have continued their upward trend, could be passed on to the market due to the overall favorable economic situation.

Automotive Division[1]

In millions of euros	1 Q 2007/08 04/01–06/30/2007	1 Q 2008/09 04/01–06/30/2008	Change in %
Revenue	230.6	259.2	12.4
EBITDA	28.0	30.4	8.6
EBITDA margin (in %)	12.1	11.7	
EBIT	13.4	17.6	31.3
EBIT margin (in %)	5.8	6.8	
Employees excl. apprentices	3,987	4,244	6.4

[1] Last year's figures were retrospectively adjusted.

Compared to the previous year, the trend of the *Automotive Division's* situation was fundamentally positive, with automobile production in Europe rising slightly. This, however, was offset by the continuing price increases for steel. Because of cost pressure from the automobile manufacturers in anticipation of a slowing economy, these price increases could not be fully passed on to the market.

Because of the high level of orders during the past financial year, almost all segments of the division recorded significantly higher revenue during the 1st quarter of 2008/09 compared to the previous year, with qualitatively sophisticated structural components and the spare parts market for large pressed parts being especially noteworthy.

Against this backdrop, the sales revenue of the division went up by 12.4% from EUR 230.6 million to EUR 259.2 million. At EUR 30.4 million, EBITDA reached a new record, outperforming last year's figure (EUR 28.0 million) by 8.6%.

The operating result of EUR 13.4 million also improved, reaching a new quarterly record of EUR 17.6 million. This increase in EBIT by 31.3% is a result of systematic portfolio streamlining during the past few years and other comprehensive cost optimization measures in all sectors. With an EBIT margin of 6.8%, the previous year's comparative figure (5.8%) was distinctly surpassed.

Business transactions with associated companies or parties

The range of associated companies and parties under Sec. 95 Para. 5 Line 12 of the Stock Corporation Act (AktG) remained largely unchanged as compared to the last annual report.

Investments

During the 1st quarter of 2008/09, the *investments of the voestalpine Group* came to EUR 202.2 million. Last year's comparative figure (EUR 2,291.3 million) is of limited substance, to the extent that it contains the expenditures for the majority acquisition of BÖHLER-UDDEHOLM AG (with regard to the current status of the acquisition resp. the squeeze-out procedure, please refer to the section "Acquisitions").

At EUR 91.3 million (+ 35.1% compared to EUR 67.6 million in the previous year), almost half of all investments were accounted for by the *Steel Division*. The main focus was on the last individual project of the "Linz 2010" investment program, the construction of hot-dip galvanizing plant 5, as well as the implementation of the follow-up project "L6 – Part 1". Within the scope of this project, the company's own power plant is currently being expanded by another block, a new continuous casting facility is being built within the steel mill, and heavy-plate production will be technologically optimized yet again.

During the current financial year, the *Special Steel Division* will be beginning another comprehensive investment program with a planned volume of altogether about EUR 300 million. During the 1st quarter, the investments made by this division amounted to EUR 53.6 million. The focus is on an expansion of the capacity of open die forging at locations in Kapfenberg (Austria), Hagfors (Sweden), Sumaré (Brazil), and Wetzlar (Germany). Additionally, remelting capacity for special materials and production capacity for strip steel will also be expanded.

At EUR 34.9 million, the *Railway Systems Division* recorded investments for the 1st quarter that were 27% lower than in the first three months of the previous year (EUR 47.8 million). As had been the case during the previous quarters, the focus was on the construction of the new power plant block, which will ensure a completely self-sufficient energy supply, as well as on the realization of a comprehensive new concept for a cooling water system. Both of these major projects are scheduled to be completed by the end of the year.

In the *Profilform Division*, investments at a number of locations geared toward an expansion of capacity are on schedule. During the first three months, investment expenditures rose by just under 54.7% from EUR 7.5 million to EUR 11.6 million.

The focus of investment activities in the *Automotive Division* continued to be on the start-up of six new presses at different locations, which will enable a significant increase in press capacity for high-quality structural parts and components to meet customer needs. At EUR 14.6 million, the investments in the 1st quarter were markedly below last year's figure of EUR 41.9 million, which was due to acquisitions.

Acquisitions

After the voestalpine Group's successful majority takeover of BÖHLER-UDDEHOLM AG last year (see below for details on the ongoing squeeze-out procedure)—the *largest acquisition ever* of an Austrian com-pany—the acquisition activities during this financial year so far have been comparatively flat.

The two acquisitions completed during the 1st quarter of 2008/09 both pertain to the Railway Systems Division and are aimed at continuing to expand the Group's switch and turnout technology. This spring, 60% of the British company *Control & Display Systems Ltd. (CDS Rail)* was taken over; this company specializes in monitoring, gathering, and transmission of data from railway trackside assets. CDS Rail primarily does business in Great Britain; about 20 employees are working at its headquarters in South England, and it has an annual revenue about EUR 6 million. The strategic relevance of this acquisition results from the fact that the British company represents a valuable complement to highly sophisticated "Hytronics" product segment, which covers all activities pertaining to electronic monitoring units and hydraulic setting systems for railtracks. Additionally, on April 18, 2008, the Railway Systems Division concluded the majority takeover of the Mexican switch construction company DAMY Cambios de Vía, S.A. de C.V. and announced its market entry in Central America. This acquisition was already presented in the 2007/08 Annual Report.

Additionally, a joint venture with an Austrian industrial group was formed within the switch segment, with the Railway Systems Division holding 50.1%. With its production of concrete sleepers for switches, the joint venture company facilitates just-in-time delivery of completely pre-mounted switch systems, thus enabling the supply of complete solutions.

Status of the BÖHLER-UDDEHOLM squeeze-out procedure

After passing the 90% BÖHLER-UDDEHOLM AG voting threshold in March 2008, voestalpine AG initiated the steps necessary under the Minority Shareholders Squeeze-Out Act (Gesellschafterausschlussgesetz) for a squeeze-out of the minority shareholders. In the BÖHLER-UDDEHOLM AG Annual General meeting on June 23, 2008, the squeeze-out resolution was adopted, creating the necessary prerequisite for a takeover of all BÖHLER-UDDEHOLM shares by voestalpine AG. Convisor Consulting Ltd., a company registered on the Turks and Caicos Islands, has brought a legal action before the Commercial Court (Handelsgericht) Vienna against this resolution by the BÖHLER-UDDEHOLM AG Annual General Meeting, contesting this squeeze-out resolution as invalid. Seen from the current perspective, no statements about the probable duration of this legal proceeding can be made.

The pre-condition for payment of the settlement amount of EUR 70.26 per share to the minority shareholders resolved by the

BÖHLER-UDDEHOLM AG Annual General Meeting is registration of the squeeze-out resolution in the Commercial Register at the Commercial Court Vienna. Based on the legal challenge brought forth by Convisor Consulting Ltd., the appropriate court must decide if registration of the squeeze-out resolution in the Commercial Register can take place prior to a legally valid finding in this proceeding. The Commercial Court is expected to rule in September 2008 to what extent the registration process relative to the squeeze-out will be delayed.

Divestments

As already set forth in the 2007/08 Annual Report, the divestment process with regard to those companies whose sale was decided upon in the past financial year as part of the measures taken to streamline the portfolio of the Automotive Division is proceeding on schedule, i.e., the sales negotiations concerning the relevant companies are ongoing and are, of course, currently at different stages.

Employees[1]

As of June 30, 2008, the voestalpine Group had *42,088 employees* (excl. apprentices). This corresponds to an increase compared to the previous year (25,031) of 68.1% or 17,057 employees, largely due to the first-time consolidation of the Special Steel Division.

At 22,350 employees, the larger part of the workforce (53.1%) is employed outside of Austria at 360 production and sales companies spread across all the continents. The workforce of the domestic Group companies is currently at 19,738 employees (46.9%).

At this time, the voestalpine Group is training 1,377 apprentices worldwide; about a third are at international locations. Compared to the previous year (861), the number has increased by 59.9% or 516 apprentices primarily due to the acquisition of the Special Steel Division.

Environment

During the 1st quarter of the 2008/09 financial year, the spotlight of the Group's environmental activities continued to be on CO_2/climate protection and REACH (EU-wide registration, evaluation, authorization, and restriction of chemicals).

The EU regulation on *REACH* became effective on June 1, 2007; its effects have been treated in previous quarterly and annual reports. Currently, preparations are proceeding for the required pre-registration of materials under this regulation; it must be implemented in the period from June 1 – December 1, 2008.

In January 2008, the c*limate protection plans* of the EU commission were published for the period following expiration of the Kyoto Pro-

[1] Last year's figures were retrospectively adjusted.

tocol in 2012. Before final approval by the European Parliament, the future regulation for energy-intensive industries still requires significant clarification. Associated with the benchmark system favored by the voestalpine Group, in which the allocation of free CO_2 certificates is oriented toward the most environmentally friendly companies and past climate protection efforts are recognized, the European industry association EUROFER is developing an appropriate recommendation, which will be completed by the fall of this year and will be the basis for negotiations with the European Commission.

Research and Development

After having already largely completed the integration of BÖHLER-UDDEHOLM into the research organization of the voestalpine Group during the past financial year, the focus is now on the concrete implementation of *Group-wide R&D projects*. Not only are there constructive Group-wide collaborations, for example, in the sector of testing and simulation facilities, but also several Group divisions in the metallurgy, materials development, and mechatronics sectors are working together closely within the scope of the competency centers set up under the Austrian funding program COMET, partly with the involvement of partners from science and industry.

New welding processes are also being researched across Group divisions, for example in the "welding of high-strength steel" project that brings together the know-how of all five divisions working at the highest level.

The topic of joining and welding technology that was discussed at the *"voestalpine Synergy Platform 2008"*, held in June at the BÖHLER-UDDEHOLM site in Kapfenberg with more than 100 participants from both the R&D and production sectors, was closely associated with the accelerated exchange of knowledge and broad networking of know-how across all divisions.

To encourage the *networking of science and industry* as one of the key drivers for innovations, the strategic partnership between voestalpine Stahl GmbH and the Johannes Kepler University, Linz, which has been ongoing for years, was expanded even further during the 1st quarter of the 2008/09 financial year. The new center for surface and nano-analysis combines the competencies of both partners and will be used particularly for the development of surface-finished steel grades of the highest quality.

As had been the case during the past financial year, the sectors of process technology as well as development of new materials and coatings continued to be R&D focal points in the Group. In addition to concrete customer-specific product innovations, development within these sectors is concentrating on environmentally relevant improvements.

Outlook

For the next several months, the *voestalpine Group* will continue to have a stable and full utilization of capacity in all of the key business sectors. Beyond that time period, prospects are very good that the order situation will sustain the current level of sales revenues in all five divisions at least until the end of the calendar year.

As the majority of its long-term contracts have been successfully renegotiated, the *Steel Division* will even post slightly higher revenues as compared to the 1st quarter.

Apart from the seasonal effects during the summer months, the *Special Steel Division* is anticipating that business development, which has been sustained at an excellent level during the past quarters, will be maintained.

The situation is similar for the *Railway Systems Division*, however, it will not be possible to pass on all of the raw materials increases that were implemented last spring to customers in individual business segments until later on in the financial year.

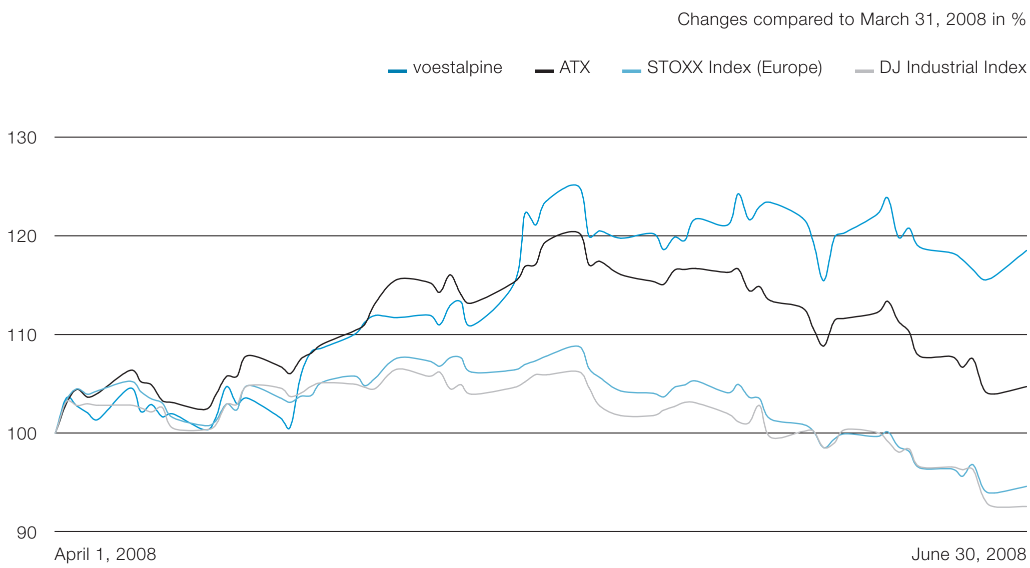
Business development is continuing its dynamic course in the core markets (with the exception of Great Britain) of the *Profilform Division*, where the higher steel prices, which have gone up due to raw materials increases, have been quickly passed on the market.

Despite sharply higher prematerial prices and cost pressure from the automobile industry, the *Automotive Division* is confident of achieving its goal of yet another improvement in earnings as compared to the previous year.

Against the backdrop of stable development for the *voestalpine Group* in the Special Steel, Railway Systems, and Profilform Divisions and the uptrend in earnings in the Steel and Automotive Divisions, from today's perspective the outlook is good that the previous year's earnings will be matched, despite some degree of uncertainty with regard to overall economic development in the last quarter of the financial year (1st calendar quarter 2009).

Investor Relations

voestalpine AG vs. international indices



Price development of the voestalpine share

Continuing the trend seen in the latter half of the past financial year, the development on the international stock markets during the 2008/09 financial year thus far has been characterized by heightened fears of inflation and recession. The price of the voestalpine share was no exception and since the fall of 2007, it has not been reflecting either the Group's fundamental key figures nor its medium-term growth and earnings prospects.

While the voestalpine share recorded a gain of about 18% during the 1st quarter of the financial year, it was unable to sustain this trend as the year continued because of the irrational volatility of the stock markets.

Annual General Meeting approved a record dividend

At the 16th ordinary Annual General Meeting of voestalpine AG on July 2, 2008, a new record dividend in the amount of EUR 2.10 per dividend-bearing share was approved, putting it at almost 50% above last year's dividend (EUR 1.45 per share).

Furthermore, the Annual General Meeting authorized the Management Board to repurchase shares of the Company representing up to 10% of the share capital of voestalpine AG. This is essentially a renewal of the repurchase authorizations already granted in previous years, which were/are intended to benefit employee shareholding plans and the stock option program, as well as the convertible bond issued in 2005.

The period of validity of the repurchase authorization is 30 months. Within this context, the Management Board was also authorized to redeem the Company's own shares, thereby reducing the share capital.

Convertible bond 2005

Within the scope of the convertible bond issued by voestalpine AG in July 2005, additional bond holders have meanwhile exercised their right to convert the bonds to voestalpine shares. Only voestalpine AG's own shares were used to effect these bond conversions. As of July 2, 2008, only 15.3% of the convertible bonds were still in circulation.

Transfer of voestalpine AG's own shares

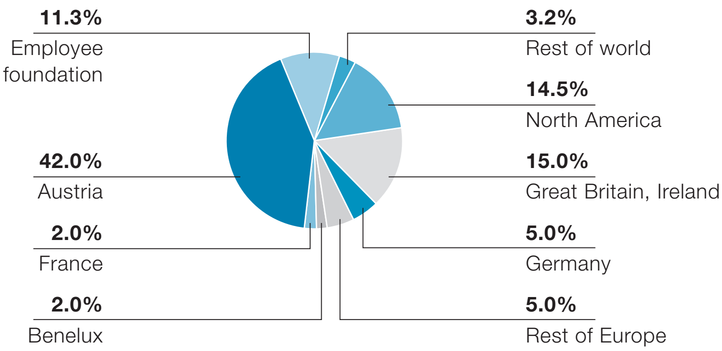
Within the scope of the existing employee shareholding plan, in the 1st quarter of 2008/09, voestalpine AG transferred 944,915 of its own shares (corresponding to 0.58% of its share capital) to voestalpine Group employees and to the voestalpine – Arbeitnehmer-Privatstiftung (employee private foundation).

Shareholder structure

The equity interest in voestalpine AG held by its employees through their foundation is now 11.3%. Compared to the equity interest disclosed in the 2007/08 Annual Report (10.8%), this represents an increase by 0.5 percentage points. With the exception of an additional slight decline in the number of shares held by U.S. investors that is a result of the U.S. capital market crisis, which was predominantly compensated by a stronger commitment from investors in other countries, the 1st quarter of 2008/09 did not see a significant change in the shareholder structure. The indicative data is as follows:

Shareholder structure

On July 1, 2008, the AXA S.A. Group, Paris, reduced its voting share that had been above 5% to under 5% through sales of shares.



Largest individual shareholders

Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG	> 15%
Employee foundation	11.3%
Oberbank AG	> 5%

Share information

Share capital	EUR 298,756,264.42 divided into 164.439.033 non-par shares
	Treasury stock as of June 30, 2008: 2.311.930 shares
Class of shares	Ordinary bearer shares
Securities identification number (WKN)	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

Class of shares

Share price high between April 2008 and June 2008	EUR 55.03
Share price low between April 2008 and June 2008	EUR 44.14
Share price as of June 30, 2006	EUR 52.15
Market capitalization as of June 30, 2008*	EUR 8,454,928,421.45

* Based on total number of shares minus treasury shares

Financial year 2007/08

Earnings per share	EUR 4.69
Dividend per share	EUR 2.1
Book value per share	EUR 25.34

Financial calendar 2008/09

Letter to shareholders for 1st Half Year 2008/09	November 20, 2008
Letter to shareholders for 3rd Quarter 2008/09	February 25, 2009
Annual Report 2008/09	June 4, 2009
Annual General Meeting	July 1, 2009
Ex dividend date	July 6, 2009
Dividend payment date	July 13, 2009

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

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

voestalpine AG

Financial data 06/30/2008

According to International Financial Reporting Standards (IFRS)

Consolidated balance sheet

Assets

	03/31/2008	06/30/2008
A. Non-current assets		
Property, plant and equipment	4,001.7	4,079.0
Goodwill	1,403.4	1,403.8
Other intangible assets	768.4	711.4
Investments in associates	108.0	99.9
Other financial assets	103.7	106.9
Deferred tax assets	393.2	390.0
	6,778.4	**6,791.0**
B. Current assets		
Inventories	3,011.1	3,240.1
Trade and other receivables	2,232.8	2,505.5
Other financial assets	247.6	243.6
Cash and cash equivalents	331.9	730.7
	5,823.4	**6,719.9**
Total assets	**12,601.8**	**13,510.9**

In millions of euros

Equity and liabilities

	03/31/2008	06/30/2008
A. Equity		
Share capital	298.8	298.8
Capital reserves	470.6	393.9
Hybrid capital	992.1	992.4
Retained earnings and other reserves	2,273.9	2,694.8
Equity attributable to equity holders of the parent	**4,035.4**	**4,379.9**
Minority interest	253.9	257.5
	4,289.3	**4,637.4**
B. Non-current liabilities		
Pensions and other employee obligations	839.3	842.6
Provisions	69.0	69.5
Deferred tax liabilities	361.1	341.3
Financial liabilities	1,262.9	2,835.7
	2,532.3	**4,089.1**
C. Current liabilities		
Provisions	403.1	410.6
Tax liabilities	198.6	215.8
Financial liabilities	3,031.7	1,840.2
Trade and other payables	2,146.8	2,317.8
	5,780.2	**4,784.4**
Total equity and liabilities	**12,601.8**	**13,510.9**

In millions of euros

Consolidated income statement

	04/01–06/30/2007*	04/01–06/30/2008
Revenue	1,931.6	3,255.0
Cost of sales	–1,415.9	–2,476.0
Gross profit	**515.7**	**779.0**
Other operating income	46.9	78.9
Distribution costs	–124.4	–265.6
Administrative expenses	–78.2	–143.1
Other operating expenses	–45.7	–91.5
Profit from operations (EBIT)	**314.3**	**357.7**
Share of profit of associates	5.3	6.7
Finance income	13.5	19.6
Finance costs	–30.1	–81.2
Profit before tax (EBT)	**303.0**	**302.8**
Income tax expense	–60.1	–61.6
Profit for the period from continuing operations	**242.9**	**241.2**
Discontinued operations	–0.8	–0.9
Profit for the period	**242.1**	**240.3**
Attributable to:		
Equity holders of the parent	239.7	217.5
Minority interest	2.4	5.0
Share planned for hybrid capital owners	0.0	17.8
Basic earnings per share (euros)	**1.56**	**1.36**
Diluted earnings per share (euros)	**1.45**	**1.33**

* Retrospectively adjusted.

In millions of euros

Consolidated cash flow statement

	04/01–06/30/2007	04/01–06/30/2008
Operating activities		
Profit for the period	242.1	240.3
Adjustments	117.0	177.7
Changes in working capital	–112.2	–293.3
Cash flows from operating activities	**246.9**	**124.7**
Cash flows from investing activities	**–2,447.0**	**–172.7**
Cash flows from financing activities	**1,948.3**	**453.3**
Net decrease/increase in cash and cash equivalents	**–251.8**	**405.3**
Cash and cash equivalents. beginning of period	356.1	331.9
Net exchange differences	–0.1	–6.5
Cash and cash equivalents. end of period	**104.2**	**730.7**

In millions of euros

Changes in equity

	04/01–06/30/2007*	04/01–06/30/2008
Equity at April 1st	**2,882.3**	**4,289.3**
Profit for the period	242.1	240.3
Dividends	–0.8	–2.2
Own share acquired/disposed	7.2	73.0
Purchase of Minority interest	0.0	–7.2
Currency translation	0.8	32.2
Hedge accounting	1.1	11.4
Stock Options	2.9	3.0
Other changes	–7.7	–2.4
Equity at June 30th	**3,127.9**	**4,637.4**

* Retrospectively adjusted.

In millions of euros

Notes

These interim consolidated financial statements of voestalpine AG as of June 30, 2008 for the first quarter of the 2008/09 business year were prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards). The accounting policies are unchanged from the annual consolidated financial statements for the 2007/08 business year. Further information on the principles of preparation is provided in the consolidated financial statements as of March 31, 2008, on which these interim consolidated financial statements are based.

The interim consolidated financial statements are presented in millions of euros (the functional currency of the parent company). In the totaling of rounded amounts and percentages, calculation differences may occur through the use of automatic calculation programs.

Unless otherwise stated, comparative information relates to the first quarter of the 2007/08 business year (balance sheet date: June 30, 2007).

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

Scope of consolidation/acquisitions

On April 18, 2008, the Railway Systems Division announced its acquisition of a majority stake in DAMY Cambios de Via, S.A. de C.V. The acquisition of this Mexican company serves as an extension of our market presence as a supplier of switch technology in Latin America.

On May 2, 2008, the Railway Systems Division announced its acquisition of a 60% share in the UK company Control & Display Systems Ltd. (CDS Rail). This acquisition serves to expand the "Hydronics" product group.

The impact of these acquisitions on the consolidated financial statements was not significant. Thus, the changes made in the scope of consolidation during the reporting period were as follows:

	Full consolidation	Proportionate consolidation	Equity method
As of April 1, 2008	**322**	**3**	**14**
Change in consolidation method			
Acquisitions	1		
Disposals			
Reorganizations	–3		
Divested or disposals	–2		
Acquisitions	2		
As of June 30, 2008	**320**	**3**	**14**
Of which foreign companies	264	1	5

At the annual general meeting of BÖHLER-UDDEHOLM on June 23, 2008, in accordance with the Minority Shareholders Squeeze-Out Act and as the majority shareholder of BÖHLER-UDDEHOLM, voestalpine AG moved that all shares owned by other shareholders be transferred to it as the majority shareholder in exchange for an appropriate cash settlement amount of EUR 70.26 per share ("squeeze-out"). The general meeting adopted a corresponding resolution by the requisite majority of more than 90% of voting capital.

Notes on the balance sheet

With effect from June 30, 2008, voestalpine AG's share capital was EUR 298,756,264.42 (March 31, 2008: EUR 298,756,264.42) divided into 164,439,033 shares (March 31, 2008: 164,439,033 shares). During the reporting period, voestalpine settled obligations due to conversion of convertible bonds with a nominal value of EUR 36.5 million through the use of repurchased own shares. The company held 2,311,930 of its own shares on the effective date.

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 was recognized as a portion of equity under IAS 32.

Most of the bridge financing for the acquisition of BÖHLER-UDDEHOLM was refinanced on a long-term basis during the first quarter of the 2008/09 business year.

Notes on the income statement

The substantial increase in positions on the income statement is explained to a significant extent by the fact that BÖHLER-UDDEHOLM AG and its subsidiaries were not included in the financial statements for the comparison period of the preceding year.

The profit share of the Special Steel Division has been substantially affected by the adjustments to fair value which were made in line with the purchase price allocation.

Notes on the cash flow statement

The comparison period from April 1, 2007 to June 30, 2007 includes the costs to acquire BÖHLER-UDDEHOLM AG and its subsidiaries, as well as the financing of this acquisition.

Significant events since June 30, 2008

At the 16th Annual General Meeting of voestalpine AG on July 2, 2008, upon the proposal of the Management Board, a resolution was adopted to pay a dividend of EUR 2.10 per share entitled to dividends for the 2007/08 business year (2006/07: EUR 1.45).

Statement under section § 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 applicable accounting standards and that the group management report for the first quarter of 2008/09 gives a true and fair view of the assets, liabilities, financial position and profit or loss of the group in respect of important events that have occurred during the first three months of the business year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining nine months of the business year and of the major related party transactions disclosed.

Linz, Austria, August 27, 2008

The Management Board

W. Eder F. Hirschmanner J. Mülner

R. Ottel C. J. Raidl W. Spreitzer

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