




Dipl.-Ing. Franz Rotter



"We must change our view of the world and leave the beaten path. Especially in times of uncertainty and change, it is particularly important to have a clear image of the future before you. My personal image of the voestalpine Group in the year 2030: 60 to 70% of our revenue will come from outside Europe. And we will still be the leading steel company, not only in quality and technology, but also in energy efficiency and environmental issues."

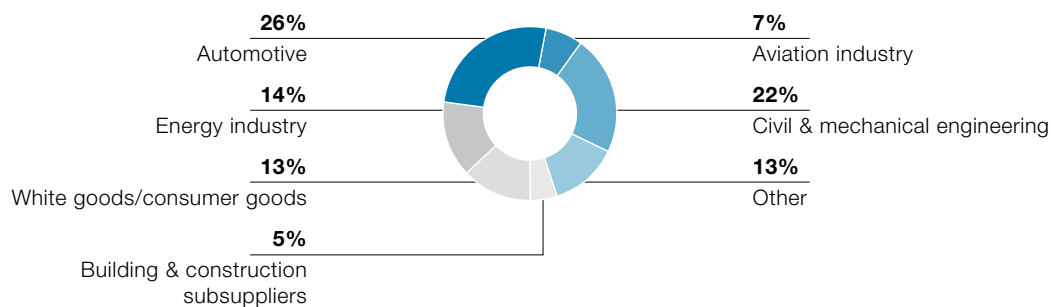
Special Steel Division¹

Key figures of the Special Steel Division

In millions of euros	2009/10	2010/11	Change in %
Revenue	1,895.4	2,631.3	38.8
EBITDA	93.6	388.1	314.6
EBITDA margin	4.9%	14.7%	
EBIT	-103.2	208.5	302.0
EBIT margin	-5.4%	7.9%	
Employees (excl. temporary personnel and apprentices)	10,968	11,364	3.6

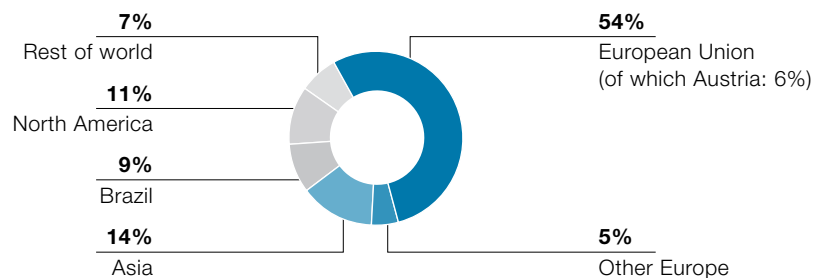
Customers of the Special Steel Division

As percentage of divisional revenue
Business year 2010/11



Markets of the Special Steel Division

As percentage of divisional revenue
Business year 2010/11



Market environment and business development

Development of the Special Steel Division's economic environment remained positive throughout the entire business year 2010/11. The high number of incoming orders enabled full capacity utilization of the division's production facilities during the second half of the year. While at the beginning of the business year it was the build-up of customer inventories in particular that drove the recovery, subsequently, the surprisingly strong economic upswing in many of the division's core regions created a favorable and solidly reliable growth environment.

The significantly increased demand for special steel and special steel products compared to the difficult business year 2009/10 was primarily driven by the automotive, electronics, consumer goods, and oil and gas exploration *customer sectors*. The energy generation sector, however, declined even further over the year, with the exception of the alternative energy segment (particularly wind power) which saw an increase in demand. Demand from the aviation industry remained largely cautious during the majority of the reporting period although the first signs of an easing of the situation became apparent during the course of the year.

Viewed *regionally*, it is particularly the markets in Asia (China, India) and South America (Brazil) that continue to be the major drivers of growth. The economic climate in North America brightened somewhat in the course of the business year, but, viewed overall, it remained a volatile environment.

In Europe, the disparate trends became even more entrenched in the past year. The North and Central European region reported a substantial revival of demand—in particular thanks to the strong export showing of the German economy, which acted as a growth driver—and Eastern Europe showed the first signs of recovery, whilst there was no perceptible sustained and sustainable uptrend in the Southern European markets.

With regard to the individual *product groups* of the Special Steel Division, the greatest increases in demand compared to the previous year were for tool steel, high-speed steel, valve steel, and to some degree special structural steel as well. These segments profited from solid demand from the automotive and automotive supplier industries, the consumer goods industry, as well as the mechanical and plant engineering sectors. Furthermore, higher demand from the electronics industry increased sales of powder-metallurgical special steels. Top-quality special steels also made gains, for example, anti-magnetic drill collars, for which there is massive demand due to the accelerated pace of oil and gas production worldwide.

As far as the division's two *business sectors* are concerned, *high performance metals* profited particularly from the recovery in the automotive industry, which was fueled by the introduction of numerous new models. Generally, apart from aviation and power engineering, the broadly based upswing became more firmly established, including from a regional perspective.

While the early part of the business year 2010/11 was still difficult for the *special forging* sector, it subsequently experienced a trend reversal in its

¹ A new organizational structure of the Special Steel Division, which is focused on the two core business segments of *high performance metals* and *special forging*, became effective as of April 1, 2010. On the same effective date, the *welding consumables* and *precision strip* segments were transferred to the Railway Systems and Profillform Divisions, respectively. In order to enable a better means of comparison, the previous year's figures of the Special Steel Division were adjusted accordingly.

major customer segments, particularly the European commercial vehicle industry, and recorded a significant increase in incoming orders during the course of the year.

Development of the key figures

The Special Steel Division continuously improved its performance in the course of the business year 2010/11 and achieved significant increases in both revenue and operating result compared to the previous year with its challenging economic environment.

Due to rising sales volumes, higher base prices, and full utilization of production capacity that was achieved in the course of the year, *revenue* increased compared to the business year 2009/10 by 38.8% from EUR 1,895.4 million to EUR 2,631.3 million.

Together with consistently implemented cost optimization measures, this significant boost in sales resulted in an above-average increase in earnings.

In the business year 2010/11, *EBITDA* more than quadrupled, improving from EUR 93.6 million to EUR 388.1 million, while *EBIT* surged dramatically into positive territory at EUR 208.5 million compared to the previous year's figure of EUR –103.2 million. These figures resulted in an *EBITDA margin* for the business year 2010/11 that

rose from 4.9% to 14.7% and an improvement of the *EBIT margin* from –5.4% to 7.9%.

(In the past business year, *EBIT* was still impacted by EUR 55.7 million in ppa effects. Therefore, prior to application of the ppa, the operating result is EUR 264.2 million, with an *EBIT margin* of 10.0%.)

As of March 31, 2011, the Special Steel Division had 11,364 *employees* (excl. apprentices and temporary personnel). Compared to the same reporting date in the preceding year (10,968 employees), this corresponds to an increase of 3.6% due to the improved economy and greater capacity utilization.

Viewed *from quarter to quarter* in the business year 2009/10, the Special Steel Division achieved marked increases in revenue as well as gains in the operating results. In the fourth quarter of the business year, *revenue* rose by another 11.9% compared to the third quarter, going from EUR 658.2 million to EUR 736.2 million, due mainly to increases in sales volumes at a slightly higher price level.

In the final quarter, *EBITDA* climbed by 51.6% compared to the immediately preceding quarter, going from EUR 92.5 million to EUR 140.2 million, while the *EBITDA margin* rose from 14.1% to 19.0%. In the same period, the Special Steel Division reported an increase of its *EBIT* by 60.5% from EUR 51.2 million to EUR 82.2 million, which corresponds to an *EBIT margin* in the fourth quarter of 11.2% (third quarter: 7.8%).

Quarterly development of the Special Steel Division

In millions of euros	1 st quarter 2010/11	2 nd quarter 2010/11	3 rd quarter 2010/11	4 th quarter 2010/11	BY 2010/11
Revenue	613.8	623.1	658.2	736.2	2,631.3
EBITDA	77.1	78.3	92.5	140.2	388.1
EBITDA margin	12.6%	12.6%	14.1%	19.0%	14.7%
EBIT	36.6	38.5	51.2	82.2	208.5
EBIT margin	6.0%	6.2%	7.8%	11.2%	7.9%
Employees (excl. temporary personnel and apprentices)	11,097	11,135	11,207	11,364	11,364

Quarterly development of the Special Steel Division

In millions of euros
Business year 2010/11

