voestalpine AG

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2016/17

## A. GENERAL INFORMATION AND CORPORATE PURPOSE

The voestalpine Group is a steel-based technology and capital goods group that operates worldwide. With its top-quality products, the Group is one of the leading partners to the automotive and consumer goods industries in Europe and to the oil and gas industries worldwide.

voestalpine AG is the Group's ultimate parent company and prepares the consolidated financial statements. It is registered in the Commercial Register of Linz and has its registered office in voestalpine-Strasse 1, 4020 Linz, Austria. The shares of voestalpine AG are listed on the stock exchange in Vienna, Austria.

The consolidated financial statements for the year ended March 31, 2017 (including comparative figures for the year ended March 31, 2016) have been prepared pursuant to Section 245a (1) of the Austrian Commercial Code *(Unternehmensgesetzbuch, UGB)* in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standard Board (IASB) and adopted by the European Union.

The consolidated financial statements are presented in millions of euros (= functional currency of the parent company).

The consolidated income statement has been prepared using the cost-of-sales method.

The use of automated calculation systems may result in rounding differences.

The Management Board of voestalpine AG approved the consolidated financial statements and authorized the consolidated financial statements for submission to the Supervisory Board on May 24, 2017.

## B. SUMMARY OF ACCOUNTING POLICIES

### GENERAL INFORMATION

The accounting policies applied to the consolidated financial statements are consistent with those of the previous year with the exceptions listed below.

The following new and revised standards were adopted for the first time in the business year 2016/17:

**THE FOLLOWING NEW AND REVISED STANDARDS AND INTERPRETATIONS WERE ADOPTED FOR THE FIRST TIME IN THE BUSINESS YEAR 2016/17**

| Standard | Content | Effective date[1] |
|---|---|---|
| IAS 1, amendments | Disclosure Initiative | January 1, 2016 |
| IAS 16 and IAS 38, amendments | Clarification of Acceptable Methods of Depreciation and Amortization | January 1, 2016 |
| IAS 16 and IAS 41, amendments | Agriculture: Bearer Plants | January 1, 2016 |
| IAS 27, amendments | Equity Method in Separate Financial Statements | January 1, 2016 |
| Various standards, amendments | Annual Improvements to International Financial Reporting Standards, 2012-2014 Cycle | January 1, 2016 |
| IFRS 10, IFRS 12 and IAS 28, amendments | Investment Entities: Applying the Consolidation Exception | January 1, 2016 |
| IFRS 11, amendments | Accounting for Acquisitions of Interests in Joint Operations | January 1, 2016 |

[1] In accordance with EU endorsements, these standards are applicable to reporting periods beginning on or after the effective date.

The application of the above amendments did not have any material effects on the consolidated financial statements.

The following new and revised standards had already been published as of the reporting date but their application was not yet mandatory for the business year 2016/17 or they have not yet been adopted by the European Union:

**PUBLISHED BY IASB BUT NOT YET ADOPTED BY THE EUROPEAN UNION OR WHOSE APPLICATION WAS NOT YET MANDATORY AS OF THE REPORTING DATE**

| Standard | Content | Effective date according to IASB[1] |
|---|---|---|
| IAS 12, amendments | Recognition of Deferred Tax Assets for Unrealized Losses | January 1, 2017[2] |
| IAS 7, amendments | Disclosure Initiative | January 1, 2017[2] |
| IFRS 9 | Financial Instruments | January 1, 2018 |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2018 |
| IFRS 15, clarifications | Clarifications to IFRS 15 Revenue from Contracts with Customers | January 1, 2018[2] |
| IFRS 2, amendments | Classification an Measurement of Share-based Payment Transactions | January 1, 2018[2] |
| Various standards, amendments | Annual Improvements to International Financial Reporting Standards, 2014-2016 Cycle | January 1, 2018 / January 1, 2017[2] |
| IAS 40, amendments | Transfers of Investment Property | January 1, 2018[2] |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | January 1, 2018[2] |
| IFRS 4, amendments | Applying IFRS 9 with IFRS 4 | January 1, 2018[2] |
| IFRS 16 | Leases | January 1, 2019[2] |
| IFRS 10 and IAS 28, amendments | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | postponed |
| IFRS 14 | Regulatory Deferral Accounts | January 1, 2016[3] |

[1] These standards are applicable to reporting periods beginning on or after the effective date.
[2] Has not yet been endorsed by the EU.
[3] Not adopted by the EU.

These standards—in so far as they have been adopted by the European Union—will not be adopted early by the Group. From today's perspective, the new ad revised standards and interpretations are not expected to have any material effects on the voestalpine Group's net assets, financial position, and results of operations. The following effects are expected from the new standards IFRS 9, IFRS 15 and IFRS 16:

IFRS 9 Financial Instruments results in amendments and revisions in the area of financial instruments and will replace IAS 39 (except for portfolio fair value hedges). Going forward, the classification rules vary according to the characteristics of the business model and the contractual cash flows of financial assets. Another fundamental change arises in connection with impairment, which in the future will be based on an expected loss model rather than, as has been the case, on incurred loss. In addition, IFRS 9 contains new general accounting requirements for hedge accounting but retains the existing

provisions on the recognition and derecognition of financial instruments from IAS 39. Significant effects on the classification of financial assets are not currently expected. The classification of financial liabilities remains unchanged from today's perspective. Loan defaults will be recognized earlier in the future under the new impairment model. From today's perspective, the voestalpine Group expects this to lead to an immaterial increase in impairment of trade receivables. With respect to hedge accounting, there are additional options for raw materials in particular that must be reviewed in detail. The existing hedges largely meet the requirements of IFRS 9 and so initial application is not expected to have any significant effect at this point.

IFRS 15 Revenue from Contracts with Customers brings togehter the rules for revenue recognition and replaces IAS 18 and IAS 11 as well as the related interpretations. In the future, it is no longer determined by transfers of significant opportunities and risks but rather the point in time when the transfer of control over the goods and services occurs and thus the benefits to be derived through it. An analysis of the revenue groups with respect to their future recognition and measurement under the new five-step model is currently being conducted within the Group in order to evaluate the impact of the initial application of IFRS 15. Based on present knowledge, this is not expected to have any significant effects on the net assets, financial position, and results of operations of the voestalpine Group. However, a final assessment of the effects will only be possible over the coming months once detailed analysis of the contracts has been completed. The voestalpine Group plans to apply the new standard using the modified retrospective method.

IFRS 16 Leases governs accounting for leasing arrangements and will replace IAS 17 as well as previous interpretations. The new rules eliminate the prior distinction between finance and operating leasing arrangements by the lessee. In this respect, operating leases will essentially be treated in the same way as finance leases in the future. voestalpine Group companies currently operate as lessees in operating leases and so the application of IFRS 16 is expected to have an impact on net assets, financial position, and results of operations. In its initial assessment, the voestalpine Group identified the future capitalization of right-of-use assets and the corresponding liabilities as the most significant effect. As a result, instead of recognizing lease expenses on a straight-line basis as in the past, depreciation expenses for right-of-use assets and interest on lease liabilities are recognized. This will lead to an improvement in EBITDA and EBIT as well as a shift between cash flows from operating activities and financing activities. However, it is not possible to quantify these effects at the moment since the underlying contracts have not yet been examined in detail with respect to the applicability of IFRS 16. Some of these will fall under the exceptions for short-term or low-value leases and thus not lead to any changes. For a list of existing operating leases as of the reporting date, see Note 9. Property, plant and equipment. No significant effects are expected for existing finance leases.

**BASIS OF CONSOLIDATION**

The annual financial statements of fully consolidated entities are prepared using uniform accounting policies. For entities included using the equity method (associates and joint ventures), local accounting policies and different reporting dates (see "Investments" appendix to the Notes) are maintained due to considerations regarding cost and benefit if the relevant amounts are immaterial.

In the case of initial consolidation, assets, liabilities, and contingent liabilities are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the net of the assets acquired and liabilities assumed is recognized as goodwill. If the net of the assets acquired and liabilities assumed exceeds the cost of acquisition, the difference is recognized in profit or loss in the period of acquisition. The hidden reserves and/or hidden losses attributed to the non-controlling interests are also accounted for.

All intra-group profits, receivables and payables, income and expenses are eliminated.

**FOREIGN CURRENCY TRANSLATION**

In accordance with IAS 21, annual financial statements prepared in foreign currencies that are included in the consolidated financial statements are translated into euros using the functional currency method. The relevant national currency is the functional currency in all cases since, from a financial, economic, and organizational perspective, these entities all operate independently. Assets and liabilities are translated using the exchange rate on the reporting date. Income and expenses are translated using the average exchange rate for the business year.

Equity is translated using the historical exchange rate. Currency translation differences are recognized directly in equity in the currency translation reserve.

In the separate financial statements of consolidated entities, foreign currency transactions are translated into the functional currency of the entity using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from translation at the transaction date and reporting date are recognized in the consolidated income statement.

Currency exchange rates (ECB fixing) of key currencies have changed as follows:

| | USD | GBP | BRL | SEK | PLN |
|---|---|---|---|---|---|
| **Closing exchange rate** | | | | | |
| 03/31/2016 | 1.1385 | 0.7916 | 4.1174 | 9.2253 | 4.2576 |
| 03/31/2017 | 1.0691 | 0.8555 | 3.3800 | 9.5322 | 4.2265 |
| **Average annual rate** | | | | | |
| 2015/16 | 1.1036 | 0.7323 | 3.9650 | 9.3404 | 4.2260 |
| 2016/17 | 1.0975 | 0.8413 | 3.6220 | 9.5122 | 4.3521 |

## UNCERTAINTIES IN ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires the management to make accounting estimates and assumptions that may significantly affect the recognition and measurement of assets and liabilities, the recognition of other obligations as of the reporting date, and the recognition of income and expenses during the business year.

The following assumptions bear a significant risk of causing a material adjustment to assets and liabilities within further periods:

» **Recoverability of assets**

The assessment of the recoverability of intangible assets, goodwill as well as property, plant and equipment is based on assumptions concerning the future. The determination of the recoverable amount in the course of an impairment test is based on various assumptions, such as future net cash flows and discount rates. The net cash flows correspond to the amounts in the most current business plan at the time of the preparation of financial statements. See therefore also B. Summary of accounting policies, the section entitled Impairment testing of goodwill, other intangible assets, and property, plant and equipment, as well as the Notes 9. Property, plant and equipment, 10. Goodwill, and 11. Other intangible assets.

» **Recoverability of financial instruments**

Where the assessment of the recoverability of financial instruments cannot be derived from active markets, it is determined using alternative actuarial models. The underlying parameters used in the determination of the fair values are based partially on assumptions concerning the future. See also B. Summary of accounting policies, the section entitled Financial instruments, as well as Note 23. Financial instruments.

» **Pensions and other employee obligations**

The valuation of existing severance payment and pension obligations is based on assumptions regarding interest rate, retirement age, life expectancy, and future salary/wage increases. See also B. Summary of accounting policies, the section entitled Pensions and other employee obligations, as well as Note 18. Pensions and other employee obligations.

» **Assets and liabilities associated with acquisitions**

Estimates associated with determining the fair value of identified assets, liabilities, and contingent considerations are required in the context of acquisitions. All available information about the situation at the acquisition date is applied in this procedure. The fair values of buildings and land are typically determined by external experts or experts within the Group. Intangible assets are measured using appropriate valuation methods depending on the type of asset and the availability of information. These measurements are closely connected with assumptions about the future development of estimated cash flows as well as the applied discount rates.

Information aboute acquisitions made during the reporting period is reported can be found under D. Acquisitions and other additions to the scope of consolidated financial statements.

» **Other provisions**

Other provisions due to present obligations arising from past events, which lead to an outflow of resources embodying economic benefits, are stated at the amount that reflects the most probable value based on a reliable estimate. Provisions are discounted where the effect is material. For details concerning provisions see B. Summary of accounting policies, the section entitled Other provisions, as well as Note 19. Provisions.

» **Income taxes**

Income tax expense represents the total of current and deferred tax. Current tax is based on taxable income and is calculated using the tax rates currently applicable. The calculation of deferred taxes is based on the respective local income tax rates that have been enacted or substantively enacted. The recognition and measurement of current and deferred taxes is subject to numerous uncertainties.

The voestalpine Group's international scope means that the Group falls within multiple tax jurisdictions in the respective relevant tax jurisdictions. The tax items presented in the financial statements were established according for the relevant tax regulations, and, because of their complexity, may possibly support interpretations that vary between taxpayers and local finance authorities. Since varying interpretations of tax laws may lead to additional tax payments for past years as a result of company audits, they are included in the analysis based on the assessment by company management.

Recognition of deferred tax assets is based on the assumption that sufficient taxable profit will be generated in the future to utilize these tax loss carryforwards.

For further information see B. Summary of accounting policies, the section entitled Income taxes, as well as the Note 8. Income taxes and 13. Deferred taxes.

» **Legal risks**

As an internationally active Company, the voestalpine Group is exposed to legal risks. The results of present or future legal disputes are generally not predictable and may have a material effect on the Group's net assets, financial position, and results of operations. In order to reliably assess potential obligations, the underlying information and assumptions are continually reviewed by management and used for further evaluation both internally and by external legal counsel. Provisions are recognized to cover probable present obligations, including a reliable estimate of legal costs. If the future outflow of resources is not probable, or if the confirmation of actual events is not within the Company's control, the option to record a contingent liability is considered.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates if the determining factors at the reporting date differ from expectations. Revisions to accounting estimates are recognized through profit or loss in the period in which the estimates are revised, and the assumptions are adjusted accordingly.

**RECOGNITION OF REVENUE AND EXPENSES**

Revenue arising from the provision of goods and services is realized when all material risks and rewards arising from the goods or services provided have passed to the buyer. Operating expenses are recognized when goods or services are used or when the expense is incurred.

Investment grants are treated as deferred items and recognized as income over the useful life of the asset. Cost subsidies are recognized on an accrual basis, corresponding to the associated expenses. Government grants of EUR 22.6 million (2015/16: EUR 25.2 million) for capital expenditures, research and development, and promotion of job opportunities were recognized as income during the reporting period. Expenses for research and development amounted to EUR 140.3 million (2015/16: EUR 131.8 million) in the business year 2016/17.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

The cost of self-constructed property, plant and equipment includes direct costs and an appropriate portion of indirect materials and indirect labor as well as borrowing costs for qualifying assets. The commencement date for capitalization is the date when expenditures for the asset and borrowing costs are incurred as well as activities are undertaken that are necessary to prepare the asset for its intended use or sale.

Depreciation is calculated on a straight-line basis over the expected useful lives. Land is not subject to depreciation. Depreciation is based on the following rates for each asset category:

| | |
|---|---|
| Buildings | 2.0 – 20.0% |
| Plant and equipment | 3.3 – 25.0% |
| Fixtures and fittings | 5.0 – 20.0% |

Investment property is measured using the cost model. Useful lives and depreciation methods are identical to property, plant and equipment recognized under IAS 16.

**LEASES**

Leased assets are treated as finance leases when they are considered asset purchases subject to long-term financing in economic terms. All other leased assets are classified as operating leases. Lease payments under operating leases are shown as expenses in the consolidated income statement.

Finance leases are initially recognized as Group assets at fair value or the lower present value of the minimum lease payments at the inception of the lease. The corresponding liabilities to the lessors are recorded under financial liabilities in the consolidated statement of financial position.

Finance leases are depreciated over their expected useful lives on the same basis as comparable assets or, where shorter, over the term of the relevant lease. The Group does not act as a lessor.

**GOODWILL**

All corporate acquisitions are accounted for by applying the purchase method. Goodwill arises from the acquisition of subsidiaries and investments in associates and joint ventures.

Goodwill is allocated to cash-generating units or groups of cash-generating units and, in accordance with IFRS 3, is not amortized, but tested for impairment at least annually and additionally if circumstances exist that indicate possible impairment. The carrying amount of investments in associates and joint ventures also includes the carrying amount of goodwill.

Negative goodwill arising from an acquisition is immediately recognized as income.

On disposal of a subsidiary, the goodwill associated with the subsidiary is included in the determination of the profit or loss on disposal based on relative value in accordance with IAS 36.86.

**OTHER INTANGIBLE ASSETS**

Expenses for research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as an expense as incurred. In accordance with IAS 38.57, development expenditure is capitalized from the date on which if the relevant criteria are satisfied. In this way, the expenses incurred are not capitalized subsequently if all of the above conditions are only met at a later date. Expenditure on internally generated goodwill and brands is recognized as an expense as incurred.

Other intangible assets are stated at cost less accumulated amortization and impairment charges. In the case of a business combination, the cost of acquisition is the fair value as of the acquisition date. Amortization is charged on a straight-line basis over the expected useful life of the asset. The maximum expected useful lives are as follows:

| | |
|---|---|
| Backlog of orders | 1 year |
| Customer relations | 15 years |
| Technology | 10 years |
| Software | 10 years |

**IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS, AND PROPERTY, PLANT AND EQUIPMENT**

Cash-generating units or groups of cash-generating units that include goodwill and other intangible assets with indefinite useful lives are tested for impairment at least annually as well as if circumstances exist that indicate possible impairment. All other assets and cash-generating units are tested for impairment if there are any indications that impairment may have arisen. Impairment testing is based on the value-in-use concept; accordingly, the recoverable amount is determined based on value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels at which cash flows are independently generated (cash-generating units). Goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from synergies of the related business combination and this must be on the lowest level at which the goodwill in question is monitored for internal management purposes.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Impairment losses recognized with regard to cash-generating units or groups of cash-generating units to which goodwill has been allocated are first applied against the carrying amount of goodwill. Any remaining impairment loss reduces the carrying amounts of the assets of the cash-generating unit on a pro-rata basis. Insofar as the impairment test for goodwill is conducted for a group of cash-generating units, and this results in an impairment, the individual cash-generating units included in this group are also tested for impairment and a possible impairment of assets is first recorded at this level. This is followed by another impairment test for the cash-generating units at the group level.

If there are indications that an impairment loss recognized for an asset, a cash-generating unit, or a group of cash-generating units (excluding goodwill) in earlier periods no longer exists or may have declined, the recoverable amount is to be estimated and then recognized (reversal of impairment).

**FINANCIAL INSTRUMENTS**

Derivative financial instruments are used exclusively by voestalpine AG for the purpose of hedging the foreign currency risk, interest rate risk, and raw materials price risk. Derivative financial instruments are carried at fair value and recognized as profit or loss. Hedge accounting in accordance with IAS 39 is used for some of the Group's derivative financial instruments. Consequently, gains or losses resulting from changes in the value of derivative financial instruments are recognized either as profit or loss or under other comprehensive income, depending on whether a fair value hedge or the effective portion of a cash flow hedge is involved.

Loans and receivables are carried at amortized cost. Since the Group's securities meet the criteria in accordance with IAS 39.9 for application of the fair value option, securities are recognized at fair value through profit or loss. The designation of fair value was selected to convey more useful information because this group of financial assets is managed according to their fair value, as documented in the risk management and investment strategy, and performance is observed and reported by means of fair value. There are no held-to-maturity financial instruments.

**OTHER INVESTMENTS**

Investments in subsidiaries, joint ventures, and associates that are not included in the consolidated financial statements by full consolidation or the equity method are reported under other investments. They are held as "available for sale at cost" and measured at cost because these investments do not have a price quoted in an active market, and their fair value cannot be reliably determined. Only the non-consolidated investment in Energie AG Oberösterreich is measured at fair value as "available for sale at fair value" because the fair value of this company can be reliably determined based on the valuation report prepared once a year for Energie AG Oberösterreich as a whole.

**INCOME TAXES**

Income tax expense represents the total of current and deferred tax. Current tax is based on taxable income and is calculated using the tax rates currently applicable.

In accordance with IAS 12, all temporary differences between items in the consolidated financial statements and their tax bases are included in deferred taxes. Deferred tax assets on carryforwards of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized.

In accordance with IAS 12.39 and IAS 12.44, deferred taxes on differences resulting from investments in subsidiaries, associates, and joint ventures were not recognized.

Deferred tax assets are reconized in place for planned dividends subject to withholding tax.

The calculation of deferred taxes is based on the respective local income tax rates that have been enacted or substantively enacted. Deferred tax assets and deferred tax liabilities are offset when they relate to the same tax authority and an offset right exists.

**INVENTORIES**

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale. In exceptional cases, the replacement cost of raw materials and supplies may serve as the basis of measurement in accordance with IAS 2.32.

The cost of inventories of the same type is determined by the weighted average price method or a similar method. Cost includes directly attributable costs and all pro-rated material and production overheads based on normal capacity utilization. Interest costs, general administrative expenses and distribution costs are not recognized in inventory.

**EMISSION CERTIFICATES**

Free certificates are measured at zero cost over the entire holding period, as the rights have been allocated free of charge. Purchased emission certificates are recorded at actual cost under current assets and measured at fair value at the reporting date (limited by the actual cost).

In the case of under-allocation, amounts for $CO_2$ emission certificates are included in other provisions. The measurement is based on the rate prevailing on the reporting date (or the carrying amount) of the relevant certificates.

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables are stated at amortized cost. Identifiable risks are mainly covered by acquiring credit insurance. Non-interest- or low-interest-bearing receivables with a remaining period of more than one year are recognized at their discounted present value. Sold receivables are derecognized according to the provisions of IAS 39 (see Note 28. Disclosures of transactions not recorded in the statement of financial position).

When the outcome of a construction contract pursuant to IAS 11 can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage of completion method"), measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract cost incurred that is probably recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense.

Accruals and deferrals are reported under other receivables and other liabilities.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, cash at banks, and checks and are carried at market value.

**PENSIONS AND OTHER EMPLOYEE OBLIGATIONS**

Pensions and other employee obligations include provisions for severance payments, pensions, and long-service bonuses and are recognized in accordance with IAS 19 using the projected unit credit method.

Actuarial gains and losses from severance and pension provisions are taken directly to other comprehensive income in the year in which they are incurred. Actuarial gains and losses from provisions for long-service bonuses are recognized immediately in profit or loss.

**Severance obligations**

Employees of Austrian entities who started their employment before January 1, 2003, are entitled to receive a severance payment if their employment is terminated by the employer or if they retire. The amount to be paid depends on the number of years of service and the employee's salary or wage at the time employment ends. For employees who started their employment after December 31, 2002, a contribution-based system is provided. The contributions to external employee pension funds are recognized as expenses.

**Defined contribution plans**

Defined contribution plans involve no future obligations after the payment of premiums to the managing pension fund or commercial insurance company.

**Defined benefit plans**

Defined benefit plans guarantee the employee a specified pension. The payment starts after retirement (or death or disability) and is continued until death of the former employee (or death of spouse). Widow's and widower's pensions (50% to 75% of the old age pension) are paid to the surviving spouse until death or remarriage. Orphans' pensions (10% to 20% of the old age pension) are paid to dependent children until the end of their education but only up to the age of 27.

Longevity is the central risk within these defined benefit pension obligations. All calculations are made using the most recent mortality tables. Given a 10% relative decrease or increase in mortality, the DBO of pensions changes by +3.9% or respectively –3.5% on the reporting date. Other risks, such as the risk of rising costs of medical services, do not have any significant impact on the obligations.

Almost all pension obligations within the Group cover vested claims.

**Austria**
The amount of the pension is either based on a certain percentage of the final salary depending on the years of service or on a valorized fixed amount per year of service. The predominant part of the defined benefit pension obligations is transferred to a pension fund although the obligation for subsequent payments remains within the company.

**Germany**
There are different pension schemes in Germany, which calculate the amount of the pension as follows:
» A certain percentage of the final salary depending on the years of service
» An increasing percentage of a fixed target pension depending on the years of service
» A fixed pension amount
» A fixed, valorized amount per year of service linked to the average salary within the company
» A fixed, valorized amount per year of service

A small part of the pension rights are financed by insurers although the obligations themselves remain within the companies.

The calculation of employee benefits in all countries with significant benefit obligations is based on the following parameters:

| | 2015/16 | 2016/17 |
|---|---|---|
| Interest rate (%) | 1.90 | 1.60 |
| Salary/wage increases (%)[1] | 3.00 | 3.00 |
| Pension benefit increases (%)[1] | 2.25 | 2.25 |
| **Retirement age men/women** | | |
| Austria | max. 62 years | max. 62 years |
| Germany | 63–67 years | 63–67 years |
| **Mortality tables** | | |
| Austria | AVÖ 2008-P | AVÖ 2008-P |
| Germany | Richttafeln 2005 G | Richttafeln 2005 G |

[1] Recognition only for salary-dependent and/or value-guaranteed commitments.

Net interest expenses resulting from employee benefits are included in the consolidated income statement under finance costs.

**Obligations from long-service bonuses**
In most of the Austrian Group companies, employees are entitled to payment of a long-service bonus, which is based either on a collective agreement or a provision in a works agreement. This is a one-time payment when the anniversary of service has been reached; depending on the length of service, the bonus generally amounts to between one monthly salary and three monthly salaries.

**OTHER PROVISIONS**
Other provisions due to present obligations arising from past events, which lead to an outflow of resources embodying economic benefits, are stated at the amount that reflects the most probable value based on a reliable estimate. Provisions are discounted where the effect is material.

The assumptions that underlie the provisions are reviewed on an ongoing basis. The actual figures can deviate from the assumptions if the underlying circumstances as of the reporting date have not developed as expected. As soon as better information is available, changes are recognized through profit and loss and the assumptions are adjusted accordingly.

Please note that we are invoking the safeguard clause in accordance with IAS 37.92, according to which information about provisions is not disclosed if this could seriously and adversely impact the Company's interests.

**CONTINGENT LIABILITIES**
Contingent liabilities are present obligations arising from past events, where it is not probable that an outflow of resources will be required to settle the obligation, or possible obligations arising from past events whose existence or non-existence depends on less certain future events, which are not within the Company's full control. When, in extremely rare cases, an existing debt cannot be stated in the statement of financial position as a provision because a reliable estimate of the debt is not possible, a contingent liability shall also be recognized.

With regard to possible obligations, we wish to point out that in accordance with IAS 37.92 information about contingent liabilities is not disclosed if this could seriously and adversely impact the Company's interests.

**LIABILITIES**
Liabilities, except liabilities from derivative financial instruments, are stated at amortized cost.

**EMPLOYEE STOCK OWNERSHIP PLAN**
The employee stock ownership plan in Austrian Group companies is based on the appropriation of a part of the salary and wage increase due to collective bargaining agreements over several business years. For the first time in the business year 2000/01, employees received voestalpine AG shares in return for a 1% lower salary or wage increase.

In each of the business years 2002/03, 2003/04, 2005/06, 2007/08, 2008/09, and 2014/15, between 0.3% and 0.5% of the total amount of wages and salaries required for the increase were used to provide voestalpine AG shares to employees. The actual amount is calculated from the monthly amount of wages and salaries waived, based on November 1, 2002, 2003, 2005, 2007, 2008, and 2014, applying an annual increase of 3.5%. In the business years 2012/13, 2013/14, and 2016/17, an additional 0.3% and 0.27%, respectively, of the total amount of wages and salaries needed for the collective agreement pay increase for 2012, 2013, and 2016, respectively, were used to provide shares under the participation plan for those Austrian Group companies whose initial participation in the employee stock ownership plan had begun at a later date.

The Works Council and each company enter into an agreement for implementation of the Austrian employee stock ownership plan. Shares are acquired by the voestalpine Mitarbeiterbeteiligung Privatstiftung (a private foundation for the Company's employee shareholding scheme), which transfers the shares to employees according to the wages and salaries they have waived. The value of the consideration provided is independent of price fluctuations. Therefore, IFRS 2 does not apply to the allocation of shares based on lower collective bargaining agreements.

An international participation model was developed for Group companies outside Austria, which was initially implemented in several companies in Great Britain and Germany in the business year 2009/10. Due to very positive experience gained in these pilot projects, the model was expanded in these two countries and introduced step by step in the Netherlands, in Poland, in Belgium, in the Czech Republic, in Italy, and in Switzerland, in the following business years. In the business year 2016/17, a total of 76 companies participated in the international employee stock ownership program in these eight countries.

On March 31, 2017, the voestalpine Mitarbeiterbeteiligung Privatstiftung held approximately 14.8% (March 31, 2016: 14.5%) of voestalpine AG's shares in trust for employees.

## C. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated Group (see "Investments" appendix to the Notes) is defined in accordance with IFRS. In addition to the annual financial statements of voestalpine AG, the consolidated financial statements also include the financial statements of entities controlled by voestalpine AG (and its subsidiaries). Entities controlled by voestalpine AG that are not included in the financial statements of voestalpine AG are negligible, both individually and collectively.

Subsidiaries are entities controlled by the Group. Control exists when the voestalpine Group has the power over the investee, is exposed to variable returns and has the ability to use its power over the investee to affect the amount of the investor's returns. The annual financial statements of subsidiaries are included in the consolidated financial statements as of the point in time at which the Group acquires control over the subsidiary and extends to the point in time at which the Group ceases to exercise control over the subsidiary.

Associates are entities over which the voestalpine Group has significant influence through participating in the financial and operating policy decisions, but not control or joint control of those policies. Joint ventures are joint arrangements in which partner companies (the voestalpine Group and one or more partners) exercise joint control over the arrangement and possess rights to the company's net assets. The annual financial statements of associates and joint ventures are included in the consolidated financial statements using the equity method from the acquisition date until disposal date. The Group's associates and joint ventures are listed in the "Investments" appendix to the Notes.

### CHANGES IN SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements changed as follows during the business year under review:

| | Full consolidation | Equity method |
|---|---|---|
| **As of April 1, 2016** | **278** | **9** |
| Acquisitions | 1 | |
| Change in consolidation method | | |
| Additions | 10 | |
| Disposals | | |
| Reorganizations | –6 | |
| Divestments or disposals | –6 | |
| **As of March 31, 2017** | **277** | **9** |
| Of which foreign companies | 218 | 4 |

The following entities were deconsolidated during the business year 2016/17:

| Name of entity | Date of deconsolidation |
|---|---|
| **Full consolidation in the business year 2015/16** | |
| Polynorm Immobilien GmbH & Co. KG | April 1, 2016 |
| Sturdell Holdings, Inc. | April 5, 2016 |
| Kadow und Riese Laser- und Umformtechnik GmbH | July 26, 2016 |
| Vacotec S.A. | March 2, 2017 |
| Eschmann Steels Trading (Shanghai) Co., Ltd. | March 2, 2017 |
| OOO voestalpine Arkada Profil | March 17, 2017 |
| **Reorganizations** | |
| BU Beteiligungs- und Vermögensverwaltung GmbH | April 1, 2016 |
| BÖHLER Wärmebehandlung GmbH | April 1, 2016 |
| Grimstows Holdings Inc. | April 1, 2016 |
| voestalpine Stamptec Qinhuangdao Co., Ltd. | April 1, 2016 |
| voestalpine Precision Strip WI, Inc. | April 1, 2016 |
| Nedcon Magazijninrichting B.V. | April 1, 2016 |

In late July, the sale of Kadow und Riese Laser- und Umformtechnik GmbH (part of the Metal Forming Division) was concluded. The company primarily produces sheet-formed parts in the form of prototypes, pilot series and small-batch series for the mobility sector. Due to the company's growing strategic deviation from voestalpine's core business, voestalpine decided to go forward with the sale (few synergies with other companies of the voestalpine Group because of its stand-alone location and the very volatile and short-term business in the prototype segment). The company generated revenue of around EUR 8 million in the business year 2015/16 and has around 70 employees.

The disposal had the following effect on the consolidated financial statements:

| | Recognized values |
|---|---|
| Non-current assets | 0.6 |
| Current assets | 1.8 |
| Non-current provisions and liabilities | 0.0 |
| Current provisions and liabilities | –2.4 |
| **Net assets** | **0.0** |
| Result from the loss of control | 2.4 |
| **Consideration received** | **2.4** |
| Cash and cash equivalents disposed of | –0.4 |
| **Net cash inflow** | **2.0** |

In millions of euros

## D. ACQUISITIONS AND OTHER ADDITIONS TO THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The following entities were included in the consolidated financial statements for the first time during the business year 2016/17:

| Name of entity | Interest in % | Date of initial consolidation |
|---|---|---|
| **Full consolidation** | | |
| ASSAB Steels Vietnam Company Limited | 100.000% | April 1, 2016 |
| voestalpine Rotec Summo Corp. | 100.000% | June 1, 2016 |
| voestalpine Rotec Summo de Mexico S. de R.L. de C.V. | 100.000% | July 11, 2016 |
| voestalpine Steel Trading (Shenyang) Co., Ltd. | 100.000% | July 26, 2016 |
| voestalpine Additive Manufacturing Center Singapore Pte. Ltd | 100.000% | September 29, 2016 |
| voestalpine SIGNALING USA Inc. | 100.000% | November 4, 2016 |
| voestalpine Boehler Welding USA Technology LLC | 100.000% | November 4, 2016 |
| voestalpine Automotive Components Aguascalientes S. de R.L. de C.V. | 100.000% | November 8, 2016 |
| voestalpine Tubulars Al Bassam Company Limited | 51.000% | January 18, 2017 |
| voestalpine Technology Institute (Asia) Co. Ltd. | 100.000% | March 22, 2017 |
| voestalpine Treasury Holding GmbH | 100.000% | March 29, 2017 |

The additions to the scope of consolidated financial statements of fully consolidated entities include one acquisition, eight newly established subsidiaries, and the consolidation of two entities not previously included in the scope of the consolidated financial statements.

In accordance with IFRS 3, the acquired companies are included in the consolidated financial statements at the fair value carried forward of the acquired assets, liabilities, and contingent liabilities determined as of the acquisition date, including depreciation and amortization as appropriate. The carrying amount of the non-controlling interests is determined based on the fair values carried forward for the assets and liabilities acquired. With regard to the first-time full consolidations in accordance with IFRS 3, due to time constraints and the fact that not all valuations have been completed, the following items are to be considered provisional: property, plant and equipment, intangible assets, inventories, and provisions—and consequently goodwill as well.

The increase in majority interests is treated as a transaction between owners. The difference between the costs of acquisition of additional shares and the pro-rated carrying amount of the non-controlling interests is recognized directly in equity. During the reporting period, EUR 3.8 million (2015/16: EUR 2.4 million) was paid for the acquisition of non-controlling interests or provisions were formed for the payment thereof. Non-controlling interests amounting to EUR 2.2 million (2015/16: EUR 0.0 million) were derecognized and the remaining amount of EUR 1.6 million (2015/16: EUR 2.4 million) was recognized directly in equity.

Put options granted to non-controlling shareholders in exchange for their shares in Group companies are recorded in the statement of financial position as liabilities stated at fair value. If the risks and rewards associated with ownership of a non-controlling interest have already been transferred at the time the majority interest was acquired, an acquisition of 100% of the entity is assumed. If, however, the risks and rewards are not transferred, the non-controlling interests continue to be shown in equity. The liability is covered by a direct transfer from retained earnings with no effect on profit or loss (double credit approach).

Outstanding put options, which are offset against equity, had a fair value of EUR 0.3 million (March 31, 2016: EUR 0.2 million) as of March 31, 2017. For the purposes of the valuation, the discounted cash flow method was applied, taking the contractual maximum limits into account. Input factors in the discounted cash flow method include but are not limited to the medium-term business plan and the discount rate.

On July 11, 2016, voestalpine Rotec GmbH, which is part of the voestalpine Group's Metal Forming Division, acquired assets from the sellers (asset deal) for the newly established voestalpine Rotec Summo Corp. (headquartered in Burlington, Canada) as well as 100% of the shares (share deal) for the subsequently renamed voestalpine Rotec Summo de Mexico S. de R.L. de C.V. (headquartered in Apodaca, Mexico) as part of a hybrid deal. At both locations (Canada: 135 employees; Mexico: 165 employees; an annual revenue of around EUR 40 million was most recently generated), automotive tube components are manufactured for the North American market. The primary strategic considerations of the deal are the expanded access to the North American market (NAFTA countries) by the voestalpine Rotec Group, the direct proximity of the Mexican site to a large number of local OEMs, and the expansion of market leadership in tube components for passive safety equipment.

These acquisitions have the following impact on the consolidated financial statements:

| | Recognized values |
|---|---|
| Non-current assets | 16.8 |
| Current assets | 9.6 |
| Non-current provisions and liabilities | –2.4 |
| Current provisions and liabilities | –3.6 |
| **Net assets** | **20.4** |
| Goodwill | 6.9 |
| **Costs of acquisition** | **27.3** |
| Cash and cash equivalents acquired | –0.2 |
| Purchase price not yet paid | –3.9 |
| **Net cash outflow** | **23.2** |

In millions of euros

Goodwill of EUR 6.9 million results from the profit potential of the company, which cannot be allocated to individual capitalizable items according to IFRS, and in particular its extensive expertise in the technology used in the processing of tubes, and access to the automotive market in North America. Goodwill is assigned completely to the "Tubes & Sections" unit, which carries the goodwill. Goodwill of EUR 4.1 million is expected to be deductible for tax purposes.

Since their initial consolidation, these acquisitions have contributed revenue of EUR 27.4 million to consolidated revenue. Their share of the Group's profit after tax was EUR 0.7 million for the same period. The consolidated revenue would have been EUR 9.7 million higher and the Group's profit after tax would have been EUR 0.7 million higher if the acquisitions had been consolidated as of April 1, 2016.

As part of the first-time full consolidation of voestalpine Rotec Summo de Mexico S. de R.L. de C.V. and voestalpine Rotec Summo Corp., fair values for trade receivables of EUR 4.2 million (gross carrying amount: EUR 4.2 million) and other receivables of EUR 0.6 million (gross carrying amount: EUR 0.6 million) were taken over. Receivables that are expected to be uncollectible are considered immaterial and negligible. Acquisition-related costs of EUR 0.5 million were recognized in other operating expenses for this acquisition.

On November 7, 2016, voestalpine SIGNALING USA Inc. (Wyoming, USA), a wholly owned subsidiary of voestalpine SIGNALING Siershahn GmbH, Germany, and company of the Metal Engineering Division that was newly established on November 4, 2016, acquired the assets and took over seven employees of DataTraks Inc., based in Loveland, Colorado (USA), as part of an asset deal. The company produces and markets acoustic monitoring systems for railway signaling applications. The strategic background to the establishment of voestalpine SIGNALING USA Inc. and the acquisition of the assets of DataTraks is the creation of a local support center to assist with the market launch of railway monitoring products in the NAFTA market with the advantage of acquiring a complete setup in this business field including the existing service business, experienced employees, and in particular expertise in acoustic monitoring (ABM). The platform created offers the possibility to quickly establish internal, cost-effective product development in the area of ABM and to potentially place HBD (hot-box detector) and WILD (wheel impact load detector) systems in the US market.

This acquisition has the following impact on the consolidated financial statements:

| | **Recognized values** |
|---|---|
| Non-current assets | 0.6 |
| **Net assets** | **0.6** |
| Goodwill | 0.1 |
| **Costs of acquisition** | **0.7** |
| **Net cash outflow** | **0.7** |

In millions of euros

Goodwill of EUR 0.1 million, which is not eligible for corporate tax deductions, reflects the growth prospects for the placement of SIGNALING products.

Since its initial consolidation, this acquisition has contributed revenue of EUR 0.1 million to consolidated revenue. Its share of the Group's profit after tax was EUR –0.1 million for the same period. The consolidated revenue would have been EUR 1.0 million higher and the Group's profit after tax would have been EUR 0.1 million higher if the acquisitions had been consolidated as of April 1, 2016.

In the current reporting period, EUR 4.1 million were paid for earlier acquisitions made in accordance with IFRS 3.

## E. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

| Name of the subsidiary | Domicile | 03/31/2016 | 03/31/2017 |
|---|---|---|---|
| **voestalpine Tubulars GmbH & Co KG** | Kindberg, Austria | | |
| Proportion of ownership | | 49.8875% | 49.8875% |
| Proportion of ownership interests held by non-controlling interests | | 50.1125% | 50.1125% |
| **CNTT Chinese New Turnout Technologies Co., Ltd.** | Qinhuangdao, China | | |
| Proportion of ownership | | 50.0000% | 50.0000% |
| Proportion of ownership interests held by non-controlling interests | | 50.0000% | 50.0000% |

In the reporting period, the total of all non-controlling interests amounts to EUR 168.2 million (March 31, 2016: EUR 180.2 million), of which EUR 80.7 million (March 31, 2016: EUR 95.4 million) is attributable to voestalpine Tubulars GmbH & Co KG and EUR 32.8 million (March 31, 2016: EUR 26.2 million) is attributable to CNTT Chinese New Turnout Technologies Co., Ltd. The remaining non-controlling interests, seen individually, can be considered immaterial for the Group.

Summarized financial information for each subsidiary with non-controlling interests that are material for the Group is depicted in the following chart. The figures correspond to amounts prior to the elimination of intragroup transactions.

### SUMMARIZED STATEMENT OF FINANCIAL POSITION

| | voestalpine Tubulars GmbH & Co KG | | CNTT Chinese New Turnout Technologies Co., Ltd. | |
|---|---|---|---|---|
| | 03/31/2016 | 03/31/2017 | 03/31/2016 | 03/31/2017 |
| Non-current assets | 91.5 | 112.3 | 20.1 | 18.2 |
| Current assets | 120.5 | 124.7 | 94.5 | 96.1 |
| Non-current provisions and liabilities | 30.9 | 30.0 | 0.9 | 3.0 |
| Current provisions and liabilities | 58.7 | 103.6 | 63.5 | 46.7 |
| **Net assets (100%)** | **122.4** | **103.4** | **50.2** | **64.6** |

In millions of euros

## SUMMARIZED INCOME STATEMENT

| | voestalpine Tubulars GmbH & Co KG | | CNTT Chinese New Turnout Technologies Co., Ltd. | |
|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Revenue | 354.8 | 274.8 | 69.8 | 93.2 |
| EBIT | 20.1 | –7.7 | 20.3 | 30.7 |
| Profit after tax | 24.1 | –8.0 | 15.5 | 23.5 |
| Attributable to: | | | | |
| Equity holders of the parent | 12.0 | –4.0 | 7.8 | 11.7 |
| Non-controlling interests | 12.1 | –4.0 | 7.8 | 11.7 |
| Dividends paid to non-controlling interests | 31.0 | 5.2 | 7.4 | 4.5 |

In millions of euros

## SUMMARIZED STATEMENT OF CASH FLOWS

| | voestalpine Tubulars GmbH & Co KG | | CNTT Chinese New Turnout Technologies Co., Ltd. | |
|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Cash flows from operating activities | 22.2 | 4.8 | 8.0 | 37.2 |
| Cash flows from investing activities | 22.3 | –30.2 | –2.2 | –0.8 |
| thereof additions to/divestments of other financial assets | 56.2 | 0.1 | 0.0 | 0.0 |
| Cash flows from financing activities | –44.5 | 25.8 | –9.6 | –14.0 |
| **Net decrease/increase in cash and cash equivalents** | **0.0** | **0.4** | **–3.8** | **22.4** |

In millions of euros

## F. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### SHARES IN IMMATERIAL JOINT VENTURES

Profits from the joint ventures, which are individually immaterial for the voestalpine consolidated financial statements, are included using the equity method. Interests held are presented in the appendix to the Notes on "Investments." This information relates to the interests held by the voestalpine Group in immaterial joint ventures and is broken down as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| **Group share of** | | |
| Profit after tax | 0.2 | 0.9 |
| Other comprehensive income | –0.3 | 0.0 |
| **Comprehensive income** | **–0.1** | **0.9** |
| | | |
| **Carrying amount immaterial joint ventures** | **3.2** | **3.8** |

In millions of euros

voestalpine Giesserei Linz GmbH holds 51.0% of shares in Jiaxing NYC Industrial Co., Ltd. The Articles of Incorporation require at least one vote from another partner for all significant decisions (budget, investments). As a result, it is assumed that despite the 51.0% interest, control is not exercised over the interest.

**SHARES IN IMMATERIAL ASSOCIATES**

The profit from associates that are individually immaterial for the voestalpine consolidated financial statements are included using the equity method. This information relates to the interests held by the voestalpine Group in associates and is broken down as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| **Group share of** | | |
| Profit after tax | 7.0 | 13.7 |
| Other comprehensive income | –3.8 | 0.2 |
| **Comprehensive income** | **3.2** | **13.9** |
| | | |
| **Carrying amount immaterial associates** | **109.2** | **109.2** |

In millions of euros

Associates and the interests held in them are presented in the appendix to the Notes on "Investments."

## G. EXPLANATIONS AND OTHER DISCLOSURES

### 1. REVENUE

Revenue is broken down as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| Revenue from the sale of products (including services) | 10,851.4 | 11,049.2 |
| Revenue from construction contracts | 217.3 | 245.3 |
| **Revenue** | **11,068.7** | **11,294.5** |

In millions of euros

### 2. OPERATING SEGMENTS

The voestalpine Group operates in five reportable segments: Steel Division, High Performance Metals Division, Metal Engineering Division, Metal Forming Division, and Other. The reporting system, which is based primarily on the nature of the products provided, reflects the internal financial reporting, the management structure of the organization, and the Company's predominant sources of risks and rewards.

The Steel Division focuses on the production and processing of steel products for the segments automotive industry, white goods, electrical industry, processing industry, energy, and engineering industry. It is the global leader in highest quality strip steel, and the global market leader in heavy plate for the most sophisticated applications as well as in casings for large turbines. The division produces and processes hot and cold-rolled steel as well as electrogalvanized, hot-dip galvanized, and organically coated plate and electrical steel strip. Its other activities include heavy plate production and a foundry, and a focus on a number of downstream processes.

The High Performance Metals Division is the global market leader in the tool steel and high-speed steel sector. In the segment of special alloys for the oil and natural gas industries, the aerospace industry, and the energy engineering industry, the High Performance Metals Division holds a leading position on the global market. The division has a global network of service centers with a focus on tool manufacturing, offering heat treatment and coating services as well as warehousing and preprocessing of special steels. In Houston (Texas, USA), Singapore, and Birmingham (GBR), the division offers a broad spectrum of services including logistics, distribution, and processing, especially for the oil and natural gas industries. Its position as a technology leader in this field is highlighted by the one-stop-shop solutions it offers customers. Additive manufacturing, a business segment that will be hugely important in the future, is being established along its entire value chain, from powders to the finished "printed" part.

The Metal Engineering Division is worldwide market leader in turnout technology, the European market leader in rails and specially treated wire, and has a leading position in seamless tubes for special applications and high-quality welding consumables. The division manufactures the world's widest range of high-quality rails and turnout products, high-quality rod wire, drawn wire, premium seamless tubes, and welding filler materials. Furthermore, the division offers an extensive range of services in the railway systems sector. Moreover, the Metal Engineering Division has access to its own steel production.

The Metal Forming Division is the expertise center at voestalpine for highly developed special sections, tube products, and precision strip steel as well as pre-finished system components made from pressed, punched, and roll-profiled parts. This combination of expertise in materials and processing is unique in the industry, and with its global presence, the division is the first choice for customers who value innovation and quality. These customers include nearly all leading manufacturers in the automobile manufacture and supply industry, with a significant focus on the premium segment, as well as several companies in the commercial vehicle, construction, storage, energy, and (agricultural) equipment industries.

The holding company, several Group financing and raw materials purchasing companies as well as one personal services company and the group-IT companies are included in the segment Other. These companies are combined in this segment because their focus is on providing coordination services and assistance to the subsidiaries.

Segment revenue, segment expenses, and segment results include transfers between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. These transactions have been eliminated in the consolidated financial statements.

The voestalpine Group uses EBIT as the key figure to measure the performance of the segments. In the voestalpine Group, this figure is a widely accepted indicator for measuring profitability.

The operating segments of the Group are as follows:

**OPERATING SEGMENTS**

| | Steel Division | | High Performance Metals Division | |
|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Segment revenue | 3,753.7 | 3,912.4 | 2,650.9 | 2,697.9 |
| Of which revenue with third parties | 3,450.8 | 3,599.5 | 2,596.2 | 2,641.7 |
| Of which revenue with other segments | 302.9 | 312.9 | 54.7 | 56.2 |
| EBITDA | 478.3 | 563.9 | 364.1 | 395.2 |
| Depreciation and amortization of property, plant and equipment and intangible assets | 258.3 | 300.6 | 136.9 | 142.5 |
| Of which impairment | 0.2 | 0.0 | 0.0 | 0.0 |
| Reversal of impairment of property, plant and equipment and intangible assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Share of profit of entities consolidated according to the equity method | 6.1 | 12.7 | 0.0 | 0.0 |
| EBIT | 220.0 | 263.2 | 227.2 | 252.7 |
| EBIT margin | 5.9% | 6.7% | 8.6% | 9.4% |
| Interest and similar income | 0.7 | 8.8 | 8.7 | 13.5 |
| Interest and similar expenses | 40.7 | 54.1 | 56.0 | 69.2 |
| Income tax expense | –28.4 | –33.2 | –68.0 | –65.9 |
| Profit after tax | 149.9 | 187.5 | 112.3 | 132.8 |
| Segment assets | 4,671.9 | 5,255.3 | 3,881.9 | 4,087.2 |
| Of which investments in entities consolidated according to the equity method | 92.1 | 93.9 | 0.0 | 0.0 |
| Net financial debt | 1,785.3 | 1,926.8 | 815.0 | 914.0 |
| Investments in property, plant and equipment and intangible assets | 701.0 | 404.2 | 181.7 | 179.5 |
| Employees (full-time equivalent) | 10,891 | 10,898 | 13,470 | 13,733 |

| | Metal Engineering Division | | Metal Forming Division | | Other | | Reconciliation | | Total Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | 2,850.4 | 2,684.6 | 2,224.9 | 2,426.1 | 934.4 | 1,395.0 | –1,345.6 | –1,821.5 | 11,068.7 | 11,294.5 |
| | 2,812.8 | 2,648.8 | 2,195.5 | 2,386.4 | 13.4 | 18.1 | 0.0 | 0.0 | 11,068.7 | 11,294.5 |
| | 37.6 | 35.8 | 29.4 | 39.7 | 921.0 | 1,376.9 | –1,345.6 | –1,821.5 | 0.0 | 0.0 |
| | 510.9 | 360.8 | 290.5 | 317.0 | –73.9 | –89.3 | 13.5 | –6.9 | 1,583.4 | 1,540.7 |
| | 196.0 | 160.0 | 96.0 | 106.3 | 7.4 | 8.0 | 0.0 | 0.0 | 694.6 | 717.4 |
| | 38.8 | 5.0 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 39.2 | 5.1 |
| | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 |
| | 145.5 | 0.2 | 0.0 | 0.0 | 0.8 | 0.7 | 0.6 | 1.0 | 153.0 | 14.6 |
| | 314.9 | 200.8 | 194.5 | 210.7 | –81.3 | –97.2 | 13.5 | –6.9 | 888.8 | 823.3 |
| | 11.0% | 7.5% | 8.7% | 8.7% | | | | | 8.0% | 7.3% |
| | 3.5 | 2.7 | 3.5 | 2.2 | 198.9 | 147.7 | –188.2 | –147.3 | 27.1 | 27.6 |
| | 36.5 | 39.8 | 26.5 | 28.0 | 187.5 | 130.2 | –189.5 | –150.6 | 157.7 | 170.7 |
| | –53.2 | –47.9 | –25.6 | –48.3 | 28.1 | 21.3 | –2.1 | 1.1 | –149.2 | –172.9 |
| | 228.7 | 117.4 | 145.9 | 136.6 | 48.3 | 523.0 | –83.0 | –570.3 | 602.1 | 527.0 |
| | 3,140.9 | 3,260.5 | 2,028.2 | 2,236.3 | 10,483.5 | 10,984.2 | –10,199.8 | –11,116.0 | 14,006.6 | 14,707.5 |
| | 5.0 | 5.1 | 0.0 | 0.0 | 6.1 | 6.7 | 9.2 | 7.3 | 112.4 | 113.0 |
| | 700.9 | 838.2 | 413.1 | 556.3 | –661.0 | –1,038.4 | 26.6 | 24.2 | 3,079.9 | 3,221.1 |
| | 248.2 | 211.0 | 167.5 | 205.1 | 7.1 | 7.7 | 0.2 | –0.1 | 1,305.7 | 1,007.4 |
| | 12,675 | 13,157 | 10,470 | 11,073 | 861 | 842 | 0 | 0 | 48,367 | 49,703 |

In millions of euros

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

**EBITDA**

| | 2015/16 | 2016/17 |
|---|---|---|
| Net exchange differences and result from valuation of derivatives | 12.6 | –2.2 |
| Consolidation | 0.9 | –4.7 |
| **EBITDA – Total reconciliation** | **13.5** | **–6.9** |

In millions of euros

**EBIT**

| | 2015/16 | 2016/17 |
|---|---|---|
| Net exchange differences and result from valuation of derivatives | 12.6 | –2.2 |
| Consolidation | 0.9 | –4.7 |
| **EBIT – Total reconciliation** | **13.5** | **–6.9** |

In millions of euros

All other key figures contain solely the effects of consolidation.

**Geographical information**

The following table provides selected financial information summarized according to the major geographical areas. External revenue is allocated to the customers' geographical location. Non-current assets and investments are reported based on the geographical location of the companies.

| | Austria | | European Union | | Other countries | |
|---|---|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| External revenue | 829.0 | 813.5 | 6,949.4 | 7,036.8 | 3,290.3 | 3,444.2 |
| Non-current assets | 5,088.8 | 5,123.6 | 1,572.0 | 1,613.6 | 1,401.8 | 1,702.0 |
| Investments in property, plant and equipment and intangible assets | 601.3 | 522.7 | 180.3 | 188.5 | 524.1 | 296.2 |

In millions of euros

The voestalpine Group does not record any revenue from transactions with a single external customer amounting to 10% or more of the entity's revenue.

## 3. OTHER OPERATING INCOME

| | 2015/16 | 2016/17 |
|---|---|---|
| Gains on disposal and appreciation of intangible assets, property, plant and equipment | 8.9 | 7.8 |
| Income from reversal of provisions | 51.8 | 32.9 |
| Exchange profits | 85.4 | 95.5 |
| Income from the valuation of derivatives | 14.7 | 6.9 |
| Gains from deconsolidation | 0.0 | 3.8 |
| Other operating income | 201.2 | 201.9 |
| | **362.0** | **348.8** |

In millions of euros

In the business year 2016/17, operating income of EUR 94.2 million (2015/16: EUR 83.3 million) from the sale of products not generated in the course of ordinary activities is included in other operating income.

## 4. OTHER OPERATING EXPENSES

| | 2015/16 | 2016/17 |
|---|---|---|
| Taxes other than income taxes | 20.7 | 18.1 |
| Losses on disposal of property, plant and equipment | 6.3 | 6.8 |
| Exchange losses | 91.2 | 69.9 |
| Expenses from the valuation of derivatives | 0.6 | 31.7 |
| Losses from deconsolidation | 0.9 | 2.9 |
| Other operating expenses | 304.8 | 226.6 |
| | **424.5** | **356.0** |

In millions of euros

## 5. SHARE OF PROFIT OF ENTITIES CONSOLIDATED ACCORDING TO THE EQUITY METHOD

| | 2015/16 | 2016/17 |
|---|---|---|
| Income from associates | 7.0 | 13.9 |
| Expenses from associates | 0.0 | –0.2 |
| Income from joint ventures | 146.0 | 0.9 |
| Expenses from joint ventures | 0.0 | 0.0 |
| | **153.0** | **14.6** |

In millions of euros

Income from associates is primarily attributable to METALSERVICE S.P.A., Scholz Austria GmbH and Kocel Steel Foundry Co., Ltd. In the business year 2015/16, income from joint ventures includes EUR 145.8 million (including a recycling of cash flow hedges and of currency translation differences) from the transitional consolidation of voestalpine Tubulars GmbH & Co KG, voestalpine Tubulars GmbH, and CNTT Chinese New Turnout Technologies Co., Ltd. All income from entities consolidated according to the equity method in the business year 2016/17 are the pro-rated profits for the period.

## 6. FINANCE INCOME

| | 2015/16 | 2016/17 |
|---|---|---|
| Income from investments | 3.8 | 4.2 |
| Of which from affiliates | 2.0 | 2.4 |
| Income from other long-term securities and loans | 7.2 | 7.2 |
| Of which from affiliates | 0.0 | 0.0 |
| Other interest and similar income | 19.9 | 20.4 |
| Of which from affiliates | 0.4 | 0.1 |
| Income from the disposal and revaluation of financial assets and securities classified as current assets | 1.2 | 19.7 |
| | **32.1** | **51.5** |

In millions of euros

## 7. FINANCE COSTS

| | 2015/16 | 2016/17 |
|---|---|---|
| Expenses from other financial assets | | |
| Valuation of securities | 7.0 | 4.2 |
| Expenses from affiliates | 0.0 | 0.0 |
| Other expenses | 4.9 | 0.0 |
| | **11.9** | **4.2** |
| | | |
| Other interest and similar expenses | 157.7 | 170.7 |
| Of which from affiliates | 0.0 | 0.1 |
| | **169.6** | **174.9** |

In millions of euros

## 8. INCOME TAXES

Income taxes include income taxes paid and owed as well as deferred taxes (+ income tax expense/ – income tax benefit).

| | 2015/16 | 2016/17 |
|---|---|---|
| **Current tax expense** | **145.2** | **142.8** |
| Effective tax expense | 146.3 | 141.4 |
| Adjustments of taxes from previous periods | –0.9 | 1.7 |
| Recognition of tax losses from prior periods | –0.2 | –0.3 |
| | | |
| **Deferred tax expense** | **4.0** | **30.1** |
| Origination/reversal of temporary differences | 13.1 | 47.5 |
| Adjustments of taxes from previous periods | –4.2 | –6.5 |
| Impact of changes in tax rates | 0.6 | 0.0 |
| Recognition of tax losses from prior periods | –5.5 | –10.9 |
| | | |
| | **149.2** | **172.9** |

In millions of euros

The changes in tax rates apply solely to foreign taxes.

The following reconciliation shows the difference between the Austrian corporate tax rate of 25% and the effective Group tax rate:

| | 2015/16 | | 2016/17 | |
|---|---|---|---|---|
| **Profit before tax** | | **751.3** | | **699.9** |
| Income tax using the Austrian corporate tax rate | 25.0% | 187.8 | 25.0% | 175.0 |
| Difference to foreign tax rates | 0.4% | 2.7 | –0.6% | –4.1 |
| Non-taxable income and expenses | –3.0% | –22.7 | –2.5% | –17.5 |
| Non-taxable income from investments | –0.4% | –2.7 | –0.7% | –4.9 |
| Effects of depreciation of investments and utilization of previously unrecognized losses carried forward and non-recognition of losses carried forward, respectively | 0.1% | 0.3 | 0.2% | 1.4 |
| Taxes from previous periods | –0.7% | –5.1 | –0.7% | –4.8 |
| Other differences | –1.5% | –11.1 | 4.0% | 27.8 |
| **Effective Group tax rate (%)/income tax expense** | **19.9%** | **149.2** | **24.7%** | **172.9** |

In millions of euros

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Land, land rights, and buildings | Plant and equipment | Fixtures and fittings | Advance payments and plant under construction | Total |
|---|---|---|---|---|---|
| Gross carrying amount | 2,851.5 | 9,361.1 | 1,022.3 | 939.9 | 14,174.8 |
| Accumulated depreciation and impairment | –1,390.7 | –6,692.1 | –762.8 | –0.8 | –8,846.4 |
| **Carrying amount as of April 1, 2015** | **1,460.8** | **2,669.0** | **259.5** | **939.1** | **5,328.4** |
| Gross carrying amount | 3,187.7 | 10,082.9 | 1,113.6 | 1,150.2 | 15,534.4 |
| Accumulated depreciation and impairment | –1,499.3 | –7,202.8 | –823.7 | –2.1 | –9,527.9 |
| **Carrying amount as of March 31, 2016** | **1,688.4** | **2,880.1** | **289.9** | **1,148.1** | **6,006.5** |
| Gross carrying amount | 3,433.8 | 11,374.4 | 1,185.3 | 486.1 | 16,479.6 |
| Accumulated depreciation and impairment | –1,577.7 | –7,655.8 | –873.1 | –1.1 | –10,107.7 |
| **Carrying amount as of March 31, 2017** | **1,856.1** | **3,718.6** | **312.2** | **485.0** | **6,371.9** |

In millions of euros

The following table shows a reconciliation of the carrying amounts of property, plant and equipment for the periods presented in the consolidated financial statements as of March 31, 2017:

| | Land, land rights, and buildings | Plant and equipment | Fixtures and fittings | Advance payments and plant under construction | Total |
|---|---|---|---|---|---|
| **Carrying amount as of April 1, 2015** | **1,460.8** | **2,669.0** | **259.5** | **939.1** | **5,328.4** |
| Changes in the scope of consolidated financial statements | 61.3 | 73.6 | 8.1 | 6.6 | 149.6 |
| Additions | 192.2 | 325.7 | 78.2 | 646.0 | 1,242.1 |
| Transfers | 78.7 | 308.5 | 18.8 | –407.4 | –1.4 |
| Disposals | –4.2 | –4.5 | –3.0 | –1.1 | –12.8 |
| Depreciation | –76.6 | –457.6 | –67.9 | 0.0 | –602.1 |
| Impairment | –0.2 | 0.0 | 0.0 | –0.2 | –0.4 |
| Reversal of impairment | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 |
| Net exchange differences | –23.8 | –34.6 | –3.8 | –34.9 | –97.1 |
| **Carrying amount as of March 31, 2016** | **1,688.4** | **2,880.1** | **289.9** | **1,148.1** | **6,006.5** |
| Changes in the scope of consolidated financial statements | 1.9 | 7.6 | 0.3 | 0.8 | 10.6 |
| Additions | 166.2 | 338.5 | 73.8 | 366.3 | 944.8 |
| Transfers | 63.3 | 961.7 | 20.6 | –1,053.9 | –8.3 |
| Disposals | –1.8 | –2.9 | –1.8 | –3.9 | –10.4 |
| Depreciation | –84.6 | –507.8 | –73.4 | 0.0 | –665.8 |
| Impairment | 0.0 | –3.3 | 0.0 | –0.1 | –3.4 |
| Reversal of impairment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net exchange differences | 22.7 | 44.7 | 2.8 | 27.7 | 97.9 |
| **Carrying amount as of March 31, 2017** | **1,856.1** | **3,718.6** | **312.2** | **485.0** | **6,371.9** |

In millions of euros

As of March 31, 2017, restrictions on the disposal of property, plant and equipment amounted to EUR 11.9 million (March 31, 2016: EUR 10.9 million). Furthermore, as of March 31, 2017, commitments for the purchase of property, plant and equipment amounted to EUR 242.6 million (March 31, 2016: EUR 324.2 million).

Borrowing costs related to qualifying assets in the amount of EUR 15.8 million (2015/16: EUR 16.7 million) were capitalized in the reporting period. The calculation was based on an average borrowing cost rate of 2.5 % (2015/16: 2.5 %).

As of March 31, 2017, the gross carrying amount and accumulated depreciation of investment properties (IAS 40) are reported as follows:

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Gross carrying amount | 23.4 | 23.3 |
| Accumulated depreciation and impairment | –8.6 | –8.6 |
| **Carrying amount** | **14.8** | **14.7** |

In millions of euros

The following table shows a reconciliation of the carrying amounts of investment properties for the periods presented in the consolidated financial statements as of March 31, 2017:

| | 2015/16 | 2016/17 |
|---|---|---|
| **Carrying amount as of April 1** | **15.2** | **14.8** |
| Transfers | 0.1 | 0.0 |
| Disposals | –0.6 | 0.0 |
| Reversal of impairment | 0.2 | 0.0 |
| Net exchange differences | –0.1 | –0.1 |
| **Carrying amount as of March 31** | **14.8** | **14.7** |

In millions of euros

Investment properties are measured at cost. Depreciation is recorded in line with the general accounting policies for property, plant and equipment. Based on comparable sales transactions, the market value of these assets is estimated at EUR 15.7 million (March 31, 2016: EUR 15.8 million). Rental income and expenses for investment properties are immaterial.

The carrying amount for each class of asset under finance leases is reported as follows:

| | Property, plant and equipment | | | | Intangible Assets | Total |
|---|---|---|---|---|---|---|
| | Land, land rights, and buildings | Plant and equipment | Fixtures and fittings | Advance payments and plant under construction | | |
| **2015/16** | | | | | | |
| Gross carrying amount | 62.8 | 38.2 | 5.8 | 0.0 | 1.0 | 107.8 |
| Accumulated depreciation and impairment | -24.1 | -27.2 | -2.4 | 0.0 | -1.0 | -54.7 |
| **Carrying amount** | **38.7** | **11.0** | **3.4** | **0.0** | **0.0** | **53.1** |
| **2016/17** | | | | | | |
| Gross carrying amount | 49.9 | 32.7 | 6.4 | 0.5 | 1.0 | 90.5 |
| Accumulated depreciation and impairment | -20.6 | -24.7 | -3.5 | 0.0 | -1.0 | -49.8 |
| **Carrying amount** | **29.3** | **8.0** | **2.9** | **0.5** | **0.0** | **40.7** |

In millions of euros

The present value of the minimum finance lease payments is due as follows:

| | Minimum finance lease payments | | Discounts on finance lease payments | | Present value of the minimum finance lease payments | |
|---|---|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Less than one year | 8.8 | 5.9 | -1.7 | -1.4 | 7.1 | 4.5 |
| Between one and five years | 21.7 | 17.9 | -1.8 | -1.2 | 19.9 | 16.7 |
| More than five years | 5.7 | 5.2 | -0.6 | -0.4 | 5.1 | 4.8 |
| | **36.2** | **29.0** | **-4.1** | **-3.0** | **32.1** | **26.0** |

In millions of euros

The most significant finance lease agreements for buildings and production plants have a remaining term of seven years. The Group has the option to purchase the plants at the end of the contractually agreed period or to renew the contract.

In addition to finance leases, obligations also exist under operating leases for property, plant and equipment that are not reported in the statement of financial position. These obligations are due as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| Less than one year | 51.8 | 49.2 |
| Between one and five years | 117.1 | 119.2 |
| More than five years | 72.0 | 58.9 |
| | **240.9** | **227.3** |

In millions of euros

Payments of EUR 62.5 million (2015/16: EUR 62.8 million) under operating leases have been recognized as expenses.

The most significant operating lease agreements relate to land and buildings with a lease term of up to 50 years (some with a termination option for voestalpine companies) and with a renewal option in certain cases. At the end of the lease term there are purchase options at fair value. There are no restrictions concerning dividends, additional debt, and further leases.

**Reconciliation of depreciation, amortization and impairment of property, plant and equipment and intangible assets by functional area**

| | 2015/16 | 2016/17 |
|---|---|---|
| Cost of sales | 588.2 | 640.9 |
| Distribution costs | 24.8 | 27.6 |
| Administrative expenses | 21.4 | 20.9 |
| Other operating expenses | 60.2 | 28.0 |
| | **694.6** | **717.4** |

In millions of euros

**Impairment losses and reversal of impairment losses**
In the business year 2016/17, the cash-generating unit in the Metal Engineering Division that works with the production of special drawn wire (ultrafine wire) recognized impairment losses of EUR 3.3 million on property, plant and equipment under other operating expenses as a result of project start-up delays and lower earnings expectations. These contrast with reversals of investment grants in the amount of EUR 1.0 million. The recoverable amount for these assets is EUR 50.2 million. A pre-tax discount rate of 7.52% was applied.

The direct reduction plant in Texas, USA, which was put into operation in the business year 2016/17 and produces high-quality HBI (hot briquetted iron), is part of the Steel Division and an independent cash-generating unit. An impairment test was carried out due to investment overruns in the construction phase. The impairment test resulted in a significant surplus.

## 10. GOODWILL

| | 03/31/2015 | 03/31/2016 | 03/31/2017 |
|---|---|---|---|
| Gross carrying amount | 1,485.2 | 1,556.7 | 1,561.8 |
| Impairment | –12.3 | –12.3 | –12.3 |
| **Carrying amount** | **1,472.9** | **1,544.4** | **1,549.5** |

In millions of euros

The following table shows a reconciliation of the carrying amounts of goodwill for the periods presented in the consolidated financial statements as of March 31, 2017:

| | Goodwill |
|---|---|
| **Carrying amount as of April 1, 2015** | **1,472.9** |
| Additions | 73.0 |
| Net exchange differences | –1.5 |
| **Carrying amount as of March 31, 2016** | **1,544.4** |
| Additions | 5.4 |
| Disposals | –2.0 |
| Net exchange differences | 1.7 |
| **Carrying amount as of March 31, 2017** | **1,549.5** |

In millions of euros

The additions to goodwill of EUR 5.4 million include EUR 7.0 million from company acquisitions in the business year 2016/17 as well as an adjustment to the provisional purchase price allocation of Advanced Tooling TEK Co., LTD., China, from the business year 2015/16, due to final fair value adjustments to inventories, property, plant and equipment, and other intangible assets amounting to EUR –1.6 million.

**Impairment tests for cash-generating units or groups of cash-generating units containing goodwill**

Goodwill is allocated to the following cash-generating units or groups of cash-generating units:

| | 2015/16 | 2016/17 |
|---|---|---|
| **Total Steel Division** | **160.1** | **160.1** |
| | | |
| HPM Production | 378.8 | 378.8 |
| Value Added Services | 314.9 | 314.9 |
| **Total High Performance Metals Division** | **693.7** | **693.7** |
| | | |
| Steel | 25.8 | 25.8 |
| Wire Technology | 7.1 | 7.1 |
| Rail Technology | 31.8 | 29.8 |
| Tubulars | 67.1 | 67.1 |
| Turnout Systems | 124.6 | 124.7 |
| Welding Consumables | 172.2 | 172.2 |
| **Total Metal Engineering Division** | **428.6** | **426.7** |
| | | |
| Tubes & Sections | 63.0 | 70.0 |
| Automotive Body Parts | 84.0 | 84.0 |
| Precision Strip | 103.8 | 103.8 |
| Warehouse & Rack Solutions | 11.2 | 11.2 |
| **Total Metal Forming Division** | **262.0** | **269.0** |
| | | |
| **voestalpine Group** | **1,544.4** | **1,549.5** |

In millions of euros

With regard to the value in use, goodwill is reviewed for impairment applying the discounted cash flow method. The calculation is performed on the basis of cash flows as of the beginning of March under a five-year medium-term business plan approved by the Supervisory Board. This medium-term business plan is based on historical data as well as on assumptions regarding the expected future market performance. The Group's planning assumptions are extended to include sectoral planning assumptions. Intra-group evaluations are complemented by external market studies. The cash flows in the perpetual annuity are based on the assumption of country-specific growth derived from external sources. The capital costs are calculated as the weighted average cost of equity and the weighted average cost of borrowed capital and using the capital asset pricing model (weighted average costs of capital). The parameters used for determining the WACC are established on an objective basis.

Estimates and assumptions used to measure the recoverable amounts of cash-generating units or groups of cash-generating units with a significant share of the voestalpine Group's total goodwill include:

The **Steel Division** focuses on the production and processing of steel products for the segments automotive industry, white goods, electrical industry, processing industry, energy, and engineering industry. The five-year medium-term business plan for the Steel Division was prepared on the basis of external economic forecasts for the eurozone, the USA, China, Russia, and Mexico (based on the IMF's world economic outlook)[1] and under consideration of expected steel consumption[2]. EUROFER anticipates growth in demand for steel, especially in the automotive and construction industries. The CRU-index is also taken into account in planning for flat steel products.

Some quality-related adjustments have been made due to positive feedback from individual customer segments. The production plan reflects the sales forecasts. With respect to procurement, the assumptions regarding raw materials according to global market forecasts (based on e.g. Platts price assessments) were taken as a basis for planning. Based on these assumptions, the gross margin is expected to develop positively in the medium term.

The fifth plan year was used to calculate the perpetual annuity based on an expected growth rate of 1.27% (2015/16: 1.25%). The pre-tax WACC is 7.74% (2015/16: 7.56%).

The five-year medium-term business plan for the **High Performance Metals Division** and its two goodwill-carrying units—High Performance Metals (HPM) Production and Value Added Services—was based on both the general economic environment of the relevant industry segments (in particular the automotive,[3] oil and gas,[4] and aerospace industries[5]) as well as the growth forecasts for the regional sales markets in its core markets, especially the eurozone, the USA, China, Brazil, and Mexico (based on the IMF's world economic outlook[6] and Deutsche Bank Research[7]).

[1] World Economic Outlook, IMF 10/2016
[2] EUROFER – Dachverband der europäischen Stahlindustrie
[3] LMC Automotive Q3-2016, HIS Automotive – global light vehicle production forecast
[4] Baker Hughes – rig-count 10/2016
[5] Oxford Economics, Autum 2016
[6] World Economic Outlook, IMF 10/2016
[7] Deutsche Bank Research 1/2017

**HPM Production** bundles seven production locations around the world. Production covers a highly complex and highly demanding production spectrum: tool steel, high-speed steel, valve steel, special constructional steel, powder-metallurgical steel, special steels, and nickel-based alloys. It includes smelting and transforming (rolling, forging, hot-rolled, and cold-rolled strips) to heat treatment and processing, as well as meeting the properties and specifications required by the customer. The processing companies produce plate, profiles, and drop-forged parts from titanium alloys, nickel-based alloys and high, medium, and low-grade alloyed steels.

The internal forecasts and estimates for HPM production—in particular with regard to the components business that targets sophisticated metallurgical applications in the aerospace, oil and gas, energy engineering, and automotive industries—rely on these external sources of information and are largely consistent with them. A positive trend is again forecast for the automotive segment. A conservative budget approach was taken in the oil and gas segment; no substantial recovery is expected before the end of 2017. The aerospace industry should again see a positive trend with market dynamics flattening at a high level. Overall, this will lead to higher revenue and a positive gross margin trend in the planning period.

Changes in the cost of input materials due to the price of alloys can mostly be passed on to customers. The final plan year was used to calculate the perpetual annuity based on a growth factor of 1.72% (2015/16: 1.74%). The pre-tax WACC is 9.54% (2015/16: 9.72%).

In the **Value Added Services** business segment, the continued systematic expansion of services in the planning period will lead to greater customer loyalty and increased value creation. Further focus areas were defined here in the past business year. Preprocessing, heat treatment, and coating—Value Added Services now operates 18 coating centers for customers worldwide—will also be expanded in line with customer requirements. Ongoing activities will additionally focus on the systematic continuation of tried and tested cost-cutting and optimization programs as well as new initiatives, especially in the area of digitalization. This will lead to higher revenue and a positive gross margin trend in the planning period. Changes in material costs due to alloy prices can also be passed on to the market through what are known as "alloy surcharges." The perpetual annuity begins with the fifth plan year and is based on a growth factor of 1.60% (2015/16: 1.51%). The pre-tax WACC is 9.70% (2015/16: 10.02%).

The medium-term planning for **Turnout Systems** for the next five years is based on market forecasts[1] and project planning for railway infrastructure, taking into consideration the business segment's strategic focus and the increasing influence of digitalization in the rail segment. It also accounts for the different levels of economic development in the individual regions[2]. With regard to the most important factor cost developments, general forecasts of the development of personnel expenses and internal assumptions on the development of steel prices were integrated into the budgets. The planning assumes that the gross margin is kept relatively constant over the planning period and that fluctuation in the individual markets balance each other out as a result of the business segment's global reach. The perpetual annuity begins with the fifth plan year and is based on a growth factor of 1.64% (2015/16: 1.51%). The pre-tax WACC is 9.35% (2015/16: 8.94%).

[1] UNIFE Annual Report 2016, 01/2016
[2] World Economic Outlook, IMF 10/2016

The five-year medium-term planning for **Welding Consumables** takes into account both macroeconomic trends[1] in each region as well as the projected developments in the relevant industry segments. The expected price trends for raw materials, and in particular for alloys, are derived from current quoted market prices as well as the available forecasts. Based on the organizational measures and optimization program initiated and being implemented, which will be systematically continued in the planning period, as well as market forecasts, volume growth and a slight increase in the gross margin is anticipated in the planning period. The discounted cash flow method used in the course of the impairment tests is applied using a perpetual annuity based on the last planning period. A growth factor of 1.45% (2015/16: 1.36%) was applied for the perpetual annuity. The pre-tax WACC is 8.97% (2015/16: 8.70%).

The cash flow forecasts for **Automotive Components** are based on the medium-term market growth and production forecasts for the global automotive market according to the forecasts published by LMC Automotive[2], particularly for our most important markets in Europe, in the NAFTA region, and in Asia, as well as for our most important customers—premium European manufacturers. Internal estimates reflect the business segment's internationalization and growth strategy. External indicators and market dynamics were adjusted in line with the current model portfolio of Automotive Components customers. Customer-specific information about medium-term outlooks and sales projections also served as sources for business planning at Automotive Components. This will lead to higher revenue and a positive gross margin trend in the planning period. The fifth plan year was used to calculate the perpetual annuity based on a growth factor of 1.24% (2015/16: 1.15%). The pre-tax WACC is 9.04% (2015/16: 9.19%).

[1] World Economic Outlook, IMF 10/2016
[2] LMCA_GAPF_Data_Quarter 4 2016

**Precision Strip** specializes in the production of globally available, technologically complex cold-rolled strip steel products with exact dimensional accuracy, outstanding surface quality, and unique edge profiles for the highest customer requirements in the process industry. The five-year medium-term business plan for Precision Strip was prepared under consideration of the general regional conditions in the core markets and reflects the general economic environment of the most important industry segments for the companies. Current market conditions are characterized by strong competition and pressure on margins. The growth indicated in the planning is largely based on securing market leadership in niche markets, expanding market shares, and developing new markets. External forecasts were taken into account in internal estimates and, as a general rule, were adjusted very slightly downward. These external forecasts are country-specific figures for expected economic growth (GDP forecasts)[1], supplemented by industry-specific experience in the relevant markets for each product segment. Customer-specific information about medium-term outlooks and sales projections also served as sources for business planning at Precision Strip. As a result, revenue is expected to increase and the gross margin should be stable in the planning period. The final plan year was used to calculate the perpetual annuity based on a growth factor of 1.31% (2015/16: 1.24%). The pre-tax WACC is 8.91% (2015/16: 9.00%).

The value of all goodwill was confirmed by the impairment tests. A sensitivity analysis of the goodwill-carrying units described above showed that all carrying amounts would still be covered if the interest rate were to rise by one percentage point and there is no need to recognize an impairment loss. Furthermore, the cash flow sensitivity analysis showed that if the cash flows are reduced by 10%, all carrying amounts are still covered and there is no need to recognize an impairment loss. A combined sensitivity analysis of the goodwill-carrying units described above showed that, with an increase of the discount rate by one percentage point and a reduction in cash flow of 10%, the carrying amounts are still covered with three exceptions (Steel Division, High Performance Metals Production and Welding Consumables).

[1] World Economic Outlook, IMF 10/2016

The following table shows the carrying amount coverage as well as the amount by which both major assumptions would have to change for the estimated recoverable amount to become equal to the carrying amount:

**STEEL DIVISION**

| | 2015/16 | 2016/17 |
|---|---|---|
| Carrying amount coverage in millions of euros | 1,273.3 | 1,087.1 |
| Discount rate in % | 2.0 | 1.8 |
| Cash flow in % | –26.0 | –22.4 |

**HIGH PERFORMANCE METALS PRODUCTION**

| | 2015/16 | 2016/17 |
|---|---|---|
| Carrying amount coverage in millions of euros | 336.5 | 308.3 |
| Discount rate in % | 1.2 | 1.1 |
| Cash flow in % | –15.1 | –13.6 |

**WELDING CONSUMABLES**

| | 2015/16 | 2016/17 |
|---|---|---|
| Carrying amount coverage in millions of euros | 171.8 | 112.0 |
| Discount rate in % | 2.5 | 1.7 |
| Cash flow in % | –28.7 | –20.6 |

## 11. OTHER INTANGIBLE ASSETS

| | Brands | Other | Advance payments or payments in progress | Total |
|---|---|---|---|---|
| Gross carrying amount | 227.6 | 1,093.6 | 57.0 | 1,378.2 |
| Accumulated amortization and impairment | –19.5 | –1,013.3 | –0.1 | –1,032.9 |
| **Carrying amount as of April 1, 2015** | **208.1** | **80.3** | **56.9** | **345.3** |
| | | | | |
| Gross carrying amount | 227.6 | 1,263.9 | 56.3 | 1,547.8 |
| Accumulated amortization and impairment | –25.2 | –1,108.5 | 0.0 | –1,133.7 |
| **Carrying amount as of March 31, 2016** | **202.4** | **155.4** | **56.3** | **414.1** |
| | | | | |
| Gross carrying amount | 227.6 | 1,322.5 | 50.0 | 1,600.1 |
| Accumulated amortization and impairment | –30.9 | –1,149.8 | 0.0 | –1,180.7 |
| **Carrying amount as of March 31, 2017** | **196.7** | **172.7** | **50.0** | **419.4** |

In millions of euros

The “Brands” column contains brands with an indefinite useful life amounting to EUR 170.6 million. It also includes a capital market funding advantage associated with the brand name Böhler-Uddeholm. The amortization period of the capital market funding advantage is ten years.

**Intangible assets with unlimited useful life**
The following cash-generating units and groups of cash-generating units contain brands with indefinite useful lives:

| | 2015/16 | 2016/17 |
|---|---|---|
| **High Performance Metals Division** | **155.4** | **155.4** |
| Welding Consumables | 12.6 | 12.6 |
| **Total Metal Engineering Division** | **12.6** | **12.6** |
| Precision Strip | 2.6 | 2.6 |
| **Total Metal Forming Division** | **2.6** | **2.6** |
| **voestalpine Group** | **170.6** | **170.6** |

In millions of euros

The period during which these trademark rights are expected to generate cash flows is not subject to a foreseeable limit. Trademark rights are therefore not subject to wear and tear and are not amortized. No impairments have arisen.

The following table shows a reconciliation of the carrying amounts of other intangible assets for the periods presented in the consolidated financial statements as of March 31, 2017:

| | Brands | Other | Advance payments or payments in progress | Total |
|---|---|---|---|---|
| **Carrying amount as of April 1, 2015** | **208.1** | **80.3** | **56.9** | **345.3** |
| Changes in the scope of consolidated financial statements | 0.0 | 124.0 | 0.0 | 124.0 |
| Additions | 0.0 | 20.1 | 17.8 | 37.9 |
| Transfers | 0.0 | 19.3 | –18.2 | 1.1 |
| Disposals | 0.0 | –0.1 | 0.0 | –0.1 |
| Amortization | –5.7 | –47.4 | 0.0 | –53.1 |
| Impairment | 0.0 | –38.8 | 0.0 | –38.8 |
| Net exchange differences | 0.0 | –2.0 | –0.2 | –2.2 |
| **Carrying amount as of March 31, 2016** | **202.4** | **155.4** | **56.3** | **414.1** |
| Changes in the scope of consolidated financial statements | 0.0 | 7.9 | 0.0 | 7.9 |
| Additions | 0.0 | 23.3 | 16.0 | 39.3 |
| Transfers | 0.0 | 27.0 | –22.5 | 4.5 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | –5.7 | –40.7 | 0.0 | –46.4 |
| Impairment | 0.0 | –1.7 | 0.0 | –1.7 |
| Net exchange differences | 0.0 | 1.5 | 0.2 | 1.7 |
| **Carrying amount as of March 31, 2017** | **196.7** | **172.7** | **50.0** | **419.4** |

In millions of euros

The functional areas of cost of sales, distribution costs, administrative expenses, and other operating expenses may include amortization of intangible assets.

As of March 31, 2017, commitments for the acquisition of intangible assets amounted to EUR 1.0 million (March 31, 2016: EUR 5.0 million). Additions to "Advance payments or payments in progress" contain EUR 15.1 million (March 31, 2016: EUR 13.7 million) in capitalized development costs for a software project intended to map cross-company business processes and business processes that have been harmonized within the Steel Division. The carrying amount in the other intangible assets as of March 31, 2017 amounts to EUR 76.9 million (March 31, 2016: EUR 60.2 million); the expected useful life is ten years.

**Impairment losses and reversal of impairment losses**

In the business year 2016/17, impairment losses of EUR 1.7 million (March 31, 2016: EUR 38.8 million) were recognized on intangible assets for a cash-generating unit in the Metal Engineering Division that works with the production of seamless tubes due to ongoing negative market trends, in particular as a result of continued competitive pressure. These are recognized under other operating expenses. The recoverable amount for these assets is EUR 37.9 million (March 31, 2016: EUR 48.2 million). A pre-tax discount rate of 5.71% was applied (March 31, 2016: between 6.01% and 6.99%).

## 12. INVESTMENTS IN ENTITIES CONSOLIDATED ACCORDING TO THE EQUITY METHOD AND OTHER FINANCIAL ASSETS

| | Investments in affiliates | Investments in associates | Investments in joint ventures | Other investments | Securities | Loans granted | Advance payments | Total |
|---|---|---|---|---|---|---|---|---|
| Gross carrying amount | 16.6 | 117.1 | 102.0 | 55.3 | 3.8 | 19.8 | 0.0 | 314.6 |
| Accumulated depreciation/revaluation | –6.3 | 0.0 | 0.0 | –10.9 | 0.2 | –0.9 | 0.0 | –17.9 |
| **Carrying amount as of April 1, 2015** | **10.3** | **117.1** | **102.0** | **44.4** | **4.0** | **18.9** | **0.0** | **296.7** |
| Gross carrying amount | 17.5 | 109.4 | 3.2 | 54.9 | 3.3 | 18.2 | 0.2 | 206.7 |
| Accumulated depreciation/revaluation | –6.8 | –0.2 | 0.0 | –16.8 | 0.1 | –0.8 | 0.0 | –24.5 |
| **Carrying amount as of March 31, 2016** | **10.7** | **109.2** | **3.2** | **38.1** | **3.4** | **17.4** | **0.2** | **182.2** |
| Gross carrying amount | 14.3 | 109.6 | 3.8 | 55.0 | 2.1 | 17.9 | 0.1 | 202.8 |
| Accumulated depreciation/revaluation | –6.0 | –0.4 | 0.0 | –17.0 | 0.3 | –0.7 | 0.0 | –23.8 |
| **Carrying amount as of March 31, 2017** | **8.3** | **109.2** | **3.8** | **38.0** | **2.4** | **17.2** | **0.1** | **179.0** |

In millions of euros

The following table shows a reconciliation of the carrying amounts of investments in entities consolidated according to the equity method and other financial assets for the periods presented in the consolidated financial statements as of March 31, 2017:

| | Investments in affiliates | Investments in associates | Investments in joint ventures | Other investments | Securities | Loans granted | Advance payments | Total |
|---|---|---|---|---|---|---|---|---|
| **Carrying amount as of April 1, 2015** | **10.3** | **117.1** | **102.0** | **44.4** | **4.0** | **18.9** | **0.0** | **296.7** |
| Changes in the scope of consolidated financial statements | 0.9 | 0.0 | –98.6 | 0.0 | 0.0 | 0.2 | 0.0 | –97.5 |
| Additions | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.6 | 0.2 | 0.9 |
| Transfers | 0.0 | 0.0 | 0.0 | –0.4 | 0.0 | –0.3 | 0.0 | –0.7 |
| Disposals | 0.0 | –3.9 | 0.0 | 0.0 | –0.6 | –1.7 | 0.0 | –6.2 |
| Impairment | –0.5 | –0.2 | 0.0 | –5.9 | 0.0 | 0.0 | 0.0 | –6.6 |
| Revaluation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net exchange differences | 0.0 | –3.8 | –0.3 | 0.0 | 0.0 | –0.3 | 0.0 | –4.4 |
| **Carrying amount as of March 31, 2016** | **10.7** | **109.2** | **3.2** | **38.1** | **3.4** | **17.4** | **0.2** | **182.2** |
| Changes in the scope of consolidated financial statements | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 | 0.0 | 1.6 |
| Additions | 0.1 | 18.5 | 0.9 | 0.1 | 0.0 | 2.4 | 0.0 | 22.0 |
| Transfers | –0.2 | 0.0 | 0.0 | 0.0 | 0.0 | –0.2 | –0.1 | –0.5 |
| Disposals | –2.3 | –18.5 | –0.3 | 0.0 | –1.1 | –3.9 | 0.0 | –26.1 |
| Impairment | 0.0 | –0.2 | 0.0 | –0.2 | 0.0 | 0.0 | 0.0 | –0.4 |
| Revaluation | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Net exchange differences | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | –0.1 | 0.0 | 0.1 |
| **Carrying amount as of March 31, 2017** | **8.3** | **109.2** | **3.8** | **38.0** | **2.4** | **17.2** | **0.1** | **179.0** |

In millions of euros

Loans granted comprise the following items:

| | 03/31/2015 | 03/31/2016 | 03/31/2017 |
|---|---|---|---|
| Loans to affiliates | 0.7 | 0.6 | 0.5 |
| Other loans | 10.6 | 9.3 | 10.9 |
| Other receivables from financing | 7.6 | 7.5 | 5.8 |
| | **18.9** | **17.4** | **17.2** |

In millions of euros

Other current investments in the amount of EUR 348.3 million (March 31, 2016: EUR 355.8 million) include securities of the V54 fund of funds amounting to EUR 298.2 million (March 31, 2016: EUR 325.2 million), and other securities amounting to EUR 50.1 million (March 31, 2016: EUR 30.6 million).

As of March 31, 2016, the fund assets of the V54 fund of funds, which represent a carrying amount of current securities amounting to EUR 21.5 million in the consolidated financial statements, were pledged for investment loans granted by the European Investment Bank. As of March 31, 2017, there are no pledges in this context.

VA Intertrading Aktiengesellschaft was recognized — as in the previous year — under other current financial investments, as the prerequisites for the application of IFRS 5 provisions have now been met; however, as these are immaterial and negligible, it is not appropriate to list them as a separate line item in the consolidated statement of financial position. VA Intertrading Aktiengesellschaft is part of the operating segment "Other."

## 13. DEFERRED TAXES

The tax effects of temporary differences, tax losses carried forward, and tax credits that result in a recognition of deferred tax assets and liabilities include the following items:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 03/31/2016 | 03/31/2017 | 03/31/2016 | 03/31/2017 |
| Non-current assets | 45.8 | 40.6 | 156.6 | 319.8 |
| Current assets | 67.7 | 61.2 | 73.5 | 111.4 |
| Non-current provisions and liabilities | 212.4 | 219.1 | 35.1 | 29.9 |
| Current provisions and liabilities | 34.2 | 32.8 | 30.9 | 28.5 |
| Losses carried forward | 49.2 | 219.6 | 0.0 | 0.0 |
| | **409.3** | **573.3** | **296.1** | **489.6** |
| Intercompany profit elimination (netted) | 21.8 | 23.7 | 0.0 | 0.0 |
| Hidden reserves (netted) | 0.0 | 0.0 | 113.5 | 104.9 |
| Acquisition-related tax credit | 90.3 | 72.3 | 0.0 | 0.0 |
| Other | 17.0 | 21.8 | 8.4 | 2.3 |
| Netting of deferred taxes to the same tax authority | –296.0 | –477.4 | –296.0 | –477.4 |
| **Net deferred taxes** | **242.4** | **213.7** | **122.0** | **119.4** |

In millions of euros

Pursuant to IAS 12.34, the tax benefit from the acquisition of BÖHLER-UDDEHOLM Aktiengesellschaft is reported as unused tax credit and will be released as a deferred tax expense over a period of 14 years with an amount of EUR 18.1 million per year (remaining term four years). This is offset by actual tax savings.

Deferred tax assets on losses carried forward in the amount of EUR 219.6 million (March 31, 2016: EUR 49.2 million) were recognized. As of March 31, 2017, there is a total of unused tax losses of approximately EUR 313.6 million (corporate income tax) (March 31, 2016: total of approximately EUR 251.9 million), for which no deferred tax asset has been recognized. Up to 2027, approximately EUR 62.2 million of tax loss carryforwards (corporate income tax) will expire.

No deferred tax liabilities are shown for the taxable temporary differences due on investments in subsidiaries, joint ventures, and associates of EUR 2,504.8 million (March 31, 2016: EUR 2,529.5 million) because the parent company is able to control the timing of the reversal of the temporary differences and no reversal of the temporary differences is expected in the foreseeable future.

The change in the balance between deferred tax assets and liabilities amounts to EUR –26.0 million (March 31, 2016: EUR –55.2 million). This essentially corresponds to the deferred tax expense of EUR 30.1 million (March 31, 2016: EUR 4.0 million) less the deferred tax assets recognized in the other comprehensive income in the amount of EUR 2.6 million (March 31, 2016: EUR –4.4 million) and less the deferred taxes of initial consolidation and deconsolidation in the amount of EUR –1.6 million (March 31, 2016: EUR –43.6 million).

Additional disclosures pursuant to IAS 12.81 (ab):

| | Change 2015/16 | 03/31/2016 | Change 2016/17 | 03/31/2017 |
|---|---|---|---|---|
| Deferred taxes on actuarial gains/losses | –12.6 | 152.6 | 5.0 | 157.6 |
| Deferred taxes on cash flow hedges | 6.5 | 1.7 | –2.3 | –0.6 |
| Deferred taxes on net investment hedges | 3.5 | 0.0 | 0.0 | 0.0 |
| **Total of deferred taxes recognized in other comprehensive income** | **–2.6** | **154.3** | **2.7** | **157.0** |

In millions of euros

## 14. INVENTORIES

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Raw materials and supplies | 912.2 | 1,207.8 |
| Work in progress | 850.3 | 931.0 |
| Finished goods | 997.1 | 1,060.7 |
| Merchandise | 188.8 | 176.9 |
| As yet unbillable services | 7.1 | 7.7 |
| Advance payments | 17.6 | 24.1 |
| | **2,973.1** | **3,408.2** |

In millions of euros

Write-downs to the lower net realizable value amounting to EUR 140.4 million (March 31, 2016: EUR 121.3 million) are recorded in the consolidated financial statements. The carrying amount of the inventories that have been written down to the lower net realizable value amounts to EUR 541.0 million (March 31, 2016: EUR 567.6 million). As in the previous year, no inventories are pledged as security for liabilities as of March 31, 2017. An amount of EUR 5,689.7 million (March 31, 2016: EUR 5,547.6 million) has been recognized as cost of materials.

## 15. TRADE AND OTHER RECEIVABLES

| | 03/31/2016 | Remaining term over one year | 03/31/2017 | Remaining term over one year |
|---|---|---|---|---|
| Trade receivables | 1,134.3 | 1.0 | 1,320.3 | 1.5 |
| Other receivables and other assets | 379.0 | 8.7 | 393.8 | 11.0 |
| of which current tax assets | 36.2 | | 39.8 | |
| | **1,513.3** | **9.7** | **1,714.1** | **12.5** |

In millions of euros

Trade receivables include the following receivables from construction contracts:

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Aggregate amount of costs incurred up to the reporting date | 172.8 | 168.2 |
| Aggregate amount of accrued profits up to the reporting date | 22.9 | 30.4 |
| Aggregate amount of incurred losses up to the reporting date | –10.8 | –5.5 |
| **Gross receivables from construction contracts** | **184.9** | **193.1** |
| | | |
| Less amount of advances received | –121.5 | –118.8 |
| **Receivables from construction contracts** | **63.4** | **74.3** |

In millions of euros

Liabilities include the following liabilities from construction contracts:

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Aggregate amount of costs incurred up to the reporting date | 12.0 | 20.1 |
| Aggregate amount of accrued profits up to the reporting date | 6.0 | 6.7 |
| Aggregate amount of incurred losses up to the reporting date | 0.0 | 0.0 |
| **Gross liabilities from construction contracts** | **18.0** | **26.8** |
| | | |
| Less amount of advances received | –22.2 | –35.0 |
| **Liabilities from construction contracts** | **–4.2** | **–8.2** |

In millions of euros

Revenue from construction contracts amounted to EUR 245.3 million in the business year 2016/17 (2015/16: EUR 217.3 million).

## 16. CASH AND CASH EQUIVALENTS

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| **Cash on hand, cash at banks, checks** | **774.8** | **503.3** |

In millions of euros

## 17. EQUITY

**Share capital (incl. disclosures in accordance with Section 241 of the Austrian Commercial Code *(Unternehmensgesetzbuch, UGB)*)**

As of March 31, 2017, the share capital amounts to EUR 320,394,836.99 (March 31, 2016: EUR 317,851,287.79) and is divided into 176,349,163 (March 31, 2016: 174,949,163) no-par value bearer shares. All shares are fully paid up.

Under Section 4 (2a) of the Articles of Incorporation, the Management Board of voestalpine AG is authorized until June 30, 2019, with the consent of the Supervisory Board, to increase the Company's share capital by up to EUR 125,323,693.90 by issuing up to 68,979,665 shares (= 40%) against cash contributions, if necessary in several tranches (Authorized Capital 2014/I). The Management Board did not exercise this authority during the reporting period.

Under Section 4 (2b) of the Articles of Incorporation, the Management Board of voestalpine AG is authorized until June 30, 2019, with the consent of the Supervisory Board, to increase the Company's

share capital by up to EUR 31,330,923.02 by issuing up to 17,244,916 shares (= 10%) against contributions in kind and/or cash contributions to issue shares to employees, executives, and members of the Management Board of the Company or an affiliated company — if necessary in several tranches — as well as the right to exclude the shareholders' legal subscription right if (i) the capital increase is made against contributions in kind, which means that shares are issued for the purpose of acquiring companies, operations, partial operations, or shares in one or more companies located in Austria or abroad, or (ii) the capital increase is performed for the purpose of issuing shares to employees, executives, and members of the Management Board of the Company or an affiliated company in the context of an employee stock ownership plan (Authorized Capital 2014/II). The Management Board of voestalpine AG decided on March 9, 2015, to use this authorization to increase the share capital of voestalpine AG by issuing 2,500,000 new no-par value bearer shares, or by 1.45%, for the purpose of issuing shares to employees and executives of the Company and affiliated companies in the context of an existing employee stock ownership plan. This capital increase was entered into the Commercial Register on April 25, 2015. Furthermore, the Management Board of voestalpine AG decided on March 6, 2017, to use this authorization to increase the share capital of voestalpine AG by issuing 1,400,000 new no-par value bearer shares, or by 0.8%, for the purpose of issuing shares to employees and executives of the Company and affiliated companies in the context of an existing employee stock ownership plan. This capital increase was entered into the Commercial Register on March 30, 2017. Capital funding costs were deducted from equity.

Under Section 4 (6) of the Articles of Incorporation, the Management Board of voestalpine AG is authorized to increase the share capital of the Company by up to EUR 31,330,923.02 by issuing up to 17,244,916 ordinary no-par value bearer shares (= 10%) for issuance to creditors of financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act *(Aktiengesetz, AktG)* (convertible bonds, income bonds, or participation rights); the Management Board was authorized to issue these shares during the Annual General Meeting on July 2, 2014 (contingent capital increase). To date, the Management Board has not exercised the authority granted on July 2, 2014, to issue financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act.

During the Annual General Meeting on July 1, 2015, the Management Board was authorized to repurchase own shares for a term of validity of 30 months, representing no more than 10% of the respective share capital. The repurchase price may not be more than 20% below or 10% above the average closing price of the shares on the three market trading days prior to the repurchase. The Management Board has not exercised this authority to date.

Capital reserves mainly include the share premium (net of capital funding costs), gains/losses from the sale of own shares, and share-based compensation.

Reserves for own shares include the deducted cost of acquisition and the increase in equity from disposal of own shares at cost.

Retained earnings include the profit after tax less dividend distributions. When increasing or decrease majority interests, the difference between the cost of acquisition for the additional shares and the pro-rated carrying amount of the non-controlling interests is recognized directly in retained earnings. Actuarial gains and losses from severance and pension obligations are recognized directly in retained earnings in the year in which they are incurred.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

The hedging reserve comprises gains and losses from the effective portion of the cash flow hedges. The cumulative gains or losses from hedged transactions recognized in the reserves are not recognized in the income statement until the hedged transaction also affects the result.

The number of shares outstanding for the periods presented in the consolidated financial statements as of March 31, 2017, has changed as follows:

| | Number of no-par value shares | Number of own shares | Number of shares outstanding |
|---|---|---|---|
| **Balance as of April 1, 2015** | **172,449,163** | **28,597** | **172,420,566** |
| Additions | 2,500,000 | | 2,500,000 |
| **Balance as of March 31, 2016** | **174,949,163** | **28,597** | **174,920,566** |
| Additions | 1,400,000 | | 1,400,000 |
| **Balance as of March 31, 2017** | **176,349,163** | **28,597** | **176,320,566** |

Shares

**Hybrid capital**

In the fourth quarter of the business year 2012/13, voestalpine AG issued a new subordinate undated bond (hybrid bond 2013) with a volume of EUR 500 million following an invitation extended to the holders of the hybrid bond 2007 to exchange the bond for a new hybrid bond at a 1:1 ratio. The outstanding nominal value of the hybrid bond 2007 as a result of this exchange was thus EUR 500 million. This was later completely terminated and redeemed as of October 31, 2014. The coupon of the hybrid bond 2013 is 7.125% until October 31, 2014, 6% from October 31, 2014, to October 31, 2019, the 5-year swap rate +4.93% from October 31, 2019, to October 31, 2024, and the 3-month EURIBOR +4.93% plus a step-up of 1% starting October 31, 2024. The hybrid bond 2013 can be first called in and redeemed by voestalpine AG, but not the creditors, on October 31, 2019. A total of EUR 30.0 million was paid out on October 31, 2016 (October 31, 2015: EUR 30.0 million) for interest on the hybrid bond 2013.

As the hybrid bond satisfies the IAS 32 criteria for equity, the proceeds from the bond issues are recognized as part of equity. Accordingly, coupon payments are also presented as part of the appropriation of profit.

The issue costs of the hybrid bond 2013 amounted to EUR 2.8 million, less EUR 0.7 million tax effect. Therefore hybrid capital amounts to EUR 497.9 million in equity.

**Share-based compensation**
Due to the practice of granting employees voestalpine shares as part of the annual profit bonus, 69 thousand shares with a market value of EUR 1.7 million (2015/16: EUR 1.0 million) were taken from equity to pay for this, and 43 thousand shares with a value of EUR 1.7 million (2015/16: EUR 1.7 million) were added to equity.

## 18. PENSIONS AND OTHER EMPLOYEE OBLIGATIONS

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Provisions for severance payments | 598.0 | 605.7 |
| Provisions for pensions | 491.4 | 476.9 |
| Provisions for long-service bonuses | 139.7 | 143.8 |
| | **1,229.1** | **1,226.4** |

In millions of euros

### PROVISIONS FOR SEVERANCE PAYMENTS

| | 2015/16 | 2016/17 |
|---|---|---|
| **Present value of defined benefit obligation (DBO) as of April 1** | **606.0** | **598.0** |
| Service costs for the period | 14.6 | 12.9 |
| Past service costs | 0.3 | 0.2 |
| Interest costs for the period | 9.3 | 11.0 |
| Gains (–)/losses (+) on plan settlement | –0.6 | 0.0 |
| Changes in the scope of consolidated financial statements | 26.1 | 0.0 |
| Severance payments | –27.8 | –31.3 |
| Actuarial gains (–)/losses (+) due to changes in financial assumptions | –27.4 | 19.3 |
| Actuarial gains (–)/losses (+) due to experience-based adjustments | 0.5 | –4.4 |
| Plan settlements | –2.9 | 0.0 |
| Other | –0.1 | 0.0 |
| **Present value of defined benefit obligation (DBO) as of March 31** | **598.0** | **605.7** |

In millions of euros

**PROVISIONS FOR PENSIONS**

| | Present value of DBO | Plan assets | Provisions for pensions |
|---|---|---|---|
| **As of April 1, 2015** | **905.5** | **–379.5** | **526.0** |
| Service costs for the period | 10.3 | 0.0 | 10.3 |
| Past service costs | –0.5 | 0.0 | –0.5 |
| Net interest for the period | 15.3 | –5.7 | 9.6 |
| Return on plan assets (excluding amounts included in net interest) | 0.0 | 15.3 | 15.3 |
| Gains (–)/losses (+) on plan settlement/curtailment | –7.6 | 0.0 | –7.6 |
| Changes in the scope of consolidated financial statements | 5.8 | –3.4 | 2.4 |
| Pension payments | –34.2 | 18.8 | –15.4 |
| Net exchange differences | –8.7 | 5.8 | –2.9 |
| Employer contributions/repayments | 0.0 | 2.3 | 2.3 |
| Contributions by plan participants | 0.0 | –0.5 | –0.5 |
| Actuarial gains (–)/losses (+) due to changes in financial assumptions | –46.2 | 0.0 | –46.2 |
| Actuarial gains (–)/losses (+) due to changes of demographic assumptions | 0.4 | 0.0 | 0.4 |
| Actuarial gains (–)/losses (+) due to experience-based adjustments | –1.7 | 0.0 | –1.7 |
| Plan settlements | –64.2 | 64.2 | 0.0 |
| Other | –0.2 | 0.1 | –0.1 |
| **As of March 31, 2016** | **774.0** | **–282.6** | **491.4** |

In millions of euros

**PROVISIONS FOR PENSIONS**

| | Present value of DBO | Plan assets | Provisions for pensions |
|---|---|---|---|
| **As of April 1, 2016** | **774.0** | **–282.6** | **491.4** |
| Service costs for the period | 9.8 | | 9.8 |
| Past service costs | –0.5 | | –0.5 |
| Net interest for the period | 16.9 | –6.1 | 10.8 |
| Return on plan assets (excluding amounts included in net interest) | | –22.0 | –22.0 |
| Gains (–)/losses (+) on plan settlement/curtailment | –8.0 | | –8.0 |
| Changes in the scope of consolidated financial statements | –0.1 | | –0.1 |
| Pension payments | –35.0 | 19.4 | –15.6 |
| Net exchange differences | 0.8 | 1.7 | 2.5 |
| Employer contributions/repayments | | –15.3 | –15.3 |
| Contributions by plan participants | | –0.6 | –0.6 |
| Actuarial gains (–)/losses (+) due to changes in financial assumptions | 36.4 | | 36.4 |
| Actuarial gains (–)/losses (+) due to changes of demographic assumptions | –4.2 | | –4.2 |
| Actuarial gains (–)/losses (+) due to experience-based adjustments | –5.5 | | –5.5 |
| Plan settlements | | | 0.0 |
| Other | –0.9 | –1.3 | –2.2 |
| **As of March 31, 2017** | **783.7** | **–306.8** | **476.9** |

In millions of euros

In the business year 2016/17, the obligation to active employees to make an additional payment to the national health care plan in their pension phase was eliminated at a Brazilian company. Provisions were therefore adjusted in line with the obligations to the remaining beneficiaries.

The conversion of pension obligations from defined benefit pension plans to defined contribution plans for a number of Dutch companies, which was initiated in 2013, was completed in the business year 2015/16.

The major categories of plan assets for the periods presented in the consolidated financial statements as of March 31, 2017, are as follows:

**2015/16**

| Category | Assets with quoted market price in an active market | Assets without quoted market price in an active market | Total assets |
|---|---|---|---|
| Debt instruments | 48.6% | 0.0% | 48.6% |
| Equity instruments | 25.7% | 0.0% | 25.7% |
| Property | 0.7% | 2.3% | 3.0% |
| Cash and cash equivalents | 7.1% | 0.1% | 7.2% |
| Insurance | 0.0% | 9.9% | 9.9% |
| Other assets | 5.6% | 0.0% | 5.6% |
| **Total** | **87.7%** | **12.3%** | **100.0%** |

**2016/17**

| Category | Assets with quoted market price in an active market | Assets without quoted market price in an active market | Total assets |
|---|---|---|---|
| Debt instruments | 43.8% | 0.0% | 43.8% |
| Equity instruments | 30.7% | 0.0% | 30.7% |
| Property | 0.0% | 2.2% | 2.2% |
| Cash and cash equivalents | 5.7% | 0.1% | 5.8% |
| Insurance | 0.0% | 9.0% | 9.0% |
| Other assets | 8.4% | 0.1% | 8.5% |
| **Total** | **88.6%** | **11.4%** | **100.0%** |

The plan assets include own shares with a fair value of EUR 1.0 million (March 31, 2016: EUR 0.9 million).

The average expected return is determined by the portfolio structure of the plan assets, empirical data, and estimates of future investment returns. The calculation of the provisions for pensions was based on an expected (average) interest rate of 2.2% on plan assets. The actual interest rate was 9.9%.

The amount recognized as an expense in the income statement for defined contribution plans is EUR 29.6 million (2015/16: EUR 26.9 million).

The sensitivity analysis of the key actuarial assumptions used to determine defined benefit obligations is depicted below:

**SENSITIVITIES**

| | Interest rate | | Salary/wage increases | | Pension increases | |
|---|---|---|---|---|---|---|
| | **+1.0%** | **–1.0%** | **+0.5%** | **–0.5%** | **+0.25%** | **–0.25%** |
| Pensions | –13.3% | +16.9% | +0.8% | –0.8% | +3.1% | –3.0% |
| Severance | –10.1% | +12.0% | +5.6% | –5.2% | | |

Group-wide figures were determined for the effects associated with the interest rate, wage and salary increases, and pension increases. The sensitivities are not determined by way of estimates or approximations, but by way of comprehensive analyses, which vary the parameters.

For the business year 2017/18, the expected contributions to the defined benefit plans amount to EUR 2.5 million.

The interest-weighted, average duration for pension plans is 15.1 years and 11.1 years for severance payments.

## PROVISIONS FOR LONG-SERVICE BONUSES

| | 2015/16 | 2016/17 |
|---|---|---|
| **Present value of long-service bonus obligations (DBO) as of April 1** | **135.3** | **139.7** |
| Service costs for the period | 8.8 | 8.8 |
| Interest costs for the period | 2.0 | 2.5 |
| Changes in the scope of consolidated financial statements | 5.8 | 0.0 |
| Long-service bonus payments | –9.0 | –9.0 |
| Actuarial gains (–)/losses (+) due to changes in assumptions | –6.6 | 5.0 |
| Actuarial gains (–)/losses (+) due to experience-based adjustments | 3.6 | –1.7 |
| Other | –0.2 | –1.5 |
| **Present value of long-service bonus obligations (DBO) as of March 31** | **139.7** | **143.8** |

In millions of euros

Expenses/revenue relative to provisions for severance payments, pensions, and long-service bonuses recognized in the income statement are categorized as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| Service costs for the period | 33.5 | 31.2 |
| Net interest for the period | 20.9 | 24.3 |
| Gains (–)/losses (+) on plan settlement/curtailment | –8.2 | –8.0 |
| Actuarial gains (–)/losses (+) from long-service bonus obligations | –3.0 | 3.3 |
| **Expenses/revenue recognized in the income statement** | **43.2** | **50.8** |

In millions of euros

Net interest for the period is recognized in finance costs.

## 19. PROVISIONS

| | Balance as of 04/01/2016 | Changes in the scope of consolidated financial statements | Net exchange differences | Use | Reversals | Transfers | Additions | Balance as of 03/31/2017 |
|---|---|---|---|---|---|---|---|---|
| **Non-current provisions** | | | | | | | | |
| Other personnel expenses | 23.4 | 0.0 | 1.6 | –4.9 | –0.1 | –0.1 | 4.5 | 24.4 |
| Warranties and other risks | 10.8 | 0.0 | 0.1 | –2.0 | –0.5 | –0.3 | 6.5 | 14.6 |
| Other non-current provisions | 37.4 | 0.0 | 1.1 | –6.3 | –0.2 | 1.4 | 7.0 | 40.4 |
| | **71.6** | **0.0** | **2.8** | **–13.2** | **–0.8** | **1.0** | **18.0** | **79.4** |
| **Current provisions** | | | | | | | | |
| Unused vacation entitlements | 131.3 | 0.0 | 1.1 | –83.2 | –0.1 | 0.0 | 86.0 | 135.1 |
| Other personnel expenses | 169.5 | 0.5 | 1.9 | –143.4 | –5.5 | 0.1 | 163.2 | 186.3 |
| Warranties and other risks | 54.0 | 0.0 | 0.5 | –11.6 | –9.6 | 0.2 | 19.8 | 53.3 |
| Onerous contracts | 62.5 | 0.0 | 0.0 | –50.7 | –3.0 | –1.2 | 47.1 | 54.7 |
| Other current provisions | 149.9 | 0.2 | 0.9 | –73.8 | –13.7 | –0.1 | 92.2 | 155.6 |
| | **567.2** | **0.7** | **4.4** | **–362.7** | **–31.9** | **–1.0** | **408.3** | **585.0** |
| | **638.8** | **0.7** | **7.2** | **–375.9** | **–32.7** | **0.0** | **426.3** | **664.4** |

In millions of euros

The provisions for personnel expenses mainly include bonuses. Provisions for warranties and other risks as well as onerous contracts apply to current operating activities. The other provisions mainly consist of provisions for commissions, litigation, legal, and consulting fees, and environmental protection obligations.

The amount recognized as a provision for warranties and other risks is calculated as the most reliable estimated value of the amount that would be required to settle these obligations at the reporting date. The statistical measure is the expected value, which is based on the probability of occurrence of an event according to past experience.

Provisions for onerous contracts are recognized when the earnings expected to be derived by the Group from contracts are lower than the unavoidable cost of meeting its obligations under these contracts. Before recognizing a separate provision for onerous contracts, the Group recognizes an impairment loss on the assets associated with such contracts.

The provisions recognized in the annual financial statements 2015/16 in the amount of EUR 43.1 million for the antitrust proceedings and associated actions and costs relating to railway superstructure material as well as for the closure of TSTG Schienen Technik GmbH & Co KG have been reduced to EUR 35.6 million due to the use of these provisions in the business year 2016/17.

Companies of the High Performance Metals Division of the voestalpine Group are affected by proceedings of the German Federal Cartel Office (Bundeskartellamt) that became known as of November 26, 2015, due to searches of the premises of voestalpine's competitors. voestalpine is taking these proceedings very seriously, is cooperating with the authorities, and currently does not expect that significant fines will be imposed against voestalpine in these proceedings. No provisions were formed in this regard in the current reporting period.

Increases in provisions totaling EUR 9.4 million (2015/16: EUR 6.4 million) are included in the reporting period, based on accrued interest and on changes in the discount rate.

## 20. FINANCIAL LIABILITIES

| | Up to one year | | Over one year | |
|---|---|---|---|---|
| | 03/31/2016 | 03/31/2017 | 03/31/2016 | 03/31/2017 |
| Bank loans and bonds | 851.9 | 1,280.9 | 3,256.5 | 2,681.0 |
| Liabilities from finance leases | 7.1 | 4.5 | 25.0 | 21.5 |
| Liabilities from affiliates | 14.5 | 11.6 | 0.0 | 0.0 |
| Liabilities from other investments | 0.0 | 1.3 | 0.0 | 0.0 |
| Other payables and liabilities | 24.7 | 34.6 | 61.3 | 62.2 |
| | **898.2** | **1,332.9** | **3,342.8** | **2,764.7** |

In millions of euros

On February 3, 2011, voestalpine AG issued a corporate bond amounting to EUR 500.0 million. The bond will be redeemed on February 5, 2018. The outstanding principal amount of the bond accrues interest at an annual rate of 4.75%.

On October 5, 2012, voestalpine AG issued a corporate bond with a volume of EUR 500.0 million. The bond will be redeemed on October 5, 2018. The outstanding principal amount of the bond accrues interest at an annual rate of 4.00%.

On October 14, 2014, voestalpine AG issued a fixed interest bond of EUR 400.0 million. The bond will be redeemed in October 2021 and carries an annual interest rate of 2.25%.

As in the previous year, there were ongoing buybacks of corporate bonds from 2012–2018 and 2011–2018 in the business year 2016/17. EUR 16.2 million (2015/16: EUR 24.4 million) were repurchased from the total principal amount of the 2012–2018 corporate bond and EUR 13.6 million (2015/16: EUR 25.0 million) from the total principal amount of the 2011–2018 corporate bond.

## 21. TRADE AND OTHER PAYABLES

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Prepayments received on orders | 102.3 | 100.5 |
| Trade payables | 1,101.2 | 1,294.2 |
| Trade payables with reverse factoring agreements | 37.3 | 9.5 |
| Liabilities from bills of exchange accepted and drawn | 299.4 | 561.0 |
| Other liabilities from taxes | 88.8 | 109.5 |
| Other liabilities related to social security | 47.8 | 48.0 |
| Other payables and liabilities | 349.0 | 339.5 |
| | **2,025.8** | **2,462.2** |

In millions of euros

## 22. CONTINGENT LIABILITIES

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Liabilities from the issue and transfer of bills of exchange | 1.9 | 1.1 |
| Surety bonds and guarantees | 1.5 | 1.5 |
| | **3.4** | **2.6** |

In millions of euros

The federal finance court has directed a request for a preliminary ruling to the ECJ with regard to the Austrian energy tax rebate (BFG 10/31/2014, RE/5100001/2014). The energy tax rebate was restricted to production companies through the amendment to the Energy Tax Rebate Act in the Budget Accompanying Act 2011, applicable to the periods after December 31, 2010. Subsequently, the question of whether this restriction that can be deemed to constitute state aid violated EU law was submitted to the European Court of Justice for a preliminary ruling; this has now actually been affirmed by the highest court (ECJ 7/21/2016, case no. C-493/14, Dilly's Wellnesshotel GmbH). Thus, the restrictions pursued by the Budget Accompanying Act 2011 did not enter into force with legal effect and therefore, service providers specifically, among others, can retroactively assert the energy tax rebate for periods after February 1, 2011. In its subsequent ruling, the federal finance court declared that the restriction to production companies did not enter into effect. The tax office appealed against this decision to the Higher Administrative Court. No adverse impact is anticipated for the voestalpine Group.

## 23. FINANCIAL INSTRUMENTS

### General information

The principal financial instruments used by the voestalpine Group consist of bank loans, bonds, borrower's notes, and trade payables. The primary aim of the financial instruments is to finance the business activities of the Group. The Group holds various financial assets, such as trade receivables, short-term deposits, and non-current investments, which result directly from the Group's business activities.

The Group also uses derivative financial instruments. These instruments mainly include interest rate swaps, forward exchange transactions, and commodity swaps. These derivative financial instruments are used to hedge interest rate and currency risks and risks from fluctuations in raw materials prices, which result from the business activities of the Group and its sources of financing.

**Capital management**
In addition to ensuring availability of the liquidity necessary to support business activities and maximizing shareholder value, the primary objective of the Group's capital management is to ensure appropriate creditworthiness and a satisfactory equity ratio.

Capital management in the voestalpine Group is performed using the net financial debt to EBITDA ratio and the gearing ratio, i.e., the net financial debt to equity ratio. Net financial debt consists of interest-bearing loans less financing receivables and other loan receivables, securities, cash, and cash equivalents. Equity includes non-controlling interests in Group companies and the hybrid capital.

The target amount for the gearing ratio is 50% and may only be exceeded up to a maximum of 75% for a limited period of time. The net financial debt to EBITDA ratio may not exceed 3.0. All growth measures and capital market transactions are based on these ratios.

The following table shows these two ratios for the reporting period:

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Gearing ratio in % | 54.5% | 53.2% |
| Net financial debt to EBITDA ratio | 1.9 | 2.1 |

**Financial risk management—Corporate finance organization**
Financial risk management also includes the area of raw material risk management. Financial risk management is organized centrally with respect to policy-making power, strategy determination, and target definition. The existing policies include targets, principles, duties, and responsibilities for both the Group Treasury and individual Group companies. In addition, they govern the areas of pooling, money market, credit and securities management, currency, interest rate, liquidity, and commodity price risk, and reporting. The Group Treasury, acting as a service center, is responsible for implementation. Three organizationally separate units are responsible for closing, processing, and recording transactions, which guarantees a six-eyes principle. Policies, policy compliance, and the ICS conformity of business processes are additionally audited at regular intervals by an external auditor.

It is part of the voestalpine Group's corporate policy to continuously monitor, quantify, and, where reasonable, hedge financial risks. The Group's willingness to accept risk is relatively low. The strategy aims at achieving natural hedges and reducing fluctuations in cash flows and income. Market risks are largely hedged by means of derivative financial instruments.

To quantify interest rate risk, voestalpine AG uses interest rate exposure and fair value risk as indicators. Interest rate exposure quantifies the impact of a 1% change in the market interest rate on interest income and interest expenses. Fair value risk means the change in the fair value of an interest rate-sensitive item with a 1% parallel shift of the interest yield curve.

voestalpine AG uses the "@risk" concept to quantify currency risk. The maximum loss within one year is determined with 95% certainty. Risk is calculated for the open position, which is defined as the budgeted quantity for the next twelve months less the quantity that has already been hedged. The variance-covariance approach is used to evaluate foreign currency risk.

**Liquidity risk—Financing**
Liquidity risk refers to the risk of not being able to fulfill payment obligations due to insufficient means of payment.

The primary instrument for controlling liquidity risk is a precise financial plan that is submitted quarterly by the operating entities directly to the Group Treasury of voestalpine AG. The funding requirements with regard to financing and bank credit lines are determined based on the consolidated results.

Working capital is financed by the Group Treasury. A central clearing system performs intra-group netting daily. Entities with liquidity surpluses indirectly put these funds at the disposal of entities requiring liquidity. The Group Treasury places any residual liquidity with their principal banks. This allows the volume of outside borrowing to be decreased and net interest income to be optimized.

Financing is carried out in the local currency of the borrower in order to avoid exchange rate risk or is currency-hedged using cross-currency swaps.

voestalpine AG holds securities and current investments as a liquidity reserve. As of March 31, 2017, non-restricted securities amounted to EUR 348.3 million (March 31, 2016: EUR 334.3 million). Furthermore, cash and cash equivalents in the amount of EUR 503.3 million (March 31, 2016: EUR 774.8 million) are reported in the consolidated financial statements.

Additionally, adequate credit lines that are callable at any time exist with domestic and foreign banks. These credit lines have not been drawn. In addition to the possibility of exhausting these financing arrangements, contractually guaranteed credit lines of EUR 710 million (2015/16: EUR 711 million) are available to bridge any economic downturns.

The sources of financing are managed on the basis of the principle of bank independence. Financing is currently being provided by approximately 20 different domestic and foreign banks. Covenants agreed for a minor part of the total credit volume with a single bank are adhered to. The capital market is also used as a source of financing. No capital market transactions were performed in the business year 2015/16. No new debt was raised through capital market transactions in the business year 2016/17. The capital increase decided by the Management Board on March 6, 2017, and approved by the Supervisory Board on March 23, 2017, in the amount of 1.4 million shares was entered into the Commercial Register on March 30, 2017, and is therefore effective as of this date.

A maturity analysis of all liabilities existing as of the reporting date is presented below:

**LIABILITIES**

| | Due within one year | | Due between one and five years | | Due after more than five years | |
|---|---|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Bonds | 0.0 | 460.9 | 947.6 | 852.4 | 392.9 | 0.0 |
| Bank loans | 851.9 | 820.0 | 1,545.5 | 1,595.2 | 370.5 | 233.3 |
| Trade payables | 1,136.2 | 1,302.9 | 2.3 | 0.8 | 0.0 | 0.0 |
| Liabilities from finance leases | 7.1 | 4.5 | 19.9 | 16.7 | 5.1 | 4.8 |
| Liabilities from foreign currency hedges and commodity hedges | 7.6 | 13.1 | 0.0 | 0.6 | 0.0 | 0.0 |
| thereof designated as hedge accounting | 3.1 | 1.7 | 0.0 | 0.3 | 0.0 | 0.0 |
| Liabilities from interest hedges (incl. Cross-Currency-Swaps) | 5.1 | 11.1 | 7.5 | 6.0 | 0.0 | 0.0 |
| thereof designated as hedge accounting | 0.0 | 0.0 | 4.5 | 2.5 | 0.0 | 0.0 |
| Other financial liabilities | 39.1 | 47.5 | 36.2 | 36.9 | 25.1 | 25.3 |
| **Total liabilities** | **2,047.0** | **2,660.0** | **2,559.0** | **2,508.6** | **793.6** | **263.4** |

In millions of euros

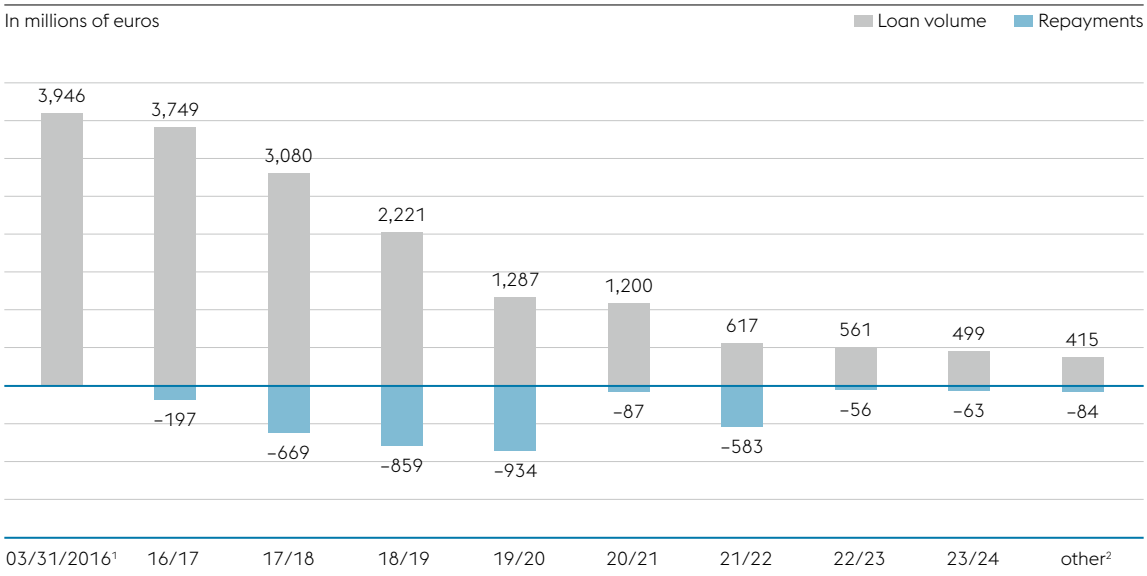
As estimated as of the reporting date, the following (prospective) interest charges correspond to these existing liabilities:

| | Due within one year | | Due between one and five years | | Due after more than five years | |
|---|---|---|---|---|---|---|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Interest on bonds | 50.6 | 49.3 | 96.6 | 54.4 | 9.0 | 0.0 |
| Interest on bank loans | 40.5 | 40.9 | 78.1 | 62.4 | 14.5 | 11.5 |
| Interest on liabilities from finance leases | 1.7 | 1.4 | 1.8 | 1.2 | 0.6 | 0.4 |
| Interest on interest hedges (incl. Cross-Currency-Swaps) | 13.4 | 14.3 | 8.5 | 4.9 | 0.0 | 0.0 |
| Interest on other financial liabilities | 1.6 | 1.8 | 6.2 | 5.4 | 3.0 | 2.3 |
| **Total interest charges** | **107.8** | **107.7** | **191.2** | **128.3** | **27.1** | **14.2** |

In millions of euros

As of March 31, 2016, the maturity structure of the loan portfolio has the following repayment profile for the next several years:

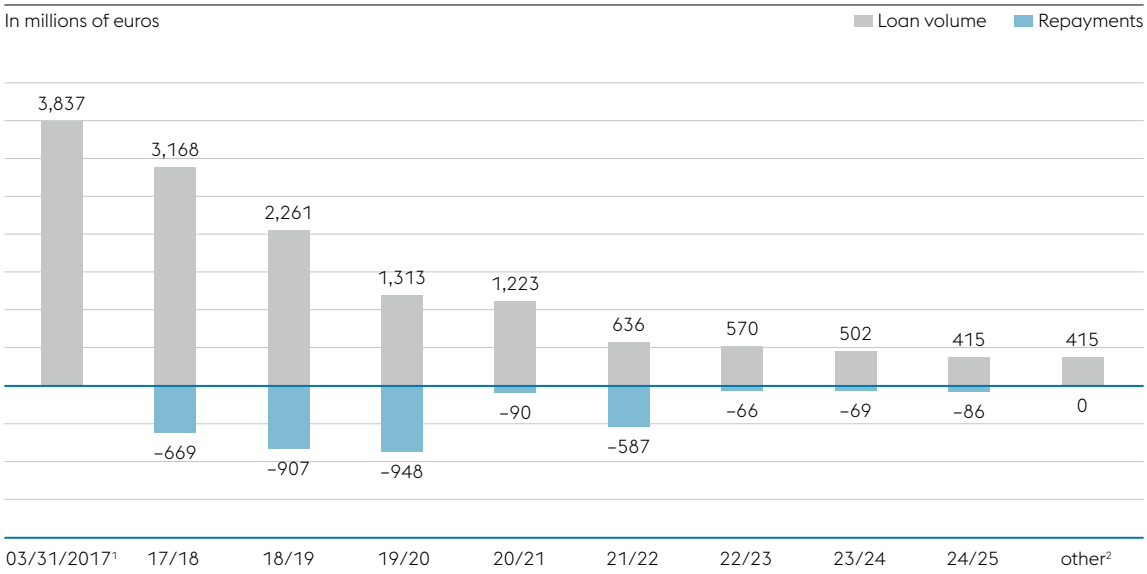
**LOAN PORTFOLIO MATURITY STRUCTURE AS OF MARCH 31, 2016**




[1] Debit balances with banks not included
[2] Contains EUR 406.1 million of revolving export loans

As of March 31, 2017, the maturity structure of the loan portfolio has the following repayment profile for the next several years:

**LOAN PORTFOLIO MATURITY STRUCTURE AS OF MARCH 31, 2017**




[1] Debit balances with banks not included
[2] Contains EUR 406.1 million of revolving export loans

**Credit risk**

Credit risk refers to financial losses that may occur through non-fulfillment of contractual obligations by business partners.

The credit risk of the underlying transactions is kept low by precise management of receivables. A high percentage of delivery transactions is covered by credit insurance. Bankable security is also provided, such as guarantees and letters of credit.

As of the reporting date, there were receivables that are neither past due nor impaired in the amount of EUR 1,357.9 million. The age structure of receivables that are past due but not impaired is presented below:

**RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED**

| | 2015/16 | 2016/17 |
|---|---|---|
| Up to 30 days past due | 137.2 | 136.2 |
| 31 to 60 days past due | 33.4 | 29.9 |
| 61 to 90 days past due | 12.9 | 11.5 |
| 91 to 120 days past due | 8.3 | 10.5 |
| More than 120 days past due | 37.9 | 41.8 |
| **Total** | **229.7** | **229.9** |

In millions of euros

The following impairment was recorded for receivables of voestalpine AG during the reporting period:

**IMPAIRMENT FOR RECEIVABLES**

| | 2015/16 | 2016/17 |
|---|---|---|
| **Opening balance as of April 1** | **34.8** | **31.0** |
| Additions | 10.6 | 10.0 |
| Net exchange differences | –1.4 | 0.7 |
| Changes in the scope of consolidated financial statements | 4.4 | –0.1 |
| Reversal | –10.4 | –2.7 |
| Use | –7.0 | –6.1 |
| **Closing balance as of March 31** | **31.0** | **32.8** |

In millions of euros

Impaired receivables amounted to EUR 159.2 million gross as of March 31, 2017.

As most of the receivables are insured, the risk of bad debt losses is limited. The maximum loss, which is theoretically possible, equals the amount at which the receivables are stated in the statement of financial position.

The management of credit risk from investment and derivative transactions is governed by internal guidelines. All investment and derivative transactions are limited for each counterparty, with the size of the limit dependent on the rating of the bank.

The credit risk for derivative financial instruments is limited to transactions with a positive market value and to the replacement cost of such transactions. Therefore, derivative transactions are only valued at their positive market value up to this limit. Derivative transactions are exclusively based on standardized master agreements for financial forward transactions.

**BREAKDOWN OF INVESTMENTS AT FINANCIAL INSTITUTIONS BY RATING CLASSES**

| | AAA | AA | A | BBB | <BBB/NR |
|---|---|---|---|---|---|
| Bonds | 62.6 | 141.1 | 0.0 | 2.1 | 0.0 |
| Money market investments excl. account credit balances | 0.0 | 48.0 | 81.5 | 10.6 | 0.0 |
| Derivatives[1] | 0.0 | 2.0 | 9.3 | 5.9 | 0.2 |

[1] Only positive market value

In millions of euros

**Currency risk**

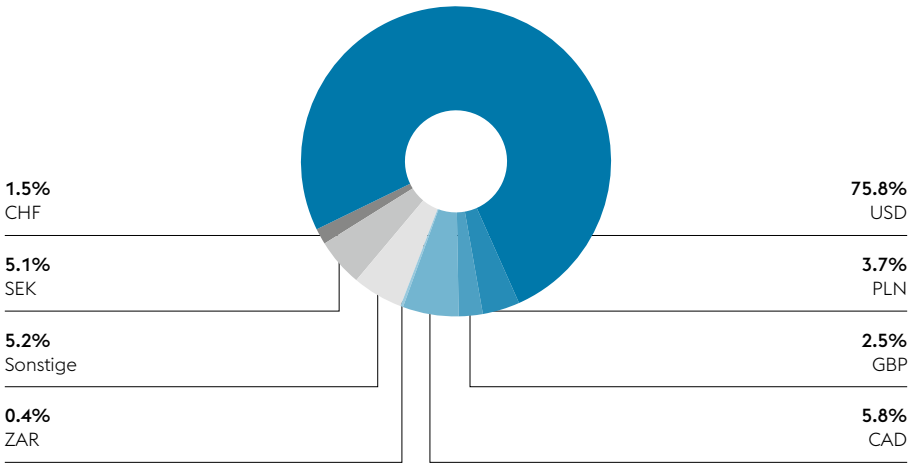
The largest currency position in the Group arises from raw materials purchases in USD; however, the global business activities of the voestalpine Group also give rise to currency exposures in various other currencies.

Cash inflows and outflows in the respective currencies are offset thanks to the implementation of rolling multi-currency netting. The natural hedge created in this way mitigates risk. The use of derivative hedging instruments is another possibility. voestalpine AG hedges budgeted foreign currency payments over the next twelve months. Longer-term hedging occurs only for contracted projects. The hedging ratio is between 25% and 100%. The further in the future the cash flow lies, the lower the hedging ratio.

The net requirement for USD in the voestalpine Group was USD 582.0 million in the business year 2016/17. The increase compared to the previous year (USD 530.9) was due primarily to the increase in prices of raw materials purchased. The remaining foreign currency exposure, resulting primarily from exports to the “non-euro area” and raw material purchases, is significantly lower than the USD risk.

Based on the Value-at-Risk calculation, as of March 31, 2017, the risks for all open positions for the upcoming business year are as follows:

**FOREIGN CURRENCY PORTFOLIO 2016/17 (NET)**




| Undiversified | USD | PLN | ZAR | GBP | CAD | CHF | SEK | Other |
|---|---|---|---|---|---|---|---|---|
| Position[1] | –489.5 | 35.7 | 3.3 | 19.5 | 54.2 | 11.5 | –35.0 | 40.6 |
| VaR (95%/year) | 74.2 | 4.8 | 0.7 | 2.4 | 8.3 | 1.9 | 4.0 | 6.5 |

[1] Unhedged planned positions for the business year 2017/18

In millions of euros

Taking into account the correlation between the different currencies, the resulting portfolio risk is EUR 65.0 million (March 31, 2016: EUR 17.5 million) for the voestalpine Group.

**Interest rate risk**

voestalpine AG differentiates between cash flow risk (the risk that interest expenses or interest income will undergo a detrimental change) for variable-interest financial instruments and present value risk for fixed-interest financial instruments. The positions shown include all interest rate-sensitive financial instruments (loans, money market, issued and purchased securities, as well as interest rate derivatives).

The primary objective of interest rate management is to optimize interest expenses while taking the risk into consideration. In order to achieve a natural hedge for interest-bearing positions, the modified duration of assets is closely linked to the modified duration of the liabilities.

The variable-interest positions on the liabilities side significantly exceed the positions on the assets side so that a 1% increase in the money market rate increases the interest expense by EUR 13.1 million (2015/16: EUR 8.6 million).

The weighted average interest rate for asset positions is 0.50% (2015/16: 0.66%) with a duration of 0.86 years (2015/16: 0.98 years)—including money market investments—and 2.03% (2015/16: 2.26%) for liability positions with a duration of 1.15 years (2015/16: 1.95 years).

| | Positon[1] | Weighted average interest rate | Duration (years) | Average capital commitment (years)[2] | Sensitivity to a 1% change in the interest rate[1] | Cash flow risk[1] |
|---|---|---|---|---|---|---|
| Assets | 1,036.5 | 0.50% | 0.86 | 1.21 | –3.3 | –8.6 |
| Liabilities | –4,472.7 | 2.03% | 1.15 | 2.27 | 59.1 | 21.7 |
| Net | –3,436.2 | | | | 55.8 | 13.1 |

[1] In millions of euros
[2] Excluding revolving export loans of EUR 406.1 million

The present value risk determined using the Value-at-Risk calculation for March 31, 2017, is equal to EUR 1.0 million (March 31, 2016: EUR 8.6 million) for positions on the assets side given a 1% change in the interest rate and EUR 34.7 million (March 31, 2016: EUR 130.8 million) for positions on the liabilities side. Therefore, in the event of a 1% drop in the interest rate, voestalpine AG would have an imputed (unrecognized) net present value loss of EUR 36.4 million (March 31, 2016: EUR 122.2 million).

The asset positions include EUR 343.3 million (previous year: EUR 409.0 million) of investments in the V54 fund of funds. 100% of the fund assets are invested in bonds and money market securities in euros or in cash in the two sub-funds V101 and V103 and in various special funds as follows:

| **Funds** | | |
|---|---|---|
| Sub-fund V101 | EUR 166.3 million | with a duration of 2.7 |
| Sub-fund V103 | EUR 83.7 million | with a duration of 2.6 |
| Special funds | EUR 92.6 million | (only included in V54) |

In addition to the investment fund, there are also securities exposures in the amount of EUR 46.2 million (March 31, 2016: EUR 7.4 million).

In the business year 2016/17, gains in the amount of 1.19% (2015/16: 0.47%) were recorded in the V54 fund of funds.

Securities are measured at fair value. For the determination of the fair value, quoted prices for identical assets or liabilities in active markets (unadjusted) are used. Net profit amounting to EUR 22.7 million (2015/16: EUR 1.3 million) is recognized at fair value through profit or loss for financial instruments that are measured using the fair value option.

**Derivative financial instruments**
Portfolio of derivative financial instruments:

| | Nominal value (in millions of euros) | | Market value (in millions of euros) | | Of which accounted for in equity | | Maturity | |
|---|---|---|---|---|---|---|---|---|
| | 03/31/2016 | 03/31/2017 | 03/31/2016 | 03/31/2017 | 03/31/2016 | 03/31/2017 | 03/31/2016 | 03/31/2017 |
| Foreign currency hedges | 826.4 | 1,533.4 | 2.3 | –7.7 | –2.7 | –0.9 | < 1 year | < 2 years |
| thereof designated as hedge accounting | 164.9 | 209.2 | –2.7 | –0.9 | | | | |
| Interest hedges | 456.2 | 255.8 | –7.0 | –2.5 | –4.5 | –2.5 | < 3 years | < 2 years |
| thereof designated as hedge accounting | 255.0 | 254.4 | –4.5 | –2.5 | | | | |
| Cross-Currency-Swaps | 139.9 | 135.3 | 8.4 | –13.3 | | | ≤ 4 years | ≤ 3 years |
| thereof designated as hedge accounting | 0.0 | 0.0 | 0.0 | 0.0 | | | | |
| Commodity hedges | 19.1 | 47.5 | 0.6 | 9.9 | 0.0 | 5.6 | < 2 years | < 1 year |
| thereof designated as hedge accounting | 16.6 | 44.8 | 1.1 | 9.7 | | | | |
| **Total** | **1,441.6** | **1,972.0** | **4.3** | **–13.6** | **–7.2** | **2.2** | | |
| thereof designated as hedge accounting | 436.5 | 508.4 | –6.1 | 6.3 | | | | |

The derivative transactions are marked to market daily by determining the value that would be realized if the hedging position were closed out (liquidation method). Input for the calculation of market values are observable currency exchange rates and raw materials prices as well as interest rates. Based on the input, the market value is calculated using generally accepted actuarial formulas.

Unrealized profits or losses from hedged transactions are accounted for as follows:

» If the hedged asset or liability is already recognized in the statement of financial position or an obligation not recorded in the statement of financial position is hedged, the unrealized profits and losses from the hedged transaction are recognized through profit and loss. At the same time, the hedged item is reported at fair value, regardless of its initial valuation method. The resulting unrealized profits and losses are offset with the unrealized results of the hedged transaction in the income statement, so that in total, only the ineffective portion of the hedged transaction is reported in profit or loss for the period (fair value hedges).

» If a future transaction is hedged, the effective portion of the unrealized profits and losses accumulated up to the reporting date is recognized in other comprehensive income. The ineffective portion is recognized through profit and loss. When the transaction that is hedged results in the recognition of a non-financial asset or a liability in the statement of financial position, the amount recognized in other comprehensive income is taken into account when the carrying amount of this item is determined. Otherwise, the amount reported in other comprehensive income is recognized through profit or loss in accordance with the income effectiveness of the future transaction or the existing obligation (cash flow hedges).

In the business year 2016/17, hedge accounting in accordance with IAS 39 was used for hedging foreign currency cash flows, interest-bearing receivables and liabilities, and raw materials purchase agreements. The hedges are mainly cash flow hedges, while only a small proportion—largely raw material hedges—are designated as fair value hedges. Hedge accounting is only applied to a part of any completed hedge transactions.

Net losses of foreign currency, raw material, and interest rate derivatives amounting to EUR 27.3 million (2015/16: net gains amounting to EUR 10.3 million) were recognized through profit and loss in the reporting period.

Losses amounting to EUR 1.5 million (2015/16: gains amounting to EUR 2.3 million) on raw material hedges, which are designated as fair value hedges, were recognized through profit and loss. Gains for the corresponding underlying transactions amounting to EUR 1.5 million (2015/16: losses amounting to EUR 2.3 million) were also recognized through profit and loss.

In the business year 2016/17, ineffective hedging amounting to EUR 0.4 million (2015/16: EUR 0.0 million) was recorded in profit or loss.

Negative market values amounting to EUR 2.7 million (2015/16: positive market values amounting to EUR 37.4 million) previously recorded in the reserve for foreign exchange hedges were recognized through profit and loss in cost of materials during the reporting period; negative market values amounting to EUR 0.9 million (2015/16: negative market values amounting to EUR 2.7 million) were allocated to the reserve. In the business year 2016/17, the reserve for interest rate hedges was increased by EUR 2.0 million (2015/16: decreased by EUR 0.1 million) due to changes in the fair values. The commodity hedge reserve was increased by EUR 5.6 million (2015/16: EUR 0.0 million) as a result of redesignation and changes in fair value. There were no additional changes and no amounts were withdrawn or reclassified.

Derivatives designated as cash flow hedges have the following effects on cash flows and profit or loss for the period:

| | Total contractual cash flows | | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | < 1 year | | > 1 year and < 5 years | | > 5 years | |
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| **Interest hedges** | | | | | | | | |
| Assets | 0.0 | 0.2 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | –4.5 | –2.7 | –1.2 | –1.7 | –3.3 | –1.0 | 0.0 | 0.0 |
| | **–4.5** | **–2.5** | **–1.2** | **–1.5** | **–3.3** | **–1.0** | **0.0** | **0.0** |
| **Foreign currency hedges** | | | | | | | | |
| Assets | 0.4 | 0.5 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | –3.1 | –1.4 | –3.1 | –1.1 | 0.0 | –0.3 | 0.0 | 0.0 |
| | **–2.7** | **–0.9** | **–2.7** | **–0.6** | **0.0** | **–0.3** | **0.0** | **0.0** |
| **Commodity hedges** | | | | | | | | |
| Assets | 0.0 | 10.6 | 0.0 | 10.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | 0.0 | –0.3 | 0.0 | –0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **0.0** | **10.3** | **0.0** | **10.3** | **0.0** | **0.0** | **0.0** | **0.0** |

In millions of euros

**Categories of financial instruments**

| Classes | Financial assets measured at amortized cost | | | Financial assets measured at fair value | | Total |
|---|---|---|---|---|---|---|
| **Categories** | **Loans and receivables** | **Available for sale at cost** | **Available for sale at fair value** | **Financial assets measured at fair value through profit or loss** | | |
| | | | | **Held for trading (derivatives)** | **Other** | |
| **Assets 2015/16** | | | | | | |
| Other financial assets – non-current | 17.6 | 16.7 | 32.1 | | 3.4 | 69.8 |
| Trade and other receivables | 1,488.8 | | | 24.5 | | 1,513.3 |
| Other financial assets – current | | | | | 355.7 | 355.7 |
| Cash and cash equivalents | 774.8 | | | | | 774.8 |
| **Carrying amount (= Fair value)** | **2,281.2** | **16.7** | **32.1** | **24.5** | **359.1** | **2,713.6** |
| **Assets 2016/17** | | | | | | |
| Other financial assets – non-current | 17.4 | 14.2 | 32.1 | | 2.4 | 66.1 |
| Trade and other receivables | 1,697.0 | | | 17.1 | | 1,714.1 |
| Other financial assets – current | | | | | 348.3 | 348.3 |
| Cash and cash equivalents | 503.3 | | | | | 503.3 |
| **Carrying amount (= Fair value)** | **2,217.7** | **14.2** | **32.1** | **17.1** | **350.7** | **2,631.8** |

In millions of euros

The carrying amount of the financial assets represents a reasonable approximation of fair value.

The item “Other” in the category “Financial assets measured at fair value through profit or loss” contains securities measured using the fair value option.

Subsidiaries, joint ventures, and investments in associates that are not fully consolidated in these consolidated financial statements or are included using the equity method are held as "available for sale at cost" and measured at cost because these investments do not have a price quoted in an active market, and their fair value cannot be reliably determined. Only the non-consolidated investment in Energie AG Oberösterreich is measured at fair value as "available for sale at fair value" because the fair value of this company as a whole can be reliably determined based on the valuation report performed once a year for Energie AG Oberösterreich taking into account all relevant information.

| Classes | Financial liabilities measured at amortized cost | | Financial liabilities measured at fair value | Total | |
|---|---|---|---|---|---|
| **Categories** | **Financial liabilities measured at amortized cost** | | **Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives)** | | |
| | **Carrying amount** | **Fair value** | **Carrying amount (= Fair value)** | **Carrying amount** | **Fair value** |
| **Liabilities 2015/16** | | | | | |
| Financial liabilities – non-current | 3,342.8 | 3,445.6 | | 3,342.8 | 3,445.6 |
| Financial liabilities – current | 898.2 | 898.8 | | 898.2 | 898.8 |
| Trade and other payables | 2,012.1 | 2,012.1 | 20.2 | 2,032.3 | 2,032.3 |
| **Total** | **6,253.1** | **6,356.5** | **20.2** | **6,273.3** | **6,376.7** |
| **Liabilities 2016/17** | | | | | |
| Financial liabilities – non-current | 2,764.7 | 2,833.9 | | 2,764.7 | 2,833.9 |
| Financial liabilities – current | 1,332.9 | 1,346.5 | | 1,332.9 | 1,346.5 |
| Trade and other payables | 2,436.7 | 2,436.7 | 30.7 | 2,467.4 | 2,467.4 |
| **Total** | **6,534.3** | **6,617.1** | **30.7** | **6,565.0** | **6,647.8** |

In millions of euros

The financial liabilities measured at amortized cost, excluding bonds issued, fall under Level 2. Valuation is performed according to the mark-to-market method, whereby the input parameters for the calculation of the market values are the foreign exchange rates, interest rates, and credit spreads observable on the market. Based on the input parameters, fair values are calculated by discounting estimated future cash flows at typical market interest rates.

Bonds issued are measured using Level 1 inputs according to the quoted price as of the reporting date.

The carrying amounts of trade and other payables are an appropriate approximation of fair value.

The table below analyzes financial assets and financial liabilities that are measured at fair value on a recurring basis. These measurements are based on a fair value hierarchy that categorizes the inputs for the valuation methods used to measure fair value into three levels. The three levels are defined as follows:

| **INPUTS** | |
|---|---|
| Level 1 | Comprises quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. |
| Level 2 | Comprises inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Comprises unobservable inputs for the asset or liability. |

## LEVEL OF THE FAIR VALUE HIERARCHY FOR RECURRING FAIR VALUE MEASUREMENTS

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2015/16** | | | | |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Held for trading (derivatives) | | 24.5 | | 24.5 |
| Fair value option (securities) | 359.1 | | | 359.1 |
| Available for sale at fair value | | | 32.1 | 32.1 |
| | **359.1** | **24.5** | **32.1** | **415.7** |
| **Financial liabilities** | | | | |
| Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives) | | 20.2 | | 20.2 |
| | **0.0** | **20.2** | **0.0** | **20.2** |
| **2016/17** | | | | |
| **Financial assets** | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Held for trading (derivatives) | | 17.1 | | 17.1 |
| Fair value option (securities) | 350.7 | | | 350.7 |
| Available for sale at fair value | | | 32.1 | 32.1 |
| | **350.7** | **17.1** | **32.1** | **399.9** |
| **Financial liabilities** | | | | |
| Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives) | | 30.7 | | 30.7 |
| | **0.0** | **30.7** | **0.0** | **30.7** |

In millions of euros

The underlying assets of the fund of funds are reported as part of the "fair value option." The designation of fair value was selected to convey more useful information because this group of financial assets is managed according to their fair value, as documented in the risk management and investment strategy, and performance is observed and reported by means of fair value.

The derivative transactions (Level 2) are marked to market by determining the value that would be realized if the hedging position were closed out (liquidation method). The observable currency exchange rates and raw materials prices as well as the interest rates are the input for the calculation of fair values. Fair values are calculated based on the inputs by discounting expected future cash flows at typical market interest rates.

The voestalpine Group recognizes reclassifications between different levels of the fair value hierarchy as of the end of the reporting period in which the change occurred. As of March 31, 2017, own bonds with a carrying amount of EUR 1,313.3 million were transferred from Level 2 to Level 1 since the quoted prices on the German stock exchange as the principal market now represent the more appropriate basis of observation for calculating fair value. Apart from this reclassification, there were no other reclassifications in the business years 2015/16 or 2016/17.

The reconciliation of Level 3 financial assets measured at fair value from the opening balance to the closing balance is depicted as follows:

**LEVEL 3—AVAILABLE FOR SALE AT FAIR VALUE**

| | 2015/16 | 2016/17 |
|---|---|---|
| **Opening balance** | **36.7** | **32.1** |
| Total of gains/losses recognized in the income statement: | | |
| Finance costs/Finance income (impairment) | –4.6 | 0.0 |
| **Closing balance** | **32.1** | **32.1** |

In millions of euros

Level 3 includes the non-consolidated investment in Energie AG Oberösterreich that is measured at fair value as "available for sale at fair value." The fair value of this company can be reliably determined based on the valuation report performed once a year for Energie AG Oberösterreich as a whole and taking into account all relevant information.

Significant sensitivities in the determination of fair values can result from changes in the underlying market data of comparable entities and the input factors used to determine net present value (in particular discount rates, long-term forecasts, plan data, etc.).

The table below shows net gains and losses on financial instruments, broken down by category:

| | 2015/16 | 2016/17 |
|---|---|---|
| Loans and receivables | 13.9 | 7.9 |
| Available for sale at cost | 3.4 | 4.2 |
| Held for trading (derivatives) | 12.4 | –27.3 |
| Available for sale at fair value | –4.6 | 0.0 |
| Other | 1.3 | 22.8 |
| Financial liabilities | –115.7 | –128.8 |

In millions of euros

Total interest income and total interest expense for financial assets and financial liabilities that were not measured at fair value through profit or loss were recorded as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| Total interest income | 11.2 | 11.7 |
| Total interest expense | –115.7 | –128.8 |

In millions of euros

The impairment loss on financial instruments measured at amortized cost amounts to EUR 11.9 million (2015/16: EUR 16.7 million).

## 24. CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows was prepared using the indirect method. Cash and cash equivalents include cash on hand, cash at banks, and checks. The effects of changes in the scope of consolidated financial statements were eliminated and reported in the cash flows from investing activities.

| | 2015/16 | 2016/17 |
|---|---|---|
| Interest received | 7.7 | 7.3 |
| Interest paid | 132.8 | 139.1 |
| Taxes paid | 118.8 | 160.0 |

In millions of euros

Interest received and paid as well as taxes paid are included in the cash flows from operating activities.

### NON-CASH EXPENSES AND INCOME

| | 2015/16 | 2016/17 |
|---|---|---|
| Depreciation, amortization, and impairment | 705.2 | 717.8 |
| Result from sale of assets | –2.3 | –1.6 |
| Changes in pensions and other employee obligations, non-current provisions, and deferred taxes | –5.2 | 10.5 |
| Other non-cash income and expenses | –131.5 | –4.7 |
| | **566.2** | **722.0** |

In millions of euros

Cash flows from operating activities include dividend income of EUR 14.0 million (2015/16: EUR 19.9 million) from associates and joint ventures as well as other investments.

Cash flows from investing activities include inflows of cash and cash equivalents in the amount of EUR 0.4 million (2015/16: EUR 26.5 million) from initial consolidation of acquired and/or newly consolidated companies and outflows of the purchase price in the amount of EUR 28.3 million (2015/16: EUR 39.7 million). The sale of subsidiaries resulted in an outflow of cash and cash equivalents from cash flows from investing activities of EUR 0.5 million (2015/16: EUR 0.0 million) and an inflow of the sale price in the amount of EUR 2.5 million (2015/16: EUR 0.1 million).

Cash flows from financing activities include dividends for non-controlling interests amounting to EUR 17.9 million (2015/16: EUR 47.8 million) and capital increase of non-controlling interests in the amount of EUR 2.1 million (2015/16: EUR 1.5 million).

The additions to assets due to finance lease activities contain non-cash investments amounting to EUR 0.8 million (2015/16: EUR 4.2 million).

## 25. RELATED PARTY DISCLOSURES

Business transactions between the Group and non-consolidated subsidiaries and associates or their subsidiaries as well as joint ventures are carried out at arm's length and are included in the following items of the consolidated financial statements:

| | 2015/16 | | 2016/17 | |
|---|---|---|---|---|
| | With joint ventures | With associates and non-consolidated subsidiaries | With joint ventures | With associates and non-consolidated subsidiaries |
| Revenue | 1.3 | 243.7 | 1.1 | 196.3 |
| Material expenses | 3.3 | 127.1 | 4.4 | 128.5 |
| Other operating income | 0.3 | 5.9 | 0.3 | 4.6 |
| Other operating expenses | 0.0 | 1.7 | 0.0 | 4.1 |
| | 03/31/2016 | | 03/31/2017 | |
| Trade and other receivables | 0.0 | 32.7 | 0.6 | 46.7 |
| Financial liabilities/trade and other payables | 0.1 | 26.3 | 0.0 | 41.0 |

In millions of euros

Receivables and liabilities with associates and joint ventures as well as with non-consolidated subsidiaries comprise both direct and indirect relationships.

In addition, there are business transactions with core shareholders that have a significant influence due to consolidation of the voestalpine shares using the equity method. Business transactions are carried out at arm's length and can be depicted as follows:

| | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Cash and cash equivalents | 110.7 | 2.1 |
| Financial liabilities/trade and other payables | 110.3 | 120.3 |
| Guarantees received | 1.0 | 1.1 |

In millions of euros

The non-inclusion of non-consolidated entities in the consolidated financial statements has no significant impact on the Group's net assets, financial position, or results of operations.

**Management Board**
The fixed compensation of the Management Board is determined by the General Committee of the Supervisory Board pursuant to the Austrian legal situation and is reviewed periodically.

The award of a bonus is subject to a target agreement to be concluded with the General Committee of the Supervisory Board that consists of quantitative and qualitative targets. The maximum bonus is limited to 200% of the annual gross salary for members of the Management Board and to 250% of the annual gross salary for the Chairman of the Management Board. If the agreed target values for quantitative targets are achieved exactly, 60% of the maximum bonus applies; if the agreed target values for qualitative targets are achieved, 20% of the maximum bonus applies. The over-achievement of the targets is taken into consideration proportionately until the maximum bonus is reached. The target amounts for the quantitative targets are EBIT and the return on capital employed (ROCE). Specific target amounts are determined periodically (for a period of three years) by the General Committee of the Supervisory Board in consultation with the Management Board. Its basis of calculation is independent of the respective budget and the medium-term business plan, i.e., budget compliance does not mean achieving a bonus. The qualitative targets agreed for the business year 2016/17 were firstly the presentation of a long-term NAFTA strategy for the voestalpine Group and, secondly, the development of basic technology options for $CO_2$-reduced steel production.

The amount of the contractually approved company pension depends on the length of service for members of the Management Board Dr. Eder, Mag. Dipl.-Ing. Ottel, and Dipl.-Ing. Eibensteiner. The amount of the annual pension equals 1.2% of the last annual gross salary for each year of service. The pension benefit cannot exceed 40% of the last annual gross salary (without variable compensation). A defined contribution arrangement was made with the members of the Management Board Dipl.-Ing. Rotter, Dipl.-Ing. Dr. Kainersdorfer, and Dipl.-Ing. Dr. Schwab; whereby 15% of their annual gross salary (without bonuses) is paid by the Company into the pension fund.

The members of the Management Board receive severance benefits at the time of termination of their employment by way of analogous application of the Salaried Employees Act *(Angestelltengesetz)*.

D&O insurance has been taken out for the members of the Management Board (as well as for executives) and for the members of the Supervisory Board, the costs of which amounting to EUR 0.1 million (2015/16: EUR 0.1 million) are borne by the entity.

The compensation paid to the members of the Management Board of voestalpine AG is comprised as follows for the business year 2016/17:

| | Current fixed compensation | Current variable compensation | Total |
|---|---|---|---|
| Dr. Wolfgang Eder | 1.10 | 2.03 | 3.13 |
| Dipl.-Ing. Herbert Eibensteiner | 0.80 | 1.17 | 1.97 |
| Dipl.-Ing. Dr. Franz Kainersdorfer | 0.80 | 1.17 | 1.97 |
| Mag. Dipl.-Ing. Robert Ottel | 0.80 | 1.17 | 1.97 |
| Dipl.-Ing. Franz Rotter | 0.80 | 1.17 | 1.97 |
| Dipl.-Ing. Dr. Peter Schwab | 0.80 | 1.17 | 1.97 |
| | | | |
| **2016/17** | **5.10** | **7.88** | **12.98** |
| 2015/16 | 4.44 | 5.98 | 10.42 |

In millions of euros

In addition to the remuneration in accordance with the above table, the following service costs (personnel expenses) are recognized in the consolidated financial statements for members of the Management Board with defined benefit pension agreements: Dr. Eder EUR 0.00 million (2015/16: EUR 0.00 million), Mag. Dipl.-Ing. Ottel EUR 0.30 million (2015/16: EUR 0.35 million), and Dipl.-Ing. Eibensteiner EUR 0.27 million (2015/16: EUR 0.31 million); the following pension costs are recognized in the consolidated financial statements for members of the Management Board with defined contribution pension agreements: Dipl.-Ing. Rotter EUR 0.12 million (2015/16: EUR 0.11 million), Dipl.-Ing. Dr. Kainersdorfer EUR 0.12 million (2015/16: EUR 0.11 million), and Dipl.-Ing. Dr. Schwab EUR 0.12 million (2015/16: EUR 0.09 million). Pension payments amounting to EUR 0.96 million (2015/16: EUR 0.93 million) were paid by the pension fund for former members of the Management Board with defined benefit pension agreements.

At the reporting date, the outstanding balance of the variable compensation was EUR 6.64 million (2015/16: EUR 4.92 million). No advances or loans were granted to the members of the Management Board of voestalpine AG.

Until July 3, 2016, directors' dealings notices of the members of the Management Board were published on the website of the Austrian Financial Market Authority at www.fma.gv.at; after July 3, 2016, notices are published on the Company's website (www.voestalpine.com » Investors » Corporate Governance).

**Supervisory Board**

Under Section 15 of the Articles of Incorporation, the members of the Supervisory Board of voestalpine AG receive 0.1% of the profit after tax reported in the approved consolidated financial statements as compensation. The total amount is distributed in accordance with an allocation key as follows: 100% for the Chairman, 75% for the Deputy Chairman, and 50% for all other members, according to the change to Section 15 of the Articles of Incorporation resolved by the 2016 Annual General Meeting with a minimum compensation of EUR 27,000 for the Chairman, EUR 20,000 for the Deputy Chairman, and EUR 13,000 for all other members of the Supervisory Board. Compensation is limited to a multiple of four times the stated amounts. Additionally, members of the Supervisory Board receive an attendance fee amounting to EUR 500 per Supervisory Board meeting. There is no separate compensation for meetings of the committees of the Supervisory Board, but they receive an attendance fee of EUR 500 per meeting.

According to this regulation, the shareholders' representatives on the Supervisory Board received the following compensation for the business year 2016/17: Dr. Joachim Lemppenau (Chairman): EUR 108,000 (2015/16: EUR 108,000)[1]; Dr. Heinrich Schaller (Deputy Chairman): EUR 80,000 (2015/16: EUR 80,000)[1]; all other shareholders' representatives: EUR 52,000 (2015/16: EUR 52,000)[1]. The members of the Supervisory Board nominated by the Works Council do not receive any compensation.

The annual compensation of members of the Supervisory Board and the mode of calculation have been definitively regulated by the Articles of Incorporation since the 2006 Annual General Meeting and do not require a separate resolution by the Annual General Meeting every year.

The compensation of the Supervisory Board (including attendance fee) totaled EUR 0.55 million (2015/16: EUR 0.55 million)[1] in the business year 2016/17. The compensation of the Supervisory Board for the business year 2016/17 is paid out at the latest 14 days after the Annual General Meeting on July 5, 2017. No advances or loans were granted to members of the Supervisory Board of voestalpine AG.

Until July 3, 2016, directors' dealings notices of the members of the Supervisory Board were published on the website of the Austrian Financial Market Authority at www.fma.gv.at; after July 3, 2016, notices are published on the Company's website (www.voestalpine.com » Investors » Corporate Governance).

As legal counsel to voestalpine AG and its subsidiaries, the law firm Binder Grösswang Rechtsanwälte GmbH, of which Dr. Michael Kutschera (member of the Supervisory Board) is a partner, provided legal advisory services relating in particular to corporate and capital market law issues in the business year 2016/17. Fees for these matters were invoiced at the general hourly rates of the law firm of Binder Grösswang Rechtsanwälte GmbH applicable at the time. For the business year 2016/17, total net fees of EUR 32,098.00 (2015/16: EUR 36,994.00) were incurred for services provided by the law firm of Binder Grösswang Rechtsanwälte GmbH.

[1] Change to the amount of compensation for the shareholders' representatives on the Supervisory Board published in the Annual Report 2015/16 on the basis of the change to Section 15 of the Articles of Incorporation resolved by the 2016 Annual General Meeting.

## 26. EMPLOYEE INFORMATION

### TOTAL NUMBER OF EMPLOYEES

| | Reporting date | | Average | |
|---|---|---|---|---|
| | 03/31/2016 | 03/31/2017 | 2015/16 | 2016/17 |
| Waged employees | 28,155 | 28,712 | 28,080 | 28,283 |
| Salaried employees | 16,891 | 17,154 | 16,710 | 17,031 |
| Apprentices | 1,377 | 1,320 | 1,482 | 1,449 |
| | **46,423** | **47,186** | **46,272** | **46,763** |

The personnel expenses included in these consolidated financial statements amount to EUR 2,859.6 million (2015/16: EUR 2,785.3 million).

## 27. EXPENSES FOR THE GROUP AUDITOR

Expenses for the Group auditor in the business year are structured as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| Expenses for the audit of the financial statements | 0.25 | 0.25 |
| Expenses for other certifications | 1.07 | 1.06 |
| Expenses for tax consulting services | 0.00 | 0.00 |
| Expenses for other services | 0.02 | 0.22 |
| | **1.34** | **1.53** |

In millions of euros

## 28. DISCLOSURES OF TRANSACTIONS NOT RECORDED IN THE STATEMENT OF FINANCIAL POSITION

In the voestalpine Group, trade receivables are sold monthly to various banks on a revolving basis. In this context, there are four different types of factoring agreements.

In the first type of factoring agreement, trade receivables totaling EUR 611.1 million (March 31, 2016: EUR 507.1 million) were sold to various banks. Receivables covered by credit insurance were assigned to banks to the amount 100% of the nominal value, with the acquiring banks assuming the risk of default. Any claims arising from credit insurance are assigned to the acquiring bank. The Group company that is selling only assumes a liability for default to the amount of—generally—10% of the retention level from the credit insurance. On the reporting date, the maximum risk associated with liability for default was EUR 59.5million (March 31, 2016: EUR 51.3 million).The liability for default corresponds to the theoretical maximum loss. The probability of needing to fall back on this liability is extremely low. The fair value of this risk is assessed at EUR 0.0 million. The receivables are fully derecognized in accordance with the regulations of IAS 39 on the basis of the cessions of the essential opportunities and risks and on the basis of the transfer of the right of use to the acquiring party.

In the second type of factoring agreement, uninsured trade receivables of EUR 117.1 million (March 31, 2016: EUR 107.9 million) are sold. The purchasing bank assumes 100% of the risk of default. All of the receivables are fully derecognized. With the exception of the capitalized service fee mentioned below for administration of receivables, there is no ongoing commitment.

In the third type of factoring agreement (introduced in October 2014), both insured and uninsured trade receivables of EUR 124.3 million (March 31, 2016: EUR 123.7 million) are sold. Any claims arising from credit insurance are assigned to the acquiring bank. At the time of the sale of the receivable, loss reserves of 0.9% and dilution reserves of 1.6% (with reference to the sold receivables) are deducted from the purchase price. The dilution reserves totaling EUR 2.0 million for receivables sold on the reporting date are for payment of discounts, bonuses, etc. and are posted as other receivables. The carrying amount corresponds to the fair value. A loss reserve to cover any defaults to the amount of EUR 1.1 million for receivables sold on the reporting date was posted as an expenditure, which is reversed in the absence of any defaults. The theoretical maximum loss is limited to the loss reserve. The receivables are fully derecognized in accordance with the regulations of IAS 39 on the basis of the cessions of the essential opportunities and risks and on the basis of the transfer of the right of use to the acquiring party.

In the fourth type of factoring agreement, both insured and uninsured trade receivables of EUR 28.0 million (March 31, 2016: EUR 23.6 million) are sold. Any claims arising from credit insurance are assigned to the acquiring bank. For any bad debts, a "first loss reserve account" was funded to the amount of EUR 0.2 million for 12 months by the selling Group company. The first loss reserve account was EUR 0.2 million on the reporting date and was reported as cash. The carrying amount corresponds to the fair value. The theoretical maximum loss is limited to the amount within the "first loss reserve account." Because of the transfer of significant rewards and risks and the transition of control to the purchaser, the receivables were fully derecognized pursuant to the provisions of IAS 39.

In all of the types of factoring agreements, the payments received from customers during the period between the last sale of receivables and the reporting date are recognized on an accrual basis under other short-term financial liabilities in the voestalpine Group.

Administration of receivables for all types of factoring contracts remains with the particular companies of the Group. For the receivables that were sold, as of March 31, 2017, a total service fee of 0.15% of the sold amount of receivables of EUR 1.3 million was recorded as other provision. The carrying amount corresponds to the fair value of the ongoing commitment.

## 29. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.

## 30. EARNINGS PER SHARE

Diluted and basic (undiluted) earnings per share are calculated as follows:

| | 2015/16 | 2016/17 |
|---|---|---|
| **Profit attributable to equity holders of the parent (in millions of euros)** | **585.3** | **496.8** |
| Issued ordinary shares (average) | 174,949,163 | 175,065,830 |
| Effect of own shares held (average) | –28,597 | –28,597 |
| **Weighted average number of outstanding ordinary shares** | **174,920,566** | **175,037,233** |
| **Diluted and basic (undiluted) earnings per share (euros)** | **3.35** | **2.84** |

## 31. APPROPRIATION OF NET PROFIT

In accordance with the Austrian Stock Corporation Act, the appropriation of net profit is based on the annual financial statements of voestalpine AG as of March 31, 2017. These financial statements show net retained profits of EUR 194.0 million. The Management Board proposes a dividend of EUR 1.10 per share (2015/16: EUR 1.05).

Linz, May 24, 2017

The Management Board

| | | |
|---|---|---|
| Wolfgang Eder | Herbert Eibensteiner | Franz Kainersdorfer |
| Robert Ottel | Franz Rotter | Peter Schwab |

The consolidated financial statements of voestalpine AG and associated documents will be filed with the Commercial Register of the Commercial Court of Linz under company register number FN 66209 t.

Appendix to the Notes: Investments

This report is a translation of the original report in German, which is solely valid.

# AUDITOR'S REPORT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### AUDIT OPINION

We have audited the consolidated financial statements of **voestalpine AG, Linz,** and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of March 31, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of March 31, 2017, and its financial performance for the year then ended in accordance with IFRS as endorsed in the European Union and the addition requirements of Section 245a Companies Act.

### BASIS FOR OPINION

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following we present the matters which, in our view, represent the key audit matters:

a) Recoverability of goodwill
b) Recoverability of property, plant and equipment
c) Recoverability of deferred tax assets on tax losses brought forward

**a) Recoverability of goodwill**

In the consolidated financial statements of voestalpine AG as at March 31, 2017, an amount of EUR 1,549.5 million is presented under the item "Goodwill" (10.5% of total assets). Goodwills are tested for impairment at least annually, and – if applicable – as events occur. The valuation of goodwill is performed based on a valuation model according to the discounted cash flow methodology. The book value goodwill is compared to the recoverable amount (value in use) derived from the valuation model. As far as the recoverable amount is lower than the book value, goodwill will be impaired.

Given the materiality of goodwill, the estimation uncertainty involved in the derivation of data for the valuation model, the immanent discretionary decisions as well as the complexity of the valuation model itself, the recoverability of goodwill is considered a key audit matter. The results of the valuation model depend heavily on management's estimates of future cash inflows and of the discount rate applied and are therefore subject to material uncertainty. The risk for the consolidated financial statements consists in the fact that assumptions and estimates on which the valuation is based can lead to a shortfall of book values in case of a negative deviation of the actual development.

We have verified the appropriateness of the future cash flows used in the calculation by comparing these to the current values in the five-year mid-term planning prepared by management and approved by the supervisory board and to general and industry-specific market expectations. Here we also acknowledged the major assumptions and discretionary decisions that formed the basis of the planning. Under consideration of the fact that already small changes of the discount rate applied can significantly influence the amount of the resulting entity value, we also placed audit emphasis on the parameters used in determining the applicable discount rate including the average cost of capital ("weighted average cost of capital"), among others by comparing them to market and industry specific guideline values and verified the mathematical correctness of the valuation result. Due to the substantial role of goodwill, which makes up for 10.5% of group total assets and due to the fact that its valuation is also influenced by the macroeconomic environment which cannot be influenced by the Group, we have also re-performed the sensitivity analyses prepared by the Group and verified the impact of parameter changes (changes in discount rate and cash flows) on the amount by which the value in use derived from the valuation model exceeds the book value of goodwill.

The Group's disclosures concerning goodwill and impairment tests are included in Sections B. and G.10. of the notes to the consolidated financial statements.

**b) Recoverability of property, plant and equipment**
In the consolidated financial statements of voestalpine AG, an amount of EUR 6,371.9 million is disclosed under the item "property, plant and equipment" (43.3% of total assets). Management will determine upon identification of triggering events whether a permanent impairment or full recoverability of property, plant and equipment or of the relevant cash generating unit (CGU) is present.

An impairment charge is recognized to the extent that the book value of an individual asset or of a cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of net realizable value and value in use. The valuation model is basically the same as for the impairment tests of goodwill.

Due to the materiality of property, plant and equipment, the estimation uncertainty for the derivation of data for the valuation model and the immanent discretionary decisions as well as the complexity of the valuation model, recoverability of property, plant and equipment is considered a key audit matter. The results of the valuation model depend significantly on the estimation of future cash inflows by management as well as on the discount rate applied and are therefore exposed to significant uncertainty. The risk for the consolidated financial statements consists in the fact that the assumptions and estimates on which the valuation is based can lead to a shortfall of book values in case of a negative deviation of the actual development.

Thus for property, plant and equipment the same reasons for the classification as a key audit matters are relevant. Our audit approach therefore corresponds to our approach in the audit of the recoverability of goodwill, so that we can refer to our explanations in the context of recoverability of goodwill. In the fiscal year 2016/17, the Metal Engineering Division has accounted for impairments of property, plant and equipment amounting to EUR 3.3 million in the cash generating unit dealing with the production of special wires (fine wires) which are due to delays in the project run-up phase and reduced profit expectations.

The direct reduction plant for the production of high-quality hot briquetted iron in Texas which was put into operation in the fiscal year 2016/17 is part of the Steel Division and forms a separate cash generating unit (voestalpine Texas group). The excess of investment expenditures incurred (increase of investment expenditures compared to the original planning at project start) was the triggering event for an impairment test for property, plant and equipment and intangible assets respectively of the CGU voestalpine Texas group. The impairment test performed has confirmed the recoverability of the book values recognized in the consolidated financial statements for the CGU (EUR 911.4 million).

In connection with our audit of the recoverability we have also verified to which extent reversals of impairments recognized in previous years were required in the fiscal year 2016/17.

The Group's disclosures concerning the recoverability of property, plant and equipment as well as concerning impairments and reversals of past impairments are included in Sections B. and G.9. of the notes to the consolidated financial statements.

**c) Recoverability of deferred tax assets on tax losses brought forward**
In the consolidated financial statements of voestalpine AG as at March 31, 2017, deferred tax assets on tax losses brought forward amounting to EUR 219.6 million (previous year: EUR 49.2 million) are recognized. Moreover, the group has unused tax losses amounting to EUR 313.6 million (previous year: EUR 251.9 million) for which no deferred tax asset has been recognized.

In our view, this matter is of particular importance for the consolidated financial statements as the calculation model for deferred taxes is complex, the result of the calculation of the deferred tax asset on tax losses brought forward is highly dependent on the estimate of the future tax results of the relevant group companies and is therefore subject to material uncertainty. The risk for the consolidated financial statements consists in the fact that the assumptions and estimates on which the accounting treatment of deferred taxes is based do not lead to the expected tax relief in case of a negative deviation of the actual development.

We have audited the calculation model as well as the structure and effectiveness of existing controls with the involvement of tax experts. The corresponding notes in the group reporting concerning deferred taxes (tax workbook), which have been completed by the individual group companies and – on an aggregated basis – by the divisions and the group itself have been analysed for their correctness and reasonableness. We have reviewed and corroborated the planning of the future tax results which also included the verification as to whether the planning of future tax results is consistent with the five-year plans approved by the relevant bodies.

Moreover, we have performed an evaluation whether any limitations in the use of tax losses or expiry dates for the usage of tax losses have been incorporated in the calculation.

The Group's disclosures concerning deferred taxes are included in Sections B. and G.13. of the notes to the consolidated financial statements.

**RESPONSIBILITIES OF MANAGEMENT AND OF THE SUPERVISORY BOARD/ AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as endorsed in the European Union and the additional requirements of Section 245a Companies Act, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board/Audit Committee is responsible for overseeing the Group's financial reporting process.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with in accordance with Austrian Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

» identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

» evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

» evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

» obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board/Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board/Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board/Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Comments on the Management Report for the Group**
Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

» Opinion
In our opinion, the management report for the group was prepared in accordance with the applicable legal requirements, contains appropriate indications according to Section 243a Companies Act and is consistent with the consolidated financial statements.

» Statement
Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

**Other Information**
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

**Responsible Austrian Certified Public Accountant**
The engagement partner on the audit resulting in this independent auditor's report is Univ.Doz. Dr. Walter Platzer, Certified Public Accountant.

Vienna, May 24, 2017

Grant Thornton Unitreu GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Univ.Doz. Dr. Walter Platzer

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

# MANAGEMENT BOARD STATEMENT
## IN ACCORDANCE WITH SECTION 82 (4) OF THE STOCK EXCHANGE ACT *(BÖRSEGESETZ, BÖRSEG)*

The Management Board of voestalpine AG confirms to the best of its knowledge that the consolidated 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 the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Linz, May 24, 2017

The Management Board

Wolfgang Eder
Chairman of the Management Board

Herbert Eibensteiner
Member of the Management Board

Franz Kainersdorfer
Member of the Management Board

Robert Ottel
Member of the Management Board

Franz Rotter
Member of the Management Board

Peter Schwab
Member of the Management Board

This report is a translation of the original report in German, which is solely valid.