

GENERAL INFORMATION/ACCOUNTING POLICIES

These Interim Consolidated Financial Statements of voestalpine AG as of September 30, 2017, for the first half of the business year 2017/18 were prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies are unchanged from the Consolidated Financial Statements for the business year 2016/17.

THE FOLLOWING NEW AND REVISED STANDARDS AND INTERPRETATIONS WERE IN EFFECT BUT HAD NOT YET BEEN ADOPTED FOR THE FIRST TIME IN THE BUSINESS YEAR 2017/18

Standard	Content	Effective date ¹
IAS 12, amendments	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017 ¹
IAS 7, amendments	Disclosure Initiative	January 1, 2017 ¹
Various standards, amendments	Annual Improvements to International Financial Reporting Standards, 2014 – 2016 Cycle	January 1, 2018/ January 1, 2017 ¹

¹ Has not yet been endorsed by the EU.

The changes had not yet been adopted by the EU by the date on which the financial statements were prepared. From today's perspective, the amendments and new versions of standards and interpretations are not expected to have any material effects on the voestalpine Group's net assets, financial position, and results of operations.

Further information on the other principles of preparation is provided in the Consolidated Financial Statements as of March 31, 2017, on which these Interim Consolidated Financial Statements are based.

The Interim Consolidated Financial Statements are presented in millions of euros (the functional currency of the parent company). The use of automated calculation systems may result in rounding differences that affect amounts and percentages.

Unless otherwise stated, comparative information relates to the first half of the business year 2016/17 (reporting date: September 30, 2016).

The present Interim Consolidated Financial Statements have not been audited or reviewed by auditors.

CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The changes made in the scope of Consolidated Financial Statements during the first half of the business year 2017/18 were as follows:

	Full consolidation	Equity method
As of April 1, 2017	277	9
Acquisitions		
Change in consolidation method		
Additions	3	
Disposals		
Reorganizations		
Divestments or disposals		
As of September 30, 2017	280	9
Of which foreign companies	220	4

The following entities are being included in the Interim Consolidated Financial Statements for the first time in the first half of the business year 2017/18:

Name of entity	Interest in %
Full consolidation	
voestalpine Automotive Components Tianjing Co., Ltd.	100.000%
voestalpine Rotec Coating SRL	100.000%
voestalpine Böhler Welding Vertriebs GmbH	100.000%

The additions to the scope of Consolidated Financial Statements of fully consolidated entities include two newly established subsidiaries, and the consolidation of one entity not previously included in the scope of the Consolidated Financial Statements.

SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Name of the subsidiary	Domicile	09/30/2016	09/30/2017
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 160.0 million (September 30, 2016: EUR 159.6 million), of which EUR 80.5 million (September 30, 2016: EUR 82.1 million) is attributable to voestalpine Tubulars GmbH & Co KG and EUR 30.2 million (September 30, 2016: EUR 25.0 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 Group-internal transactions.

SUMMARIZED STATEMENT OF FINANCIAL POSITION

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	09/30/2016	09/30/2017	09/30/2016	09/30/2017
Non-current assets	104.9	119.9	19.5	16.3
Current assets	90.9	140.5	103.2	90.4
Non-current provisions and liabilities	30.7	29.2	0.9	2.9
Current provisions and liabilities	65.2	123.1	73.3	44.3
Net assets (100%)	99.9	108.1	48.5	59.5

In millions of euros

SUMMARIZED INCOME STATEMENT

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	04/01– 09/30/2016	04/01– 09/30/2017	04/01– 09/30/2016	04/01– 09/30/2017
Revenue	102.4	221.4	43.4	43.4
EBIT	-10.8	5.7	10.6	16.2
Profit after tax	-11.2	3.9	7.9	12.0
Attributable to:				
Equity holders of the parent	-5.6	1.9	4.0	6.0
Non-controlling interests	-5.6	1.9	4.0	6.0
Dividends paid to non-controlling interests	5.2	0.0	4.5	6.5

In millions of euros

SUMMARIZED STATEMENT OF CASH FLOWS

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	04/01– 09/30/2016	04/01– 09/30/2017	04/01– 09/30/2016	04/01– 09/30/2017
Cash flows from operating activities	12.3	-8.4	11.9	5.9
Cash flows from investing activities	-18.7	-8.5	-0.4	-0.3
thereof additions/divestments of other financial assets	0.0	0.0	0.0	0.0
Cash flows from financing activities	6.4	16.6	-5.4	-8.1
Net decrease/increase in cash and cash equivalents	0.0	-0.3	6.1	-2.5

In millions of euros

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

SHARES IN IMMATERIAL JOINT VENTURES

Profits from the joint ventures, which are individually immaterial for the voestalpine Interim Consolidated Financial Statements, are included using the equity method. This information relates to the interests held by the voestalpine Group in immaterial joint ventures and is broken down as follows:

	04/01- 09/30/2016	04/01- 09/30/2017
Group share of		
Profit after tax	0.3	0.7
Other comprehensive income	-0.1	-0.3
Comprehensive income	0.2	0.4
Carrying amount immaterial joint ventures	3.5	4.3

In millions of euros

SHARES IN IMMATERIAL ASSOCIATES

The profit from associates that are individually immaterial for the voestalpine Interim 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:

	04/01- 09/30/2016	04/01- 09/30/2017
Group share of		
Profit after tax	8.8	9.8
Other comprehensive income	-0.1	-1.8
Comprehensive income	8.7	8.0
Carrying amount immaterial associates	100.9	112.7

In millions of euros

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In the first half of the business year 2017/18, depreciation totaling EUR 384.6 million exceeded actual investments amounting to EUR 337.8 million. In the first half of the business year 2017/18, EUR 15.0 million in impairments of property, plant and equipment were recognized in the Metal Engineering Division for a cash generating unit, which engages in the manufacture of ultra high-strength fine wire, due to challenging market conditions arising from technological and product-specific requirements, competitive pressures as well as the resulting reduction in earnings forecasts. This and negative currency translation effects amounting to EUR 162.9 million essentially led to a decrease in non-current assets from EUR 8,733.6 million to EUR 8,505.4 million. Due primarily to an operational increase in inventories (see consolidated cash flow statement), compared to March 31, 2017, the carrying amount of the inventories on the reporting date rose by EUR 288.2 million despite negative currency translation effects.

As of September 30, 2017, voestalpine AG's share capital amounted to EUR 320,394,836.99 (March 31, 2017: EUR 320,394,836.99) and is divided into 176,349,163 shares (March 31, 2017: 176,349,163). The Company held 28,597 of its own shares as of the reporting date. In the first half of the business year 2017/18, the Company neither bought nor sold any own shares.

In the business year 2012/13, voestalpine AG issued a new subordinate undated bond (hybrid bond 2013) with a volume of EUR 500 million. As the hybrid bond satisfies the IAS 32 criteria for equity, the proceeds from the bond issue 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 in tax effects. Therefore, equity increased by EUR 497.9 million in the business year 2012/13.

Due primarily to changes in the actuarial result (positive) and currency translation effects (negative), the profit after tax of EUR 388.9 million was reduced to total comprehensive income of EUR 328.9 million. This increased equity to EUR 6,183.8 million despite the dividend distribution. For the business year 2016/17, a dividend per share of EUR 1.10 was decided upon at the Annual General Meeting on July 5, 2017. Therefore, voestalpine AG has distributed dividends amounting to EUR 194.0 million to its shareholders in the current business year.

Provisions for pensions, severance, and long-service bonus obligations are taken into account in the Interim Consolidated Financial Statements based on an expert opinion on the forecast for the entire current business year 2017/18. If significant changes of the parameters occur during the year, a re-assessment of the net debt is carried out.

A positive performance of the pension fund of 3.0% during the current business year and an increase of the discount interest rate from 1.6% to 1.8% resulted in a decrease overall of the provisions for pension and severance obligations and consequently in an actuarial gain of EUR 29.3 million (after deferred taxes). This also resulted in a decrease of the provisions for long-service bonus obligations amounting to EUR 2.6 million and a gain recognized in the income statement (after deferred taxes) amounting to EUR 2.0 million.

voestalpine AG has successfully placed a new EUR 500 million corporate bond issue in the capital market for general corporate funding purposes as well as for refinancing a senior bond that expires in February 2018. The coupon rate for the 7-year bond is 1.375%.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Revenue for the period from April 1 to September 30, 2017, in the amount of EUR 6,302.3 million increased by 16.5% compared to the same period of the preceding year (EUR 5,407.8 million). In the first half of the business year 2017/18, EBIT reached EUR 584.2 million compared to EUR 368.9 million for the same period of the preceding year. EBIT was EUR 255.4 million for the second quarter of 2017/18, compared to EUR 201.3 million for the second quarter of 2016/17. After consideration of the financial result and taxes, profit after tax amounted to EUR 388.9 million compared to EUR 233.7 million for the same period of the preceding year.

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

	04/01- 09/30/2016	04/01- 09/30/2017
Profit attributable to equity holders of the parent (in millions of euros)	224.6	368.8
Weighted average number of outstanding ordinary shares (millions)	174.9	176.3
Diluted and basic (undiluted) earnings per share (euros)	1.28	2.09

OPERATING SEGMENTS

The following table contains information on the operating segments of the voestalpine Group for the first half of the business year 2017/18 and the business year 2016/17, respectively:

OPERATING SEGMENTS

	Steel Division		High Performance Metals Division	
	04/01-09/30/2016	04/01-09/30/2017	04/01-09/30/2016	04/01-09/30/2017
Segment revenue	1,776.1	2,298.8	1,306.0	1,431.4
of which revenue with third parties	1,630.7	2,099.2	1,281.6	1,403.4
of which revenue with other segments	145.4	199.6	24.4	28.0
EBITDA	230.8	442.7	193.5	226.5
EBIT	97.1	287.9	121.6	152.2
EBIT margin	5.5%	12.5%	9.3%	10.6%
Segment assets	4,847.9	5,165.9	3,901.3	3,987.9
Employees (full-time equivalent)	10,928	10,905	13,573	13,950

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

EBITDA

	04/01-09/30/2016	04/01-09/30/2017
Net exchange differences incl. result from valuation of derivatives	0.0	-0.8
Consolidation	-1.8	3.5
EBITDA – Total reconciliation	-1.8	2.7

In millions of euros

Metal Engineering Division		Metal Forming Division		Other		Reconciliation		Total Group	
04/01-09/30/2016	04/01-09/30/2017	04/01-09/30/2016	04/01-09/30/2017	04/01-09/30/2016	04/01-09/30/2017	04/01-09/30/2016	04/01-09/30/2017	04/01-09/30/2016	04/01-09/30/2017
1,332.5	1,511.2	1,188.0	1,321.6	502.5	753.9	-697.3	-1,014.6	5,407.8	6,302.3
1,313.8	1,490.1	1,172.2	1,303.7	9.5	5.9	0.0	0.0	5,407.8	6,302.3
18.7	21.1	15.8	17.9	493.0	748.0	-697.3	-1,014.6	0.0	0.0
172.0	177.7	153.4	163.7	-43.0	-44.4	-1.8	2.7	704.9	968.9
95.5	81.4	103.3	108.7	-46.8	-48.7	-1.8	2.7	368.9	584.2
7.2%	5.4%	8.7%	8.2%					6.8%	9.3%
3,120.7	3,196.9	2,087.9	2,306.1	10,176.7	11,226.9	-10,059.7	-10,747.3	14,074.8	15,136.4
12,709	13,450	10,724	11,498	852	835	0	0	48,786	50,638

In millions of euros

EBIT

	04/01-09/30/2016	04/01-09/30/2017
Net exchange differences incl. result from valuation of derivatives	0.0	-0.8
Consolidation	-1.8	3.5
EBIT – Total reconciliation	-1.8	2.7

In millions of euros

All other key figures contain solely the effects of consolidation.

NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash expenses and income include depreciation (including financial assets) in the amount of EUR 385.6 million. Taking the change in working capital into consideration, cash flows from operating activities amounted to EUR 381.9 million in comparison to EUR 450.3 million in the first half of the preceding year; this represents a decrease of about 15%. After the deduction of EUR 606.3 million in cash flows from investing activities that include EUR 226.5 million in additions of other financial assets (basically a temporary investment of a portion of the proceeds of a bond issue) and taking into account cash flows from financing activities amounting to EUR 424.9 million (mainly proceeds of a bond issue as well as additional long-term funding less dividends), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR 200.5 million.

NOTES ON FINANCIAL INSTRUMENTS

The following table compares the carrying amounts to the fair values for each class of financial assets and liabilities:

	09/30/2016		09/30/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets measured at amortized cost	2,087.4	2,087.4	2,552.3	2,552.3
Financial assets measured at fair value	423.8	423.8	440.7	440.7
	2,511.2	2,511.2	2,993.0	2,993.0
Liabilities				
Financial liabilities measured at amortized cost	6,264.5	6,389.2	6,870.1	6,922.8
Financial liabilities measured at fair value	17.0	17.0	21.9	21.9
	6,281.5	6,406.2	6,892.0	6,944.7

In millions of euros

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

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 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
09/30/2017				
Financial assets				
Financial assets measured at fair value through profit or loss				
Held for trading (derivatives)		21.8		21.8
Fair value option (securities)	386.8			386.8
Available for sale at fair value			32.1	32.1
	386.8	21.8	32.1	440.7
Financial liabilities				
Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives)		21.9		21.9
	0.0	21.9	0.0	21.9
09/30/2016				
Financial assets				
Financial assets measured at fair value through profit or loss				
Held for trading (derivatives)		12.9		12.9
Fair value option (securities)	378.8			378.8
Available for sale at fair value			32.1	32.1
	378.8	12.9	32.1	423.8
Financial liabilities				
Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives)		17.0		17.0
	0.0	17.0	0.0	17.0

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.

voestalpine 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 Frankfurt 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 period from April 1 to September 30, 2016, and from April 1 to September 30, 2017.

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

	04/01– 09/30/2016	04/01– 09/30/2017
Opening balance	32.1	32.1
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.).

SEASONALITY AND CYCLICALITY

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

BUSINESS TRANSACTIONS WITH ASSOCIATED COMPANIES OR PARTIES

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

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

ANTITRUST PROCEEDINGS

As of September 30, 2017, the provisions recognized in the annual financial statements 2016/17 in the amount of EUR 35.6 million for the antitrust proceedings and associated actions and costs relative to railway superstructure material as well as for the closure of TSTG Schienen Technik GmbH & Co KG have been reduced to EUR 32.0 million due to the use of these provisions.

Companies of the Special Steel Division of the voestalpine Group are affected by proceedings of the German Federal Cartel Office (*Bundeskartellamt*) that became public on 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 interim reporting period.

In the course of the current investigations of the German Federal Cartel Office against steel producers, a search was conducted in the offices of voestalpine in Linz, Austria, from September 12 to 14, 2017, for the German Federal Cartel Office. The search took place on suspicion of anti-competitive practices in the market for heavy plates. Austrian authorities took part in accordance with European legal requirements. voestalpine AG is taking these allegations very seriously and is cooperating with the authorities. No provisions were formed in this regard in the current interim reporting period.

PROVISIONS AND CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.